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

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended December 31, 2019

OR

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

OR

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

Date of event requiring this shell company report . . . .

For the transition period from ____________ to ________________

Commission file number: 001-34238

THE9 LIMITED
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

Cayman Islands
(Jurisdiction of incorporation or organization)

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Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
American Depositary Shares, each representing three Class A ordinary shares	**NCTY**	**Nasdaq Capital Market**
Class A ordinary shares, par value US$0.01 per share*		**Nasdaq Capital Market***

* Not for trading, but only in connection with the listing on the Nasdaq Capital Market of American depositary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2019, there were 121,761,675 ordinary shares, par value US$0.01 per share, issued and outstanding, being the sum of 108,154,341 Class A ordinary shares (excluding 15,338,560 ordinary shares we reserved for issuance upon the exercise of options under our share incentive plan and for our treasury ADSs) and 13,607,334 Class B ordinary shares.

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

* If "Other" has been checked in response to the previous question, indicate by check mark which financial statement Item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

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INTRODUCTION

In this annual report, unless otherwise indicated, (1) the terms "we," "us," "our company," "our" and "The9" refer to The9 Limited and, as the context may require, its subsidiaries and our consolidated affiliated entities, (2) the terms "affiliated entities" and "affiliated PRC entities" refer to our consolidated affiliated PRC entities, including, among others, Shanghai The9 Information Technology Co., Ltd., or Shanghai IT, in which we do not have direct equity interests but over which we effectively control through a series of contractual arrangements as described under "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Arrangements with Affiliated PRC Entities," (3) the terms "shares" and "ordinary shares" refer to our ordinary shares; "Class A ordinary shares" refer to our Class A ordinary shares of par value US$0.01 per share; "Class B ordinary shares" refers to our Class B ordinary shares of par value US$0.01 per share; and "ADSs" refers to our American depositary shares, each of which represents three Class A ordinary shares, (4) "China" and "PRC" refer to the People's Republic of China, and solely for the purpose of this annual report, excluding Taiwan, Hong Kong and Macau, (5) all references to "RMB" and "Renminbi" are to the legal currency of China and all references to "U.S. dollars," "dollars," "US$" and "$" are to the legal currency of the United States, and (6) all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

Our business is primarily conducted in China and a significant portion of our revenues are denominated in RMB. This annual report contains translations of RMB amounts into U.S. dollars based on the exchange rate set forth in the H.10 statistical release of the Federal Reserve Bank of New York. For the convenience of the readers only, this annual report contains translations of some RMB or U.S. dollar amounts for 2019 at US$1.00 to RMB6.9618, which was the noon buying rate in effect as of December 31, 2019. The prevailing rate on April 24, 2020 was US$1.00 to RMB7.0813. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, the rates stated below, or at all. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Future movements in exchange rates between the U.S. dollar and the RMB may adversely affect the value of our ADSs."

Effective May 9, 2018, we effected a change of the ratio of the ADSs to ordinary shares from one ADS representing one ordinary share to three ordinary shares. On May 6, 2019, we adjusted our authorized share capital and adopted dual-class share structure, consisting of Class A ordinary shares and Class B ordinary shares. Currently, each ADS represents three Class A ordinary shares. Unless otherwise indicated, ADSs and per ADS amount in this annual report have been retroactively adjusted to reflect the changes in ratio for all periods presented.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Information

The following table presents selected consolidated financial information for our company. You should read the following information in conjunction with "Item 5. Operating and Financial Review and Prospects" below. The selected consolidated statement of operations data for the year ended December 31, 2017, 2018 and 2019 and the selected consolidated balance sheet data as of December 31, 2018 and 2019 have been derived from our audited consolidated financial statements and should be read in conjunction with those statements, which are included in this annual report beginning on page F-1. The selected consolidated statement of operations data for the year ended December 31, 2015 and 2016 and the selected consolidated balance sheet data as of December 31, 2015, 2016 and 2017 have been derived from our audited consolidated financial statements, which are not included in this annual report. The consolidated financial statements were prepared and presented in accordance with United States generally accepted accounting principles, or U.S. GAAP.

	For the Year Ended December 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US$[1]
	(in thousands, except for per share and per ADS data)					
Consolidated Statement of Operation Data						
Revenues[2]	46,610	56,286	73,208	17,492	343	49
Sales taxes	(199)	(86)	(59)	(61)	(2)	(0)
Net revenues	46,411	56,200	73,149	17,431	341	49
Cost of revenue	(67,744)	(48,519)	(23,782)	(16,436)	(1,342)	(193)
Gross (loss) profit	(21,333)	7,681	49,367	995	(1,001)	(144)
Operating expenses	(303,604)	(306,892)	(163,027)	(105,991)	(162,746)	(23,377)
Other operating (expenses)/income	(1,563)	3,605	350	230	30	4
Loss from operations	(326,500)	(295,606)	(113,310)	(104,766)	(163,717)	(23,517)
Impairment on equity investments and available-for-sale investments	—	(244,798)	—	(1,386)	(4,666)	(670)
Impairment on other investments	—	(2,807)	(9,109)	(7,776)	(3,791)	(545)
Impairment on other advances	—	—	—	—	(5,981)	(859)
Interest income	775	161	31	194	19	3
Interest expenses	(6,397)	(56,472)	(83,922)	(104,777)	(34,502)	(4,956)
Fair value change on warrants liability	(7,129)	48,057	12,615	2,251	1,292	186
(Loss)/gain on disposal of equity investees and available-for-sale investment	—	(1,217)	115	—	695	100
Gain on disposal of other investments	—	—	—	—	13,431	1,929
Foreign exchange (loss)/gain	(7,313)	(13,131)	19,206	(20,331)	(5,474)	(786)
Other income, net	5,396	3,179	4,670	1,599	9,373	1,346
Loss before income tax expense and share of loss in equity method investments	(341,168)	(562,634)	(169,704)	(234,992)	(193,321)	(27,769)
Income tax benefit	—	6,079	—	—	—	—
Recovery of equity investment in excess of cost	—	—	60,549	—	—	—
Share of loss in equity investments	(13,014)	(110,535)	(2,938)	(4,293)	(2,847)	(409)
Net loss	(354,182)	(667,090)	(112,093)	(239,285)	(196,168)	(28,178)
Net (loss)/gain attributable to:						
Noncontrolling interest	(16,656)	(58,584)	3,956	(16,333)	(13,518)	(1,942)
Redeemable noncontrolling interest	(32,698)	(14,724)	2,117	(5,859)	(4,856)	(698)
The9 Limited	(304,828)	(593,782)	(118,166)	(217,093)	(177,794)	(25,538)
Change in redemption value of redeemable noncontrolling interest	79,806	82,890	57,126	40,919	12,828	1,843
Net loss attributable to holders of ordinary shares	(384,634)	(676,672)	(175,292)	(258,012)	(190,622)	(27,381)
Other comprehensive income/(loss); net of tax:						
Currency translation adjustments	5,009	(1,755)	(9,526)	(1,314)	(794)	(114)
Total comprehensive loss	(349,173)	(668,845)	(121,619)	(240,599)	(196,962)	(28,292)
Comprehensive (loss)/gain attributable to:						
Noncontrolling interest	(16,913)	(58,584)	13,458	(24,888)	(19,738)	(2,835)
Redeemable noncontrolling interest	(32,698)	(14,724)	2,117	(5,859)	(4,856)	(698)
The9 Limited	(299,562)	(595,537)	(137,194)	(209,852)	(172,368)	(24,759)
Change in redemption value of redeemable non-controlling interest	(79,806)	(82,890)	(57,126)	(40,919)	(12,828)	(1,843)
Comprehensive loss attributable to holders of ordinary shares	(379,368)	(678,427)	(194,320)	(250,771)	(185,196)	(26,602)
Net loss attributable to holders of ordinary shares per share						
Basic	(16.55)	(28.34)	(5.24)	(4.15)	(1.79)	(0.26)
Diluted	(16.55)	(28.34)	(5.24)	(4.15)	(1.79)	(0.26)
Net loss attributable to holders of ordinary shares per ADS[3]						
Basic	(49.65)	(85.02)	(15.72)	(12.45)	(5.37)	(0.78)
Diluted	(49.65)	(85.02)	(15.72)	(12.45)	(5.37)	(0.78)

	As of December 31,					
	2015	2016	2017	2018	2019[4]	
	RMB	RMB	RMB	RMB	RMB	US$[1]
	(in thousands)					
Consolidated Balance Sheet Data						
Cash and cash equivalents	49,011	38,878	142,624	4,256	10,113	1,453
Non-current assets	460,837	262,854	139,997	131,673	26,991	3,877
Total assets	538,095	350,892	323,109	164,687	181,459	26,065
Total current liabilities	427,966	573,749	819,445	908,424	1,058,083	151,984
Total equity (deficit)	(241,076)	(702,054)	(802,351)	(1,084,811)	(1,231,922)	(176,955)
Redeemable noncontrolling interest	178,605	246,771	306,015	341,075	349,047	50,137
Total liabilities, redeemable noncontrolling interest and equity	538,095	350,892	323,109	164,687	181,459	26,065

Notes:

(1) Translation from Renminbi amounts into U.S. dollars was made at a rate of RMB6.9618 to US$1.00 for the convenience of the reader only. See "Item 3. Key Information—A. Selected Financial Information—Exchange Rate Information."

(2) Effective from January 1, 2018, we adopted ASC 606, *Revenue from Contracts with Customers*, and have applied such accounting standards to the year ended December 31, 2018 and any subsequent fiscal year. The financial data for the year ended December 31, 2015, 2016 and 2017 have not been recast and as such are not comparable with the financial data for the years ended December 31, 2018 and December 31, 2019. The adoption of ASC 606 did not have material impact on our financial results.

(3) Each ADS represents three Class A ordinary shares.

(4) Effective from January 1, 2019, we adopted ASC 842, *Leases*, a new accounting standard on the recognition of right-of-use assets and lease liabilities, and have applied this accounting standard on a modified retrospective basis and have elected not to restate comparative periods. See Note 13 to our audited consolidated financial statements included elsewhere in this annual report for further information.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks Related to Our Company and Our Industry

We may continue to incur losses, negative cash flows from operating activities and net current liabilities in the future. If we are not able to return to profitability or raise sufficient capital to cover our capital needs, we may not continue as a going concern.

We incurred net losses of RMB112.1 million, RMB239.3 million and RMB196.2 million (US$28.2 million) for the year ended December 31, 2017, 2018 and 2019, respectively, as we continued to incur product development and sales and marketing expenses for our new products and general and administrative expenses while we have not generated significant revenues from our new games or other operations in those periods and since 2009. Our product development, sales and marketing and general and administrative expenses may increase in the future as we continue to explore various opportunities of new product and services development and business expansion in order to grow our revenues. Our ability to achieve profitability depends on the competitiveness of our products and services as well as our ability to control costs and to provide new products and services to meet the market demands and attract new customers. Due to the numerous risks and uncertainties associated with our business, we may not be able to achieve profitability in the short-term or long-term.

We recorded negative operating cash flows of RMB86.7 million, RMB101.2 million and RMB54.2 million (US$7.8 million) for the years ended December 31, 2017, 2018 and 2019, respectively. Furthermore, as of December 31, 2017, 2018 and 2019, we recorded net current liabilities of RMB636.3 million, RMB875.4 million and RMB903.6 million (US$129.8 million), respectively. Our net current liabilities positions as of December 31, 2017, 2018 and 2019 were primarily due to continuous cash outflow in connection with our product development and sales and marketing activities. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Results of Operations." We cannot assure you that our liquidity position will improve in the future. We may continue to incur losses, negative cash flows from operating activities and net current liabilities, which may materially and adversely affect our business, prospects, liquidity, financial condition and results of operations.

We had an accumulated deficit of approximately RMB3,410.9 million (US$489.9 million) and total current liabilities exceeded total assets by approximately RMB876.6 million (US$125.9 million) as of December 31, 2019. If we are unable to achieve profitability or raise sufficient capital to cover our capital needs, we may not continue as a going concern. There can be no assurance that we can obtain additional financing. Our ability to obtain additional financing is subject to a number of factors, which may be beyond our control. See "—We may not be able to obtain additional financing to support our business and operations, and our equity or debt financings may have an adverse effect on our business operations and share price."

Our consolidated financial statements for each of the three years ended December 31, 2019 included in this annual report beginning on page F-1 have been prepared based on the assumption that we will continue on a going concern basis. The auditors of our consolidated financial statements have included in their audit reports an explanatory paragraph relating to substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of liabilities that might result from the outcome of this uncertainty.

We are transitioning our business focus and may continue to experience significant decline in our results of operations.

In March 2019, we entered into a joint venture agreement with Faraday&Future Inc., or F&F, and subsequently attempted to enter into electric vehicle business. However, our transition to electric vehicles business did not develop as we anticipated. As of the date of this annual report, we have not entered into a license agreement with F&F and have not fulfilled our first installment contribution obligation of US$200.0 million to F&F as set forth in the joint venture agreement and its amendments. As a result of our business focus transition, our revenues decreased significantly from RMB17.5 million in 2018 to RMB0.3 million (US$0.05 million) in 2019. Currently, the existing agreements with F&F and other agreements that we entered into for our electric vehicles business are still effective and constitute our outstanding legal obligations. However, there can be no assurance that we will continue to proceed with our electric vehicle business or that our electric vehicle business will be developed as previously planned. Currently, we are still operating our gaming business and are in the process of identifying an alternative business development focus for our company. We cannot assure you that we will successfully identify or transition our business focus and it is possible that we remain in such status for a certain period of time. During such period, our revenue may be very limited and we may continue to experience material and adverse effect to our results of operations, financial condition and business prospects. If we are not able to identify any alternative business focus and generate sufficient revenue in a timely manner, our operations may not sustain going forward.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may implement new lines of business or offer new products and services within our existing lines of business. For example, in March 2019, we entered into a joint venture agreement with F&F to establish a joint venture and serve China with electric vehicles designed and developed by F&F. Currently, we are also in the process of identifying an alternative business development focus for our company. However, as a new entrant into the new lines of business, we face significant challenges, uncertainties and risks, including, among others, with respect to our ability to:

- build a well-recognized and respected brand;
- establish and expand our customer base;
- improve and maintain our operational efficiency for new lines of business;
- maintain a reliable, secure, high-performance and scalable technology infrastructure for our new lines of business;
- anticipate and adapt to changing market conditions, including technological developments and changes in competitive landscape;
- navigate an evolving and complex regulatory environment, such as licensing and compliance requirements; and
- manage the resources and attention of management between our current core business and new lines of business

Moreover, there can be no assurance that the introduction and development of new lines of business or new products and services would not encounter significant difficulties or delay or would achieve the profitability as we expect. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations and prospects. For example, as our previous efforts to enter into blockchain business, in February 2018, we subscribed a total of 5,297,157 blockchain-related tokens to be issued by Telegram Inc., or Telegram, for a consideration of US$2.0 million with a third-party company and the tokens were expected to be issued in 2019. In October 2019, Telegram notified participants of the tokens offering that the SEC filed a lawsuit against it in United States and that the expected launch date has been extended to April 2020. As of December 31, 2019, we provided a valuation allowance on these subscribed tokens. As of the date of this annual report, these subscribed tokens have not been issued. There will no assurance that those tokens will be issued on time and Telegram may further extend the launch date or may enter into a termination arrangement depending on the development of future events.

We may not be able to obtain additional financing to support our business and operations, and our equity or debt financings may have an adverse effect on our business operations and share price.

We may continue to experience a material decrease in our cash and cash equivalents balance. We will require additional cash resources to fund our working capital and expenditure needs, such as product developments expenses, payment of license fees and royalties, sales and marketing activities, investment or acquisition transactions, as well as our capital contribution obligations pursuant to the joint venture agreement with F&F. See "—We and F&F are obligated to provide contribution to the joint venture pursuant to the joint venture agreement. If F&F or we fail to fulfill the contribution requirements, the joint venture may not succeed."

Furthermore, we expect to continue to incur product development costs to develop our proprietary online games, primarily mobile games, and license fees and royalties to obtain game licenses from third-party developers. If our internal financial resources are insufficient to satisfy our cash requirements, we may seek additional financing through the issuance of equity securities or through debt financing, such as borrowings from commercial banks or other financial institutions or lenders. However, we cannot assure you that such efforts may succeed. For example, we entered into a share purchase agreement in June 2017 with each of Ark Pacific Special Opportunities Fund I, L.P. or AP Fund, and Incsight Limited, or Incsight, which is wholly owned by Mr. Jun Zhu, our chairman and chief executive officer, to raise an aggregate of US$30.0 million through equity financing. Such transactions did not succeed and were terminated in February 2019. In addition, in July 2019, we entered into a convertible note purchase agreement with Jupiter Excel Limited, or Jupiter Excel, pursuant to which we agreed to sell and Jupiter Excel agreed to purchase 12% convertible notes in an aggregate principal amount of US$30 million, or the 2019 Convertible Notes. The closing of the transaction was subject to certain closing conditions. Due to unfavorable market conditions and failure to satisfy the closing conditions, the proposed 2019 Convertible Notes transaction was not closed and the convertible note purchase agreement was terminated in March 2020.

To meet our anticipated working capital needs, we are considering multiple alternatives, including but not limited to additional equity financing, settlement of convertible notes, launch of new games and new operations, and cost controls. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Cash Flows and Working Capital." There can be no assurance that we will be able to complete any such transaction on acceptable terms or at all. If we are unable to obtain the necessary capital, we may need to seek to be acquired by another entity or cease operations.

Any equity or debt financing may result in dilution to our existing shareholders' interests or an increase in our debt service obligations. For example, in December 2015, we issued and sold senior secured convertible notes in an aggregate principal amount of US$40,050,000, or the Convertible Notes, to Splendid Days Limited, or Splendid Days in three tranches at initial conversion prices of US$7.8, US$15.6 and US$23.4 per ADS, respectively. In connection with the sale of Convertible Notes, we also issued warrants, or the Warrants, in an aggregate principal amount of US$9,950,000 to Splendid Days in four tranches at initial exercise prices of US$4.5, US$7.8, US$15.6 and US$23.4 per ADS, each representing three Class A ordinary shares, respectively. As of the date of this annual report, the outstanding balance of the Convertible Notes amounted to US$55.5 million, and the Warrants in a principal amount of US$5.0 million with the initial exercise of US$4.5 per ADS were still outstanding. In February 2020, we issued and sold a one-year convertible note in a principal amount of US$500,000 at an initial conversion price of US$1.05 per ADS to Iliad Research and Trading, L.P., or Iliad. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Cash Flows and Working Capital." The Convertible Notes, among others, significantly increased our debt obligations and any conversion or exercise, as applicable, of the Convertible Notes and Warrants by Splendid Days and any issuance of new shares may cause significant dilution to our existing shareholders' interest in our company.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance, our indebtedness, including the Convertible Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. For example, in June 2016, Asian Development Limited, or Asian Development, our wholly-owned subsidiary, borrowed a loan of HK$92.3 million from a financial services company, which is secured by a pledge of shares of L&A International Holding Limited, or L&A. As Asian Development is currently in default of the loan due to a sharp decline in the share price of L&A, the lender is entitled to foreclose the pledged L&A shares. If the market value of the pledged shares cannot cover the total outstanding amount owed by Asian Development to the lender, the lender may also make a claim against Asian Development for any outstanding amounts of the loan. As of the date of this annual report, we had not received any claims from the lender against Asian Development. In addition, we failed to repay the Convertible Notes upon the maturity date and later entered into a deed of settlement with Splendid Days, the holder of the Convertible Notes, in March 2019, and subsequently entered into several amendments to the deed of settlement in relation to the repayment schedule for the overdue Convertible Notes. Pursuant to the Convertible Notes, the deed of settlement and its amendments and negotiation with Splendid Days, the outstanding amount of the Convertible Notes bore an interest rate of 12% per annum from the original maturity date to February 21, 2020. In February 2020, we completed the sale of the equity interests in certain subsidiaries that collectively held the previously mortgaged properties of Zhangjiang Micro-eletronic Port Block #3, or Previously Mortgaged Properties, in accordance with the deed of settlement and its amendments. Pursuant to the deed of settlement and its amendments, US$6.6 million of the outstanding amount of the Convertible Notes continues to bear an interest rate of 14% per annum commencing from February 22, 2020. As of the date of this annual report, we have repaid approximately US$4.8 million to Splendid Days and the outstanding balance of the Convertible Notes amounted to US$55.5 million, which we plan to repay using the consideration received from the sale of the equity interests in certain subsidiaries that collectively held the Previously Mortgaged Properties. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as restructuring debt or obtaining additional equity capital. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. Incurrence of additional indebtedness could also result in operating and financing covenants restricting our business operations. In addition, we cannot assure you that any such future financing will be available to us in amounts or on terms acceptable to us, if at all. If we fail to obtain sufficient financing to fund our capital needs, our business, financial condition and results or operations could be materially and adversely affected.

Our joint venture with F&F may have an adverse effect on our financial results, business prospects and reputation.

In March 2019, we entered into a joint venture agreement with F&F. The immediate objective of this joint venture is to exclusively manufacture and distribute certain electric car model designed and developed by F&F in China. Even though our joint venture business did not develop as we anticipated, our agreements with F&F still constitute our legal obligations as of the date of this annual report and therefore we are obligated to provide substantial amount of capital contribution to the joint venture. See "—We and F&F are obligated to provide contribution to the joint venture pursuant to the joint venture agreement. If F&F or we fail to fulfill the contribution requirements, the joint venture may not succeed or we may be removed from the joint venture." Any failure of the joint venture with F&F would materially and adversely affect our business prospects. Moreover, any material disputes with F&F may also require us to allocate significant corporate and other resources. If we are in dispute with F&F, legal proceedings may be initiated. The process of legal proceedings may be lengthy and costly and may divert the attention of our management. If we cannot obtain a judgment in favor of us, we may incur additional costs or damages and our business, financial condition and results of operations may be adversely affected. In addition, Mr. Yueting Jia, the co-founder of F&F, is associated with debt problems in China and he and his affiliates are subject to various legal proceedings according to public information. In April 2019, China Securities Regulatory Committee also launched a formal investigation of Mr. Jia with allegations of violations of information disclosure regulations. Negative outcome of the investigation or legal proceedings and negative publicity of Mr. Jia may materially and adversely impact the reputation and business operations of F&F and may as a result potentially harm our business.

We and F&F are obligated to provide contribution to the joint venture pursuant to the joint venture agreement. If F&F or we fail to fulfill the contribution requirements, the joint venture may not succeed or we may be removed from the joint venture.

Pursuant to the joint venture agreement, F&F is obligated to make contributions to the joint venture including the use right in a piece of land in China for electric vehicles manufacturing and is obligated to grant the joint venture an exclusive license to manufacture, market, distribute and sell F&F's certain car model and other potential selected car models in China. Pursuant to the joint venture agreement and amendments with F&F, we are obligated to make a capital contribution of US$600.0 million to the joint venture which is payable in three installments subject to certain pre-conditions. See "Item 4. Information on the Company—B. Business Overview—Products and Services—Electric Vehicles" for more details. Pursuant to the joint venture agreement and its amendments, the first installment of US$200.0 million of the capital contribution is required to be made in accordance with the payment schedule of license fees to be agreed in the license agreement with F&F. As of the date of this annual report, we have not entered into a license agreement with F&F and have not fulfilled our first installment contribution obligation. There can be no assurance that we will raise sufficient funding to make any of the required capital contribution as set forth in the joint venture agreement. We may enter into amendments to our joint venture agreement with F&F to amend the capital contribution scheme and schedule. However, there can be no assurance that we will reach an agreement with F&F to amend the joint venture agreement on a timely basis, or at all. If we do not successfully raise the capital to contribute to the joint venture as agreed, or if F&F fails to contribute the land use right or does not enter into a license agreement with the joint venture on reasonable terms or at all the joint venture cannot proceed with its proposed objectives and the electric vehicle business will not succeed. In the event we cannot make the required capital contribution in accordance with the joint venture agreement, the total amount of capital contribution that has then been made by us will automatically convert into Class B ordinary shares in Smart King Limited, or Smart King, the holding company of F&F at a pre-agreed conversion price set forth in the joint venture agreement, and either party would have the right to terminate the joint venture agreement.

Since the electric vehicles industry is challenging and rapidly evolving and the joint venture cooperation between F&F and us is subject to a number of conditions and uncertainties, we cannot assure you that we will be able to implement the development plan as set out in accordance with the current joint venture agreement. We may enter into amendments to the current joint venture agreement with F&F from time to time to reflect the fast-changing market and industry conditions. If F&F or we fail to perform our respective obligation under the joint venture agreement in a timely manner, or at all, we would experience delays in establishing and developing our electric vehicles business. In addition, the joint venture may not succeed and may be terminated due to failure to establish a sustainable business. As a result, our business prospects, financial conditions and results of operations may be materially and adversely affected.

F&F may exercise its call option to buy our shares in the joint venture pursuant to the joint venture agreement.

Pursuant to the joint venture agreement, F&F was granted a call option to buy out our shares in the joint venture at a pre-agreed premium if there is an initial public offering of Smart King or a subsidiary of Smart King within four years of the joint venture's inception, and F&F may elect to pay the purchase price in the form of either cash or shares of Smart King or its subsidiary that is the issuer in the initial public offering. There is no assurance whether the condition to such call option will occur or whether F&F will exercise such call option, which is dependent on factors beyond our control. In the event that F&F exercises such call option, we may be removed from the joint venture as a result and may not be able to share its future profits if F&F elects to pay the purchase price in the form of cash.

The Convertible Notes are subject to redemption rights by holders upon a change of control of our company or an event of default, and they contain covenants that may restrict our ability to declare dividends and our operational and financial flexibility.

In December 2015, we completed the issuance and sale of the Convertible Notes. Pursuant to the terms of the Convertible Notes, if we undergo a change of control, holders of the Convertible Notes will be entitled to require us to redeem all or part of the Convertible Notes, at a price payable in cash equal to 100% of the outstanding principal amount of the Convertible Notes, plus all accrued and unpaid interest thereon, if any. The Convertible Notes define a "change of control" to include: (1) our company's consolidation with, or merger with or into, any other company, and vice versa; (2) our company disposing of all or substantially all of its assets; (3) the adoption of a plan relating to the liquidation or dissolution of our company; or (4) Mr. Jun Zhu, our chairman and chief executive officer, ceasing to directly or indirectly own 20% or more of the total outstanding and issued shares of our company on a fully-diluted and as-converted basis. In May 2019, Splendid Days provided us with a waiver letter and irrevocably agreed and confirmed that the occurrence of clause (4) mentioned above should not be deemed to be a "change of control" under the Convertible Notes and further waived any rights or claims arising out of or in connection with the occurrence of "change of control" under the Convertible Notes. In addition, pursuant to the terms of the Convertible Notes, if there is a continuing event of default, the holders will be entitled to declare any of the Convertible Notes immediately due and payable, and request redemption by us at a price equal to the outstanding principal amount plus all accrued and unpaid interest thereon, if any. "Events of default" as defined in the Convertible Notes include, among other things, an event of default of any indebtedness of our company or our principal subsidiaries in the amount exceeding US$500,000. In March 2017, AP Fund provided us with a waiver agreement waiving its right to declare the Convertible Notes immediately due and payable and request redemption as a result of the default of Asian Development under the HK$92.3 million loan. We failed to repay the Convertible Notes upon the maturity date and later entered into a deed of settlement with Splendid Days, the holder of the Convertible Notes in March 2019, and subsequently entered into several amendments to the deed of settlement in relation to the repayment schedule for the overdue Convertible Notes. Pursuant to the Convertible Notes, deed of settlement and its amendments, the outstanding amount of the Convertible Notes bore an interest rate of 12% per annum from the original maturity date to February 21, 2020. In February 2020, we completed the sale of the equity interests in certain subsidiaries that collectively held the Previously Mortgaged Properties in accordance with the deed of settlement and its amendments. Pursuant to the deed of settlement and its amendments, US$6.6 million of the outstanding amount of the Convertible Notes continues to bear an interest rate of 14% per annum commencing from February 22, 2020. As of the date of this annual report, we have repaid approximately US$4.8 million to Splendid Days and the outstanding balance of the Convertible Notes amounted to US$55.5 million, which we plan to repay using the consideration received from the sale of the equity interests in certain subsidiaries that collectively held the Previously Mortgaged Properties. If we are not able to seek additional capital or restructure or refinance our indebtedness, we may not meet our scheduled debt service obligations, which could cause a material and adverse impact on our operations and financial results. We cannot assure you that Splendid Days will not exercise its redemption rights if we fail to fulfill our obligations under the deed of settlement and its amendments. In the event that Splendid Days exercised its redemption rights, we will be obligated, among others, to redeem the Convertible Notes, in whole or in part, at a price payable in cash equal to 100% of the outstanding principal amount plus all accrued and unpaid interest. See "—We may not be able to obtain additional financing to support our business and operations, and our equity or debt financings may have an adverse effect on our business operations and share price.

In addition, the Convertible Notes contains covenants that may limit our financial and operating flexibility. The covenants restrict our ability to, among other things, (1) make dividend or other distribution to our shareholders, and (2) sell or dispose of certain assets, if such action would result in an event of default under the Convertible Notes. As a result of the covenants, our ability to pay dividends or other distributions on our ordinary shares, including those represented by ADSs, may be limited. These covenants could also restrict our ability to raise additional capital in the future through bank borrowings and debt and equity issuances and may restrict our ability to engage in some transactions that we expect to be of benefit to us.

Our gaming business is intensely competitive and "hit" driven. If we do not deliver new "hit" products to the market, or if consumers prefer our competitors' products or services over those we provide, our operating results will suffer.

The gaming industry is a highly competitive and dynamic market, and, if we still commit to gaming business, our future success depends not only on the popularity of our existing online games but also, in a large part, on our ability to develop and introduce new games that are attractive to our customers. To achieve this, we need to anticipate and effectively adapt to rapidly changing consumer tastes and preferences and technological advances. The development of new games and the procurement of licenses from third-party developers can be very difficult and requires high levels of innovation and significant investments. We currently focus on and have made significant investment in developing our own proprietary games, primarily mobile games. However, we do not have a proven track record of developing such games or other online games. While new products are regularly introduced, only a small number of "hit" titles account for a significant portion of total revenues in our industry. We may decide to cease to operate or develop any game that is no longer profitable. For example, we ceased to operate Knight Forever and Q Jiang San Guo in 2019. There is no assurance that any new game, proprietary, licensed or otherwise, to be introduced by us from time to time, including those named in "Item 4. Information on the Company—B. Business Overview—Products and Services," could become "hit" products and be widely accepted by the customers and the market. We may continue to incur losses, and experience net cash outflow from operating activities, decrease in cash and cash equivalents balance and net current liabilities if we fail to introduce "hit" games or products which gain substantial market acceptance. In addition, "hit" products offered by our competitors may take a larger share of the market than we anticipate, which could cause revenues generated by our products to fall below expectations. Our competitors may develop more successful products, or offer similar products at lower price points or pursuant to payment models viewed as offering a better value than we do. Any such negative development may materially and adversely affect our business, financial condition and results of operations.

We currently depend on a limited number of games, and we may not be able to successfully implement our growth strategies.

We currently depend on a limited number of games for substantially all of our revenues. In addition, we currently focus on developing a number of proprietary games and obtaining licenses to games to grow our business. We have invested significant time and resources in developing our proprietary online games, including a new mobile game that we are developing based on the intellectual property relating to CrossFire, or the CrossFire New Mobile Game. In addition, our subsidiary Asian Way Development Limited obtained a right from T3 Entertainment Co., Ltd., or T3 Entertainment, to develop a mobile game based on the intellectual property relating to a game called Audition and has sub-licensed all of its rights and obligations with respect to the development, marketing, distribution and publishing of the game to a third-party entity. However, there is no assurance that we can successfully develop the games we invest in, that we may successfully launch the games as expected on a timely basis, or at all, or any newly launched games such as CrossFire New Mobile Game would be widely accepted by game players. In particular, the development and operation of a game usually involves significant investments and dedication of time and resources, but the resulting game product may not yield the financial return that we anticipate. Our business strategies may also involve the development and marketing of new products and services for which there are no established markets in China or in which we lack experience and expertise. If any of our games encounters any adverse development or if we are unable to develop, purchase or license additional games that are attractive to users, our business, financial condition and results of operations may be materially and adversely affected. We cannot assure you that we will be able to launch new games or continue operating existing games on a commercially viable basis or in a timely manner, or at all, or that we will be able to implement our other growth strategies. If any of these occur, our competitiveness may be harmed and our business, financial condition and results of operations may be materially and adversely affected.

Illegal game servers, unauthorized character enhancements and other infringements of our intellectual property rights, as well as theft of in-game goods, could harm our business and reputation and materially and adversely affect our results of operation.

With the increase in the number of online game players in China, we face the risks of illegal game servers, unauthorized character enhancements and other infringements of our intellectual property rights as well as the risk of theft of in-game goods purchased by our customers. Although we have adopted a number of measures to address illegal server usage, misappropriation of our game server installation software and the establishment of illegal game servers could harm our business and reputation and materially and adversely affect our results of operations.

From time to time, we have detected a number of players who have gained an unfair advantage by installing tools that fraudulently facilitate character progression. We have installed software patches designed to prevent unauthorized modifications to our execution files. However, we cannot assure you that we will be able to identify and eliminate new illegal game servers, unauthorized character enhancements or other infringements of our intellectual property rights in a timely manner, or at all. The deletion of unauthorized character enhancements requires the affected players to restart with a new character from the starting level, and this may cause some of these players to cease playing the game altogether. If we are unable to eliminate illegal servers, unauthorized character enhancements or suffer other infringement of our intellectual property rights, our players' perception of the reliability of our games may be negatively impacted, which may reduce the number of players using our games, shorten the lifespan of our games and adversely affect our results of operations.

Our business may be adversely affected by the outbreak of COVID-19 in China.

Since the beginning of 2020, outbreaks of COVID-19 have resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China. Substantially all of our employees are located in Shanghai. Our employees in Shanghai were unable to go to our offices for an extended period. Normal economic life throughout China was sharply curtailed. The population in most of the major cities was locked down to a greater or lesser extent and opportunities for discretionary consumption were extremely limited. While many of the restrictions on movement within China have been relaxed as of the date of this annual report, there is great uncertainty as to the future progress of the disease. Currently, there is no vaccine or specific anti-viral treatment for COVID-19. Relaxation of restrictions on economic and social life may lead to new cases which may lead to the re-imposition of restrictions.

The quarantining requirements and work-from-home situation may materially and adversely disrupt our game development capabilities and cause delay in the launch time for licensed games. If we fail to timely complete the game development due to such disruptions, our business may be materially and adversely affected. The global spread of COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, and the extent to which it may affect our results of operations, financial condition and cash flow will depend on future developments, which are highly uncertain and cannot be predicted.

Our business, financial condition and results of operations may be adversely affected by the downturn in the global or Chinese economy.

COVID-19 had a severe and negative impact on the Chinese and the global economy in the first quarter of 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010, and the impact of COVID-19 on the Chinese economy in 2020 is likely to be severe. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

We face the risks of changing consumer preferences and uncertainty about market acceptance of our new products.

The online game industry is constantly evolving in China. Customer demand for and market acceptance of our online games is subject to a high degree of uncertainty. Our future operating results will depend on numerous factors beyond our control. These factors include, among others:

- the ability of our existing and new online games to gain popularity;
- customer demand for mobile games and web games;

- our ability to adopt and stay abreast of any new gaming technologies;
- competition against game developers and operators in and outside China;
- general economic conditions, particularly economic conditions affecting discretionary consumer spending;
- our ability to anticipate and timely and successfully adapt our product and service offerings constantly changing customer tastes and preferences;
- the availability of other forms of entertainment;
- customer demand for our in-game items; and
- critical reviews and public reception of our new products.

Our ability to plan for product development and distribution and promotional activities will be significantly affected by our ability to anticipate and adapt to relatively rapid changes in consumer tastes and preferences. Currently, we primarily offer and develop mobile games. A decline in the popularity of the types of games we offer or develop could adversely affect our business and prospects.

We may not be able to recover our market share and profitability as we operate in a highly competitive industry with numerous competitors.

There are numerous online game operators in China. Given the relatively low entry barriers, an increasing number of companies have entered the online game industry in China and a wider range of online games have been introduced to the Chinese market, and we expect this trend to continue. Our competitors vary in size and include large companies, many of which have significantly greater financial, marketing and game development resources and name recognition than we have, such as Tencent Holdings Limited, NetEase, Inc., Happy-elements Inc., Giant Interactive Group Inc., Changyou.com Limited and Perfect World Co., Ltd. As a result, we may not be able to devote the same degree of resources as our competitors do to designing, developing, licensing or acquiring new games, undertaking extensive marketing campaigns, adopting aggressive pricing policies, paying high compensation to game developers or compensating independent game developers. Our competitors may introduce new business methods, technologies or gaming platforms from time to time. If these new business methods, technologies or gaming platforms are more attractive to customers than what we offer, our customers may switch to our competitors' games, and we may lose market share. We cannot assure you that we will be able to compete successfully against new or existing competitors, or against new business methods, technologies or gaming platforms implemented by them. In addition, the increasing competition we experience in the online game industry may also reduce the number of our users or the growth rate of our user base or reduce the game points spending for in-game premiums. All of these competitive factors could materially and adversely affect our business, financial condition and results of operations and prevent us from recovering market share and profitability.

If we or our joint ventures fail to renew or acquire new online game licenses on favorable terms or at all, our future results of operations and profitability may be materially impacted.

In addition to developing and offering our own proprietary games, we and our joint ventures also seek to offer games licensed from game licensors. Historically, we have operated a number of games licensed from game licensors, most of which already expired or terminated. There is no assurance that we or our joint ventures will be able to acquire new online game licenses or favorable terms or at all, or that we or our joint ventures will be able to renew the game licenses upon their expiration.

We and our joint ventures need to renew existing licenses and may need to obtain new online game licenses, and any failure to do so on favorable terms or at all may materially and adversely affect our business, financial condition and results of operations. Online game developers may not grant or continue to grant licenses to us or our joint ventures due to commercial or other reasons. For example, our exclusive license from Smilegate Entertainment Inc., or Smilegate, to publish and operate CrossFire 2 in China was terminated in 2017 due to the slowdown of massively multiplayer online game market. If we or our joint ventures are unable to maintain a satisfactory relationship with the online game developers that have licensed games to us or our joint ventures, resulting in licenses not being renewed or licenses being prematurely terminated, or should any of these game developers either establish similar or more favorable relationships with our competitors in violation of their contractual arrangements with us or our joint ventures, or otherwise, our operating results and our business would be harmed. We cannot assure you that online game developers will renew their license agreements with us or our joint ventures, or grant us or our joint ventures a license for any new online games that they will develop or make available to us or our joint ventures expansion packs for existing games. Any failure to obtain or renew online game licenses from online game operators could harm our future results of operations or the growth of our business.

If we are unable to successfully launch and operate CrossFire New Mobile Game in China, our future results of operations may be materially and adversely affected.

We have invested a significant amount of financial and personnel resources in development of our proprietary CrossFire New Mobile Game. In July 2019, we entered in an amendment to the amended and restated license agreement dated October 31, 2017 with Smilegate and other parties thereto to extend the license period for game development till October 31, 2020. We expect to launch CrossFire New Mobile Game in the second half of 2020. However, in the event that we cannot meet such launch time, we may seek to further extend the license term. In November 2017, we entered into an exclusive publishing agreement with a third-party company, pursuant to which this third-party company was granted with an exclusive right to publish the CrossFire New Mobile Game in China. There is no assurance that CrossFire New Mobile Game can be successfully developed, tested and launched, or that once CrossFire New Mobile Game is launched, we will be able to continue to operate the game at a profit or at all. The relevant Chinese governmental authorities may delay or deny the granting of the approvals required for the open beta test, commercial launch or operation of CrossFire New Mobile Game due to the content of the game or other factors. Furthermore, there is no assurance that CrossFire New Mobile Game will attract sufficient users and be commercially successful.

We may not be able to get approval for renewing our current foreign games, or for licensing new foreign games, if the PRC regulatory authorities promote a policy of domestic online or mobile game development and tighten approval criteria for online or mobile game imports.

We licensed and operated foreign games and may still do so in the near future. In the past, such foreign games mainly included massively multiplayer online role-playing games (MMORPGs) or casual games. With mobile social gaming being one of our new businesses, we also license foreign mobile games. Since 2004, relevant government authorities have promulgated several circulars, according to which the development of domestically developed online games, including mobile games, will be strategically supported by the PRC government. For example, in July 2005, MIIT and the Ministry of Culture issued the Opinion on Development and Management of Online Games, or the Opinion. The Opinion provided that domestic software development companies, network service providers and content providers will be encouraged, guided and supported to develop and promote self-developed and self-owned online games so that such games can take up a leading position in the domestic market and expand into the international market.

The government will also encourage the development of derivative products to domestic online games. In support of this policy, GAPPRFT may tighten approval criteria for online game imports in an effort to protect the development of domestic online game enterprises, as well as to limit the influence of foreign culture on Chinese youth. If GAPPRFT implements such rules and policies, we may not be able to get approval for renewing our current foreign game licenses or for licensing new foreign games, and our business, financial condition and results of operations may be materially and adversely affected.

Failure to obtain or renew approvals or filings for online games and mobile games we operate may adversely affect our operations or subject us to penalties.

The Ministry of Culture has promulgated laws and regulations that require, among other things, (i) the review and prior approval of all new online games licensed from foreign game developers and related license agreements, (ii) the review of patches and updates with substantial changes of games which have already been approved, and (iii) the filing of domestically developed online games. Furthermore, online games, regardless of whether imported or domestic, will be subject to content review and approval by GAPPRFT prior to the commencement of games operations in China. Failure to obtain or renew approvals or complete filings for online games, including mobile games, may materially delay or otherwise affect a game operator’s plan to launch new games, and the operator may be subject to fines, the restriction or suspension of operations of the related games or revocation of licenses in the event that the relevant governmental authority believes that the violation is severe.

We cannot assure you that we are able to obtain and maintain requisite approvals or fulfill other requisite registration or filing procedures required by the relevant PRC governmental authorities in a timely manner, or at all. From time to time, we also rely on certain third-party licensors of domestically developed online games to obtain approvals and complete filings with the PRC regulatory authorities. If we or any such third-party licensors fail to obtain the required approvals or complete the filings, we may not be able to continue the operation of such games. If any such negative event occurs, our business, financial condition and results of operations may be materially and adversely affected.

Future acquisitions may have an adverse effect on our ability to manage our business and our results of operations.

Pursuing selective acquisitions was a part of our strategy to expand our business in the past. Although we currently may not have the necessary capital to conduct future acquisitions given the significant net loss and negative operating cash flow we have been experiencing, we may opportunistically acquire or invest in assets, businesses or companies that we believe would be beneficial for our company. Any acquisition or investment that we make may divert the attention of our management away from our ordinary course of business and any difficulties encountered in the integration process could have an adverse effect on our ability to manage our business. For example, in June 2019, we and our wholly-owned subsidiary entered into a share purchase agreement with Comtec Windpark Renewable (Holdings) Co., Ltd, or Comtec, a wholly-owned subsidiary of Comtec Solar Systems Group Limited (SEHK: 00712), or Comtec Group. Pursuant to the share purchase agreement, we issued 3,444,882 Class A ordinary shares to purchase 9.9% equity interest in Zhenjiang Kexin Power System Design and Research Company, or Kexin, a lithium battery management system and power storage system supplier. In addition, our ability to grow through future acquisitions, investments or organic means will also depend on the availability of suitable acquisitions and investment targets at an acceptable cost as well as our ability to compete effectively to attract these candidates. We may face significant competition in acquiring new businesses or companies, which may hinder the execution of our growth strategy. Future acquisitions or investments could result in a potential dilutive issuance of equity securities or the incurrence of debt, contingent liabilities, impairment losses or amortization expenses related to goodwill and other intangible assets, each of which could adversely affect our financial condition and results of operations. The benefits of an acquisition or investment may also take considerable time to develop and we cannot be certain that any particular acquisition or investment will produce its intended benefits. Future acquisitions would also expose us to potential risks, including risks associated with the assimilation of new operations, technologies and personnel, unforeseen or hidden liabilities, the diversion of resources from our existing businesses, sites and technologies, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions, and potential loss of, or harm to, our relationships with employees, customers, licensors and other suppliers as a result of the integration of new businesses.

Our equity investments or establishment of joint ventures and any material disputes with our investment or joint venture partners may have an adverse effect on our financial results, business prospects and our ability to manage our business.

From time to time, subject to the availability of the necessary financial resources, we make equity investments into selected targets, such as online game developers, operators or application platforms, or establish joint venture with business partners, to seek business growth opportunities. For example, in August 2014, we formed a joint venture company, System Link, with Qihoo 360, for publishing and operating Firefall, a massive multiplayer online first person shooting game, or MMOFPS, in China. In the same month, System Link licensed Firefall from our subsidiary Red 5 Singapore Pte. Ltd., or Red 5 Singapore, for a term of five years. In March 2019, we entered into a joint venture agreement with F&F. The immediate objective of this joint venture is to exclusively manufacture and distribute certain electric car model designed and developed by F&F in China. In addition, in May 2019, we entered into a joint venture agreement with EN+, to establish a joint venture to engage in sales of electric vehicle charging equipment, investment, construction and operation of charging stations, and provision of operational services relating to charging equipment and platforms for electric vehicles. Currently, we do not expect to pursue such joint venture opportunity with EN+.

We may have limited power to direct or otherwise participate in the management of operations and strategies of the companies in which we invest or the joint ventures we establish. The diversion of our management's attention away from our business and any difficulties encountered in managing our interests in the respective investees or joint ventures could have an adverse effect on our ability to manage our business. Any material disputes with our investment or joint venture partners and existing shareholders may also require us to allocate significant corporate and other resources. For example, Red 5 and its affiliates previously had been in dispute with Qihoo 360 and its affiliates regarding System Link and Firefall. Various legal proceedings have been initiated in connection with such dispute, including a litigation proceeding in Shanghai and an arbitration proceeding in Hong Kong. In May 2019, we entered into a mediation agreement with Qihoo 360 to settle the disputes in principle and then withdrew all the litigation claims against Qihoo 360 in Shanghai. As of the date of this annual report, we and Qihoo 360 are implementing the mediation agreement to settle the arbitration proceeding in Hong Kong.

Our investments may also be subject to market conditions and therefore are uncertain whether our resources and expenses devoted are able to be converted into revenue. For example, the license to publish and operate CrossFire 2 was terminated in 2017 due to the slowdown of massively multiplayer online game market. In addition, we may not recover our equity investments if the companies in which we invest do not perform well and equity investments could result in the incurrence of operating or impairment losses, which could materially and adversely affect our results of operations.

Undetected programming errors or flaws in our games could harm our reputation or decrease market acceptance of our games, which would materially and adversely affect our results of operations.

Our games may contain errors or flaws, which may only be discovered after their release, particularly as we launch new games or introduce new features to existing games under tight time constraints. If our games contain programming errors or other flaws, our customers may be less inclined to continue playing our games or to recommend our games to other potential customers, and may switch to our competitors' games. Undetected programming errors and game defects can disrupt our operations, adversely affect the gaming experience of our users, harm our reputation, cause our customers to stop playing our games, divert our resources and delay market acceptance of our games, any of which could materially and adversely affect our results of operations.

We may not be able to prevent others from infringing upon our intellectual property rights, which may harm our business and expose us to litigation.

We regard our proprietary software, domain names, trade names, trademarks and similar intellectual properties as critical to our business. Intellectual property rights and confidentiality protection in China may not be as effective as in the United States or other countries. Monitoring and preventing the unauthorized use of proprietary technology is difficult and expensive. The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology. Any misappropriation could have a negative effect on our business and operating results. We may need to resort to court proceedings to enforce our intellectual property rights in the future. Litigation relating to our intellectual property might result in substantial costs and diversion of resources and management attention away from our business. See "—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."

Any delay or failure by the online game platforms or distributors to successfully market or sell our products and services could adversely affect our business and results of operations.

We primarily rely on game platforms and distributors to distribute, promote, market and sell our games in China. End users can purchase our virtual currencies and prepaid cards through such game platforms and distributors. A substantial portion of our sales are carried out via such game platforms and distributors. We do not have long-term agreements with any online game platforms or distributors. A delay or failure by the online game platforms or distributors to successfully market or sell our prepaid cards or products may adversely affect our business and results of operations. We cannot assure you that we will continue to maintain favorable relationships with the online game platforms and distributors, and any failure to do so could materially and adversely affect our business and results of operations could be materially and adversely affected.

We rely on services and licenses from third parties to carry out our businesses, and if there is any negative development in these services or licenses, our end users may cease to use our products and services.

We rely on third parties for certain services and licenses for our business, including game platforms and distributors for the distribution of our games, and other services and licenses for our operations. For example, we rely on third-party licenses for some of the software underlying our technology platform, and on China Telecom's Internet data centers for hosting our servers. See "Item 4. Information on the Company—B. Business Overview—Pricing, Distribution and Marketing."

Any interruption or any other negative development in our ability to rely on these services and licenses, such as material deterioration of quality of the third-party services or the loss of intellectual property relating to licenses held by our licensors, could have a material and adverse impact on our business operations. In particular, our game licensors may be subject to intellectual property rights claims with respect to the games or software licensed to us. If such licensors cannot prevail on the legal proceedings brought against them, we could lose the right to use the licensed games or software. Furthermore, if our arrangements with any of these third parties are terminated or modified against our interest, we may not be able to find alternative solutions on a timely basis or on terms favorable to us. If any of these events occur, our end users may cease using our products and services, and our business, financial condition and results of operations may be materially and adversely affected.

If we fail to obtain proper licenses or requisite approval to operate the joint venture, the joint venture may not succeed.

Pursuant to the joint venture agreement, F&F will enter into a license agreement with the joint venture, under which it grants the joint venture an exclusive license to manufacture, market, distribute and sell FF V9 MPV. However, we cannot assure you that we will be able to enter into such license agreement with F&F in a timely manner, or at all. In the event that we fail to reach an agreement with F&F and obtain license to manufacture, market, distribute and sell F&F's car models, our joint venture would not succeed.

In addition, the regulatory framework in China for our joint venture business is rapidly evolving. We are subject to certain approval requirements and procedures to proceed with our electric business in China. For example, our vehicles need to be added to the Announcement of Vehicle Manufacturers and Products, or the Manufacturers and Products Announcement, issued by the Ministry of Industry and Information Technology (formerly known as Ministry of Information Industry), or MIIT, which is a procedure that is required in order for our vehicles to be approved for manufacture and sale in China. In order to obtain such approval, our vehicles must meet the applicable requirements set forth in relevant laws and regulations. Such relevant laws and regulations include, among others, the Administrative Rules on the Admission of New Energy Vehicle Manufacturers and Products, or the MIIT Admission Rules, which became effective on July 1, 2017, and the Administrative Rules on the Admission of Passenger Vehicles Manufacturer and Products, which became effective on January 1, 2012, and pass the review by the MIIT. We cannot assure you that we are able to obtain such approval or other requisite approvals from applicable governmental authorities in a timely manner, or at all. If we fail to obtain such regulatory approvals, the business of our joint venture may not be in compliance with the regulatory framework and may be subject to fines, penalties or restrictions imposed by applicable governmental authorities. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to risks and may experience in the future, delays or other complications in the design and manufacture of our electric vehicles, which could harm our brand, business, prospects, financial condition and operating results.

We are subject to risks and may experience launch, manufacturing, production and delivery risks, delays or other complications in connection with our electric vehicles. There may be unanticipated challenges, including but not limited to difficulties in the design of the vehicles and technology barriers, at the design stage.

We may enter into arrangements with certain suppliers and manufacturers to manufacture the electric vehicles designed by F&F. Such collaboration with third parties is subject to various risks with respect to operations that are outside our control. We may be subject to risks and experience delays in various aspects, including:

- to search for suitable partners;
- to reach business arrangements on reasonable terms that are satisfactory to both parties;
- to obtain requisite governmental approval;
- to install production equipment and facilities in a timely manner;
- to manage the cost of raw materials or disruptions in supply of raw materials used in the manufacturing; and
- to resolve technical and mechanical issues with the development and manufacturing of the batteries and charging solutions.

We may also experience delays if our partners cannot meet pre-determined timelines due to various issues such as mechanical failures, utility shortage or stoppages, fail to provide necessary supplies due to supply chain constraints or fail to provide products that meet our quality standards. We may have disputes with our partners and both our partners and us may be subject to negative publicity whether or not such publicity is related to our collaboration. There can be no assurance that we will not switch partners. We may be unable to enter into new agreements or extend existing agreements with third-party manufacturing partners on terms and conditions acceptable to us and therefore may need to contract with other third parties or significantly add to our own production capacity. There can be no assurance that in such event, we would be able to partner with other third parties, establish or expand our own production capacity to meet our needs on acceptable terms or at all. In the event that we switch to new partners, we may incur additional expenses to assure that vehicles manufactured by new partners comply with our quality standards and requirements. In addition, although we aim to be involved in each step of the supply chain and manufacturing process, given that we may also rely on our partners to meet our quality standards, there can be no assurance that we will successfully maintain quality standards.

If we encounter delays in any of the matters in relation to the design and manufacturing, we may consequently delay the launch, production and delivery of our electric vehicles, which will result in adverse effects in realizing our projected timelines and cost and volume targets. We have limited experience in developing and manufacturing electric vehicles, if we are unable to realize our plans, our business, prospects, financial condition and results of operation could be materially and adversely affected.

The unavailability, reduction or elimination of government and economic incentives or government policies which are favorable for electric vehicles and domestically produced vehicles could have a material adverse effect on our new electric vehicles business.

Our new electric vehicles business depends significantly on the availability and amounts of government subsidies, economic incentives and government policies that support the growth of new energy vehicles generally and electric vehicles specifically. For example, each qualified purchaser of the electric vehicles is entitled to receive subsidies from China’s central government. In addition, in certain cities, quotas that limit the number of internal combustion engine, or ICE, vehicles do not apply to electric vehicles, making it easier for customers to purchase electric vehicles.

China’s central government provides subsidies for purchasers of certain new energy passengers vehicles, or the NEVs, until the end of 2022 and reviews and adjusts the subsidy standard on an annual basis. The current subsidy standard is provided for in the Circular on Further Improving the Subsidy Policies for the Promotion and Application of New Energy Vehicles, which was jointly promulgated by the Ministry of Finance, or the MOF, the Ministry of Science and Technology, or the MOST, the Ministry of Industry and Information Technology (which was previously known as the Ministry of Information Industry), or MIIT, and the National Development and Reform Commission, or NDRC, on April 23, 2020. The current subsidy standard imposes a gradually declining scale in terms of subsidy amount to be provided each year until the end of 2022. Furthermore, China’s central government provides certain local governments with funds and subsidies to support the roll-out of a charging infrastructure. See “Item 4. Information on the Company—B. Business Overview—Regulation—Favorable Government Policies Relating to New Energy Vehicles in the PRC.” These policies are subject to change and beyond our control. We cannot assure you that any changes would be favorable to our business. Furthermore, any reduction, elimination or discriminatory application of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the perceived success of electric vehicles, fiscal tightening or other factors may result in the diminished competitiveness of the alternative fuel vehicle industry generally or our new electric vehicles business in particular. Any of the foregoing could materially and adversely affect our potential electric vehicles business.

If we fail to recruit or retain experienced management team and qualified key personnel to operate the joint venture, the joint venture may not succeed.

As we will control the business operations of the joint venture, its success depends on the continued services of the management team and qualified key personnel. We intend to provide different incentives and attractive compensation to the management team and qualified key personnel of the joint venture. However, considering the intense market demand and competition for such qualified and skilled personnel, we may not be able to hire or retain these personnel at compensation levels consistent with our proposed compensation and salary structure. Some of the companies with which we compete for qualified and skilled personnel have greater resources than we have and may be able to offer more attractive terms of employment.

If we are unable to retain the services of the management team or qualified key personnel for the joint venture, we may not be able to find suitable replacements or may incur significant expenses in finding such replacements, thus our future growth may be constrained, our electric vehicle business may be severely disrupted and our joint venture may not succeed. In addition, in the event that any dispute arises between us, on one hand, and any of our management team and qualified key personnel, on the other hand, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all.

The electric vehicles market is highly competitive, and we may not be successful in competing in this industry and scaling our electric vehicles business.

The electric vehicles market is highly competitive and we expect that it will become even more competitive in the future. As a potential entrant in this market, we face challenges from a growing number of established and new automobile manufactures, as well as other companies, have entered or have plans to enter the electric vehicles. Some of them have already put their electric vehicles into production and achieve good feedbacks from the market. Most of the potential competitors have significantly greater financial, technical, manufacturing, marketing, sales resources and networks than we do and may be able to devote greater resources to their products. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in downward price pressure and adversely affect our business, financial condition, operating results and prospects.

In addition, the technology and regulatory framework for the electric vehicles market is rapidly evolving. We may not be able to keep up with the unforeseeable changes, and as a result, the technology and car models we developed may be obsolete more quickly than expected, potentially reducing our return on investment. Therefore, our ability to compete successfully in this market in fundamental to our success. However, there can be no assurance that we will be able to do so and we may fail to scale our electric vehicles business as a result.

Unexpected network interruptions caused by system failures or other internal or external factors may lead to user attrition, revenue reductions and may harm our reputation.

Any failure to maintain satisfactory performances, reliability, security and availability of our network infrastructure may cause significant harm to our reputation and our ability to attract and maintain users. The system hardware for our operations is located in several cities in China. We maintain our backup system hardware and operate our back-end infrastructure in Shanghai. Server interruptions, breakdowns or system failures in the cities where we maintain our servers and system hardware, including failures that may be attributable to sustained power shutdowns, or other events within or outside our control that could result in a sustained shutdown of all or a material portion of our services, could adversely impact our ability to service our users.

Our network systems are also vulnerable to damage from computer viruses, fire, flood, earthquake, power loss, telecommunications failures, computer hacking and similar events. We maintain property insurance policies covering our servers, but do not have business interruption insurance.

Our business may be harmed if our technology becomes obsolete or if our system infrastructure fails to operate effectively.

The online game industry is subject to rapid technological change. We need to anticipate the emergence of new technologies and games, assess their acceptance and make appropriate investments. If we are unable to do so, new technologies in online game programming or operations could render our games obsolete or unattractive. In addition, our business may be harmed if we are unable to upgrade our systems fast enough to accommodate fluctuations in future traffic levels, avoid obsolescence or successfully integrate any newly developed or acquired technology with our existing systems. Capacity constraints could cause unanticipated system disruptions and slower response times, affecting data transmission and game play. These factors could, among other things, cause us to lose existing or potential customers and existing or potential game development partners.

We have been and may be subject to future intellectual property rights claims or other claims, which could result in substantial costs and diversion of our financial and management resources away from our business.

There is no assurance that our online games, including our mobile games, or other content posted on our websites, whether proprietary or licensed from third parties, do not or will not infringe upon patents, valid copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others.

Some of our employees were previously employed at other companies, including our current and potential competitors. We also intend to hire additional personnel to expand our product development and technical support teams. To the extent these employees have been involved in research at our company similar to research in which they had been involved at their former employers, we may become subject to claims that such employees have used or disclosed trade secrets or other proprietary information of their former employers. In addition, our competitors may file lawsuits against us in order to gain an unfair competitive advantage over us.

If any such claim arises in the future, litigation or other dispute resolution proceedings may be necessary to retain our ability to offer our current and future games, which could result in substantial costs and diversion of our financial and management resources. Furthermore, if we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property, incur additional costs to license or develop alternative games and be forced to pay fines and damages, each of which may materially and adversely affect our business and results of operations.

Our operating results may fluctuate due to various factors, and therefore may not be indicative of our future results.

Our operating results have experienced fluctuations from time to time and will likely continue to fluctuate in the future. These fluctuations in operating results depend on a variety of factors, including the timing of new game launches, the expiration or termination of existing game licenses, and acquisition or disposal of subsidiaries. Other factors include the demand for our products and the products of our competitors, the level of usage of illegal game servers, the level of usage of the Internet, the size and rate of growth of the online game market and development and promotional expenses related to the introduction of new products. In addition, because our game software is susceptible to unauthorized character enhancements, we may periodically delete characters that are enhanced with unauthorized modifications. This has caused some affected customers to stop playing the respective game, which, in the aggregate, may cause our operating results to fluctuate.

To a significant degree, our operating expenses are based on planned expenditures and our expectations regarding prospective customer usage. Failure to meet our expectations could disproportionately and adversely affect our operating results in any given period. As a result, our historical operating results may not necessarily be indicative of our future results.

Our business depends substantially on the continuing efforts of our senior executives, and our business may be severely disrupted if we lose their services.

Our business and prospect depend heavily upon the continued services of our senior executives. We rely on their expertise in business operations, technology support and sales and marketing and on their relationships with our shareholders and distributors. We do not maintain key-man life insurance for any of our key executives. If one or more of our key executives are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. As a result, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected, and we may incur additional expense to recruit and train personnel.

Each of our executive officers has entered into an employment agreement with us, which contains confidentiality and non-competition provisions. If any disputes arise between our executive officers and us, we cannot assure you the extent to which any of these agreements could be enforced in China, where these executive officers reside and hold most of their assets, in light of uncertainties with the PRC legal system. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

If we are unable to attract, train and retain key individuals and highly skilled employees, our business may be adversely affected.

Our business relies on our ability to hire and retain additional qualified employees, including skilled and experienced online game developers. Since our industry is characterized by high demand and intense competition for talent, we may need to offer higher compensation and other benefits in order to retain key personnel in the future. We cannot assure you that we will be able to attract or retain the qualified game developers or other key personnel that we will need to achieve our business objectives.

PRC laws and regulations restrict foreign ownership of Internet content provision, Internet culture operation and Internet publishing licenses, and substantial uncertainties exist with respect to the application and implementation of PRC laws and regulations.

We are a Cayman Islands exempted company and, as such, we are classified as a foreign enterprise under PRC laws. Various regulations in China currently restrict foreign or foreign-owned entities from holding certain licenses required in China to provide online game operation services over the Internet, including Internet content provision, or ICP, Internet culture operation and Internet publishing licenses. In light of such restrictions, we primarily rely on Shanghai IT, one of our affiliated PRC entities, to hold and maintain the licenses necessary for the operation of our online games in China.

In July 2006, the MIIT issued a notice entitled "Notice on Strengthening Management of Foreign Investment in Operating Value-Added Telecommunication Services," or the MII Notice, which prohibits ICP license holders from leasing, transferring or selling a telecommunications business operating license to foreign investors in any form, or providing resources, sites or facilities to any foreign investors for their illegal operation of a telecommunications business in China. The notice also requires that ICP license holders and their shareholders directly own the domain names and trademarks used by such ICP license holders in their daily operations. The notice further requires each ICP license holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunication service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. The local authorities in charge of telecommunications services are required to ensure that existing ICP license holders conduct a self-assessment of their compliance with the MII Notice and submit status reports to MIIT before November 1, 2006. Since the MII Notice was issued, we have transferred to Shanghai IT all of the domain names used in our daily operations and certain trademarks used in our daily operations, as required under the MII Notice. All relevant transfers have been completed and relevant approvals have been obtained.

In September 2009, the General Administration of Press and Publication, Radio, Film and Television, or GAPPRFT (formerly known as the General Administration of Press and Publication, or GAPP), promulgated the Circular Regarding the Implementation of the Department Reorganization Regulation by State Council and Relevant Interpretation by State Commission Office for Public Sector Reform to Further Strengthen the Administration of Pre-approval on Online Games and Approval on Import Online Games, or the GAPP Circular, which provides that foreign investors shall not control or participate in PRC online game operation businesses indirectly or in a disguised manner by establishing joint venture companies or entering into relevant agreements with, or by providing technical supports to, such PRC online game operation companies, or by inputting the users' registration, account management or game card consumption directly into the interconnected gaming platform or fighting platform controlled or owned by the foreign investor. In addition, on February 4, 2016, the GAPPRFT and the MIIT jointly issued the Administrative Measures on Network Publication, or the Network Publication Measures, which took effect in March 2016. Pursuant to the Network Publication Measures, wholly foreign-owned enterprises, Sino-foreign equity joint ventures and Sino-foreign cooperative enterprises shall not engage in the provision of web publishing services, including online game services. Project cooperation involving internet publishing services between an internet publishing service provider and a wholly foreign-owned enterprise, Sino-foreign equity joint venture, or Sino-foreign cooperative enterprise within China or an overseas organization or individual shall be subject to prior examination and approval by the GAPPRFT. It is unclear whether the authorities will deem our VIE structure as a kind of such "manners of cooperation" by foreign investors to gain control over or participate in domestic online game operators, and it is not clear whether GAPPRFT and MIIT have regulatory authority over the ownership structures of online game companies based in China and online game operation in China.

Subject to the interpretation and implementation of the GAPP Circular and the Network Publication Measures, the ownership structure and the business operation models of our PRC subsidiaries and affiliated PRC entities comply with all applicable PRC laws, rules and regulations, and no consent, approval or license is required under any of the existing laws and regulations of China for their ownership structure and business operation models except for those which we have already obtained or which would not have a material adverse effect on our business or operations as a whole. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, we cannot assure you that PRC government authorities will ultimately take a view that is consistent with the opinion of our PRC legal counsel.

For example, the Ministry of Commerce, or MOFCOM, promulgated the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in August 2011, or the MOFCOM Security Review Rules, to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on February 3, 2011, or Circular No. 6. According to these circulars and rules, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises having "national security" concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, MOFCOM will look into the substance and actual impact of the transaction. The MOFCOM Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that our online game operation services falls into the scope subject to the security review, and there is no requirement for foreign investors in those merger and acquisition transactions already completed prior to the promulgation of Circular No. 6 to submit such transactions to MOFCOM for security review. As we have already obtained the "de facto control" over our affiliated PRC entities prior to the effectiveness of these circulars and rules, we do not believe we are required to submit our existing contractual arrangement to MOFCOM for security review. However, we are advised by our PRC legal counsel that, as there is a lack of clear statutory interpretation on the implementation of these circulars and rules, there is no assurance that MOFCOM will have the same view as we do when applying these national security review-related circulars and rules.

We have been further advised by our PRC counsel, Grandall Law Firm, that if we, any of our PRC subsidiaries or affiliated PRC entities are found to be in violation of any existing or future PRC laws or regulations, including the MII Notice, the GAPP Circular and the Network Publication Measures, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of Shanghai IT;
- confiscating our income or the income of Shanghai IT;
- discontinuing or restricting the operations of any related party transactions among us and Shanghai IT;
- limiting our business expansion in China by way of entering into contractual arrangements;
- imposing fines or other requirements with which we may not be able to comply;
- requiring Shanghai IT or us to restructure our corporate structure or operations; or
- requiring Shanghai IT or us to discontinue any portion or all of our operations related to online games.

The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business and on our results of operations. If any of these penalties results in our inability to direct the activities of Shanghai IT that most significantly impact its economic performance, and/or our failure to receive the economic benefits from Shanghai IT, we may not be able to consolidate Shanghai IT in our consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements for our operations and operating licenses in China, which may not be as effective in providing operational control as direct ownership.

Because the PRC government restricts our ownership of ICP, Internet culture operation and Internet publishing businesses in China, we primarily depend on Shanghai IT, in which we have no ownership interest, to operate our online game business and other ICP related businesses, and hold and maintain the requisite licenses. We have relied and expect to continue to rely on contractual arrangements to obtain effective control over Shanghai IT. Such contractual arrangements may not be as effective as direct ownership in providing us with control over Shanghai IT. From the legal perspective, if Shanghai IT fails to perform its obligations under the contractual arrangements, we may have to incur substantial costs and spend other resources to enforce such arrangements, and rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages. For example, if the shareholders of Shanghai IT were to refuse to transfer their equity interests in Shanghai IT to us or our designee when we exercise the call option pursuant to the Call Option Agreement, or if such shareholders otherwise act in bad faith toward us, we may have to take legal action to compel it to fulfill their contractual obligations, which could be time consuming and costly.

These contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. The legal environment in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. We have historically derived significant revenues from Shanghai IT. For the year ended December 31, 2017, 2018 and 2019, Shanghai IT contributed 25.8%, 92.2% and 53.5%, respectively, of our total revenues. In the event we are unable to enforce the contractual arrangements, we may not be able to have the power to direct the activities that most significantly affect the economic performance of Shanghai IT, and our ability to conduct our business may be negatively affected, and we may not be able to consolidate the financial results of Shanghai IT into our consolidated financial statements in accordance with U.S. GAAP.

We believe that our option to purchase all or part of the equity interests in Shanghai IT, when and to the extent permitted by PRC law, or request any existing shareholder of Shanghai IT to transfer all or part of the equity interest in Shanghai IT to another PRC person or entity designated by us at any time in our discretion, and the rights under the Shareholder Voting Proxy Agreement that the shareholders of Shanghai IT have granted to us, effectively enable us to have the ability to cause the related contractual arrangements to be renewed when needed. However, if we are not able to effectively enforce these agreements or otherwise renew the relevant agreements when they expire, our ability to receive the economic benefits of Shanghai IT may be adversely affected.

Our ability to enforce the Equity Pledge Agreements between us and the shareholders of Shanghai IT may be subject to limitations based on PRC laws and regulations.

Pursuant to the Equity Pledge Agreements with the shareholders of Shanghai IT, such shareholders agreed to pledge their equity interests in Shanghai IT to secure their performance under the relevant contractual arrangements. The equity pledges of Shanghai IT under these Equity Pledge Agreements have been registered with the relevant local administration for market regulation pursuant to the PRC Property Rights Law. According to the PRC Property Rights Law and PRC Guarantee Law, the pledgee and the pledgor are prohibited from making an agreement prior to the expiration of the debt performance period to transfer the ownership of the pledged equity to the pledgee when the obligor fails to pay the debt due. However, under the PRC Property Rights Law, when an obligor fails to pay its debt when due, the pledgee may choose to either conclude an agreement with the pledgor to obtain the pledged equity or seek payments from the proceeds of the auction or sell-off of the pledged equity. If Shanghai IT or its shareholders fail to perform their obligations secured by the pledges under the Equity Pledge Agreements, one remedy in the event of default under the agreements is to require the pledgors to sell the equity interests of Shanghai IT in an auction or private sale and remit the proceeds to our wholly-owned subsidiaries in China, net of related taxes and expenses. Such an auction or private sale may not result in our receipt of the full value of the equity interests in Shanghai IT. We consider it very unlikely that the public auction process would be undertaken since, in an event of default, our preferred approach is to ask Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd., or Shanghai Hui Ling, our PRC wholly-owned subsidiary and a party to the Call Option Agreement, to replace or designate another PRC person or entity to replace the existing shareholders of Shanghai IT pursuant to the direct transfer option we have under the option agreement.

In addition, in the registration forms of the local branch of State Administration for Market Regulation (formerly known as the State Administration for Industry and Commerce) for the pledges over the equity interests under the Equity Pledge Agreements, the amount of registered equity interests in Shanghai IT pledged to us was stated as RMB23.0 million, which represent 100% of the registered capital of Shanghai IT. The Equity Pledge Agreements with the shareholders of Shanghai IT provide that the pledged equity interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the contractual arrangements and the scope of pledge shall not be limited by the amount of the registered capital of Shanghai IT. However, it is possible that a PRC court may take the position that the amount listed on the equity pledge registration forms represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured under the Equity Pledge Agreements in excess of the amount listed on the equity pledge registration forms could be determined by the PRC court as unsecured debt, which takes last priority among creditors and often does not have to be paid back at all. We do not have agreements that pledge the assets of Shanghai IT for the benefit of us.

Our contractual arrangements with our affiliated entities may result in adverse tax consequences to us.

We could face material and adverse tax consequences if the PRC tax authorities determine that our contractual arrangements with Shanghai IT and our other affiliated entities were not made on reasonable or arm's length commercial terms or otherwise. If this were to occur, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could result in a reduction, for PRC tax purposes, of costs and expenses recorded by our affiliated entities, which could adversely affect us by: (i) increasing the tax liability of our affiliated entities without reducing our other PRC subsidiaries' tax liability, which could further result in late payment fees and other penalties to our affiliated entities for underpaid taxes; or (ii) limiting the abilities of our affiliated entities to maintain preferential tax treatments and other financial incentives.

The principal shareholders of our affiliated PRC entities have potential conflicts of interest with us, which may adversely affect our business.

Zhimin Lin and Wei Ji, two of our employees, are the principal shareholders of Shanghai IT, one of our affiliated entities. Thus, there may be conflicts of interest between their respective duties to our company as employees and their respective shareholder interests in these affiliated PRC entities. We cannot assure you that when conflicts of interest arise, these persons will act in our best interests or that conflicts of interests will be resolved in our favor. These persons could violate their legal duties, including duties under their non-competition or employment agreements with us, by engaging in activities that are not in the best interest in our company, such as diverting business opportunities from us. In any such event, we would have to rely on the PRC legal system to enforce these agreements. Any legal proceeding could result in the disruption of our business, diversion of our resources and the incurrence of substantial costs. See "—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."

Our subsidiaries in China are subject to restrictions on paying dividends or making other payments.

We may rely on dividends paid by our subsidiaries in China to fund our operations, such as paying dividends to our shareholders or meeting obligations under any indebtedness incurred by us or our overseas subsidiaries. Current PRC regulations restrict our subsidiaries in China from paying dividends in the following two principal aspects: (i) our subsidiaries in China are only permitted to pay dividends out of their respective after-tax profits, if any, determined in accordance with PRC accounting standards and regulations, and (ii) these entities are required to allocate at least 10% of their respective after-tax profits each year, if any, to fund statutory reserve funds until the cumulative total of the allocated reserves reaches 50% of registered capital, and a portion of their respective after-tax profits to their staff welfare and bonus reserve funds as determined by their respective boards of directors or shareholders. These reserves are not distributable as dividends. See "Item 4. Information on the Company—B. Business Overview—Government Regulations." Further, if these entities incur debt on their behalf in the future, the instruments governing such debt may restrict their ability to pay dividends or make other payments. Our inability to receive dividends or other payments from our PRC subsidiaries may adversely affect our ability to continue to grow our business and make cash or other distributions to the holders of our ordinary shares and ADSs. In addition, failure to comply with relevant State Administration of Foreign Exchange, or SAFE, regulations may restrict the ability of our subsidiaries to make dividend payments to us. See "—Risks Related to Doing Business in China—PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or us to penalties and fines, and limit our ability to inject capital into our PRC subsidiaries, limit our subsidiaries' ability to increase their registered capital, distribute profits to us, or otherwise adversely affect us."

We could be liable for breaches of security of third-party online payment channels, which may have a material adverse effect on our reputation and business.

Currently, a portion of our online game operation revenues are generated from sales through third-party online payment platforms. In such transactions, secured transmission of confidential information, such as customers' credit card numbers and expiration dates, personal information and billing addresses, over public networks, in some cases including our website, is essential to maintain consumer confidence. While we have not experienced any material breach of our security measures to date, we cannot assure you that our current security measures are adequate. We do not have control over the security measures of our third-party online payment vendors and we cannot assure you that these vendors' security measures are adequate or will be adequate with the expected increased usage of online payment systems. Security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could harm our reputation, ability to attract customers and ability to encourage customers to purchase in-game items.

The PRC income tax laws may increase our tax burden or the tax burden on the holders of our shares or ADSs, and tax benefits available to us may be reduced or repealed, causing the value of your investment in us to decrease.

Our subsidiaries and affiliated entities in the PRC are subject to enterprise income tax, or EIT, on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law of the PRC, or EIT Law, which was approved by the National People's Congress on March 16, 2007. The EIT Law went into effect as of January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, which unified the tax rate generally applicable to both domestic and foreign-invested enterprises in the PRC. Our subsidiaries and affiliated entities in the PRC are generally subject to EIT at a statutory rate of 25%. Shanghai IT, our affiliated entity which holds a High and New Technology Enterprise, or HNTE, qualification is entitled to enjoy a 15% preferential EIT rate till November 23, 2020. However, we cannot assure you that Shanghai IT will meet these criteria and continue to be qualified as an HNTE if we apply to the tax authorities in the future.

Moreover, unlike the tax regulations effective before 2008, which specifically exempted withholding taxes on dividends payable to non-PRC investors from foreign-invested enterprises in the PRC, the EIT Law and its implementation rules provide that a withholding income tax rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and the governments of other countries or regions. While the Tax Agreement between the PRC and Hong Kong provides dividends paid by a foreign-invested enterprise in the PRC to its corporate shareholder, which is considered a Hong Kong tax resident, will be subject to withholding tax at the rate of 5% of total dividends, this is limited to instances where the corporate shareholder directly holds at least 25% of the shares of the company that is to pay dividends for at least twelve consecutive months immediately prior to receiving the dividends and meets certain other criteria prescribed by the relevant regulations. Under the Administrative Measures for Non-Resident Taxpayer to Enjoy Treatments under Tax Treaties, which became effective in January 2020, non-resident taxpayers shall determine whether they are eligible for treaty benefits and file a relevant report and materials with the tax authorities. Meanwhile, the reduced withholding tax rate also applies if the conditions stipulated by other tax rules and regulations are met.

In February 2018, the State Administration of Taxation, or SAT issued the Announcement of the State Administration of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties on issues relating to “beneficial owner” in tax treaties, or Circular No. 9, which took effect on April 1, 2018. Circular No. 9 provides detailed guidance to determine whether the applicant engages in substantive business activities to constitute a “beneficial owner”. When determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in the past twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the other country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes at all or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If the non-resident taxpayer does not apply to the withholding agent for the tax treaty benefits, or such taxpayer does not satisfy the criteria to be entitled to tax treaty benefits, the withholding agent should withhold tax pursuant to the provisions of PRC tax laws. We cannot assure you that any dividends to be distributed by our subsidiaries to us or by us to our non-PRC shareholders and ADS holders, whose jurisdiction of incorporation has a tax treaty with China providing a different withholding arrangement, will be entitled to the benefits under the relevant withholding arrangement.

In addition, the EIT Law deems an enterprise established offshore but having its management organ in the PRC as a “resident enterprise” that will be subject to PRC tax at the rate of 25% of its global income. Under the Implementation Rules of the EIT Law, the term “management organ” is defined as “an organ which has substantial and overall management and control over the manufacturing and business operation, personnel, accounting, properties and other factors.” On April 22, 2009, the SAT further issued a notice regarding recognizing an offshore-established enterprise controlled by PRC shareholders as a resident enterprise according to its management organ, or Circular 82. According to Circular 82, a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a PRC resident enterprise, if (i) the senior management and the core management departments in charge of its daily operations are mainly located and function in the PRC; (ii) its financial decisions and human resource decisions are subject to the determination or approval of persons or institutions located in the PRC; (iii) its major assets, accounting books, company seals, minutes and files of board meetings and shareholders’ meetings are located or kept in the PRC; and (iv) more than half of the directors or senior management with voting rights reside in the PRC. On July 27, 2011, SAT issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, which was amended in April 2015, June 2016 and June 2018. SAT Bulletin 45 further clarified the detailed procedures for determining resident status under Circular 82, competent tax authorities in charge and post-determination administration of such resident enterprises. Although our offshore companies are not controlled by any PRC company or PRC company group, we cannot assure you that we will not be deemed to be a “resident enterprise” under the EIT Law and thus be subject to PRC EIT on our global income.

According to the EIT Law and its implementation rules, dividends are exempted from income tax if such dividends are received by a resident enterprise on equity interests it directly owns in another resident enterprise. However, foreign corporate holders of our shares or ADSs may be subject to taxation at a rate of 10% on any dividends received from us or any gains realized from the transfer of our shares or ADSs if we are deemed to be a resident enterprise or if such income is otherwise regarded as income from "sources within the PRC." The EIT Law empowers the PRC State Council to enact appropriate implementing rules and measures and there is no guarantee that we or our subsidiaries will be entitled to any of the preferential tax treatments. Nor can we assure you that the tax authorities will not, in the future, discontinue any of our preferential tax treatments, potentially with retroactive effect. Any significant increase in the EIT rate under the EIT Law applicable to our PRC subsidiaries and affiliated entities, or the imposition of withholding taxes on dividends payable by our subsidiaries to us, or an EIT levy on us or any of our subsidiaries or affiliated entities registered outside the PRC, or dividends or capital gains received by our shareholders due to shares or ADSs held in us will have a material adverse impact on our results of operations and financial conditions and the value of investments in us.

We are required to pay value added tax as a result of tax reforms in various regions in China and we may be subject to similar tax treatments elsewhere in China.

On March 23, 2016, the Ministry of Finance and the SAT jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax, or Circular 36, which took effect on May 1, 2016. Pursuant to Circular 36, all companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay value added tax, or VAT, in lieu of business tax. As a result of Circular 36, the services provided by Shanghai IT, Shanghai Hui Ling, China The9 Interactive (Shanghai) Limited, or C9I Shanghai, China The9 Interactive (Beijing) Limited, or C9I Beijing, Wuxi QuDong, Shanghai Kaie and The9 Computer, as general VAT payers are subject to VAT at the rate of 6%, and the services provided by our other PRC subsidiaries and affiliated PRC entities as small-scale VAT payers are subject to VAT at the rate of 3%. While as general VAT payers may reduce their VAT payable amount by the VAT which they paid in connection with their purchasing activities, or the Input VAT, those companies as small-scale VAT payers may not reduce their VAT payable amount by their Input VAT. As a result, some of our subsidiaries and affiliated PRC entities may be subject to more unfavorable tax treatment as a result of the tax reform, and our business, financial condition and results of operations could be materially and adversely affected.

Strengthened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our acquisition strategy.

In connection with the EIT Law, the SAT issued, on February 3, 2015, the Notice on Several Issues regarding Enterprise Income Tax for Indirect Property Transfer by Non-resident Enterprises, or SAT Circular 7, which further specifies the criteria for judging reasonable commercial purpose, and the legal requirements for the voluntary reporting procedures and filing materials in the case of indirect property transfer. SAT Circular 7 has listed several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. However, despite these factors, an indirect transfer satisfying all the following criteria shall be deemed to lack reasonable commercial purpose and be taxable under the PRC laws: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gains derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the scope of the safe harbor under SAT Circular 7 may not be subject to PRC tax and such safe harbor includes qualified group restructuring, public market trading and tax treaty exemptions. According to SAT Circular 7, where the payer fails to withhold tax in a sufficient amount, the transferor can declare and pay such tax to the tax authority by itself within the statutory time period. Late payment of applicable tax will subject the transferor to default interest.

On October 17, 2017, the SAT released the Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Public Notice 37, which further elaborates the relevant implementation rules regarding the calculation, reporting and payment obligations of the withholding tax by the non-resident enterprises.

Under SAT Circular 7 and SAT Public Notice 37, the entities or individuals obligated to pay the transfer price to the transferor shall be the withholding agent and shall withhold the PRC tax from the transfer price. If the withholding agent fails to do so, the transferor shall report to and pay the PRC tax to the PRC tax authorities. In case neither the withholding agent nor the transferor complies with the obligations under SAT Circular 7 and SAT Public Notice 37, other than imposing penalties such as late payment interest on the transferors, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent, provided that such penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7 and SAT Public Notice 37.

Since we may pursue acquisition as one of our growth strategies, and have conducted and may conduct acquisitions involving complex corporate structures, the PRC tax authorities may, at their discretion, adjust the capital gains and impose tax return filing obligations on us or request us to submit additional documentation for their review in connection with any of our acquisitions, thus causing us to incur additional acquisition costs.

We have limited business insurance coverage in China.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. As a result, we do not have any business liability or disruption insurance coverage for our operations in China. Any business disruption, litigation or natural disaster might result in our incurring substantial costs and the diversion of our resources.

Some of our subsidiaries, affiliated entities and joint ventures in China engaged in certain business activities beyond the authorized scope of their respective licenses, and if they are subject to administrative penalties or fines, our operating results may be adversely affected.

Some of our subsidiaries, affiliated entities and joint ventures in China engaged in business activities that were not within the authorized scope of their respective licenses in the past. The relevant PRC authorities may impose administrative fines or other penalties for the non-compliance with the authorized scope of the business licenses, which may in turn adversely affect our operating results.

Failure to achieve and maintain effective internal controls could have a material adverse effect on our business, results of operations and the trading price of our ADSs.

We are subject to reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring public companies to include a report of management in its annual report that contains management’s assessment of the effectiveness of such company’s internal controls over financial reporting.

Our management has concluded that our internal controls over financial reporting were effective as of December 31, 2019. We, however, were not subject to the requirement to provide an attestation report on our management’s assessment of our internal control over financial reporting as we were not an accelerated filer or a large accelerated filer (as defined in § 240.12b-2 under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of December 31, 2019.

If we fail to maintain effective internal controls over financial reporting in the future, our management and, if applicable, our independent registered public accounting firm may not be able to conclude that we have effective internal controls over financial reporting at a reasonable assurance level. This could result in a loss of investor confidence in the reliability of our financial reporting which in turn could negatively impact the trading price of our ADSs and result in lawsuits being filed against us by our shareholders or otherwise harm our reputation. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

Changes in accounting standards may adversely affect our financial statements

A change in accounting standards or practices may have a significant effect on our results of operations and may affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the application thereof and changes to current practices may adversely affect our reported financial results or the way we conduct our business. For example, Accounting Standards Codification 606, "Revenue from Contracts with Customers," or ASC 606, became effective on January 1, 2018. We adopted ASC 606 on January 1, 2018. Effective from January 1, 2019, we adopted ASC 842, a new accounting standard on the recognition of right-of-use assets and lease liabilities issued by FASB, and have applied this accounting standard on a modified retrospective basis and have elected not to restate comparative periods. As a result, we recorded operating lease right-of-assets of RMB9.3 million (US$1.3 million), current portion of operating lease liabilities of RMB3.4 million (US$0.5 million) and non-current portion of operating lease liabilities of RMB6.3 million (US$0.9 million) as of December 31, 2019. There may be other standards that become effective in the future that may have a material impact on our consolidated financial statements and will result in a significant gross up of both our assets and liabilities.

The audit report for the three fiscal years ended December 31, 2019 is prepared by auditors who are not inspected by the Public Company Accounting Oversight Board and, as such, you may be deprived of the benefits of such inspection.

As an auditor of companies that are traded publicly in the United States and as an audit firm registered with the Public Company Accounting Oversight Board, or PCAOB, our independent registered public accounting firm is required by the laws of the United States to undergo regular inspections by the PCAOB. As our auditor is located in the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in the PRC, is not currently inspected by the PCAOB. On May 24, 2013, the PCAOB announced that it had entered into a memorandum of understanding on enforcement and cooperation with the CSRC and the PRC Ministry of Finance, or the MOF, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. However, direct PCAOB inspections of independent registered accounting firms in China are still not permitted by Chinese authorities. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in an issue that has vexed U.S. regulators in recent years. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem. On April 21, 2020, the SEC and the PCAOB issued another joint statement reiterating the greater risk that disclosures will be insufficient in many emerging markets, including China, compared to those made by U.S. domestic companies. In discussing the specific issues related to the greater risk, the statement again highlights the PCAOB's inability to inspect audit work paper and practices of accounting firms in China, with respect to their audit work of U.S. reporting companies.

The lack of direct PCAOB inspections in China prevents the PCAOB from regularly evaluating audit documentation located in China and its related quality control procedures. As a result, our investors may be deprived of the benefits of the PCAOB's oversight of our auditors through such inspections. The inability of the PCAOB to conduct inspections of our auditors' work papers in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may consequently lose confidence in our reported financial information and procedures and the quality of our financial statements.

On December 3, 2012, the SEC issued an order instituting administrative proceedings against five of the largest global public accounting firms relating to work performed in the PRC and such firms' failure to provide audit work papers to the SEC in this regard. Our independent registered public accounting firm is not one of the accounting firms referenced in the order. On January 22, 2014, an initial administrative law decision was issued, censuring the five accounting firms and suspending four of the five firms from practicing before the SEC for a period of six months. On February 12, 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with significant PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our shares may be adversely affected.

If our independent registered public accounting firm was denied, temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined to not be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of our ordinary shares from Nasdaq or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress that would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges such as the Nasdaq Capital Market of issuers included on the SEC's list for three consecutive years. Enactment of this legislation or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of our ADSs could be adversely affected. It is unclear if this proposed legislation would be enacted. Furthermore, there has been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations were to materialize, the resulting legislation may have material and adverse impact on the stock performance of China-based issuers listed in the U.S.

We face risks related to natural disasters and health epidemics.

In addition to the impact of COVID-19, our business could be materially and adversely affected by natural disasters, other health epidemics or other public safety concerns affecting the PRC, and particularly Shanghai. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our platforms and provide services and solutions. Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. Our headquarters are located in Shanghai, where most of our directors and management and the majority of our employees currently reside. Most of our system hardware and back-up systems are hosted in facilities located in Shanghai. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Shanghai, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

Risks Related to Doing Business in China

Our business may be adversely affected by public opinion and government policies in China.

Currently, most of our recurring users are young males, including students. Due to the recent population and higher degree of user loyalty to mobile games, easy access to personal computers and mobile devices, and lack of more appealing forms of entertainment in China, many teenagers frequently play online games. This may result in these teenagers spending less time on, or refraining from, other activities, including education and sports. In April 2007, various governmental authorities, including GAPP, MIIT, the Ministry of Education, the Ministry of Public Security, and other relevant authorities jointly issued a circular concerning the mandatory implementation of an "anti-fatigue system" in online games, which aims to protect the physical and psychological health of minors. This circular required all online games to incorporate an "anti-fatigue system" and an identity verification system, both of which have limited the amount of time that a minor or other user may continuously spend playing an online game. We have implemented such "anti-fatigue" and identification systems on all of our online games as required. Since March 2011, various governmental authorities, including MIIT, the Ministry of Education, the Ministry of Public Security, and other relevant authorities have jointly launched the "Online Game Parents Guardianship Project for Minors," which allows parents to require online game operators to take relevant measures to limit the time spent by the minors playing online games and the minors' access to their online game accounts. On February 5, 2013, the Ministry of Culture, MIIT, GAPP and various other governmental authorities, jointly issued the Working Plan on the Comprehensive Prevention Scheme on Online Game Addiction of Minors, which further strengthens the administration of Internet cafés, reinstates the importance of the "anti-fatigue system" and "Online Game Parents Guardianship Project for Minors" as prevention measures against the online game addiction of minors and orders all relevant governmental authorities to take all necessary actions in implementing such measures. In addition, on December 1, 2016, the Ministry of Culture (currently known as the Ministry of Culture and Tourism) issued the Circular on Regulating Online Game Operations and Strengthening Interim and Ex Post Regulation, or the MOC Online Games Regulation, which became effective on May 1, 2017. Pursuant to the MOC Online Games Regulation, an enterprise engaged in online game operations shall strictly comply with the provisions of the "Online Game Parents Guardianship Project for Minors," and online game operators are encouraged to set upper limits on the consumption by users who are minors, limit the amount of time that such users are allowed to spend on online games, and take technical measures to block scenes and functions, among other things, that are not suitable for users who are minors. In October 2019, GAPPRFT issued the Notice by the General Administration of Press and Publication of Preventing Minors from Indulging in Online Games, or Anti-indulgence Notice, which imposed an array of restrictive measures to prevent underage users to indulge in online games. For example, game operators are not allowed to provide underage users with any form of access to online games during the period from 22:00 p.m. each day to 8:00 a.m. of the next day and the total length of time for game operators to provide underage users with access to online games cannot exceed three hours a day during statutory holidays or 1.5 hours a day on days other than statutory holidays. In addition, online transactions are capped monthly at RMB200 or RMB400, depending on a minor's age. Further strengthening of these systems, or enactment by the PRC government of any additional laws to further tighten its administration over the Internet and online games may result in less time spent by customers or fewer customers playing our online games, which may materially and adversely affect our business results and prospects for future growth.

Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.

We conduct substantially all of our business operations in China. As the gaming industry is highly sensitive to business and personal discretionary spending, it tends to decline during general economic downturns. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past twenty years, growth has slowed down since 2012 and has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. While some of these measures benefit the overall PRC economy, they may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. As the PRC economy is increasingly intricately linked to the global economy, it is affected in various respects by downturns and recessions of major economies around the world. The various economic and policy measures the PRC government enacts to forestall economic downturns or shore up the PRC economy could affect our business.

Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. These actions, as well as future actions and policies of the PRC government, could materially affect our liquidity and access to capital and our ability to operate our business.

The laws and regulations governing the online game industry in China are developing and subject to future changes. If we fail to obtain or maintain all applicable permits and approvals, our business and operations could be materially and adversely affected.

The online game industry in China is highly regulated by the PRC government. Various regulatory authorities of the PRC central government, such as the State Council, MIIT, GAPPRFT, the Ministry of Culture and the Tourism (formerly known as the Ministry of Culture), or MCT, the Ministry of Public Security, are empowered to issue and implement regulations governing various aspects of the online games industry.

We are required to obtain applicable permits or approvals from different regulatory authorities in order to provide online games to our customers. For example, an Internet content provider must obtain a value-added telecommunications business operating license for ICP, or ICP License, in order to engage in any commercial ICP operations within China. In addition, an online games operator must also obtain a license from the MCT and a license from GAPPRFT in order to distribute games through the Internet. Furthermore, an online game operator is required to obtain approval from the MCT in order to distribute virtual currencies for online games such as prepaid value cards, prepaid money or game points. If we fail to obtain or maintain any of the required filings, permits or approvals in the future, we may be subject to various penalties, including fines and the discontinuation or restriction of our operations. Any such disruption in our business operations would materially and adversely affect our financial condition and results of operations.

As the online game industry is at an early stage of development in China, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have, and may address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to the online gaming industry. We cannot assure you that we will be able to timely obtain any new license required in the future, or at all. While we believe that we are in compliance in all material respects with all applicable PRC laws and regulations currently in effect, we cannot assure you that we will not be found in violation of any current or future PRC laws and regulations.

Regulation and censorship of information disseminated over the Internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from, or linked to our Internet websites.

The PRC government has adopted certain regulations governing Internet access and the distribution of news and other information over the Internet. Under these regulations, Internet content providers and Internet publishers are prohibited from posting or displaying over the Internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements could result in the revocation of ICP and other required licenses and the closure of the concerned websites. The website operator may also be held liable for such prohibited information displayed on, retrieved from or linked to such website.

MCT has promulgated laws and regulations that reiterate the government’s policies to prohibit the distribution of games with violence, cruelty or other elements that are believed to have the potential effect of instigating crimes, and to prevent the influx of harmful cultural products from overseas.

MCT has promulgated laws and regulations that require, among other things, (i) the review and prior approval of all new online games licensed from foreign game developers and related license agreements, (ii) the review of patches and updates with substantial changes of games which have already been approved, and (iii) the filing of domestically developed online games. Furthermore, online games, regardless of whether imported or domestic, will be subject to content review and approval by GAPPRFT prior to the commencement of games operations in China. Failure to obtain or renew approvals or to complete filings for online games, including mobile games, may materially delay or otherwise affect game operator’s plans to launch new games, and the operator may be subject to fines, restriction or suspension of operations of the related games or revocation of licenses in the event that the relevant governmental authority believes that the violation is severe. We obtained the necessary approvals from and completed necessary filings with the Ministry of Culture and GAPP for operations of our games as applicable. Consistent with the general practice of the mobile and TV game industry in China, we have not yet completed filings with the Ministry of Culture and GAPPRFT for our mobile and TV games before we commenced our operations. If any such negative event occurs, our business, financial condition and results of operations may be materially and adversely affected.

In addition, MIIT has published regulations that subject website operators to potential liability for content included on their websites and the actions of users and others using their websites, including liability for violations of PRC laws prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local Internet service provider to block any Internet website maintained outside China at its sole discretion. Periodically, the Ministry of Public Security has stopped the dissemination over the Internet of information which it believes to be socially destabilizing. The State Secrecy Bureau, which is directly responsible for the protection of State secrets of the PRC government, is authorized to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the dissemination of online information.

As these regulations are subject to interpretation by the relevant authorities, it may not be possible for us to determine in all cases the type of content that could result in liability for us as a website operator. In addition, we may not be able to control or restrict the content of other Internet content providers linked to or accessible through our websites, or content generated or placed on our websites by our users, despite our attempt to monitor such content. To the extent that regulatory authorities find any portion of our content objectionable, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content on our websites, which may reduce our user traffic and have a material adverse effect on our financial condition and results of operations. In addition, we may be subject to significant penalties for violations of those regulations arising from information displayed on, retrieved from or linked to our websites, including a suspension or shutdown of our operations.

Future movements in exchange rates between the U.S. dollar and the RMB may adversely affect the value of our ADSs.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Restrictions on currency exchange in China limit our ability to utilize our revenues effectively, make dividend payments and meet our foreign currency denominated obligations.

Currently, a significant portion of our revenues are denominated in RMB. Restrictions on currency exchange in China limit our ability to utilize revenues generated in RMB to fund our business activities outside China, make dividend payments in U.S. dollars, or obtain and remit sufficient foreign currency to satisfy our foreign currency-denominated obligations, such as paying license fees and royalty payments. The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules (1996), as amended. Under such rules, the RMB is generally freely convertible for trade and service-related foreign exchange transactions, but not for direct investment, loans or investment in securities outside China unless the prior approval of SAFE or designated banks is obtained. Although the PRC government regulations now allow greater convertibility of RMB for current account transactions, significant restrictions still remain. For example, foreign exchange transactions under our PRC subsidiaries' capital account, including principal payments in respect of foreign currency-denominated obligations, remain subject to significant foreign exchange controls and the approval and filing procedures of SAFE or authorized banks, as applicable. These limitations could affect our ability to obtain foreign exchange for capital expenditures. We cannot be certain that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of the RMB, especially with respect to foreign exchange transactions.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or us to penalties and fines, and limit our ability to inject capital into our PRC subsidiaries, limit our subsidiaries' ability to increase their registered capital, distribute profits to us, or otherwise adversely affect us.

On July 4, 2014, SAFE issued the Circular on Several Issues Concerning Foreign Exchange Administration of Domestic Residents Engaging in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 and its detailed guidelines require PRC residents to register with the local branch of SAFE before contributing their legally owned onshore or offshore assets or equity interest into any special purpose vehicle, or SPV, directly established, or indirectly controlled, by them for the purpose of investment or financing. SAFE Circular 37 further requires that when there is (a) any change to the basic information of the SPV, such as any change relating to its individual PRC resident shareholders, name or operation period or (b) any material change, such as increase or decrease in the share capital held by its individual PRC resident shareholders, a share transfer or exchange of the shares in the SPV, or a merger or split of the SPV, the PRC resident must register such changes with the local branch of SAFE on a timely basis.

We have requested all of our shareholders who, based on our knowledge, are PRC residents or whose ultimate beneficial owners are PRC residents to comply with all applicable SAFE registration requirements. However, we have no control over our shareholders. We cannot assure you that the PRC beneficial owners of our company and our subsidiaries have completed the required SAFE registrations or complied with other related requirements. Nor can we assure you that they will be in full compliance with the SAFE registration in the future. Any non-compliance by the PRC beneficial owners of our company and our subsidiaries may subject us or such PRC resident shareholders to fines and other penalties. It may also limit our ability to contribute additional capital to our PRC subsidiaries and our subsidiaries' ability to distribute profits or make other payments to us.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using offshore assets, including the proceeds of our initial public offering and other offering, to make additional capital contributions or loans to our PRC subsidiary.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries, variable interest entity and its subsidiaries. We may make loans to our PRC subsidiary, variable interest entity and its subsidiaries, subject to the approval from governmental authorities and limitation of amount, or we may make additional capital contributions to our PRC subsidiary.

Any loans to our PRC subsidiaries in China, which are treated as foreign-invested enterprises under PRC laws, are subject to foreign exchange loan registrations. In addition, a foreign-invested enterprises shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of an foreign invested enterprise shall not be used for the following purposes: (i) direct or indirect payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) direct or indirect investment in securities or investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary registration or obtain the necessary approval on a timely basis, or at all. If we fail to complete the necessary registration or obtain the necessary approval, our ability to make loans or equity contributions to our PRC subsidiary may be negatively affected, which could adversely affect our PRC subsidiary's liquidity and its ability to fund its working capital and expansion projects and meet its obligations and commitments.

Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notice of the State Administration of Foreign Exchange on the Relevant Issues Concerning the Administration of Foreign Exchange for Domestic Individuals' Participation in Equity Incentive Programs of Overseas Listed Companies, or Circular 7. Under Circular 7, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted stock incentive awards are be subject to these regulations. However, neither our PRC plan participants nor we have completed such requisite registration and other procedures. In addition, we cannot assure you that we will be able to complete the relevant registration for new employees who participate in such stock incentive plan in the future in a timely manner or at all. Failure of our PRC plan participants to complete their SAFE registrations may subject these PRC residents or us to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our subsidiaries and consolidated affiliated entities incorporated in China. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly-foreign-owned enterprises. We entered into a series of contractual arrangements with our consolidated affiliated entities in PRC to exercise effective control over these entities. Almost all of the agreements under those contractual arrangements are governed by PRC law and disputes arising out of these agreements are expected to be decided by arbitration in China. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China for the past decades. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Our current corporate structure and business operations may be affected by the Foreign Investment Law

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, or the FIL, which took effect on January 1, 2020 and replace the existing laws regulating foreign investment in China, namely, the Sino-Foreign Equity Joint Venture Law, the Sino-Foreign Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, or Existing FIE Laws, together with their implementation rules and ancillary regulations. The FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. See "Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulation on Foreign Investment."

Uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of variable interest entities contractual arrangements and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. While FIL does not define contractual arrangements as a form of foreign investment explicitly, we cannot assure you that future laws and regulations will not provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our affiliated PRC entities through contractual arrangements will not be deemed as foreign investment in the future. The Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2019), or the 2019 Negative List, was jointly issued by the Ministry of Commerce, or the MOC, and the National Development and Reform Commission, or the NDRC, on June 30, 2019. The 2019 Negative List stipulates the special administrative measures on access of foreign investment. Industries not listed in the 2019 Negative List are generally deemed as falling into categories of "encouraged" or "permitted" unless specifically restricted by other PRC laws. Our current business operations in China falls in the "prohibited" industry for foreign investment. However, even though FIL does not define contractual arrangements as a form of foreign investment explicitly, there can be no assurance that our contractual arrangements will be valid and legal at all times. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, our contractual arrangements may be deemed as invalid and illegal, we may be required to unwind the variable interest entity contractual arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our PRC subsidiaries in such transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

We may not be able to pursue growth through strategic acquisitions in China due to complicated procedures under PRC laws and regulations for foreign investors to acquire PRC companies.

In recent years, certain PRC laws and regulations have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. These laws and regulations include, without limitation, the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors, or the M&A Rules, and the Anti-Monopoly Law and the MOFCOM Security Review Rules. In some instances, MOFCOM needs to be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. The approval by MOFCOM may also need to be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review. The MOFCOM Security Review Rules, effective from September 1, 2011, provide that, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors shall be subject to the security review by MOFCOM, the principle of substance over form shall be applied. In particular, foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

If the business of any target company that we expect to acquire becomes subject to the security review, we may not be able to successfully complete the acquisition of such company, either by equity or asset acquisition, capital contribution or through any contractual arrangement. Complying with the requirements of the PRC laws and regulations to complete acquisition transactions could become more time-consuming and complex. Any required approval, such as approval by MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to grow our business or increase our market share. Furthermore, it is uncertain whether the M&A Rules, security review rules or the other PRC regulations regarding the acquisitions of PRC companies by foreign investors will be amended when the FIL becomes effective in the future.

The continued growth of China's Internet market depends on the establishment of adequate telecommunications infrastructure.

Although private sector Internet service providers currently exist in China, almost all access to the Internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of China's MIIT. In addition, the national networks in China connect to the Internet through government-controlled international gateways. These government-controlled international gateways are the only channel through which a domestic PRC user can connect to the international Internet network. We rely on this infrastructure to provide data communications capacity primarily through local telecommunications lines. Although the government has announced plans to aggressively develop the national information infrastructure, we cannot assure you that this infrastructure will be developed as planned or at all. In addition, we will have no access to alternative networks and services, on a timely basis if at all, in the event of any infrastructure disruption or failure. The Internet infrastructure in China may not support the demands necessary for the continued growth in Internet usage.

Risks Related to Our Shares and ADSs

Our ADSs may be delisted from the Nasdaq Capital Market as a result of our not meeting the Nasdaq Capital Market continued listing requirements.

Our ADSs are currently listed on the Nasdaq Capital Market under the symbol "NCTY." We must continue to meet the requirements set forth in Nasdaq Listing Rule 5550 to remain listing on the Nasdaq Capital Market. The listing standards of the Nasdaq Capital Market provide that a company, in order to qualify for continued listing, must maintain a minimum ADS price of US$1.00 and satisfy standards relative to minimum shareholders' equity, minimum market value of publicly held shares (MVPHS), minimum market value of listed securities (MVLS) and various additional requirements. On October 3, 2018, we received a letter from the Listing Qualifications Department of Nasdaq, pursuant to which Nasdaq informed us that due to our failure to regain compliance with the continued listing requirement of US$50 million minimum Market Value of Listed Securities ("MVLS") for the Nasdaq Global Market as set in the Nasdaq Listing Rule 5450(b)(2)(A), our ADSs would be delisted from the Nasdaq Global Market unless measures are taken prior to a certain timeline. We later transferred our listing venue to Nasdaq Capital Market with which we fully comply with the continued listing standards. On March 6, 2020, we received a letter from the Listing Qualifications Department of Nasdaq, notifying us that the minimum bid price per ADS, each representing three Class A ordinary shares of the Company, was below US$1.00 for a period of 30 consecutive business days and we did not meet the minimum bid price requirement set forth in Rule 5550(a)(2) of the Nasdaq Listing Rules. Due to the tolling of compliance period through June 30, 2020, as determined by Nasdaq, we now have until November 16, 2020, to regain compliance with Nasdaq's minimum bid price requirement. On April 13, 2020, we received a letter from the Listing Qualifications Department of Nasdaq, notifying us that we no longer met the continued listing standards of MVLS for the Nasdaq Capital Market, as set forth in the Nasdaq Listing Rule 5550(b)(2) because the market value of our securities listed on Nasdaq for the last 30 consecutive business days was below the minimum MVLS requirement of US$35.0 million. Pursuant to the Rule 5810(c)(3)(C) of the Nasdaq Listing Rules, we have a compliance period of 180 calendar days, or until October 12, 2020, to regain compliance with Nasdaq's minimum MVLS requirement. If we fail to satisfy Nasdaq Capital Market's continued listing requirements and fail to regain compliance on a timely basis, our ADSs could be delisted from Nasdaq Capital Market.

However, there can be no assurance that our ADSs will be eligible for trading on any such alternative exchanges or markets in the United States. If Nasdaq determines to delist our ordinary shares, or if we fail to list our ADSs on other stock exchanges or find alternative trading venue for our ADSs, the market liquidity and the price of our ADSs and our ability to obtain financing for our operations could be materially and adversely affected.

As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than U.S. public companies.

We are a "foreign private issuer" as defined in the SEC rules and regulations and, consequently, we are not subject to all of the disclosure requirements applicable to companies organized within the United States. For example, we are exempt from certain rules under the Exchange Act that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Further, we are not required to comply with Regulation FD, which restricts the selective disclosure of material information. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. public companies. Accordingly, there may be less publicly available information concerning our company than there is for U.S. public companies.

As a foreign private issuer, we file annual reports on Form 20-F within four months of the close of each fiscal year ended December 31 and reports on Form 6-K relating to certain material events promptly after we publicly announce these events. However, because of the above exemptions for foreign private issuers, our shareholders are not afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

While we are a foreign private issuer, we are not subject to certain Nasdaq corporate governance listing standards applicable to U.S. listed companies. We are entitled to rely on a provision in the Nasdaq corporate governance listing standards that allows us to elect to follow Cayman Islands "home county" corporate law with regard to certain aspects of corporate governance. This allows us to follow certain corporate governance practices that differ in significant respects from the corporate governance requirements applicable to U.S. companies listed on the Nasdaq. For example, in each of November 2015 and August 2016, our board of directors approved an increase in the total number of ordinary shares reserved for issuance under our then effective stock option plan, for which we have followed "home country practice" in lieu of obtaining a shareholder approval pursuant to Nasdaq Market Rule 5635(c). We may also rely on other exemptions available to foreign private issuers in the future, and to the extent that we choose to do so in the future, our shareholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

We believe we were a passive foreign investment company for our taxable year ended December 31, 2019, which could subject United States investors in the ADSs or ordinary shares to significant adverse United States income tax consequences.

A non-U.S. corporation will be a "passive foreign investment company," or PFIC, for any taxable year if either (1) at least 75% of its gross income for such year consists of certain types of passive income, or (2) at least 50% of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. We must make a separate determination after the close of each taxable year as to whether we were a PFIC for that year. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs or ordinary shares, our PFIC status will depend in part on the market price of the ADSs or ordinary shares, which may fluctuate significantly, and the composition of our assets and liabilities.

Based on the market price of our ADSs and the composition of income and assets, we believe that we were a PFIC for United States federal income tax purposes for our taxable year ended December 31, 2019, and we will very likely be a PFIC for our current taxable year unless the market price of our ADSs increases, the portion of our gross income attributable to the passive types decreases, and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income. Further, as previously disclosed, although not free from doubt, we believed that we were a PFIC for U.S. federal income tax purposes for prior years. In addition, it is possible that one or more of our subsidiaries were also PFICs for such year for U.S. federal income tax purposes.

If we were treated as a PFIC for any taxable year during which a U.S. Holder (as defined in Item 10. Additional Information—E. Taxation—U.S. Federal Income Taxation) holds our ADSs or ordinary shares, such U.S. Holders will generally be subject to reporting requirements and may incur significantly increased U.S. income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an "excess distribution" under the U.S. federal income tax rules. Further, a U.S. Holder will generally be treated as holding an equity interest in a PFIC in the first taxable year of the U.S. Holder's holding period in which we become classified as a PFIC and in subsequent taxable years even if we cease to be a PFIC in subsequent taxable years. See "Item 10. Additional Information—E. Taxation—U. S. Federal Income Taxation—Passive Foreign Investment Company."

You are strongly urged to consult your tax advisors regarding the impact of our being a PFIC in any taxable year on your investment in our ADSs and ordinary shares as well as the application of the PFIC rules.

Substantial future sales or the perception of sales of our ADSs or ordinary shares could adversely affect the price of our ADSs.

If our shareholders sell or are perceived by the market to sell substantial amounts of our ADSs, including those issued upon the exercise of outstanding options, in the public market, the market price of our ADSs could fall. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. If any existing shareholder or shareholders sell or are perceived by the market to sell a substantial amount of ordinary shares, the prevailing market price for our ADSs could be adversely affected. In December 2015, we issued and sold the Convertible Notes in an aggregate principal amount of US$40,050,000 to Splendid Days in three tranches at initial conversion prices of US$7.8, US$15.6 and US$23.4 per ADS, each representing three ordinary shares, respectively. In connection with the sale of Convertible Notes, we also issued the Warrants in an aggregate principal amount of US$9,950,000 to Splendid Days in four tranches at initial exercise prices of US$4.5, US$7.8, US$15.6 and US$23.4 per ADS, respectively. Among the four tranches Warrants, only the first tranche of the principal amount of US$5,000,000 with the initial exercise price of US$4.5 per ADS is still outstanding. In February 2020, we completed the sale of the equity interest in certain subsidiaries that collectively held the Previously Mortgaged Properties in accordance with the deed of settlement and its amendments. As of the date of this annual report, the outstanding balance of the Convertible Notes amounted to US$55.5 million, and the Warrants in a principal amount of US$5.0 were still outstanding. See “Item 5—Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Cash Flows and Working Capital.”

In addition, we may issue additional ordinary shares or ADSs for future acquisitions. If we pay for our future acquisitions in whole or in part with additionally issued ordinary shares or ADSs, your ownership interest in our company would be diluted and this, in turn, could have a material adverse effect on the price of our ADSs.

The market price for our ADSs may be volatile.

The market price for our ADSs is likely to be highly volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our operating results;
- announcements of new games by us or our competitors;
- changes in financial estimates by securities analysts;
- price fluctuations of publicly traded securities of other China-based companies engaging in Internet-related services or other similar businesses;
- conditions in the Internet or online game industries;
- changes in the economic performance or market valuations of other Internet or online game companies;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- fluctuations in the exchange rates between the U.S. dollar and the RMB;
- addition or departure of key personnel; and
- pending and potential litigation.

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

Our dual-class share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

We have a dual-class share structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and our Class B ordinary shares shall at all times vote together as one class on all resolutions submitted to a vote by our shareholders. Each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to vote at our general meetings, and each Class B ordinary share shall entitle the holder thereof to fifty votes on all matters subject to vote at our general meetings. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of any Class B ordinary share by the holder of such Class B ordinary share to any person who is not an affiliate of such shareholder, such Class B ordinary share shall be automatically and immediately converted into one Class A ordinary share.

Mr. Jun Zhu, our chairman and chief executive officer, beneficially owns all of our outstanding Class B ordinary shares. As of February 29, 2020, Mr. Jun Zhu beneficially owned approximately 86.7% of the aggregate voting power of our company. As a result of the dual-class share structure and the concentration of ownership, holders of our Class B ordinary shares have considerable influence over matters such as decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. They may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial. In addition, we may incur incremental compensation expenses to the holders of Class B ordinary shares as a result of their becoming entitled to high votes on each Class B ordinary share.

The dual-class structure of our ordinary shares may adversely affect the trading market for our ADSs.

S&P Dow Jones and FTSE Russell have changed their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our ordinary shares may prevent the inclusion of our ADSs representing Class A ordinary shares in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our ADSs. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our ADSs.

Our shareholders may not have the same protections generally available to stockholders of other Nasdaq-listed companies because we are currently a "controlled company" within the meaning of the Nasdaq Listing Rules.

Because Mr. Jun Zhu holds a majority of the total outstanding voting power in our company through Incsight Limited for the election of our board of directors, we are a "controlled company" within the meaning of Nasdaq Listing Rule 5615(c). As a controlled company, we qualify for, and our board of directors, the composition of which is controlled by Incsight Limited and Mr. Jun Zhu, may rely upon, exemptions from several of Nasdaq's corporate governance requirements, including requirements that:

- a majority of the board of directors consist of independent directors;
- compensation of officers be determined or recommended to the board of directors by a majority of its independent directors or by a compensation committee comprised solely of independent directors; and

- director nominees be selected or recommended to the board of directors by a majority of its independent directors or by a nominating committee that is composed entirely of independent directors.

Accordingly, to the extent that we may choose to rely on one or more of these exemptions, our shareholders would not be afforded the same protections generally as shareholders of other Nasdaq-listed companies for so long as Mr. Zhu is able to control the composition of our board through Incsight Limited and our board determines to rely upon one or more of such exemptions.

The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.

We are incorporated under the laws of the Cayman Islands. The rights of holders of our Class A ordinary shares and, therefore, certain of the rights of holders of our ADSs, are governed by Cayman Islands law, including the provisions of the Companies Law (2020 Revision) and by our Second Amended and Restated Memorandum and Articles of Association. These rights differ in certain respects from the rights of shareholders in typical U.S. corporations. See “Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law” for a description of certain key differences between the provisions of the Companies Law (2020 Revision) applicable to us and, for example, the Delaware General Corporation Law relating to shareholders’ rights and protections.

Our memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our Class A ordinary shares and ADSs.

Our Second Amended and Restated Memorandum and Articles of Association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our dual-class voting structure gives disproportionate voting power to the holders of our Class B ordinary shares. In addition, our board of directors will have the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, including Class A ordinary shares represented by ADS. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and ADSs may be materially and adversely affected.

You may face difficulties in protecting your interests, and our ability to protect our rights through the U.S. federal courts may be limited, because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our Second Amended and Restated Memorandum and Articles of Association and by the Companies Law (2020 Revision) and common law of the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and provides significantly less protection to investors. Therefore, our public shareholders may have more difficulties protecting their interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States. As a result, our shareholders may not be able to protect their interests if they are harmed in a manner that would otherwise enable them to sue in a United States federal court.

Your ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, will be limited because we are incorporated in the Cayman Islands, because we conduct a substantial portion of our operations in China and because the majority of our directors and officers reside outside of the United States.

We are an exempted company incorporated in the Cayman Islands, substantially all of our assets are located in China and we conduct a substantial portion of our operations through our wholly-owned subsidiaries and affiliated entities in China. Most of our directors and officers reside outside of the United States and most of the assets of those persons are located outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

You may not be able to exercise your right to vote.

As a holder of ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You may give voting instructions to the depositary of our ADSs to vote the underlying Class A ordinary shares represented by your ADSs. Otherwise, you will not be able to exercise your right to vote with respect to the underlying Class A ordinary shares represented by your ADSs unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. However, you may not receive sufficient advance notice of a shareholders' meeting to enable you to withdraw the underlying Class A ordinary shares represented by your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. Pursuant to our Second Amended and Restated Memorandum and Articles of Association, a shareholders' meeting may be convened by us on seven business days' notice. If we ask for your instructions, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying Class A ordinary shares represented by your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out your voting instructions or for the manner of carrying out your voting instructions, if any such action or non-action is in good faith. This means that you may not be able to exercise your right to direct how the underlying Class A ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying Class A ordinary shares represented by your ADSs are not voted as you requested.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our ADSs depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts or the content that they publish about us. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our ADSs or change their opinion of our ADSs, our ADS price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our ADS price or trading volume to decline.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act of 1933, as amended, or the Securities Act, or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary will not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act, or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. The depositary may, but is not required to, sell such undistributed rights to third parties in this situation. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

You may not receive distributions on ordinary shares or any value for them if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. We have no obligation to register ADSs, ordinary shares, rights or other securities under U.S. securities laws. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive the distribution we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before investing in the ADSs.

If you or any other ADS holders bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and / or the depositary. If a lawsuit is brought against us and/or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiffs in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial.

No provision of the deposit agreement or ADSs serves as a waiver by any ADS holder or by us or the depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated in the Cayman Islands on December 22, 1999 under the name GameNow.net Limited as an exempted company limited by shares and were renamed The9 Limited in February 2004. We formed GameNow.net (Hong Kong) Limited, or GameNow, on January 17, 2000 in Hong Kong, as a wholly-owned subsidiary. We have historically conducted our operations in large part through The9 Computer Technology Consulting (Shanghai) Co., Ltd., or The9 Computer, previously a direct wholly-owned subsidiary of GameNow in China that we disposed in February 2020. We now conduct our operations through Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd., a direct wholly-owned subsidiary of GameNow in China.

Due to the current restrictions on foreign ownership of ICP and Internet culture operation in China, currently, we primarily rely on Shanghai IT, one of our affiliated PRC entities, in holding certain licenses and approvals necessary for our business online game operations through a series of contractual arrangements with Shanghai IT and its shareholders. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Arrangements with Affiliated PRC Entities" for details of the contractual arrangements with Shanghai IT and its shareholders. We do not hold any equity interest in Shanghai IT.

In July 2017, we completed a share exchange transaction with a Korean company IE Limited, or IE, whereby we exchanged 12,500,000 ordinary shares newly issued by us at a per share price of US$1.2 for approximately 14.6% equity interest of Smartposting Co., Ltd., or Smartposting, a wholly-owned subsidiary of IE, held by IE. We do not consolidate the results of Smartposting Co., Ltd. into our results of operations and treat it as an equity investee.

In January 2018, we completed a share exchange transaction with Red Ace Limited, or Red Ace, a British Virgin Islands company, whereby we exchanged 3,571,429 ordinary shares newly issued by us for approximately 29.0% equity interest of Maxline Holdings Limited, or Maxline, a Cayman Islands company engaged in the provision of information technology infrastructure solutions, website and mobile app design, held by Red Ace. We do not consolidate the results of Maxline into our results of operations and treat it as an equity investee.

Effective May 9, 2018, we effected a change of the ratio of the ADSs to ordinary shares from one ADS representing one ordinary share to three ordinary shares. Unless otherwise indicated, ADSs and per ADS amount in this annual report have been retroactively adjusted to reflect the changes in ratio for all periods presented.

In September 2018, we completed a share exchange transaction with Leading Choice Holding Limited, or Leading Choice, a company incorporated in Hong Kong, and the shareholder of Leading Choice for the issuance and sale of 21,000,000 ordinary shares of our company to Leading Choice in exchange for 20% equity interest in Leading Choice at that time as consideration.

In September 2018, we completed a share exchange transaction with Plutux Limited, or Plutux, a company incorporated in Gibraltar, and a shareholder of Plutux for the issuance and sale of 21,000,000 ordinary shares of our company to the participating shareholder of Plutux in exchange for 8% equity interest in Plutux at that time as consideration.

In March 2019, we signed a joint venture agreement with F&F to establish a joint venture to manufacture, market, distribute, and sell electric vehicles in China. We subsequently amended the joint venture agreement in June, July and September 2019, respectively. Pursuant to the joint venture agreement and the amendments with F&F, we are obligated to make a total of US$600.0 million in total capital contribution to the joint venture which are payable in three installments as follows: (i) the first installment in the amount of US$200.0 million shall be contributed in in accordance with the payment schedule of license fees to be agreed in the license agreement with F&F, (ii) the second installment in the amount of US$200.0 million shall be contributed within two months (subject to an extension for one month at our discretion) after the definitive arrangement relating to the use right in a piece of land in China, and (iii) the third installment in the amount of US$200.0 million shall be contributed within two months (subject to an extension for one month at our discretion) after the achievement of certain car model design milestone by F&F. As of the date of this annual report, we have not entered into a license agreement with F&F and have not fulfilled our first installment contribution obligation.

In March 2019, we borrowed an interest-free loan in a principal amount of US$5.0 million from Ark Pacific Associates Limited. In April 2019, the entire principal amount was paid out by Ark Pacific Associates Limited to F&F as non-refundable deposit, upon our request and on our behalf.

We failed to repay the Convertible Notes upon the maturity date and later entered into a deed of settlement with Splendid Days, the holder of the Convertible Notes in March 2019, and subsequently entered into several amendments to the deed of settlement in relation to the repayment schedule for the overdue Convertible Notes. Pursuant to the deed of settlement and its amendments, the outstanding amount of the Convertible Notes bore an interest rate of 12% per annum from the original maturity date to February 21, 2020. In February 2020, we completed the sale of the equity interest in certain subsidiaries that collectively held the Previously Mortgaged Properties in accordance with the deed of settlement and its amendments. Pursuant to the deed of settlement and its amendments, US$6.6 million of the outstanding amount of the Convertible Notes continues to bear an interest rate of 14% per annum commencing from February 22, 2020.

We undertook a corporate restructure to facilitate the sale of the equity interests in certain subsidiaries that collectively held the Previously Mortgaged Properties. In September 2019, we entered into a definitive agreement with Kapler Pte. Ltd, an indirect subsidiary of Keppel Corporation Limited, a multi-business company providing solutions for sustainable urbanization, pursuant to which 100% equity interest in several then subsidiaries of our company in China, namely China The9 Interactive (Shanghai) Ltd., The9 Computer Technology Consulting (Shanghai) Co., Ltd. and Shanghai Kaie Information Technology Co., Ltd., that collectively own Zhangjiang Micro-electronic Port Block #3 were sold to Kapler Pte. Ltd in exchange for consideration of RMB493.0 million. Other assets and liabilities previously held by the subsidiaries sold were transferred to Shanghai Hui Ling. We terminated the contractual arrangements between The9 Computer and Shanghai IT, and Shanghai Hui Ling entered into new contractual arrangements with Shanghai IT, replacing The9 Computer. The share pledge over the equity interest in The9 Computer to secure the Convertible Notes was released and de-registered in May 2019. This transaction was completed in February 2020. As of the date of this annual report, we have repaid approximately US$4.8 million to Splendid Days and the outstanding balance of the Convertible Notes amounted to US$55.5 million, which we plan to repay using the consideration received from the sale of the equity interests in certain subsidiaries that collectively held the Previously Mortgaged Properties.

On May 6, 2019, we held an extraordinary general meeting at which our shareholders approved, among other things, to adjust our authorized share capital and to adopt a dual-class share structure, consisting of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share is entitled to one vote per share on all matters subject to vote at general meetings of our company. Each Class B ordinary share is entitled to fifty (50) votes per share on all matters subject to vote at general meetings of our company. The issued and outstanding ordinary shares then held by Incsight Limited, a British Virgin Islands business company, which is wholly owned by Mr. Jun Zhu, our chairman and chief executive officer, and the issued and outstanding ordinary shares then held by Mr. Jun Zhu himself, were re-designated and re-classified as Class B ordinary shares. All other ordinary shares then issued and outstanding were re-designated and re-classified as Class A ordinary shares. On the same date, we amended and restated our then effective Amended and Restated Memorandum of Association and Articles of Association in their entirety and adopted our Second Amended and Restated Memorandum and Articles of Association which reflect, among other things, the changes to our capital structure. As a result of such changes, Mr. Jun Zhu holds the majority of our outstanding voting power and we became a "controlled company" as defined under Nasdaq Stock Market Rules.

In May 2019, we entered into a joint venture agreement with EN+, to establish a joint venture to engage in sales of electric vehicle charging equipment, investment, construction and operation of charging stations, and provision of operational services relating to charging equipment and platforms for electric vehicles. Pursuant to the joint venture agreement, we will make a cash investment of RMB50.0 million in the joint venture in exchange for 80% equity interest in the joint venture, and EN+ will contribute its current and future proprietary electric vehicle charging technologies to the joint venture in exchange for 20% equity interest of the joint venture. Currently, we do not expect to pursue such joint venture opportunity with EN+.

In May 2019, we incorporated The9 EV Limited in Hong Kong, and The9 EV Limited holds 50% interest in FF The9 China Joint Venture Limited, the joint venture we established with F&F under the laws of Hong Kong in September 2019.

In June 2019, we and our wholly-owned subsidiary entered into a share purchase agreement with Comtec Windpark Renewable (Holdings) Co., Ltd, a wholly-owned subsidiary of Comtec Solar Systems Group Limited (SEHK: 00712). Pursuant to the share purchase agreement, we issued 3,444,882 Class A ordinary shares to purchase 9.9% equity interest in Zhenjiang Kexin Power System Design and Research Company, a lithium battery management system and power storage system supplier.

In July 2019, we entered into a convertible note purchase agreement with Jupiter Excel Limited, pursuant to which we agreed to sell and Jupiter agreed to purchase 12% convertible notes in an aggregate principal amount of US$30 million. The 2019 Convertible Notes would be funded in two tranches. The principal amount of tranche A and tranche B of the 2019 Convertible Notes would be US$10 million and US$20 million, respectively. The closing of the transaction was subject to certain closing conditions. Due to unfavorable market conditions and failure to satisfy the closing conditions, the proposed transaction was not closed and the convertible note purchase agreement was terminated in March 2020.

In July 2019, we entered in an amendment to the amended and restated license agreement dated October 31, 2017 with Smilegate and other parties thereto to extend the license period for game development till October 31, 2020. We expect to launch CrossFire New Mobile Game in the second half of 2020. However, in the event that we cannot meet such launch time, we may seek to further extend the license term.

In February 2020, we issued and sold (i) a one-year convertible note in a principal amount of US$500,000, (ii) 70,000 ADSs, and (iii) 3,300,000 Class A ordinary shares, for an aggregate consideration of US$500,000 to Iliad. The convertible note bears interest at a rate of 6.0% per year, compounded daily. Iliad has the right at any time after six months have elapsed since the purchase date until the outstanding balance has been paid in full, at its election, to convert all or any portion of the outstanding balance into ADSs of our company at an initial conversion price of US$1.05 per ADS, subject to adjustment. Beginning on the date that is six months from the note purchase date, Iliad has the right, exercisable at any time in its sole and absolute discretion, to redeem any portion of the convertible note up to US$150,000 per calendar month. Payment of the redemption amount could be in cash or our ADSs. In the event the principal amount and interest accrued for the convertible note issued to Iliad are fully repaid, we have the right to repurchase the remaining Class A ordinary shares held by Iliad that are unsold at US$0.0001 per share.

On March 6, 2020, we received a letter from the Listing Qualifications Department of Nasdaq, notifying us that the minimum bid price per ADS, each representing three Class A ordinary shares of the Company, was below US$1.00 for a period of 30 consecutive business days and we did not meet the minimum bid price requirement set forth in Rule 5550(a)(2) of the Nasdaq Listing Rules. Due to the tolling of compliance period through June 30, 2020, as determined by Nasdaq, we now have until November 16, 2020, to regain compliance with Nasdaq's minimum bid price requirement.

On April 13, 2020, we received a letter from the Listing Qualifications Department of Nasdaq, notifying us that we no longer met the continued listing standards of MVLS for the Nasdaq Capital Market, as set forth in the Nasdaq Listing Rule 5550(b)(2) because the market value of our securities listed on Nasdaq for the last 30 consecutive business days was below the minimum MVLS requirement of US$35.0 million. Pursuant to the Rule 5810(c)(3)(C) of the Nasdaq Listing Rules, we have a compliance period of 180 calendar days, or until October 12, 2020, to regain compliance with Nasdaq's minimum MVLS requirement.

Our principal executive office is located at 17 Floor, No. 130 Wu Song Road, Shanghai 200080, People's Republic of China. Our registered office in the Cayman Islands is located at the offices of CARD Corporate Services Ltd, c/o Collas Crill Corporate Services Limited, Floor 2, Willow House, Cricket Square, PO Box 709, Grand Cayman KY1-1107 Cayman Islands.

B. Business Overview

We primarily operate and develop proprietary and licensed online games. We are developing several proprietary mobile games, including CrossFire New Mobile Game and Audition.

We generate our online game service revenues primarily through an item-based revenue model, under which players play games for free, but they are charged for in-game items, such as performance-enhancing items, clothing and accessories. Our customers typically access our online games through personal computers, mobile devices or TVs.

Products and Services

Online Games

We operate and develop proprietary or licensed online games, primarily mobile games, and TV games.

As of the date of this annual report, we or our joint ventures own or have licenses to operate or develop the following online games in China and other countries:

Game	Developer/ Licensor	Description	Status
CrossFire New Mobile Game	The9 / Smilegate	Mobile game	Under development
Audition	Asian Way Development Limited / T3 Entertainment	Mobile game	Under development
Pop Fashion	The9	Mobile game	Launched in China in December 2018

- *CrossFire New Mobile Game*. In January 2016, we obtained a right from Smilegate to develop a mobile game based on the intellectual property relating to CrossFire, or the CrossFire New Mobile Game. The development of the game is financed with funding through Inner Mongolia Culture Assets and Equity Exchange. In November 2017, we entered into an exclusive publishing agreement with a third-party company, pursuant to which this third-party company was granted with an exclusive right to publish the CrossFire New Mobile Game in China. In July 2019, we entered in an amendment to the amended and restated licensing agreement dated October 31, 2017 with Smilegate to extend the license period till October 31, 2020. We expect to launch CrossFire New Mobile Game in the second half of 2020. However, in the event that we cannot meet such launch time, we may seek to further extend the license term. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Failure to obtain or renew approvals or filings for online games and mobile games we operate may adversely affect our operations or subject us to penalties."

- *Audition*. Asian Way Development Limited obtained a right from T3 Entertainment to develop a mobile game based on the intellectual property relating to a game called Audition and has sublicensed all of its rights and obligations with respect to the development, marketing, distribution and publishing of the game to a third-party company.

- *Pop Fashion is a proprietary game developed by us*. Pop Fashion is a match-3 game which was launched on the third-party platform in China in December 2018.

We previously also operated “Knight Forever” mobile game and “Q Jiang San Guo” mobile game, both of which ceased operations in 2019.

In preparation for the commercial launch of a new game, we conduct “closed beta testing” of the game to resolve operational issues, which is followed by “limited commercial release” and “open beta testing.” In both limited commercial release and open beta testing, we allow our registered users to play without removing their in-game data to ensure the performance consistency and stability of our operating systems. While we limit the number of users allowed to play the game in limited commercial release, we do not set such a limit in open beta testing. We can choose to start charging users in limited commercial release or open beta testing or at a later stage at our discretion.

Our online games are available 24 hours a day, seven days a week. Our users can access our online games from any location with an Internet connection. Substantially all of our users in China access the game servers either from cell phones, personal computers at home or at Internet cafés equipped with multiple personal computers that have Internet access.

Electric Vehicles

In March 2019, we entered into a joint venture agreement with F&F, to establish a joint venture and serve China with electric vehicles designed and developed by F&F. Pursuant to the joint venture agreement, we would be a 50% partner in the joint venture with control over business operations. The joint venture will serve the China market with manufacturing, marketing, distribution and sale of certain car model and other potential selected car models designed and developed by F&F, in each case subject to the satisfaction of certain conditions, such as the establishment of the joint venture and funding arrangements. In May 2019, we incorporated The9 EV Limited in Hong Kong, and The9 EV Limited currently holds 50% interest in FF The9 China Joint Venture Limited, the joint venture we established with F&F under the laws of Hong Kong in September 2019.

Pursuant to our joint venture agreement and amendments with F&F, we are obligated to make a total of US$600.0 million in total capital contribution to the joint venture which are payable in three installments as follows: (i) the first installment in the amount of US$200.0 million shall be contributed in in accordance with the payment schedule of license fees to be agreed in the license agreement with F&F, (ii) the second installment in the amount of US$200.0 million shall be contributed within two months (subject to an extension for one month at our discretion) after the definitive arrangement relating to the use right in a piece of land in China, and (iii) the third installment in the amount of US$200.0 million shall be contributed within two months (subject to an extension for one month at our discretion) after the achievement of certain car model design milestone by F&F. Pursuant to the joint venture agreement, we paid non-refundable deposit of US$5.0 million with F&F in April 2019, which constituted part of our capital contribution.

Pursuant to the joint venture agreement, F&F is obligated to contribute to the joint venture the use right in a piece of land in China for manufacturing of electric vehicles within forty-five days after the joint venture receives the first installment of US$200.0 million. Pursuant to the joint venture agreement, F&F will enter into a license agreement with the joint venture, under which it shall grant to the joint venture an exclusive license to manufacture, market, distribute and sell FF V9 MPV. Pursuant to the joint venture agreement, the joint venture was also granted a right of first refusal to obtain an exclusive license to manufacture, market, sell and distribute the first new model that F&F designs and develops for manufacturing, marketing and distributing in China after the date of the joint venture agreement.

If we fail to provide capital contribution in accordance with the provisions under the joint venture agreement and the applicable cure period lapses, the total amount of the capital contribution that have then been made by us shall automatically be converted into consideration for the Class B ordinary shares in the holding company of F&F at the conversion price specified under the joint venture agreement. In addition, F&F may exercise its call option to buy out our shares in the joint venture at a pre-agreed premium if there is an initial public offering of F&F’s holding company within four years of the joint venture’s inception, and F&F may elect to pay the purchase price in the form of the Class B ordinary shares in its holding company.

Pursuant to the joint venture agreement, the board of directors of the joint venture consists of five directors, of whom three should be appointed by us and remaining two should be appointed by F&F. The directors can only be removed and replace by their respective appointing party.

The joint venture agreement may be terminated (i) by the non-defaulting party if the other party commits material breach of the joint venture agreement or the license agreement (except for the failure to make capital or in-kind contributions) or other material misconducts, or (ii) by either party if we fail to make capital contributions, or either party becomes bankrupt, or both parties agree to the termination or any party no longer holds any shares in the joint venture, unless otherwise provided in the joint venture agreement. As of the date of this annual report, the joint venture agreement was still effective.

In June 2019, we and our wholly-owned subsidiary entered into a share purchase agreement with Comtec, a wholly-owned subsidiary of Comtec Group. Pursuant to the share purchase agreement, we issued 3,444,882 Class A ordinary shares to purchase 9.9% equity interest in Kexin. Kexin primarily engages in the research and development, design, integration and sales of lithium battery management systems for electric vehicles (including electric cars, electric motors and electric bicycles), lithium battery systems and power storage systems.

Purchase of In-game Items

A customer can access online games free of charge and buy in-game items online by charging a payment directly to Alipay, or by credit card or debit card.

Pricing, Distribution and Marketing

Pricing. We price our in-game virtual items near the end of the free testing period based on several factors, including the prices of other comparable games, the technological and other features of the game, and the targeted marketing position of the game. Our prepaid game cards are offered in a variety of denominations to provide users with maximum flexibility.

Distribution. We primarily rely on game platforms and distributors to distribute, promote, market and sell our games in China. End users can purchase our virtual currencies through such game platforms and distributors. A substantial portion of our sales are carried out via such game platforms and distributors. We do not have long-term agreements with any online game platforms or distributors. In addition, we also directly sell game points through our game players' online accounts.

Marketing. Our overall marketing strategy is to rapidly attract new customers and increase revenues from recurring customers. The marketing programs and promotional activities that we employ to promote our games include:

Advertising and Online Promotion. We place advertisements in many game magazines and on online game sites, which are updated regularly.

Cross-Marketing. We have cross-marketing relationships with major consumer brands, technology companies and major telecom carriers. We believe that our cross-marketing relationships with well-known companies will increase the recognition of our online game brands.

On-Site Promotion. We distribute free game-related posters, promotional prepaid cards for beginners, game-related souvenirs such as watches, pens, mouse pads and calendars at trade shows, selected Internet cafés and computer stores.

In-Game Marketing. We conduct "in-game" marketing programs from time to time, including online adventures for grand prizes.

Game Development and Licensing

We believe that the online game industry in China will continue its pattern of developing increasingly sophisticated online games tailored to the local market. In order to remain competitive, we focus on continuing to develop new proprietary online games, primarily mobile games. Our product development team is responsible for game design, technical development and art design. We also plan to further enhance our game development capability and diversify our game portfolio and pipeline.

Our game licensing process begins with a preliminary screening, review and testing of a game, followed by a cost analysis, negotiations and ultimate licensing of a game, including all regulatory and approval processes. A team is then designated to conduct “closed beta testing” of the game to resolve operational matters, followed by “open beta testing” during which our registered users may play the game without removing their in-game data to ensure performance consistency and stability of our operation systems. Testing generally takes three to six months, during which time we commence other marketing activities.

Technology

We aim to build a reliable and secure technology infrastructure to fully support our operations, and we maintain separate technology networks for each of our games. Our current technology infrastructure consists of the following:

- proprietary software, including game monitor tools, that are integrated with our websites and customer service center operations; and

- hardware platform and server sites primarily consisting of IBM storage systems, HP, H3C and Cisco network equipment.

We have a network operation team responsible for the stability and security of our network. The team monitors our server and works to detect, record, analyze and solve problems that arise from out network. In addition, we frequently upgrade our game server software to ensure the stability of our operations and to reduce the risks of hacking.

Competition

Our major competitors include, but are not limited to, online game operators in China. These include Tencent Holdings Limited, NetEase, Inc., Happy-elements Inc., Giant Interactive Group Inc., Changyou.com Limited and Perfect World Co., Ltd..

Our existing and potential competitors may compete with us on marketing activities, quality of online games and sales and distribution networks. Some of our existing and potential competitors have greater financial and marketing resources than us. For a discussion of risks relating to competition, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—We may not be able to recover our market share and profitability as we operate in a highly competitive industry with numerous competitors.”

Intellectual Property

Our intellectual property rights include trademarks and domain names associated with the name “The9” in China and copyright and other rights associated with our websites, technology platform, self-developed software and other aspects of our business. We regard our intellectual property rights as critical to our business. We rely on trademark and copyright law, trade secret protection, non-competition and confidentiality agreements with our employees, and license agreements with our partners, to protect our intellectual property rights. We require our employees to enter into agreements requiring them to keep confidential all information relating to our customers, methods, business and trade secrets during and after their employment with us and assign their inventions developed during their employment to us. Our employees are required to acknowledge and recognize that all inventions, trade secrets, works of authorship, developments and other processes made by them during their employment are our property.

We have registered our domain names with third-party domain registration entities, and have legal rights over these domain names through Shanghai IT, our affiliated PRC entity. We conduct our business under the "The9 Limited" brand name and "The9" logo.

Legal Proceedings

See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings."

Government Regulations

Regulations on Foreign Investment

Investment activities in the PRC by foreign investors were previously governed by the Catalogue for the Guidance of Foreign Investment Industry, or the Catalogue, repealed by the 2019 Negative List, and the Catalogue of Industries for Encouraging Foreign Investment (2019 Version), or the Encouraging Catalogue, which were promulgated by the National Development and Reform Commission, or the NDRC, and the Ministry of Commerce on June 30, 2019 and became effective on July 30, 2019.

On March 15, 2019, the National People's Congress promulgated the FIL, which came into effect on January 1, 2020 and replaced the previous FIE Laws. The FIL embodies an expected regulatory trend in PRC to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The FIL, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list." The FIL provides that foreign invested entities operating in foreign "restricted" or "prohibited" industries will require entry clearance and other approvals. In addition, the FIL does not comment on the concept of "de facto control" or contractual arrangements with variable interest entities, however, it has a catch-all provision under definition of "foreign investment" to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment. See "Item 3. Key Information—D. Risk Factors—Our current corporate structure and business operations may be affected by the Foreign Investment Law."

The FIL also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, allows foreign investors' funds to be freely transferred out and into the territory of PRC, which run through the entire lifecycle from the entry to the exit of foreign investment, and provide an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the FIL, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law and other laws and regulations governing the corporate governance.

Current PRC laws and regulations impose substantial restrictions on foreign ownership of the online gaming and ICP businesses in China. As a result, we conduct our online gaming and ICP businesses in China through contractual arrangements with Shanghai IT, one of our affiliated PRC entities. Shanghai IT is owned by Zhimin Lin and Wei Ji, both of whom are PRC citizens.

In the opinion of our PRC counsel, Grandall Law Firm, subject to the interpretation and implementation of the GAPP Circular and the Network Publication Measures, the ownership structure and the business operation models of our PRC subsidiaries and our affiliated PRC entities comply with all applicable PRC laws, rules and regulations, and no consent, approval or license is required under any of the existing laws and regulations of China for their ownership structure and business operation models except for those which we have already obtained or which would not have a material adverse effect on our business or operations as a whole. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, it is uncertain that the PRC government authorities will ultimately take a view that is consistent with the opinion of our PRC counsel.

In the online game industry in China, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have, and address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to the online games industry. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The laws and regulations governing the online game industry in China are developing and subject to future changes. If we fail to obtain or maintain all applicable permits and approvals, our business and operations could be materially and adversely affected."

Regulations on Internet Content Provision Service, Online Gaming and Internet Publishing

Our provision of online game-related content on our websites is subject to various PRC laws and regulations relating to the telecommunications industry, Internet and online gaming, and is regulated by various government authorities, including MIIT, the MCT, GAPPRFT and the State Administration for Market Regulation. The principal PRC regulations governing the ICP industry as well as the online gaming services in China include:

- Telecommunications Regulations (2000), as amended in 2014 and 2016;
- The Administrative Rules for Foreign Investments in Telecommunications Enterprises (2001), as amended in 2008 and 2016;
- The Administrative Measures for Telecommunications Business Operating License (2017);
- The Administrative Measures for Internet Information Services (2000), as amended in 2011;
- The Tentative Measures for Administration of Internet Culture (2003), as amended and reissued in 2011 and further amended in 2017;
- Administrative Measures on Network Publication (2016);
- The Foreign Investment Industrial Guidance Catalogue (2017), as amended in 2018;
- The Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2019); and
- Provisions on the Ecological Governance of Network Information Contents (2020).

In July 2006, MIIT issued the MII Notice. The MII Notice prohibits ICP license holders from leasing, transferring or selling a telecommunications business operating license to any foreign investors in any form, or providing any resource, sites or facilities to any foreign investors for their illegal operation of telecommunications businesses in China. The notice also requires that ICP license holders and their shareholders directly own the domain names and trademarks used by such ICP license holders in their daily operations. The notice further requires each ICP license holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all the value-added telecommunication service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. The local authorities in charge of telecommunications services are required to ensure that existing ICP license holders conduct a self-assessment of their compliance with the MII Notice and submit status reports to MIIT before November 1, 2006. For those which are not in compliance with the above requirements and further fail to rectify the situation, the relevant governmental authorities would have broad discretion in adopting one or more measures against them, including but not limited to revoking their operating licenses. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—PRC laws and regulations restrict foreign ownership of Internet content provision, Internet culture operation and Internet publishing licenses, and substantial uncertainties exist with respect to the application and implementation of PRC laws and regulations."

Under these regulations, a foreign investor is currently prohibited from owning more than 50% of the equity interest in a PRC entity that provides value-added telecommunications services (except for e-commerce services). ICP services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an ICP License from the appropriate telecommunications authorities in order to carry on any commercial ICP operations in China.

With respect to the online gaming industry in China, since online games fall into the definition of "Internet culture products" under The Tentative Measures for Administration of Internet Culture (2017), a commercial operator of online games must, in addition to obtaining the ICP License, obtain an Internet culture operation license from the appropriate culture administrative authorities for its operation of online games. Furthermore, according to The Tentative Measures for Administration of Internet Publication (2002), the provision of online games is deemed an Internet publication activity. Therefore, approval from the appropriate press and publication administrative authorities as an Internet publisher or cooperation with a licensed Internet publisher is required for an online game operator to carry on its online gaming businesses in China. In February 2016, the GAPPRFT and the MIIT jointly issued the Administrative Measures on Network Publication, which took effect in March 2016 and replaced the Tentative Administrative Measures on Internet Publication. The Administrative Measures on Network Publication further strengthen and expand the supervision and management on the network publication service, including online games service. Furthermore, online games, including mobile games, regardless of whether imported or domestic, shall be subject to a content review and approval by or a filing with the Ministry of Culture and GAPPRFT prior to commencement of operations in China.

GAPPRFT and MIIT jointly impose a license requirement for any company that intends to engage in network publishing, defined as any activity of providing network publications to the public through information networks. Network publications refer to the digitalized works with publishing features such as editing, producing and processing. Furthermore, the distribution of online game cards and CD-keys for online gaming programs is subject to a licensing requirement. Shanghai IT holds the license necessary to distribute electronic publications, which allows it to distribute prepaid cards and CD-Keys for the games we operate. We sell our prepaid cards and CD-Keys through third-party distributors, which are responsible for maintaining requisite licenses for distributing our prepaid cards and CD Keys in China.

On February 15, 2007, fourteen governmental authorities, including the Ministry of Culture, MIIT, the State Administration for Industry and Commerce, and the People's Bank of China, or the PBOC, jointly issued a circular entitled Circular for Further Strengthening the Administration of Internet Café and Online Games. This circular gave the PBOC administrative authority over virtual currencies issued by online game operators for use by players in online games to avoid the potential impact such virtual currencies may have on the real-world financial systems. According to this circular, the volume that may be issued and the purchase of such virtual currencies must be restricted, and virtual currency must not be used for the purchase of any physical products, refunded with a premium or otherwise illegally traded. The Notice of Strengthening the Management of Virtual Currency of Online Games promulgated by the Ministry of Culture and MOFCOM on June 4, 2009 imposes more restrictions and requirements on online game operators that issue virtual currencies. According to the above regulations, an online game operator which issues virtual currency used for online game services shall apply for approval from the Ministry of Culture. An online game operator shall further report detailed rules of issuance for virtual currencies, such as distribution scope, pricing, and terms for refunds and shall make certain periodic and supplementary filings as required by the relevant regulations. In addition, under these rules, online game operators are prohibited from assigning game tools or virtual currency to users by way of drawing lots, random samplings or other arbitrary means in exchange for users' cash or virtual currency. These rules also require that service agreements entered into between online game operators and end users contain the general terms of a standard online game service agreement issued by the Ministry of Culture.

In September 2009, GAPP further promulgated the GAPP Circular, which provides that foreign investors are prohibited from making investment and engaging in online game operation services by setting up foreign-invested enterprises in China. Further, foreign investors shall not control and participate in PRC online game operation businesses indirectly or in a disguised manner by establishing joint venture companies or entering into agreements with or providing technical support to such PRC online game operation companies, or by inputting the users' registration, account management, game cards consumption directly into the interconnected gaming platform or fighting platform controlled or owned by the foreign investor. In addition, on February 4, 2016, the GAPPRFT and the MIIT jointly issued the Administrative Measures on Network Publication, or the Network Publication Measures, which took effect in March 2016. Pursuant to the Network Publication Measures, wholly foreign-owned enterprises, Sino-foreign equity joint ventures and Sino-foreign cooperative enterprises shall not engage in the provision of web publishing services, including online game services. Project cooperation involving internet publishing services between an internet publishing service provider and a wholly foreign-owned enterprise, Sino-foreign equity joint venture, or Sino-foreign cooperative enterprise within China or an overseas organization or individual shall be subject to prior examination and approval by the GAPPRFT. It is not clear whether GAPPRFT and MIIT have regulatory authority over the ownership structures of online game companies based in China and online game operation in China. The relevant governmental authorities have broad discretion in adopting one or more of administrative measures against companies now in compliance with these measures, including revoking relevant licenses and relevant registration. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—PRC laws and regulations restrict foreign ownership of Internet content provision, Internet culture operation and Internet publishing licenses, and substantial uncertainties exist with respect to the application and implementation of PRC laws and regulations."

On December 1, 2016, the MCT (formerly known as the Ministry of Culture) issued the MOC Online Games Regulation, which became effective on May 1, 2017. Pursuant to the MOC Online Games Regulation, MOC further clarified the scope of online game operations. Online game operations shall include technical testing of online games by means of, for example, making the online games available for user registration, opening the fee-charging system of the online games, and providing client-end software with direct server registration and login functions. In addition, enterprises that engage in providing user systems, fee-charging systems, program downloading, publicity and promotion and other services for online game products of other operating enterprises and that share revenue from online game operations shall be deemed as engaging in joint operations, and shall be subject to relevant obligations. In addition, this circular sets the regulatory standard for distributing virtual items, as follows:

- Virtual items distributed by enterprises engaged in online game operations shall be managed pursuant to the provisions regulating virtual currencies of online games.
- Enterprises engaged in online game operations that intend to change a version of an online game, increase the types of virtual items, adjust the functions and consumption period of virtual items or hold intermittent campaigns shall, on the official homepage of the online game or in conspicuous locations within the online game, promptly make public the name, functions, price, exchange rate and expiration date of each relevant virtual items, the means of gifting, transferring or trading the virtual items and other relevant information.
- Enterprises engaged in online game operations that provide random draws of virtual items and value-added services of an online game shall not require users to participate in the random draws with legal tender or virtual currency.
- Enterprises engaged in online game operations shall publish the random draw results on the official website of an online game or in conspicuous locations within the online game, and keep relevant records for at least 90 days for any future inquiries by competent authorities.
- An enterprise engaged in online game operations that provide random draws of virtual items and value-added services of an online game shall concurrently offer users alternative ways to acquire the virtual items and value-added services with the same performance, such as through exchange with virtual items or payment with virtual currency.

- Enterprises engaged in online game operations shall not offer services for the exchange of online game virtual currency with legal tender or physical items, except where the said enterprise terminates its online gaming products and services, and refunds the virtual currency unused by users in the form of legal tender or by other means acceptable to the users.
- Enterprises engaged in online game operations shall not offer services for the exchange of virtual items with legal tender.

In addition, enterprises engaged in online game operations shall require online game users to register their real names by using valid identity documents and shall limit the amount that an online game user may top up each time in each game. Such enterprises shall also send information that requires confirmation by users when they top up or engage in consumption, and shall display their contact details for handling matters relating to use rights protection in conspicuous locations within each online game.

On May 24, 2016, the GAPPRFT issued the Circular on the Administration over Mobile Game Publishing Services to further regulate the administration of mobile game publishing services. Pursuant to this circular, game publishing service entities shall be responsible for examining the contents of their games, applying for publication and applying for game publication numbers. Upgrades or new expansions of a mobile game that have been approved for publication shall be deemed as new works and the relevant publishing service entities shall go through relevant approval formalities again depending on the classification of the new works. Entities engaged in the joint operation of such new works must verify whether such games have gone through all the relevant approval formalities and whether the relevant information has been clearly displayed, or otherwise refrain from the joint operation. Mobile games without the required approval formalities shall be treated as illegal publications and the relevant entities shall be punished accordingly. The operation of SMS in China is classified as a value-added telecommunication business and SMS service providers shall obtain the relevant value-added telecommunication business permits.

Regulations on Internet Content

The PRC government has promulgated measures relating to Internet content through a number of ministries and agencies, including MIIT, MCT and GAPPRFT. These measures specifically prohibit Internet activities, including the operation of online games that result in the publication of any content which is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise State security or secrets. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The laws and regulations governing the online game industry in China are developing and subject to future changes. If we fail to obtain or maintain all applicable permits and approvals, our business and operations could be materially and adversely affected." If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

In April 2007, various governmental authorities, including GAPP, MIIT, the Ministry of Education, the Ministry of Public Security, and other relevant authorities jointly issued a circular concerning the mandatory implementation of an "anti-fatigue system" in online games, which was aimed at protecting the physical and psychological health of minors. This circular required all online games to incorporate an "anti-fatigue system" and an identity verification system, both of which have limited the amount of time that a minor or other user may continuously spend playing an online game. We have implemented such "anti-fatigue" and identification systems on all of our online games as required. Since March 2011, various governmental authorities, including the Ministry of Culture, MIIT, the Ministry of Education, the Ministry of Public Security, and other relevant authorities have jointly launched the "Online Game Parents Guardianship Project for Minors," which allows parents to require online game operators to take relevant measures to limit the time spent by the minors on playing online games and the minors' access to their online game accounts. On February 5, 2013, the Ministry of Culture, MIIT, GAPP and various other governmental authorities, jointly issued the Working Plan on the Comprehensive Prevention Scheme on Online Game Addiction of Minors, which further strengthened the administration of the Internet cafés, reinstated the importance of the "anti-fatigue system" and "Online Game Parents Guardianship Project for Minors" as prevention measures against the online game addiction of minors and ordered all relevant governmental authorities to take all necessary actions in implementing such measures. In addition, pursuant to the MOC Online Games Regulation, which was issued on December 1, 2016 by the MCT (formerly known as the Ministry of Culture), an enterprise engaged in online game operations shall strictly comply with the provisions of the "Online Game Parents Guardianship Project for Minors," and online game operators are encouraged to set upper limits on the consumption by users who are minors, limit the amount of time that such users are allowed to spend on online games, and take technical measures to block scenes and functions, among other things, that are not suitable for users who are minors. Additional requirements for anti-fatigue and identification systems in our games, as well as the implementation of any other measures required by any new regulations the PRC government may enact to further tighten its administration of the Internet and online games, and its supervision of Internet cafés, may limit or slow down our prospects for growth, or may materially and adversely affect our business results. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our business may be adversely affected by public opinion and government policies in China."

Internet content in China is also regulated and restricted from a state security standpoint. The National People's Congress, China's national legislative body, has enacted a law that may subject to criminal punishment in China any effort to: (1) gain improper entry into a computer or system of strategic importance; (2) disseminate politically disruptive information; (3) leak state secrets; (4) spread false commercial information; or (5) infringe intellectual property rights.

The Ministry of Public Security has promulgated measures that prohibit the use of the Internet in ways which, among other things, results in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection rights in this regard, and we may be subject to the jurisdiction of the local security bureaus. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Regulation and censorship of information disseminated over the Internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from, or linked to our Internet websites." If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

On December 15, 2019, the Cyberspace Administration of China promulgated the Provisions on the Ecological Governance of Network Information Contents, or the Order No. 5, which came into effect on March 1, 2020. Pursuant to the Order No. 5, producers of network information contents shall abide by laws and regulations, follow public order and good morals, and shall not harm national interests, public interests and the legitimate rights and interests of others. A network information content service platform shall establish a mechanism for ecological governance of network information contents, formulate detailed rules for ecological governance of network information contents of its own platform, and improve systems for user registration, account management, information release review, thread comment review, page ecological management, real-time inspection, emergency response, and disposal of network rumors and black industry chain information. Where any network information content service platform violates the regulations of the Order No. 5, the cyberspace administration shall, ex officio, have a talk with it, issue a warning and order it to take rectification measures within the required time limit; where the network information content service platform refuses to take rectification measures or the circumstances are serious, it shall be ordered to suspend updating the information and shall be punished in accordance with applicable laws and administrative regulations.

Regulations on Privacy Protection

PRC laws and regulations prohibit Internet content providers from collecting and analyzing personal information from their users without user's prior consent. We require our users to accept a user agreement whereby they agree to provide certain personal information to us. In addition, PRC law prohibits Internet content providers from disclosing to any third parties any information transmitted by users through their networks unless otherwise permitted by law. If an Internet content provider violates these regulations, it may be liable for damages caused to its users and it may be subject to administrative penalties such as warnings, fines, confiscation of its unlawful income, revocation of licenses, cancellation of filings, shutdown of their websites or even criminal liabilities.

On November 7, 2016, the Standing Committee of the National People's Congress, or the SCNPC, promulgated the Cybersecurity Law of the PRC, or the Cybersecurity Law, which came into effect on June 1, 2017. Pursuant to the Cybersecurity Law, network operators shall perform their cybersecurity obligations according to the requirements of the classified protection system for cybersecurity, including: (a) formulating internal security management systems and operating instructions, determining the persons responsible for cybersecurity, and implementing the responsibility for cybersecurity protection; (b) taking technological measures to prevent computer viruses, network attacks, network intrusions and other actions endangering cybersecurity; (c) taking technological measures to monitor and record the network operation status and cybersecurity incidents; (d) taking measures such as data classification, and back-up and encryption of important data; and (e) other obligations stipulated by laws and administrative regulations. In addition, network operators shall comply with the principles of legitimacy to collect and use personal information and disclose their rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered.

Import Regulations

Our ability to obtain licenses for online games from abroad and import them into China is regulated in several ways. We are required to register with MOFCOM any license agreement with a foreign licensor that involves an import of technologies, including online game software into China. Without that registration, we may not remit licensing fees out of China to any foreign game licensor. In addition, MCT requires us to submit for its content review and/or approval any online games we want to license from overseas game developers or any patch or updates for such game if it contains substantial changes. If we license and operate games without that approval, MCT may impose penalties on us, including revoking the Internet culture operation license required for the operation of online games in China. Also, pursuant to a jointly issued notice in July 2004, GAPP and the State Copyright Bureau require us to obtain their approval for imported online game publications. Furthermore, the State Copyright Bureau requires us to register copyright license agreements relating to imported software. Without the State Copyright Bureau registration, we cannot remit licensing fees out of China to any foreign game licensor and we are not allowed to publish or reproduce the imported game software in China.

Regulations on Intellectual Property Rights

The State Council and the State Copyright Bureau have promulgated various regulations and rules relating to the protection of software in China. Under these regulations and rules, software owners, licensees and transferees may register their rights in software with the State Copyright Bureau or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may receive better protection. We have registered most of our in-house developed online games with the State Copyright Bureau.

Regulations on Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange. Foreign currency exchange regulation in China is primarily governed by the following rules:

- Foreign Exchange Administration Rules (1996), as amended in 1997 and 2008; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996).

Pursuant to the Foreign Exchange Administration Rules (1996), as amended in 1997 and 2008, the RMB is generally freely convertible for trade and service-related foreign exchange transactions, but not for direct investment, loans, investment in securities, or other transactions through a capital account outside China unless the prior approval of SAFE or authorized banks is obtained. Furthermore, foreign investment enterprises in China in general may purchase foreign exchange without the approval of SAFE or authorized banks for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. Foreign investment enterprises that need foreign exchange for the distribution of profits to their shareholders may effect payment from their foreign exchange account or purchase and pay foreign exchange at the designated foreign exchange banks to their foreign shareholders by producing board resolutions for such profit distribution. Under the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), based on their needs, foreign investment enterprises are permitted to open foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialized accounts for capital account receipts and payments of foreign exchange at certain designated foreign exchange banks.

On November 19, 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, or SAFE Circular 59, which became effective on December 17, 2012 and was amended on May 4, 2015 and October 10, 2018 and was partly repealed on December 30, 2019. The major developments under SAFE Circular 59 were that the opening of various special purpose foreign exchange accounts (e.g. pre-establishment expenses account, foreign exchange capital account, guarantee account) no longer required the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of SAFE Circular 59. Reinvestment of RMB proceeds by foreign investors in the PRC no longer required SAFE approval or verification, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer required SAFE approval.

On May 10, 2013, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents, as amended on October 10, 2018 and partly repealed on December 30, 2019, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be based on registration. Institutions and individuals shall register with SAFE and/or its branches for their direct investment in the PRC. Banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

On February 13, 2015, SAFE issued the Circular on Further Simplifying and Improving the Foreign Exchange Administration Policies on Direct Investments, or SAFE Circular 13, which took effect on June 1, 2015, and was partly repealed on December 30, 2019. Pursuant to SAFE Circular 13, the administrative examination and approval procedures with SAFE or its local branches relating to the foreign exchange registration approval for domestic direct investments as well as overseas direct investments have been cancelled, and qualified banks are delegated the power to directly conduct such foreign exchange registrations under the supervision of SAFE or its local branches.

On April 26, 2016, SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting Trade and Investment Facility and Improving the Examination and Verification of the Authenticity, pursuant to which when handling the remittance of profits exceeding the equivalent of US$50,000 abroad for a domestic institution, a bank should examine the authenticity of the transaction by reviewing related corporate approvals, tax filing record and other materials.

On June 9, 2016, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-affiliated enterprises.

Dividend Distribution. The principal regulations governing distribution of dividends of foreign holding companies include:

- The Company Law of People's Republic of China;
- Foreign Investment Law (2019); and
- Implementation Regulations for the Foreign Investment Law (2019).

Under these regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign investment enterprises in China are required to allocate at least 10% of their respective profits each year, if any, to fund certain reserve funds until the cumulative total of the allocated reserve funds reaches 50% of an enterprise’s registered capital and a portion of their respective after-tax profits to their staff welfare and bonus reserve funds as determined by their respective board of directors or shareholders. These reserves are not distributable as dividends.

Regulations on Foreign Exchange in Certain Onshore and Offshore Transactions

On July 4, 2014, SAFE issued SAFE Circular 37, which is the Circular on Several Issues Concerning Foreign Exchange Administration of Domestic Residents Engaging in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles. SAFE Circular 37 and its detailed guidelines require PRC residents to register with the local branch of SAFE before contributing their legally owned onshore or offshore assets or equity interest into any SPV directly established, or indirectly controlled, by them for the purpose of investment or financing. In addition, when there is (a) any change to the basic information of the SPV, such as any change relating to its individual PRC resident shareholders, name or operation period or (b) any material change, such as increase or decrease in the share capital held by its individual PRC resident shareholders, a share transfer or exchange of the shares in the SPV, or a merger or split of the SPV, the PRC resident must register such changes with the local branch of SAFE on a timely basis. According to the relevant SAFE rules, failure to comply with the registration procedures set forth in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore companies of SPVs, including the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from such offshore entity, and may also subject the relevant PRC residents and onshore companies to penalties under PRC foreign exchange administration regulations. Further, failure to comply with various SAFE registration requirements described above would result in liability for foreign exchange evasion under PRC laws. On February 13, 2015, SAFE issued SAFE Circular 13, which is the Circular on Further Simplifying and Improving the Foreign Exchange Administration Policies on Direct Investments, which took effect on June 1, 2015 and was partly repealed on December 30, 2019. Under SAFE Circular 13, qualified banks are delegated the power to register all PRC residents’ investments in SPVs pursuant to SAFE Circular 37, saving for supplementary registration application made by PRC residents who failed to comply with SAFE Circular 37, which shall still fall into the jurisdiction of the local branch of SAFE.

As a result of the uncertainties relating to the interpretation and implementation of SAFE Circular 37 and other regulations of SAFE, we cannot predict how these regulations will affect our business operations or strategies. For example, our present or future PRC subsidiaries' ability to conduct foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, may be subject to compliance with such SAFE registration requirements by relevant PRC residents, over whom we have no control. In addition, we cannot assure you that any such PRC residents will be able to complete the necessary approval and registration procedures required by the SAFE regulations. We have requested all of our shareholders who, based on our knowledge, are PRC residents or whose ultimate beneficial owners are PRC residents to comply with all applicable SAFE registration requirements, but we have no control over our shareholders. We cannot assure you that the PRC beneficial owners of our company and our subsidiaries have completed the required SAFE registrations. Nor can we assure you that they will be in full compliance with the SAFE registration in the future. Any non-compliance by the PRC beneficial owners of our company and our subsidiaries may subject us or such PRC resident shareholders to fines and other penalties. It may also limit our ability to contribute additional capitals to our PRC subsidiaries and our subsidiaries' ability to distribute profits or make other payments to us.

Regulations on Electric Vehicles

In the event that our electric vehicle business further develops, we may be subject to the following regulations relating to several aspects of the electronic vehicle business:

Regulations and Approvals Relating to the Manufacturing of Pure Electric Passenger Vehicles

The NDRC promulgated the Provisions on Administration of Investment in Automobile Industry, or the Investment Provisions, which became effective on January 10, 2019. According to the Investment Provisions, enterprises are encouraged to, through equity investment and cooperation in production capacity, enter into strategic cooperation relationship, carry out joint research and development of products, organize manufacturing activities jointly and increase industrial concentration. The advantageous resources in production, high learning, research, application and other areas shall be integrated and core enterprises in automobile industry shall be propelled to form industrial alliance and industrial consortium.

According to the Regulations on the Administration of Newly Established Pure Electric Passenger Vehicle Enterprises, or the New Electric Passenger Vehicle Enterprise Regulations, which became effective on July 10, 2015, before our vehicles can be added to the Announcement of Vehicle Manufacturers and Products, or the Manufacturers and Products Announcement, issued by the MIIT, a procedure that is required in order for our vehicles to be approved for manufacture and sale in China, our vehicles must meet the applicable requirements set forth in relevant laws and regulations. Such relevant laws and regulations include, among others, the Administrative Rules on the Admission of New Energy Vehicle Manufacturers and Products, or the MIIT Admission Rules, which became effective on July 1, 2017, and the Administrative Rules on the Admission of Passenger Vehicles Manufacturer and Products, which became effective on January 1, 2012, and pass the review by the MIIT. Pure electric passenger vehicles that have entered into the Manufacturers and Products Announcement are required to undergo regular inspection every three years by the MIIT so that the MIIT may determine whether the vehicles remain qualified to stay in the Manufacturers and Products Announcement.

According to the MIIT Admission Rules, in order for our vehicles to enter into the Manufacturers and Products Announcement, our vehicles must satisfy certain conditions, including, among others, meeting certain standards set out therein, meeting other safety and technical requirements specified by the MIIT, and passing inspections conducted by a state-recognized testing institution. Once such conditions for vehicles are met and the application has been approved by the MIIT, the qualified vehicles are published in the Manufacturers and Products Announcement by the MIIT. Where any new energy vehicle manufacturer manufactures or sells any model of a new energy vehicle without the prior approval of the competent authorities, including being published in the Manufacturers and Products Announcement by the MIIT, it may be subject to penalties, including fines, forfeiture of any illegally manufactured and sold vehicles and spare parts and revocation of its business licenses.

Regulations on Compulsory Product Certification

Under the Administrative Regulations on Compulsory Product Certification which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine, or the QSIQ, on July 3, 2009 and became effective on September 1, 2009 and the List of the First Batch of Products Subject to Compulsory Product Certification which was promulgated by the QSIQ in association with the State Certification and Accreditation Administration Committee on December 3, 2001 and became effective on May 1, 2002, the QSIQ is responsible for the regulation and quality certification of automobiles. Automobiles and parts and components must not be sold, exported or used in operating activities until they are certified by designated certification authorities of the PRC as qualified products and granted certification marks.

Regulations on Electric Vehicle Charging Infrastructure

Pursuant to the Guidance Opinions of the General Office of the State Council on Accelerating the Promotion and Application of the New Energy Vehicles, which became effective on July 14, 2014, the Guidance Opinions of the General Office of the State Council on Accelerating the Development of Charging Infrastructures of the Electric Vehicle, which became effective on September 29, 2015, and the Guidance on the Development of Electric Vehicle Charging Infrastructure (2015-2020), which became effective on October 9, 2015, the PRC government encourages the construction and development of charging infrastructure for electric vehicles, such as charging stations and battery swap stations, and only centralized charging and battery replacement power stations are required to obtain approvals for construction, permits from the relevant authorities. The Circular on Accelerating the Development of Electrical Vehicle Charging Infrastructures in Residential Areas promulgated on July 25, 2016 further provides that the operators of electrical vehicle charging and battery swap infrastructure are required to be covered under liability insurance policies to protect the purchasers of electric vehicles, covering the safety of electric vehicle charging infrastructure.

Regulations on Automobile Sales

Pursuant to the Administrative Measures on Automobile Sales promulgated by the MOFCOM on April 5, 2017, which became effective on July 1, 2017, automobile suppliers and dealers are required to file with relevant authorities through the information system for the national automobile circulation operated by the competent commerce department within 90 days after the receipt of a business license. Where there is any change to the information concerned, automobile suppliers and dealers must update such information within 30 days after such change.

Regulations on the Recall of Defective Automobiles

On October 22, 2012, the State Council promulgated the Administrative Provisions on Defective Automotive Product Recalls, which became effective on January 1, 2013 and was amended on March 2, 2019. The product quality supervision department of the State Council is responsible for the supervision and administration of recalls of defective automotive products nationwide. Pursuant to the administrative provisions, manufacturers of automobile products are required to take measures to eliminate defects in products they sell. A manufacturer must recall all defective automobile products. Failure to recall such products may result in an order to recall the defective products from the quality supervisory authority of the State Council. If any operator conducting sales, leasing, or repair of vehicles discovers any defect in automobile products, it must cease to sell, lease or use the defective products and must assist manufacturers in the recall of those products. Manufacturers must recall their products through publicly available channels and publicly announce the defects. Manufacturers must take measures to eliminate or cure defects, including rectification, identification, modification, replacement or return of the products. Manufacturers that attempt to conceal defects or do not recall defective automobile products in accordance with relevant regulations will be subject to penalties, including fines, forfeiture of any income earned in violation of law and revocation of licenses.

Pursuant to the Implementation Rules on the Administrative Provisions on Defective Automotive Product Recalls, which was promulgated by the QSIQ on November 27, 2015 and became effective on January 1, 2016, if a manufacturer is aware of any potential defect in its automobiles, it must investigate in a timely manner and report the results of such investigation to the QSIQ. Where any defect is found during the investigations, the manufacturer must cease to manufacture, sell, or import the relevant automobile products and recall such products in accordance with applicable laws and regulations.

Regulations on Product Liability

Pursuant to the Product Quality Law of the PRC, promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018, a manufacturer is prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes physical injury to a person or property damage, the aggrieved party may make a claim for compensation from the producer or the seller of the product. Producers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and/or fines. Earnings from sales in contravention of such standards or requirements may also be confiscated, and in severe cases, an offender’s business license may be revoked.

Favorable Government Policies Relating to New Energy Vehicles in the PRC

Government Subsidies for Purchasers of New Energy Vehicles

On April 22, 2015, the MOF, the MOST, the MIIT and the NDRC jointly issued the Circular on the Financial Support Policies on the Promotion and Application of New Energy Vehicles in 2016-2020, or the Financial Support Circular, which took effect on the same day. The Financial Support Circular provides that those who purchase new energy vehicles specified in the Catalogue of Recommended New Energy Vehicle Models for Promotion and Application by the MIIT, or the Recommended NEV Catalogue, may obtain subsidies from the PRC national government. Pursuant to the Financial Support Circular, a purchaser may purchase a new energy vehicle from a seller by paying the original price minus the subsidy amount, and the seller may obtain the subsidy amount from the government after such new energy vehicle is sold to the purchaser. The Financial Support Circular also provided a preliminary phase-out schedule for the provision of subsidies.

On December 29, 2016, the MOF, the MOST, the MIIT and the NDRC jointly issued the Circular on Adjusting the Subsidy Policy for the Promotion and Application of New Energy Vehicles, or the Circular on Adjusting the Subsidy Policy, which took effect on January 1, 2017, to adjust the existing subsidy standard for purchasers of new energy vehicles. The Circular on Adjusting the Subsidy Policy capped the local subsidies at 50% of the national subsidy amount, and further specified that national subsidies for purchasers purchasing certain new energy vehicles (except for fuel cell vehicles) from 2019 to 2020 will be reduced by 20% as compared to 2017 subsidy standards.

The subsidy standard is reviewed and updated on an annual basis. On April 23, 2020, the MOF, the MOST, the MIIT and the NDRC jointly promulgated a Circular on Further Improving the Subsidy Policies for the Promotions and Application of New Energy Vehicles, which provides that the subsidies for purchasers of certain new energy passengers vehicles will still be provided until the end of 2022, with a gradually declining scale.

Exemption of Vehicle Purchase Tax

On December 26, 2017, the MOF, the SAT, the MIIT and the MOST jointly issued the Announcement on Exemption of Vehicle Purchase Tax for New Energy Vehicle, or the Announcement on Exemption of Vehicle Purchase Tax, pursuant to which, from January 1, 2018 to December 31, 2020, the vehicle purchase tax which is applicable for ICE vehicles is not imposed on purchases of qualified new energy vehicles listed in the Catalogue of New Energy Vehicle Models Exempt from Vehicle Purchase Tax, or the NEV Catalogue, issued by the MIIT. Such announcement provides that the policy on exemption of vehicle purchase tax is also applicable to new energy vehicles added to the Catalogue prior to December 31, 2017.

Non-imposition of Vehicle and Vessel Tax

The Preferential Vehicle and Vessel Tax Policies for Energy-saving and New Energy Vehicles and Vessels, which was jointly promulgated by the MOF, the Ministry of Transport, the SAT and the MIIT on July 10, 2018, clarifies that pure electric passenger vehicles are not subject to vehicle and vessel tax.

New Energy Vehicle License Plate

In recent years, in order to control the number of motor vehicles on the road, certain local governments have issued restrictions on the issuance of vehicle license plates. These restrictions generally do not apply to the issuance of license plates for new energy vehicles, which makes it easier for purchasers of new energy vehicles to obtain automobile license plates. For example, pursuant to the Implementation Measures on Encouraging Purchase and Use of New Energy Vehicles in Shanghai, local authorities will issue new automobile license plates to qualified purchasers of new energy vehicles without requiring such qualified purchasers to go through certain license-plate bidding processes and to pay license-plate purchase fees as compared with purchasers of ICE vehicles.

Policies Relating to Incentives for Electric Vehicle Charging Infrastructure

On January 11, 2016, the MOF, the MOST, the MIIT, the NDRC and the National Energy Administration, or the NEA, jointly promulgated the Circular on Incentive Policies on the Charging Infrastructures of New Energy Vehicles and Strengthening the Promotion and Application of New Energy Vehicles during the 13th Five-year Plan Period, which became effective on January 1, 2016. Pursuant to such circular, the central finance department is expected to provide certain local governments with funds and subsidies for the construction and operation of charging facilities and other relevant charging infrastructure.

Certain local governments have also implemented incentive policies for the construction and operation of charging infrastructure. For example, pursuant to the Supporting Measures on Encouraging the Development of Charging Infrastructures of the Electric Vehicles in Shanghai, which took effect on May 5, 2016, builders of certain non-self-use charging infrastructure may be eligible for subsidies for up to 30% of their investment cost, and the operator of certain non-self-use charging infrastructure may be eligible for subsidies calculated based on electricity output.

All the above incentives are expected to facilitate acceleration of development of public charging infrastructure, which will consequently offer more accessible and convenient EV charging solutions to purchasers of electric vehicles.

Regulations on Land and the Development of Construction Projects

Regulations on Land Grants

Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-owned Urban Land, promulgated by the State Council on May 19, 1990, a system of assignment and transfer of the right to use state-owned land was adopted. A land user must pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to use the land may transfer, lease out, mortgage or otherwise commercially exploit the land within the term of use. Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-owned Urban Land and the Law of the PRC on Urban Real Estate Administration, the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premium as provided in the assignment contract. After the full payment of the land premium, the land user must register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights.

Regulations on Planning of a Construction Project

Pursuant to the Regulations on Planning Administration regarding Assignment and Transfer of the Rights to Use of the State-Owned Land in Urban Area promulgated by the Ministry of Construction in December 1992 and amended in January 2011, a construction land planning permit shall be obtained from the municipal planning authority with respect to the planning and use of land. According to the Urban and Rural Planning Law of the PRC promulgated by the SCNPC on October 28, 2007 and amended on April 24, 2015 and April 23, 2019, a construction work planning permit must be obtained from the competent urban and rural planning government authority for the construction of any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

After obtaining a construction work planning permit, subject to certain exceptions, a construction enterprise must apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above in accordance with the Administrative Provisions on Construction Permit of Construction Projects promulgated by the Ministry of Housing and Urban-Rural Development, or the MOHURD, on June 25, 2014 and implemented on October 25, 2014 and amended on September 19, 2018.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure promulgated by the Ministry of Construction on April 4, 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of a construction project, the construction enterprise must submit an application to the competent department in the people's government at or above county level where the project is located, for examination upon completion of building and for filing purpose; and to obtain the filing form for acceptance and examination upon completion of construction project.

Regulations on Environmental Protection and Work Safety

Regulations on Environmental Protection

Pursuant to the Environmental Protection Law of the PRC promulgated by the SCNPC, on December 26, 1989, amended on April 24, 2014 and effective on January 1, 2015, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise vibrations, electromagnetic radiation and other hazards produced during such activities.

Environmental protection authorities impose various administrative penalties on persons or enterprises in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within the prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down enterprises. Any person or entity that pollutes the environment resulting in damage could also be held liable under the Tort Law of the PRC. In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

Regulations on Work Safety

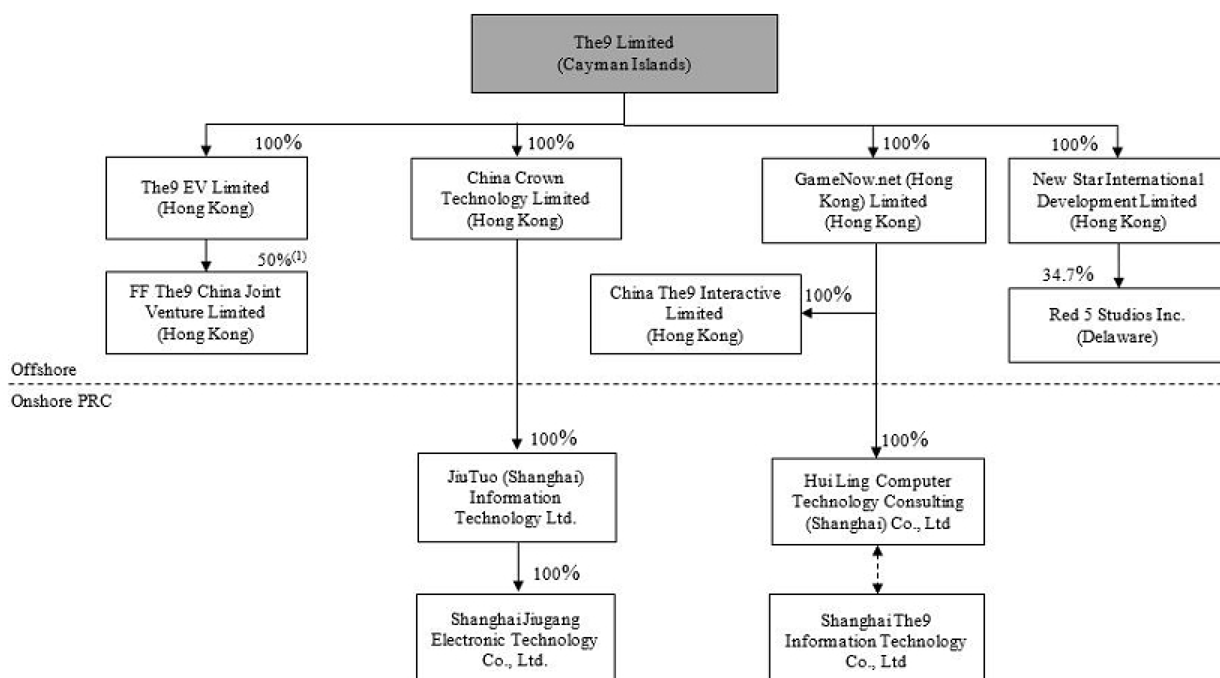
Under relevant construction safety laws and regulations, including the Work Safety Law of the PRC which was promulgated by the SCNPC on June 29, 2002, amended on August 27, 2009, August 31, 2014, and effective as of December 1, 2014, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide the employees with protective equipment that meets the national standards or industrial standards. Automobile and components manufacturers are subject to the above-mentioned environment protection and work safety requirements.

Regulations on Fire Control

Pursuant to the Fire Safety Law of the PRC promulgated by the SCNPC on April 29, 1998, amended on October 28, 2008 and April 23, 2019 and the Provisions on Supervision and Administration of Fire Protection of Construction Projects promulgated by the Ministry of Public Security of the PRC on April 30, 2009, implemented on May 1, 2009 and later amended on July 17, 2012, which became effective on November 1, 2012, the construction entity of a large-scale crowded venue (including the construction of a manufacturing factory that is over 2,500 square meters) and other special construction projects must apply for fire prevention design review with fire control authorities, and complete fire assessment inspection and acceptance procedures after the construction project is completed. The construction entity of other construction projects must complete the filing for fire prevention design and the fire safety completion inspection and acceptance procedures within seven business days after obtaining the construction work permit and passing the construction completion inspection and acceptance. If the construction entity fails to pass the fire safety inspection before such venue is put into use, or fails to conform to the fire safety requirements after such inspection, it shall be subject to (i) orders to suspend the construction of projects, use of such projects or operation of relevant business; and (ii) a fine ranging between RMB30,000 and RMB300,000.

C. **Organizational Structure**

The following diagram illustrates our organizational structure, the place of formation, ownership interest of each of our significant subsidiaries and material affiliated entity as of the date of this annual report:



Note:

(1) As of the date of this annual report, The9 EV Limited and FF JV Holding LLC, an affiliate of F&F, owned 50% and 50% interests in FF The9 China Joint Venture Limited, respectively.

D. **Property, Plants and Equipment**

Our headquarters are located on premises comprising over 1,500 square meters in an office building in Shanghai, China. We lease all of our premises from unrelated third-parties. Our former headquarters were sold to Kapler Pte. Ltd., the consideration of which will be used to repay the Convertible Notes. In addition, we have subsidiaries located in the United States and Singapore and small branch offices in Beijing, China.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included in this annual report. This report contains forward-looking statements. See "—G. Safe Harbor." In evaluating our business, you should carefully consider the information provided under the caption "Risk Factors" in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. **Operating Results**

The major factors affecting our results of operations and financial conditions include:

- our revenues' composition and sources of revenues;
- our cost of revenue; and
- our operating expenses.

Revenue Composition and Sources of Revenue. In 2017, 2018 and 2019, we generated substantially all of our revenues from online game services, and the remaining portion of our revenues from other services. The following table sets forth our revenues generated from providing online game services and other services, both in absolute amounts and as percentages of total revenues for the periods indicated.

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Revenue[(1)]:							
Online game services	71,564	97.8	16,551	94.6	304	44	88.5
Other revenues	1,644	2.2	941	5.4	39	5	11.5
Total revenues	73,208	100.0	17,492	100.0	343	49	100.0

(1) Effective from January 1, 2018, we adopted ASC topic 606, and have applied such accounting standards to the year ended December 31, 2018. The financial data for the year ended December 31, 2017 has not been recast and as such are not comparable with the financial data for the year ended December 31, 2018 and 2019. The adoption of ASC topic 606 did not have material impact on our financial results.

Online Game Services. In 2017, 2018 and 2019, revenues from our online game services amounted to RMB71.6 million, RMB16.6 million and RMB0.3 million (US$0.04 million), respectively. We primarily generate our online game service revenues through item-based revenue models. Under an item-based revenue model, players of our games play the games for free, but are charged for purchases of in-game items, such as performance-enhancing items, clothing and accessories. Thus, we generate revenues through the sale of such in-game premium features that players use game points to purchase. The distribution of points to end users is typically made through sales of prepaid online points. Fees from prepaid online points are deferred when initially received. This revenue is recognized over the life of the premium features or as the premium features are consumed. Future usage patterns may differ from the historical usage patterns on which the virtual items and services consumption model is based. We will continue to monitor the operational statistics and usage patterns affecting our recognition of these revenues.

Before August 1, 2018, we recorded our IPTV revenue on a gross basis. As we became an agent in the operation of IPTV games since August 1, 2018, we started to record our IPTV revenues net of amounts we paid to third-party operators.

Other Revenues. Other revenues mainly included revenues from the provision of technical services to customers.

Cost of Revenue. Our cost of revenue consists of costs directly attributable to rendering our services, including online game royalties, payroll, revenue sharing to third-party game platform, telecom carries and other suppliers, depreciation and rental of Internet data center sites, depreciation and amortization of computer equipment and software and other overhead expenses directly attributable to the services we provide.

Before August 1, 2018, we recorded our IPTV revenue on a gross basis. As we became an agent in the operation of IPTV games since August 1, 2018, we started to record our IPTV revenues net of amounts we paid to third-party operators, and such amounts were no longer included in the cost of revenue.

Operating Expenses. Our operating expenses consist primarily of product development expenses, sales and marketing expenses, general and administrative expenses and gain on disposal of subsidiaries.

Product Development Expenses. Our product development expenses consist primarily of outsourced research and development, payroll, depreciation charges and other overhead for the development of our proprietary games. Other overhead product development costs include costs incurred by us to develop, maintain, monitor and manage our websites. Our product development expenses amounted to RMB45.1 million, RMB24.6 million and RMB13.1 million (US$1.9 million) for the year ended December 31, 2017, 2018 and 2019, respectively. Most of our proprietary online games have entered into their final stages of development and we have the ability to control the level of discretionary spending on product development in the near future.

Sales and Marketing Expenses. Our sales and marketing expenses consist primarily of advertising and promotional expenses, payroll and other overhead expenses incurred by our sales and marketing personnel. Our sales and marketing expenses amounted to RMB9.1 million, RMB2.3 million and RMB2.1 million (US$0.3 million) for the year ended December 31, 2017, 2018 and 2019, respectively.

General and Administrative Expenses. Our general and administrative expenses consist primarily of compensation and travel expenses for our administrative staff, depreciation of property and equipment, provision of allowance for doubtful accounts, entertainment expenses, administrative office expenses, as well as fees paid to professional service providers for auditing, legal services and equity transactions. General and administration expenses amounted to RMB108.8 million, RMB89.6 million and RMB113.9 million (US$16.4 million) for the year ended December 31, 2017, 2018 and 2019, respectively.

Gain on disposal of subsidiaries. We had gain on disposal of subsidiaries of RMB1.2 million (US$0.2 million) for the year ended December 31, 2019. We had gain on disposal of subsidiaries of RMB10.5 million for the year ended December 31, 2018, including gain on disposal of The9 Education of RMB10.0 million. We had no gain on disposal of subsidiaries for the year ended December 31, 2017.

Holding Company Structure

We are a holding company incorporated in the Cayman Islands and rely primarily on dividends and other distributions from our subsidiaries and our affiliated entities in China for our cash requirements. Current PRC regulations restrict our affiliated entities and subsidiaries from paying dividends in the following two principal aspects: (i) our affiliated entities and subsidiaries in China are only permitted to pay dividends out of their respective accumulated profits, if any, determined in accordance with PRC accounting standards and regulations; and (ii) these entities are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain capital reserves until the cumulative total of the allocated reserves reach 50% of registered capital, and a portion of their respective after-tax profits to their staff welfare and bonus reserve funds as determined by their respective boards of directors. These reserves are not distributable as dividends. See "Item 4. Information on the Company—B. Business Overview—Government Regulations." In addition, failure to comply with relevant SAFE regulations may restrict the ability of our subsidiaries to make dividend payments to us. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or us to penalties and fines, and limit our ability to inject capital into our PRC subsidiaries, limit our subsidiaries' ability to increase their registered capital, distribute profits to us, or otherwise adversely affect us."

Income and Sales Taxes

The National People's Congress of the PRC adopted and promulgated the EIT Law on March 16, 2007. The EIT Law went into effect as of January 1, 2008 and revised on February 24, 2017 and December 29, 2018, and unified the tax rate generally applicable to both domestic and foreign-invested enterprises in the PRC. Our company's subsidiaries and affiliated entities in the PRC are generally subject to EIT at a statutory rate of 25%. Our subsidiaries and affiliated entities in the PRC that hold a HNTE qualification are entitled to enjoy a 15% preferential EIT rate.

In addition, under the EIT Law, enterprises organized under the laws of their respective jurisdictions outside the PRC may be classified as either "non-resident enterprises" or "resident enterprises." Non-resident enterprises are subject to withholding tax at the rate of 20% with respect to their PRC-sourced dividend income if they have no establishment or place of business in the PRC or if such income is not related to their establishment or place of business in the PRC, unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and the governments of other countries or regions. The State Council has reduced the withholding tax rate to 10% in the newly promulgated implementation rules of the EIT Law. As we are incorporated in the Cayman Islands, we may be regarded as a "non-resident enterprise." We hold equity interests in certain PRC subsidiaries through subsidiaries in Hong Kong. According to the Tax Agreement between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in the PRC to its corporate shareholder in Hong Kong holding 25% or more of its equity interest may be subject to withholding tax at the maximum rate of 5% if certain criteria are met. Entitlement to such lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is further subject to approval and filing procedures of relevant tax authority.

In February 2018, the SAT issued the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties on issues relating to "beneficial owner" in tax treaties, or Circular No. 9, which took effect on April 1, 2018. Circular No. 9 provides a more elastic guidance to determine whether the applicant engages in substantive business activities to constitute a "beneficial owner." When determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in the past twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the other country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes at all or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the "beneficial owner" shall submit the relevant documents to the relevant tax bureau according to the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties, pursuant to which non-resident taxpayers which satisfy the criteria to be entitled to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to follow-up administration by the tax authorities. If the non-resident taxpayer does not apply to the withholding agent for the tax treaty benefits, or such taxpayer does not satisfy the criteria to be entitled to tax treaty benefits, the withholding agent should withhold tax pursuant to the provisions of PRC tax laws. We cannot assure you that any dividends to be distributed by us or by our subsidiaries to our non-PRC shareholders and ADS holders whose jurisdiction of incorporation has a tax treaty with China providing a different withholding arrangement will be entitled to the benefits under the relevant withholding arrangement.

The EIT law deems an enterprise established offshore but having its management organ in the PRC as a "resident enterprise" that will be subject to PRC tax at the rate of 25% of its global income. Under the Implementation Rules of the New Enterprise Income Tax Law, the term "management organ" is defined as "an organ which has substantial and overall management and control over the manufacturing and business operation, personnel, accounting, properties and other factors." On April 22, 2009, the SAT further issued Circular 82 which was partly repealed on December 29, 2017. According to Circular 82, a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a PRC resident enterprise, if (i) the senior management and the core management departments in charge of its daily operations are mainly located and function in the PRC; (ii) its financial decisions and human resource decisions are subject to the determination or approval of persons or institutions located in the PRC; (iii) its major assets, accounting books, company seals, minutes and files of board meetings and shareholders' meetings are located or kept in the PRC; and (iv) more than half of the directors or senior management with voting rights reside in the PRC. On July 27, 2011, SAT issued SAT Bulletin 45, as amended on April 17, 2015, June 28, 2016 and June 15, 2018, which further clarified the detailed procedures for determination of the resident status provided in Circular 82, competent tax authorities in charge and post-determination administration of such resident enterprises. Although our offshore companies are not controlled by any PRC company or PRC company group, we cannot assure you that we will not be deemed to be a "resident enterprise" under the EIT Law and thus be subject to PRC EIT on our global income.

According to the EIT Law and its implementation rules, dividends are exempted from income tax if such dividends are received by a PRC resident enterprise on equity interests it directly owns in another PRC resident enterprise. However, foreign corporate holders of our shares or ADSs may be subject to taxation at a rate of 10% on any dividends received from us or any gains realized from the transfer of our shares or ADSs if we are deemed to be a resident enterprise or if such income is otherwise regarded as income "sourced within the PRC." See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—The PRC income tax laws may increase our tax burden or the tax burden on the holders of our shares or ADSs, and tax benefits available to us may be reduced or repealed, causing the value of your investment in us to decrease."

With respect to sales taxes, before December 31, 2011, all the services provided by our PRC subsidiaries were subject to business taxes at the rate of 5%. On March 23, 2016, the Ministry of Finance and the SAT jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax, or Circular 36, which took effect on May 1, 2016 and was amended on July 11, 2017 and March 20, 2019. Pursuant to Circular 36, all companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay VAT in lieu of business tax As a result of Circular 36, the services provided by Shanghai IT, Shanghai Hui Ling, C9I Shanghai, C9I Beijing, Wuxi QuDong, Shanghai Kaie and The9 Computer as general VAT payers will be subject to VAT at the rate of 6%, and the services provided by our other PRC subsidiaries or affiliated PRC entities as small-scale VAT payers will be subject to VAT at the rate of 3%.

Our subsidiaries in the United States are registered in California and are subject to U.S. federal corporate marginal income tax at a rate of 21% for the taxable year ending December 31, 2019 and subsequent taxable years and state income tax at a rate of 8.84%, respectively.

Inflation

Since our inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2017, 2018 and 2019 increases of 1.8%, 1.9% and 4.5%, respectively. Although we have not been materially affected by inflation, we may be affected if China experiences higher rates of inflation in the future.

Critical Accounting Policies

We prepare financial statements in conformity with U.S. Generally Accepted Accounting Principles, or 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 revenue 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 are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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. We consider the policies discussed below to be critical to an understanding of our financial statements as their application assists management in making their business decisions.

Consolidation of Variable Interest Entities, or VIEs

PRC laws and regulations, including the GAPP Circular and the Network Publication Measures, currently prohibit or restrict foreign ownership of Internet-related businesses. We believe, consistent with the view of our PRC legal counsel, that our current structure complies with these foreign ownership restrictions, subject to the interpretation and implementation of the GAPP Circular and the Network Publication Measures. Specifically, we operate our business through Shanghai IT and have entered into a series of contractual arrangements with Shanghai IT and its equity owners. See the contractual arrangements set forth in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions." As a result of these contractual arrangements, we are entitled to receive service fees for services provided to Shanghai IT for an amount determined at our discretion, up to 90% of PRC entities' profits. In addition, the equity owners of record for these entities have pledged all their equity interests in the VIEs to us as collateral for all of their payments due to the wholly-owned foreign enterprise, or WOFE, and to secure performance of all obligations of the VIEs and their shareholders under various agreements. In addition, the agreements provide that any dividend distributions made by the VIEs, if any, are required to be deposited in an escrow account over which we have exclusive control. Moreover, through the Call Option Agreements and Shareholder Voting Proxy Agreements, each shareholder of the VIEs granted WOFE or any third parties designated by the WOFE an irrevocable power of attorney to act on all matters pertaining to the VIEs. We believe that the terms of the Call Option Agreements are currently exercisable and legally enforceable under the PRC laws and regulations. We also believe that the minimum amount of consideration permitted by the applicable PRC law to exercise the options does not represent a financial barrier or disincentive for us to exercise our rights under the Call Option Agreements. A simple majority vote of our board of directors is required to pass a resolution to exercise our rights under the Call Option Agreements, for which consent of the shareholder of the VIEs is not required. As a result of the totality of these arrangements, we have both the power to direct activities that most significantly impact the VIEs economic performance and the obligation to absorb losses of or right to receive benefits from the VIEs that are significant to Shanghai IT. As a result, we concluded we are the primary beneficiary of Shanghai IT and as such Shanghai IT is consolidated VIE of our company.

The GAPP Circular reiterates and reinforces the long-standing prohibition of foreign ownership of Internet-related publication businesses via direct, indirect or disguised methods, and the Network Publication Measures provides that the manner of project cooperation shall be subject to prior examination and approval by the GAPPRFT. However, it is not clear whether GAPPRFT and MIIT have regulatory authority over the ownership structures of online game companies based in China and online game operation in China. In addition, the GAPP Circular and the Network Publication Measures do not specifically invalidate VIE agreements, and we are not aware of any online game companies adopting similar contractual arrangements as ours having been penalized or ordered to terminate such arrangements since the GAPP Circular first became effective. Therefore, we believe that our ability to direct the activities of Shanghai IT that most significantly impact our economic performance is not affected by the GAPP Circular. Any changes in PRC laws and regulations that affect our ability to control Shanghai IT might preclude us from consolidating Shanghai IT in the future. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—PRC laws and regulations restrict foreign ownership of Internet content provision, Internet culture operation and Internet publishing licenses, and substantial uncertainties exist with respect to the application and implementation of PRC laws and regulations."

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported revenues and expenses during the reported periods. Significant accounting estimates reflected in our consolidated financial statements include the valuation of non-marketable equity investments and determination of other-than-temporary impairment, allowance for doubtful accounts, revenue recognition, assessment of impairment of other long-lived assets, assessment of impairment of advances to suppliers and other advances, incremental borrowing rates for lease assessment, fair value of redeemable noncontrolling interest, fair value of the warrants, share-based compensation expenses, consolidation of affiliated PRC entities, valuation allowances for deferred tax assets, and contingencies. Such accounting policies are affected significantly by judgments, assumptions and estimates used in the preparation of our consolidated financial statements, and actual results could differ materially from these estimates.

Revenue Recognition

We recognize revenues when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration expected to be entitled to in exchange for those goods or services. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. We do not believe that significant management judgments are involved in revenue recognition. We adopted ASC 606 using the modified retrospective transition approach method, reflecting the cumulative effect of initially applying the standard to revenue recognition as of January 1, 2018. We evaluated all revenue streams to assess the impact of implementing ASC 606 on revenue contracts. The adoption did not have an effect over the consolidated financial statements on the adoption date and no adjustment to prior year consolidated financial statements was required.

Online game services

We earn revenue from provision of online game operation services to players on the game servers and third-party platforms and overseas licensing of the online game to other operators. We grant operation right on authorized games, together with associated services which are rendered to the customers over time. We adopt virtual item / service consumption model for the online game services. Players can access certain games free of charge, but many of them purchase game points to acquire in-game premium features. We may act as principal or agent through the various transaction arrangements we entered into.

The determination on whether to record the revenue gross or net is based on an assessment of various factors, including but not limited to whether we (i) are the primary obligor in the arrangement; (ii) have general inventory risk; (iii) change the product or perform part of the services; (iv) have latitude in establishing the selling price; and (v) have involvement in the determination of product or service specifications. The assessment is performed for all of the licensed online games.

When acting as principal

Revenues from online game operation operated through telecom carriers and certain online games operators are recognized upon consumption of the in-game premium features based on the gross of revenue sharing-payments to third-party operators, but net of VAT. We obtain revenue from the sale of in-game virtual items. Revenues are recognized when the virtual items are consumed or over the estimated lives of the virtual items, which are estimated by considering the average period that active players and players' behavior patterns derived from operating data. Accordingly, commission fees paid to third-party operators are recorded as cost of revenues.

When acting as agent

With respect to games license arrangements we entered into with third-party operators, if the terms provide that (i) third-party operators are responsible for providing game desired by the game players; (ii) the hosting and maintenance of game servers for running the games are the responsibility of third-party operators; (iii) third-party operators have the right to review and approve the pricing of in-game virtual items and the specification, modification or update of the game made by us; and (iv) publishing, providing payment solution and market promotion services are the responsibilities of third-party operators and we are responsible to provide the license of intellectual property and subsequent technical services, then we consider ourselves as an agent of the third-party operators in such arrangement with game players. Accordingly, we record the game revenues from these licensed games, net of amounts paid to the third-party operators.

Licensing revenue

We license our proprietary online games to other game operators and receive license fees and royalty income in connection with their operation of the games. License fee revenue is recognized evenly throughout the license period after commencement of the game, given that our intellectual property rights subject to the license are considered to be symbolic and the licensee has the right to access such intellectual property rights as they exist over time when the license is granted. Monthly revenue-based royalty payments are recognized when the relevant services are delivered, provided that collectability is reasonably assured. We view the third-party licensee operators as our customers and recognize revenues on a net basis, as we do not have the primary responsibility for fulfillment and acceptability of the game services.

Technical services

Technical services are blockchain-related consulting services where we provide designing, programming, drafting of white papers, and related services to customers.

These revenues are recognized when delivery of the service has occurred or when services have been rendered and the collection of the related fees is reasonably assured.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represent amounts invoiced and revenue recognized prior to invoicing, when we satisfy its performance obligations and have the unconditional right to payment.

Deferred revenue relates to unsatisfied performance obligations at the end of the period and primarily consists of fees received from game players in the online game services and technical services. For deferred revenue, due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following reporting period. The amount of revenue recognized that was included in deferred revenue balance at the beginning of the period was RMB0.2 million (US$0.02 million) for the year ended December 31, 2019.

Income Taxes

We account for income taxes under the asset and liability method. Deferred taxes are determined based upon the differences between the carrying value of assets and liabilities for financial reporting and tax purposes at currently enacted statutory tax rates for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period of change.

A valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that such deferred tax assets will not be realized. The total income tax provision includes current tax expenses under applicable tax regulations and the change in the balance of deferred tax assets and liabilities. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including our ability to generate taxable income within the period during which the temporary differences reverse or our tax loss carry forwards expire, the outlook for the PRC economic environment, and the overall future industry outlook. We consider these factors in reaching our conclusion on the recoverability of the deferred tax assets and determine the valuation allowances necessary at each balance sheet date.

We recognize the impact of an uncertain income tax position at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. Income tax related interest is classified as interest expenses and penalties as income tax expense. As of December 31, 2017, 2018 and 2019, we did not have any material liability for uncertain tax positions. Our policy is to recognize, if any, tax-related interest as interest expenses and penalties as income tax expenses. For the year ended December 31, 2017, 2018 and 2019, we did not have any material interest and penalties associated with tax positions.

Share-Based Compensation

We measure the cost of employee services received in exchange for stock-based compensation measured at the grant date fair value of the award. For the awards that are modified, we determine the incremental cost as the excess of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the share price and other pertinent factors at that date. We recognize the compensation costs, net of the estimated forfeiture, on a straight-line basis over the vesting period of the award, which generally ranges from one to four years. Forfeiture rates are estimated based on historical forfeiture patterns and adjusted to reflect future changes in circumstances and facts, if any. If actual forfeitures differ from those estimates, the estimates may be revised in subsequent periods. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest.

Determining the fair value of stock options requires significant judgment. We measure the fair value of the stock options using the Black-Scholes option-pricing model with assumptions made regarding expected term, volatility, risk-free interest rate, and dividend yield. The expected term represents the period of time that the awards granted are expected to be outstanding. The expected term is determined based on historical data on employee exercise and post-vesting employment termination behavior, or the "simplified" method for stock option awards with the characteristics of "plain vanilla" options for 2010 and 2011. Expected volatilities are based on historical volatilities of our ordinary shares. Risk-free interest rate is based on U.S. government bonds issued with maturity terms similar to the expected term of the stock-based awards. While we paid a discretionary cash dividend in January 2009, we do not anticipate paying any recurring cash dividends in the foreseeable future.

In addition, on December 8, 2010, we granted 1,500,000 ordinary shares to Jun Zhu, our chairman and chief executive officer, which will only be vested if our company achieves certain income targets and the shares are not entitled to receive dividends until they become vested. Of such shares, 500,000 ordinary shares were vested and issued to Incsight Limited, a company wholly-owned by Jun Zhu, on November 17, 2015. We considered the grant of ordinary shares as an incentive to retain Mr. Jun Zhu's services with our company. The awarded non-vested shares would be valid for five years from December 8, 2010. The fair value of the granted non-vested shares is US$6.48 per share, the market price on the date of grant. We record share-based compensation expenses for these performance-based awards based upon our estimate of the probable outcome at the end of the performance period (i.e., the estimated performance against the performance targets). We periodically adjust the cumulative share-based compensation recorded when the probable outcome for these performance-based awards is updated based upon changes in actual and forecasted operating results. Our actual performance against the performance targets could differ materially from our estimates.

In May 2011, we granted 30,000 ordinary shares to each of our four non-executive directors, of which 10,000 ordinary shares vest for each director on July 1 of each year from 2011 to 2013 so long as such director continues his service as of such date. An aggregate of 40,000 ordinary shares vested in each of July 2011, July 2012 and July 2013, respectively. The fair value of the shares granted was US$6.03 per share, being the market price on the date of the grant.

In February 2006, Red 5 adopted a Stock Incentive Plan, or Red 5 Stock Incentive Plan, under which Red 5 may grant to its employees, director and consultants stock options to purchase common stocks or restricted stocks of Red 5. Red 5 granted options to purchase an aggregate of 28,963,258 shares of common stock under the Red 5 Stock Incentive Plan from April 6, 2010 to December 31, 2013. In September 2012, Red 5 granted an aggregate of 6,122,435 restricted common stocks to two directors of Red 5 including Mr. Zhu for their services to Red 5. We measure the share-based compensation based on the fair value of the award as of the grant date. We measure the fair value of the stock options using the Black-Scholes option-pricing model with assumptions made regarding the fair value of the common stock, expected term, volatility, risk-free interest rate, and dividend yield.

In January 2018, we granted 8,250,000 options to directors, officers and consultants, of which 5,750,000 shares would vest based on their services period with our company and 2,500,000 shares granted would vest subject to their performance condition. We measured the fair value of the options using the Black-Scholes option-pricing model. In September 2018, we canceled a total of 6,200,000 shares granted in January 2018.

Share-based compensation expenses of RMB38.0 million, RMB3.9 million and RMB21.3 million (US$3.1 million) were recognized for the year ended December 31, 2017, 2018 and 2019, respectively, for options and restricted shares granted to our company's and its subsidiaries' employees and directors, including compensation cost due to the acceleration vesting and exercise of options in June 2017.

Allowance for doubtful accounts

Accounts receivable mainly consist of receivables from third-party game platforms, and other receivables, which are included in prepayments and other current assets, both of which are recorded net of allowance for doubtful accounts. We determine the allowances for doubtful accounts when facts and circumstances indicate that the receivable is unlikely to be collected. Allowances for doubtful accounts are charged to general and administrative expenses. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We provided an allowance for doubtful accounts of RMB0.05 million, RMB21.2 million and RMB0.2 million (US$0.01 million) for the years ended December 2017, 2018 and 2019, respectively.

Impairment Loss of Investments

We assess our equity investments for impairment on a periodic basis by considering factors including, but not limited to, current economic and market conditions, the operating performance of the investees including current earnings trends, the technological feasibility of the investee's products and technologies, the general market conditions in the investee's industry or geographic area, factors related to the investee's ability to remain in business, such as the investee's liquidity, debt ratios, and cash burn rate and other company-specific information including recent financing rounds. If it has been determined that the carrying amount of investment is higher than related fair value and that this decline is other-than-temporary, the carrying value of the investment is adjusted downward to reflect these declines in value. Impairment loss on investments of RMB9.1 million, RMB9.2 million and RMB8.5 million (US$1.2 million) was recognized in 2017, 2018 and 2019, respectively.

Impairment of Long-lived Assets

We review long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. We assess the recoverability of long-lived assets and intangible assets (other than goodwill) by comparing the carrying amount to the estimated future undiscounted cash flow associated with the related assets. We recognize impairment of long-lived assets and intangible assets in the event that the net book value of such assets exceeds the estimated future undiscounted cash flow attributable to such assets. We use estimates and judgment in our impairment tests, and if different estimates or judgments had been utilized, the timing or the amount of the impairment charges could be different. Impairment charges relating to intangible assets and other assets amounting to nil, nil and RMB34.9 million (US$5.0 million) were recognized in 2017, 2018 and 2019, respectively.

Refund of WoW Game Points

As a result of non-renewal of WoW license on June 7, 2009, we announced a refund plan in connection with inactivated WoW game point cards. According to the plan, inactivated WoW game point card holders are eligible to receive a cash refund from us. We recorded a liability in connection with both inactivated points cards and activated but unconsumed point cards of approximately RMB200.4 million, of which RMB4.0 million was refunded in 2009. Upon the loss of the WoW license, we concluded that the nature of the obligation substantively changed from deferred revenue, for which we had the ability to satisfy the underlying performance obligation, to an obligation to refund players for their unconsumed points. Thus, we have accounted for this refund liability by applying the relevant de-recognition guidance when determining the proper accounting treatment. In accordance with this guidance, the refund liability associated with these WoW game points, to the extent not refunded, will be recorded as other operating income after we are legally released from the obligation to refund amounts under the applicable laws. As we announced the refund plan on September 7, 2009, the statute of limitations of the creditors (in this case the game players with claims for refund of inactivated WoW game point cards) to assert their claims for refund is two years from such date under applicable laws and thus our legal liability relating to the inactivated WoW game point cards was extinguished on September 7, 2011 and the associated liability amounting to RMB26.0 million was recognized as other operating income for the year ended December 31, 2011. With respect to the remaining refund liability, based on current PRC laws, to the extent not refunded, we, in consultation with legal counsel, have determined that we will be legally released from this liability in 2029, which represents 20 years from the date of discontinuation of WoW in 2009. However, if management were to publicly announce a refund policy, we would be legally released from any remaining liability for these activated, but unconsumed points, sooner than 20 years. To date, we have determined not to publicly announce any refund policy with respect to this remaining liability, and no refunds have been claimed. The remaining refund liability relating to the activated, but unconsumed WoW game points was RMB170.0 million (US$24.4 million) as of December 31, 2019.

Convertible Notes and Beneficial Conversion Feature ("BCF")

We have issued convertible notes and warrants in December 2015. We have evaluated whether the conversion feature of the notes is considered an embedded derivative instrument subject to bifurcation in accordance with ASC 815, Accounting for Derivative Instruments and Hedging Activities. Based on our evaluation, the conversion feature is not considered an embedded derivative instrument subject to bifurcation as conversion option does not provide the holder of the notes with means to net settle the contracts. Convertible notes, for which the embedded conversion feature does not qualify for derivative treatment, are evaluated to determine if the effective rate of conversion pursuant to the terms of the convertible note agreement is below market value. In these instances, the value of the BCF is determined as the intrinsic value of the conversion feature, which is recorded as deduction to the carrying amount of the notes and credited to additional paid-in-capital. For convertible notes issued with detachable warrants, a portion of the note's proceeds is allocated to the warrant based on the fair value of the warrants as of the date of issuance. The allocated fair values for the warrants and BCF are both recorded in the financial statements as debt discounts from the face amount of the notes, which are then accreted to interest expense over the life of the related debt using the effective interest method.

Warrants

We account for the detachable warrants issued in connection with convertible notes under the authoritative guidance on accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock. We classify warrants in our consolidated balance sheet as a liability which is revalued at each balance sheet date subsequent to the initial issuance. We use the Black-Scholes pricing model to value the warrants. Determining the appropriate fair-value model and calculating the fair value of warrants requires considerable judgment. A small change in the estimates used may cause a relatively large change in the estimated valuation. The estimated volatility of our common stock at the date of issuance, and at each subsequent reporting period, is based on historic fluctuations in our stock price. The risk-free interest rate is based on U.S. government bonds with a maturity similar to the expected remaining life of the warrants at the valuation date. The expected life of the warrants is based on the historical pattern of exercises of warrants.

Redeemable Noncontrolling Interests

Redeemable non-controlling interests are equity interests of our consolidated subsidiary not attribute to us that have redemption features that are not solely within our control. These interests are classified as temporary equity because their redemption is considered probable. These interests are measured at the greater of estimated redemption value at the end of each reporting period or the initial carrying amount of the redeemable noncontrolling interests adjusted for cumulative earnings (loss) allocations.

Recent Accounting Pronouncements

A list of recent accounting pronouncements that are relevant to us is included in note 2<32> to our consolidated financial statements, which are included in this annual report.

Results of Operations

The following table sets forth a summary of our consolidated statements of operations for the periods indicated.

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$[1]
Consolidated Statement of Operation Data				
Revenues[2]:				
Online game services	71,564,023	16,552,080	303,577	43,606
Other revenues	1,644,143	941,335	39,500	5,674
Sales taxes	(59,610)	(60,557)	(1,582)	(227)
Net revenues	73,148,556	17,431,858	341,495	49,053
Cost of revenue	(23,782,054)	(16,435,590)	(1,342,266)	(192,804)
Gross profit (loss)	49,366,502	996,268	(1,000,771)	(143,751)
Operating (expenses)/income:				
Product development	(45,112,396)	(24,555,308)	(13,090,530)	(1,880,337)
Sales and marketing	(9,089,969)	(2,325,818)	(2,114,519)	(303,732)
General and administrative	(108,824,680)	(89,853,331)	(113,867,000)	(16,355,971)
Impairment on other long-lived assets	—	—	(34,881,000)	(5,010,342)
Gain on disposal of subsidiaries	—	10,473,159	1,206,925	173,364
Total operating expenses	(163,027,045)	(105,991,298)	(162,746,124)	(23,377,018)
Other operating income, net	349,954	229,538	30,240	4,344
Loss from operations	(113,310,589)	(104,765,492)	(163,716,655)	(23,516,425)
Impairment on equity investments and available-for-sale investments	—	(1,386,174)	(4,666,128)	(670,247)
Impairment on other investments	(9,109,312)	(7,776,157)	(3,791,039)	(544,549)
Impairment on other advances	—	—	(5,980,788)	(859,087)
Interest income	30,525	193,928	18,576	2,668
Interest expenses	(83,922,200)	(104,776,674)	(34,501,556)	(4,955,838)
Fair value change on warrants liability	12,615,466	2,251,427	1,292,244	185,619
Gain on disposal of equity investee and available-for-sale investments	115,349	—	694,628	99,777
Gain on disposal of other investments	—	—	13,430,588	1,929,183
Foreign exchange gain (loss)	19,206,747	(20,331,430)	(5,474,002)	(786,291)
Other income, net	4,669,587	1,598,663	9,372,652	1,346,297
Loss before income tax expense and share of loss in equity method investments	(169,704,427)	(234,991,909)	(193,321,480)	(27,768,893)
Income tax benefit	—	—	—	—
Recovery of equity investment in excess of cost	60,548,651	—	—	—
Share of loss in equity investments	(2,937,131)	(4,292,887)	(2,847,260)	(408,983)
Net loss	(112,092,907)	(239,284,796)	(196,168,740)	(28,177,876)
Net gain (loss) attributable to noncontrolling interest	3,955,640	(16,332,968)	(13,517,983)	(1,941,737)
Net gain (loss) attributable to redeemable noncontrolling interest	2,117,303	(5,858,902)	(4,855,589)	(697,462)
Net loss attributable to The9 Limited	(118,165,850)	(217,092,926)	(177,795,168)	(25,538,677)
Change in redemption value of redeemable noncontrolling interest	(57,126,233)	(40,918,773)	(12,827,598)	(1,842,569)
Net loss attributable to holders of ordinary shares	(175,292,083)	(258,011,699)	(190,622,766)	(27,381,246)

Notes:

(1) Translation from Renminbi amounts into U.S. dollars was made at a rate of RMB6.9618 to US$1.00 for the convenience of the reader only. See “Item 3. Key Information—A. Selected Financial Information—Exchange Rate Information.”

(2) Effective from January 1, 2018, we adopted ASC 606, and have applied such accounting standards to the year ended December 31, 2018 and 2019. The financial data for the year ended December 31, 2017 has not been recast and as such are not comparable with the financial data for the year ended December 31, 2018 and 2019. The adoption of ASC 606 did not have material impact on our financial results.

Year 2019 Compared to Year 2018

Revenues. Our revenues decreased by 98.0%, from RMB17.5 million in 2018 to RMB0.3 million (US$0.05 million) in 2019, primarily due to the decrease in (i) IPTV revenue by RMB11.9 million (US$1.7 million), as the change of revenue recognition according to the renewed agreement since August 2018, and (ii) licensing revenue of Shanghai IT and GameNow Hong Kong by RMB2.6 million (US$0.4 million) because all authorized licensing contracts of Shanghai IT either expired or were terminated in 2018. There was only one licensing contract of GameNow Hong Kong, which generated revenue of RMB0.16 million (US$0.02 million) in 2019 until it expired in April 2019.

Online Game Services. Our revenues from our online game services decreased by 98.2%, from RMB16.6 million in 2018 to RMB0.3 million (US$0.04 million) in 2019. The decrease was primarily attributable to the decrease in (i) IPTV revenue by RMB11.9 million (US$1.7 million), and (ii) revenue generated from Song of Knight by RMB2.6 million (US$0.4 million) as Song of Knight ceased operations in 2018.

Our revenues from TV games decreased by 99.7% from RMB11.9 million in 2018 to RMB0.04 million (US$0.01 million) in 2019. The decrease was mainly attributable to the loss of revenue from TV games in 2019, which was attributable to the change of our role from principal to agent for TV games since August 1, 2018, which resulted in change of revenue recognition policy.

Other Revenues. Revenues generated from other products and services decreased from RMB0.9 million in 2018 to RMB0.04 million (US$0.01 million) in 2019, primarily due to a decrease in revenue generated by technical service.

Cost of Revenue. Cost of revenue decreased by 91.8% from RMB16.4 million in 2018 to RMB1.3 million (US$0.2 million) in 2019, primarily due to (i) the decrease in payroll as a result of the optimization of our organizational structure in 2019, and (ii) the change of revenue recognition policy of IPTV revenues since August 2018.

Operating Expenses. Operating expenses increased by 53.5% from RMB106.0 million in 2018 to RMB162.7 million (US$23.4 million) in 2019 primarily due to increase in general and administrative expenses and impairment on other long-lived assets.

Product Development Expenses. Product development expenses decreased by 46.7% from RMB24.6 million in 2018 to RMB13.1 million (US$1.9 million) in 2019. The decrease was primarily due to a decrease in salaries for the product development personnel as the headcount of product development personnel decreased in 2019.

Sales and Marketing Expenses. Sales and marketing expenses decreased by 9.1% from RMB2.3 million in 2018 to RMB2.1 million (US$0.3 million) in 2019. The decrease in sales and marketing expenses was primarily due to a decrease in the salaries for the sales and marketing personnel and a decrease of marketing expenses.

General and Administrative Expenses. General and administrative expenses increased by 27.1% from RMB89.6 million in 2018 to RMB113.9 million (US$16.4 million) in 2019. The increase was primarily due to an increase in share-based compensation expenses and consulting expenses.

Impairment of Other Long-lived Assets. We recorded impairment of other long-lived assets of RMB34.9 million (US$5.0 million) in 2019, which was mainly due to impairment on the prepaid initial deposit in the joint venture in 2019. We did not record any impairment of other long-lived assets in 2018.

Gain on Disposal of Subsidiaries. We had gain on disposal of subsidiaries of RMB1.2 million (US$0.2 million) in 2019, including gain on disposal of two immaterial subsidiaries that did not have significant business operations. We did not record any impairment of other long-lived assets in 2018.

Other Operating Income. We had an other operating income of RMB0.03 million (US$0.01 million) in 2019, including primarily office rental income. We had an other operating income of RMB0.2 million in 2018, including primarily office rental income.

Impairment on Equity Investments and Available-for-sale Investments. We recorded an impairment on equity investments and available-for-sale investments of RMB4.7 million (US$0.7 million) in 2019, primarily due to the decrease in the market value of our investments in Shanghai Big Data Cultures & Media Co., Ltd, or Big Data, and Maxline. We recorded an impairment on equity investments and available-for-sale investments of RMB1.4 million in 2018, primarily due to the decrease in the market value of our investments in Leading Choice.

Impairment on Other Advances. We recorded an impairment of other advances of RMB6.0 million (US$0.9 million) in 2019, primarily due to delay in the issuance of certain blockchain-related tokens to us and possible termination of such tokens subscription. We did not record any impairment of other advances in 2018.

Impairment on Other Investment. We recorded an impairment of other investment amounting of RMB3.8 million (US$0.5 million) in 2019, primarily due to the decrease in the market value of our investments in Zhenjiang Kexin and Smartposting. We recorded an impairment of other investment amounting of RMB7.8 million in 2018, primarily due to the decrease in the market value of our investments in Shanghai Ronglei, Plutux, Smartposting and Beijing Ti Knight.

Interest Income. Interest income decreased from RMB0.2 million in 2018 to RMB0.02 million (US$0.01 million) in 2019.

Interest Expenses. Interest expenses decreased from RMB104.8 million in 2018 to RMB34.5 million (US$5.0 million) in 2019, primarily due to different accounting treatment for the calculation of interest expenses before and after the due date on December 20, 2018. The interest expenses were recognized under effective interest rate with net carrying amount of Convertible Notes within contract term. While after Convertible Notes were due, interest expenses were recognized using nominal interest rate with principal amount.

Fair Value Change on Warrants Liability. We had a fair value change on convertible bonds and warrants liability of RMB1.3 million (US$0.2 million) in 2019, primarily due to a decrease in our share price as of December 31, 2019 compared to December 31, 2018.

Gain on Disposal of Equity Investee and Available-for-sale Investment. We had gain on disposal of equity investee and available-for-sale investment of RMB0.7 million (US$0.1 million) in 2019. We had no gain or loss on disposal of equity investee and available-for-sale investment in 2018.

Foreign Exchange Loss. We recorded foreign exchange loss of RMB5.5 million (US$0.8 million) in 2019, as compared to foreign exchange loss of RMB20.3 million in 2018, primarily due to the appreciation of U.S. dollar against Renminbi in 2019.

Other Income, Net. We recorded other income, net, of RMB9.4 million (US$1.3 million) in 2019, as compared to other net income of RMB1.6 million in 2018, primarily due to the receipt of litigation fee refund by the court for prepaid litigation fee originally paid in 2016 related to the litigation with Qihoo 360.

Share of Loss in Equity Method Investments. We recorded a share of loss in equity method investments of RMB2.8 million (US$0.4 million) in 2019, primarily due to the loss absorbed for the investment in Big Data. We recorded a share of loss in equity method investments of RMB4.3 million in 2018, primarily due to the loss absorbed for the investments in Big Data and Maxline.

Net Loss Attributable to Holders of Ordinary Shares. Primarily as a result of the cumulative effect of the above factors, net loss attributable to our holders of ordinary shares increased from RMB258.0 million in 2018 to RMB190.6 million (US$27.4 million) in 2019.

Year 2018 Compared to Year 2017

Revenues. Our revenues decreased by 76.1%, from RMB73.2 million in 2017 to RMB17.5 million in 2018, primarily due to the decreases in (i) Firefall license revenue from System Link by RMB37.9 million as Firefall ceased operations and all revenue had been recognized in 2017, (ii) IPTV revenue by RMB5.3 million in 2018 as we started to record revenues net of amounts we paid to third-party operators of IPTV games since August 1, 2018, and (iii) revenue from Song of Knight by RMB1.3 million as Song of Knight ceased operations in 2018.

Online Game Services. Our revenues from our online game services decreased by 76.8%, from RMB71.6 million in 2017 to RMB16.6 million in 2018. The decrease was primarily attributable to the decreases in (i) Firefall license revenue from System Link by RMB37.9 million as Firefall ceased operations and all revenue had been recognized in 2017, (ii) IPTV revenue by RMB5.3 million in 2018 as described below, and (iii) revenue generated from Song of Knight by RMB1.3 million as Song of Knight ceased operations in 2018.

Our revenues from TV games decreased by 30.8% from RMB17.2 million in 2017 to RMB11.9 million in 2018. The decrease was partly attributable to the change of the revenue recognition policy of the revenue from TV games. Previously, we recorded our IPTV revenue on a gross basis. As we became an agent in the operation of IPTV games since August 1, 2018, we started to record revenues net of amounts we paid to third-party operators, and such amount of fees were no longer included in our cost of revenue. As a result, we did not record any revenues from TV games after August 1, 2018.

Other Revenues. Revenues generated from other products and services decreased from RMB1.6 million in 2017 to RMB0.9 million in 2018, primarily due to a decrease in revenue generated by our education business conducted by The9 Education as we disposed The9 Education in January 2018.

Cost of Revenue. Cost of revenue decreased by 31.1% from RMB23.8 million in 2017 to RMB16.4 million in 2018, primarily due to (i) the decrease in payroll as a result of the optimization of our organizational structure in 2018, and (ii) the change of revenue recognition policy of IPTV revenues.

Operating Expenses. Operating expenses decreased by 35.0% from RMB163.0 million in 2017 to RMB106.0 million in 2018.

Product Development Expenses. Product development expenses decreased by 45.5% from RMB45.1 million in 2017 to RMB24.6 million in 2018. The decrease was primarily due to a decrease in salaries for the product development personnel as the headcount of product development personnel decreased.

Sales and Marketing Expenses. Sales and marketing expenses decreased by 74.6% from RMB9.1 million in 2017 to RMB2.3 million in 2018. The decrease in sales and marketing expenses was primarily due to a decrease in the salaries for the sales and marketing personnel and a decrease of marketing expenses.

General and Administrative Expenses. General and administrative expenses decreased by 17.6% from RMB108.8 million in 2017 to RMB89.6 million in 2018. The decrease was primarily due to a decrease in payroll-related expenses as a result of our cost control measures and a decrease in share-based compensation expenses.

Gain on Disposal of Subsidiaries. We recorded gain on disposal of subsidiaries of RMB10.5 million in 2018. The increase is mainly due to a gain from disposal of The9 Education completed in January 2018.

Other Operating Income. We had an other operating income of RMB0.2 million in 2018, including primarily office rental income. We had an other operating income of RMB0.3 million in 2017, including primarily office rental income.

Impairment on Other Investment. We recorded an impairment of other investment amounting of RMB7.8 million in 2018, primarily due to the decrease in the market value of our investments in Shanghai Ronglei, Plutux, Smartposting and Beijing Ti Knight. We recorded an impairment of other investment amounting to RMB9.1 million in 2017, primarily due to the decrease in the market value of our investment in Smartposting and Beijing Ti Knight.

Interest Income. Interest income increased from RMB0.03 million in 2017 to RMB0.2 million in 2018.

Interest Expenses. Interest expenses increased from RMB83.9 million in 2017 to RMB104.8 million in 2018, primarily due to the increase in accrued interest expenses on the Convertible Notes. The interest expenses of the Convertible Notes were calculated by using effective interest rate method.

Fair Value of Change on Warrants. We had a fair value of change on convertible bonds and warrants of RMB2.3 million in 2018, primarily due to a decrease in our share price as of December 31, 2018 compared to December 31, 2017.

Gain (loss) on disposal of equity investee and available-for-sale investment. We had no gain or loss on disposal of equity investee and available-for-sale investment in 2018. We recorded a gain on disposal of equity investee and available-for-sale investment of RMB0.1 million in 2017 in connection with the disposal our partial shareholding in L&A.

Foreign exchange gain (loss). We recorded foreign exchange loss of RMB20.3 million in 2018, as compared to foreign exchange gain of RMB19.2 million in 2017, primarily due to the appreciation of U.S. dollar against Renminbi in 2018.

Other Income, Net. We recorded other net income of RMB1.6 million in 2018, as compared to other net income of RMB4.7 million in 2017, primarily due to a decrease in government subsidies received in 2018.

Recovery of equity investment in excess of cost. We did not record any recovery of equity investment in excess of cost in 2018, while we recorded recovery of equity investment in excess of cost of RMB60.5 million in 2017, which was non-recurring in nature.

Net Loss Attributable to Holders of Ordinary Shares. Primarily as a result of the cumulative effect of the above factors, net loss attributable to our holders of ordinary shares increased from RMB175.3 million in 2017 to RMB258.0 million in 2018.

B. Liquidity and Capital Resources

We are a holding company and conduct our operations primarily through our subsidiaries and affiliated PRC entities in China. As a result, our cash requirements and our ability to pay dividends principally depend upon dividends and other distributions from our subsidiaries, which in turn are derived principally from earnings generated by our affiliated PRC entities. Specifically, Shanghai Hui Ling, one of our subsidiaries in China, obtains funds from the PRC entities in the form of payments under the exclusive technical service agreements, pursuant to which Shanghai Hui Ling is entitled to determine the amount of payment.

We acknowledge that the PRC government imposes controls on the convertibility of the RMB into foreign currencies, and in certain cases, the remittance of currency out of China. However, under existing PRC foreign exchange regulations, payments of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Therefore, we are able to pay dividends in foreign currencies without prior approval from SAFE or designated banks. Approval from or registration with appropriate government authorities and authorized banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

Furthermore, if our subsidiaries or any newly formed subsidiaries incur debt on their own behalf, the agreements governing their debt may restrict their ability to pay dividends to us. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China— Restrictions on currency exchange in China limit our ability to utilize our revenues effectively, make dividend payments and meet our foreign currency denominated obligations."

Current PRC regulations restrict our affiliated entities and subsidiaries from paying dividends in the following two principal aspects: (i) our affiliated entities and subsidiaries in China are only permitted to pay dividends out of their respective accumulated profits, if any, determined in accordance with PRC accounting standards and regulations; and (ii) these entities are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain capital reserves until the cumulative total of the allocated reserves reaches 50% of registered capital, and a portion of their respective after-tax profits to their staff welfare and bonus reserve funds as determined by their respective boards of directors. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, companies may not distribute the reserve funds as cash dividends except upon a liquidation of these subsidiaries. In addition, dividend payments from our PRC subsidiaries could be delayed as we may only distribute such dividends upon completion of annual statutory audits of the subsidiaries. As of December 31, 2019, such restricted portion was RMB7.7 million (US$1.1 million). We have not directed our PRC subsidiaries or affiliated entities to distribute any dividends to-date.

The aggregate net assets as of December 31, 2017, 2018 and 2019, as reflected on our statutory accounts, including registered capital and statutory reserves, were approximately RMB52.0 million, RMB42.4 million and RMB40.2 million (US$5.8 million) higher than the amounts determined under U.S. GAAP, respectively.

Cash Flows and Working Capital

We fund our operations primarily through our available cash in hand as well as cash generated from our operating, financing and investing activities. As of December 31, 2017, 2018 and 2019, we had RMB142.6 million, RMB4.3 million and RMB10.1 million (US$1.5 million), respectively, in cash and cash equivalents. The increase in cash and cash equivalents from 2018 to 2019 was primarily due to the cash flows from the disposal of other investment and proceeds from transfer of tokens. The decrease in cash and cash equivalents from 2017 to 2018 was primarily due to the cash outflows from operating activities associated with our product development and sales and marketing efforts for our new games.

We have an accumulated deficit of approximately RMB3,410.9 million (US$489.9 million) and total current liabilities exceeded total assets by approximately RMB876.6 million (US$125.9 million) as of December 31, 2019. We also had a net loss of approximately RMB196.2 million (US$28.2 million) for the year ended December 31, 2019, and have not generated significant revenues or positive cash flows from operations since 2009. We expect to continue to incur product development and sales and marketing expenses for licensed and proprietary new games in order to achieve revenue growth. To meet our working capital needs, we are considering multiple alternatives, including but not limited to additional equity financings, settlement of Convertible Notes, launch of new games and new operation and cost controls, as discussed below. We may continue to incur losses, negative cash flows from operating activities and net current liabilities in the future. If we are not able to return to profitability or raise sufficient capital to cover our capital needs, we may not continue as a going concern. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—We may continue to incur losses, negative cash flows from operating activities and net current liabilities in the future. If we are not able to return to profitability or raise sufficient capital to cover our capital needs, we may not continue as a going concern."

Additional Equity Financing

We intend to obtain financial support from Mr. Jun Zhu, our chairman and chief executive officer, if needed, in 2020.

Settlement of Secured Convertible Notes

In December 2015, we issued and sold the Convertible Notes in an aggregate principal amount of US$40,050,000 to Splendid Days. Upon the maturity date, we failed to repay the Convertible Notes. We later entered into a deed of settlement with Splendid Days, the holder of the Convertible Notes, in March 2019, and subsequently entered into several amendments to the deed of settlement in relation to the repayment schedule for the overdue Convertible Notes. In February 2020, we completed the sale of the equity interests in certain subsidiaries that collectively held the Previously Mortgaged Properties. As of the date of this annual report, we have repaid approximately US$4.8 million to Splendid Days and the outstanding balance of the Convertible Notes amounted to US$55.5 million, which we plan to repay using the consideration received from the sale of the equity interests in certain subsidiaries that collectively held the Previously Mortgaged Properties.

Launch of New Games and New Operation

We have launched and plan to launch our proprietary mobile online games, including the CrossFire New Mobile Game, Audition, and Pop Fashion. In November 2017, we entered into an exclusive publishing agreement with a third-party company, pursuant to which this third-party company was granted an exclusive right to publish the CrossFire New Mobile Game in China. We have invested significant financial and personnel resources in development of our proprietary CrossFire New Mobile Game. In July 2019, we entered in an agreement with Smilegate to extend the license period for game development period till October 31, 2020, and we expect to launch this game in the second half of 2020. However, in the event that we cannot meet such launch time, we may seek to further extend the license term. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Failure to obtain or renew approvals or filings for online games and mobile games we operate may adversely affect our operations or subject us to penalties."

In February 2018, we subscribed a total of 5,297,157 blockchain-related tokens to be issued by Telegram Inc. for a consideration of US$2.0 million with a third-party company and the tokens were expected to be issued in 2019. In October 2019, Telegram notified participants of the tokens offering that the SEC filed a lawsuit against Telegram in United States and that the expected launch date has been extended to April 2020. As of December 31, 2019, we provided a valuation allowance on these subscribed tokens. As of the date of this annual report, these subscribed tokens have not been issued. Telegram may further extend the launch date or may enter into a termination arrangement depending on the development of future events.

In March 2019, we entered into a joint venture agreement with Faraday&Future Inc., or F&F, and subsequently attempted to enter into electric vehicle business. However, our transition to electric vehicles business did not develop as we anticipated. As of the date of this annual report, we have not entered into a license agreement with F&F and have not fulfilled our first installment contribution obligation of US$200.0 million to F&F as set forth in the joint venture agreement and its amendments. Currently, we are still operating our gaming business and are in the process of identifying alternative business development focus for our company.

Cost Control

Currently, a significant portion of our cash requirements is attributable to administrative expenses. We have the ability to control the level of discretionary spending on administrative expenses by implementation of cost savings on non-essential expenses from the day-to-day business operations. However, there can be no assurance that we will be able to successfully conduct the cost control measures with results favorable to us, or at all.

If we are unable to obtain the necessary capital, we will need to license or sell our assets, seek to be acquired by another entity and/or cease operations. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry— We may not be able to obtain additional financing to support our business and operations, and our equity or debt financings may have an adverse effect on our business operations and share price."

We believe that, upon the successful implementation of the foregoing potential sources of cash flow and potential cost control measures, we may have sufficient financial resources to meet our anticipated operating cash flow requirements, to meet our obligations and to pay off liabilities as and when they fall due for the 12 months following the date of this annual report.

Pursuant to the Convertible Note and Warrant Purchase Agreement dated November 24, 2015, on December 11, 2015, we issued and sold the Convertible Notes in the aggregate principal amount of US$40,050,000 to Splendid Days Limited, or Splendid Days. We received net proceeds of US$36,850,000 from the sale of the Convertible Notes. The Convertible Notes are divided into three tranches in principal amounts of US$22,250,000, US$13,350,000 and US$4,450,000, respectively, which will be convertible at the option of the holder at any time into our ADSs at initial conversion prices of US$7.8, US$15.6 and US$23.4 per ADS, each representing three ordinary shares, respectively, provided that at no time shall the holder convert any portion of the Convertible Notes if subsequent to such conversion such holder will hold more than 20% of the total outstanding and issued shares of our company. The Convertibles Notes bear interest at a rate of 12% per year, payable when the principal amount of the Convertible Notes becomes due, and have initial terms of three years, subject to an extension for two years at the discretion of the holder. The initial conversion prices are subject to adjustments for share splits, reverse splits, share dividends and distributions, and certain issuances (or deemed issuances) of ordinary shares or ADSs for consideration less than the conversion price then in effect. In addition, the holder of the Convertible Notes is entitled to any extraordinary cash dividend (to the extent that it exceeds the accrued interest amount per share) and dividend in kind that we distribute based on the number of shares into which the Convertible Notes are then convertible. Following a "change of control," as such term is defined in the Convertible Notes, the holder of the Convertible Notes will be entitled to require us to redeem all or part of the Convertible Notes, at a price payable in cash equal to 100% of the outstanding principal amount of the Convertible Notes, plus all accrued and unpaid interest thereon, if any. In addition, pursuant to the terms of the Convertible Notes, if there is a continuing event of default, the holder will be entitled to declare any of the Convertible Notes immediately due and payable, and request redemption by us at a price equal to the outstanding principal amount plus all accrued and unpaid interest thereon, if any. "Events of default" as defined in the Convertible Notes include, among other things, an event of default under any indebtedness in the amount exceeding US$500,000.

Pursuant to the same agreement, on December 11, 2015, we issued to Splendid Days four tranches of warrants in an aggregate principal amount of US$9,950,000. The Warrants are divided into four tranches in principal amounts of US$5,000,000, US$2,750,000, US$1,650,000 and US$550,000, respectively, which will be exercisable for our ADSs at the option of the holder at any time at initial exercise prices of US$4.5, US$7.8, US$15.6 and US$23.4 per ADS, each representing three ordinary shares, respectively. The initial exercise prices are subject to adjustments for share splits, reverse splits, share dividends and distributions, distribution of assets, certain issuances (or deemed issuances) of ordinary shares or ADSs for consideration less than the exercise price then in effect, as applicable for each warrant. In addition, the holder of the Warrants with initial exercise prices of US$7.8, US$15.6 and US$23.4 per ADS, each representing three ordinary shares, is entitled to any cash dividend (to the extent that it exceeds the notional interest amount attributable to such Warrants) and dividend in kind that we distribute based on the number of shares into which the Warrants are then exercisable. The tranche of Warrants with an exercise price of US$4.5 per ADS, each representing three ordinary shares, has a term of five years, while the remaining three tranches have initial terms of three years. As of the date of this annual report, only the tranche of Warrants with an exercise price of US$4.5 was still outstanding. We entered into a deed of settlement with Splendid Days, the holder of the Convertible Notes, in March 2019 and subsequently several amendments to the deed of settlement in relation to the Convertible Notes repayment schedule. In September 2019, we entered into a definitive agreement with Kapler Pte. Ltd., an indirect subsidiary of Keppel Corporation Limited, pursuant to which 100% equity interest in several subsidiaries of our company in China, namely China The9 Interactive (Shanghai) Ltd., The9 Computer Technology Consulting (Shanghai) Co., Ltd. and Shanghai Kaie Information Technology Co., Ltd., that collectively own Zhangjiang Micro-electronic Port Block #3 were sold to Kapler Pte. Ltd., in exchange for consideration of RMB493.0 million. The rest of assets and liabilities previously held by the subsidiaries sold were transferred to Shanghai Hui Ling. Pursuant to the deed of settlement and its amendments, the outstanding amount of the Convertible Notes bore an interest rate of 12% per annum from the original maturity date to February 21, 2020. In February 2020, we completed the sale of the equity interests in certain subsidiaries that collectively held the Previously Mortgaged Properties in accordance with the deed of settlement and its amendments. Pursuant to the deed of settlement and its amendments, US$6.6 million of the outstanding amount of the Convertible Notes continues to bear an interest rate of 14% per annum commencing from February 22, 2020. As of the date of this annual report, we have repaid approximately US$4.8 million to Splendid Days and the outstanding balance of the Convertible Notes amounted to US$55.5 million, which we plan to repay using the consideration received from the sale of the equity interests in certain subsidiaries that collectively held the Previously Mortgaged Properties, and the Warrants in a principal amount of US$5.0 million with the initial exercise of US$4.5 per ADS were still outstanding.

The following table sets forth the summary of our cash flows for the periods indicated:

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$[1]
	(in thousands)			
Net cash used in operating activities	(86,652)	(101,201)	(54,175)	(7,781)
Net cash provided by/(used in) investing activities	161,923	(17,315)	60,879	8,745
Net cash provided by/(used in) financing activities	44,073	(18,357)	40,923	5,878
Effect of foreign exchange rate changes on cash and cash equivalents	4,529	(1,495)	1,257	181
Cash reclassified as held for sale	(20,127)	—	(43,027)	(6,181)
Net change in cash and cash equivalents	103,746	(138,368)	5,857	842
Cash and cash equivalents at beginning of year	38,878	142,624	4,256	611
Cash and cash equivalents at end of year	142,624	4,256	10,113	1,453

Operating Activities

Net cash used in operating activities was RMB54.2 million (US$7.8 million) in 2019, compared to RMB101.2 million in 2018 and RMB86.7 million in 2017. The decrease of net cash used in operating activities in 2019 was mainly due to a decrease in cash outflow associated with blockchain business.

The net cash used in operating activities in 2019 primarily reflected a net loss of RMB196.2 million (US$28.2 million), partially offset by consulting fee paid by issuance of shares of RMB35.1 million (US$5.0 million), impairment on other long-lived assets of RMB34.9 million (US$5.0 million), interest expense on Convertible Notes of RMB33.2 million (US$4.8 million), share-based compensation expense of RMB21.8 million (US$3.1 million), and changes in accrued expenses and other current liabilities of RMB11.9 million (US$1.7 million).

The net cash used in operating activities in 2018 primarily reflected a net loss of RMB239.3 million, partially offset by the interest expense on Convertible Notes of RMB98.3 million, provision for doubtful other receivables of RMB21.0 million, impairment on equity and other investment of RMB9.2 million, depreciation and amortization of property, equipment and software and land use right of RMB5.6 million and adjustments for share-based compensation expense of RMB3.9 million.

The net cash used in operating activities in 2017 primarily reflected a net loss of RMB112.1 million, partially offset by the interest expense on convertible note of RMB77.0 million, recovery of equity investment in excess of cost of RMB60.5 million, adjustments for share-based compensation expense of RMB38.0 million, consulting fee paid by equity of RMB13.5 million, and depreciation and amortization of property, equipment and software and land use right of RMB7.2 million.

Investing Activities

Net cash provided by investing activities was RMB60.9 million (US$8.7 million) in 2019, which primarily included (i) proceeds from disposal of assets and liabilities classified as held for sale of RMB49.3 million (US$7.1 million), (ii) proceeds from disposal of other investments of RMB37.0 million (US$5.3 million), (iii) proceeds from transferred tokens of RMB6.9 million (US$1.0 million), and (iv) initial deposit payment of RMB34.9 million (US$5.0 million) to joint venture.

Net cash used in investing activities was RMB17.3 million in 2018, which primarily included (i) advance payment of US$2.0 million to subscribe tokens of a third party, (ii) purchase of other investments of RMB5.3 million, and (iii) proceeds from disposal of assets and liabilities held for sale of RMB2.8 million.

Net cash provided by investing activities was RMB161.9 million in 2017, which primarily included (i) the settlement payment of US$25.0 million from our investee in 2017, (ii) purchase of investment in Ti Knight Inc. of RMB4.0 million, (iii) loan receivable due from Zhongxing The9 Network Technology Co., Ltd., or ZTE9, one of our equity investees, of RMB4.0 million, and (iv) proceeds from disposal of other investment in Tandem Fund of RMB1.2 million.

Financing Activities

Net cash provided by financing activities in 2019 was RMB40.9 million (US$5.9 million), primarily attributable to proceeds of other loans of RMB34.9 million (US$5.0 million) and loan from a related party of RMB16.1 million (US$2.3 million), partially offset by repayment of a loan from a related party of RMB10.0 million (US$1.4 million).

Net cash used in financing activities in 2018 was RMB18.4 million, primarily attributable to the repayment of RMB29.1 million of a loan from a related party, partially offset by a loan from a related party of RMB11.0 million.

Net cash provided by financing activities in 2017 was RMB44.1 million, primarily attributable to loans of RMB73.9 million, borrowed from related parties, contributions from noncontrolling interest of RMB20.0 million, partially offset by repayments on the bank loan of RMB25.5 million provided by Bank of Shanghai.

As a result of non-renewal of WoW license on June 7, 2009, we announced a refund plan in connection with inactivated WoW game point cards. According to the plan, inactivated WoW game point card holders are eligible to receive a cash refund from us. We recorded a liability in connection with both inactivated points cards and activated but unconsumed point cards of approximately RMB200.4 million, of which RMB4.0 million was refunded in 2009. Upon the loss of the WoW license, we concluded that the nature of the obligation substantively changed from deferred revenue, for which we had the ability to satisfy the underlying performance obligation, to an obligation to refund players for their unconsumed points. Thus, we have accounted for this refund liability by applying the relevant de-recognition guidance when determining the proper accounting treatment. In accordance with this guidance, the refund liability associated with these WoW game points, to the extent not refunded, will be recorded as other operating income after we are legally released from the obligation to refund amounts under the applicable laws. As we announced the refund plan on September 7, 2009, the statute of limitations of the creditors (in this case the game players with claims for refund of inactivated WoW game point cards) to assert their claims for refund is two years from such date under applicable laws and thus our legal liability relating to the inactivated WoW game point cards was extinguished on September 7, 2011 and the associated liability amounting to RMB26.0 million was recognized as other operating income for the year ended December 31, 2011. With respect to the remaining refund liability, based on current PRC laws, to the extent not refunded, we, in consultation with legal counsel, have determined that we will be legally released from this liability in 2029, which represents 20 years from the date of discontinuation of WoW in 2009. However, if management were to publicly announce a refund policy, we would be legally released from any remaining liability for these activated, but unconsumed points, sooner than 20 years. To date, we have determined not to publicly announce any refund policy with respect to this remaining liability, and no refunds have been claimed. The remaining refund liability relating to the activated, but unconsumed WoW game points was RMB170.0 million (US$24.4 million) as of December 31, 2019.

Capital Expenditures

We incurred capital expenditures of RMB0.5 million, RMB0.2 million and RMB0.8 million (US$0.1 million) in 2017, 2018 and 2019, respectively. The capital expenditures principally consisted of purchases of computers and other items related to our network infrastructure. If we license new games or enter into strategic joint ventures or acquisitions, we may require additional funds for necessary capital expenditures.

C. Research and Development, Patents and Licenses, etc.

Our research and development efforts are primarily focused on the development of our proprietary online games and the maintenance of our websites. Our research and development expenses were RMB45.1 million, RMB24.6 million and RMB13.1 million (US$1.9 million) in 2017, 2018 and 2019, respectively.

D. Trend Information

Except as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2019 to December 31, 2019 that are reasonably likely to have a material adverse effect on our net sales or revenues, results of operations, profitability, liquidity or capital resources, or that would cause the reported financial information not necessarily to be indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third-parties. We have not entered into any off-balance sheet derivative instruments. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

F. Tabular Disclosures of Contractual Obligations

The following table sets forth our contractual obligations and other commitments under as of December 31, 2019:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousands of RMB)		
Short-term borrowings[(1)]	149,151	149,151	—	—	—
Convertible notes payable[(2)]	279,397	279,397	—	—	—
Interest expense on short-term borrowings	151,488	151,488	—	—	—
Service arrangement[(3)]	22,575	22,575	—	—	—
Operating lease obligations[(4)]	10,279	3,780	3,996	2,503	—
Total	612,890	606,391	3,996	2,503	—

Notes:

(1) Short-term borrowings include (i) a pledged loan of RMB82.6 million (US$11.9 million) from a financial services company, (ii) loan of approximately RMB31.6 million (US$4.5 million) obtained from a third party, all of which is due within one year and is reclassified to short-term bank borrowings, (iii) interest-free loan of RMB34.9 million (US$5.0 million) from Ark Pacific Associates Limited.

(2) Represents the Convertible Notes in an aggregate principal amount of US$40,050,000 which bear interest at a rate of 12% per year, payable when the principal amount of the Convertible Notes becomes due. The Convertible Notes have initial terms of three years, subject to an extension to five years at the discretion of the holder. In 2019, we entered into a deed of settlement and several amendments with Splendid Days, the holder of the Convertible Notes, pursuant to which the outstanding amount of the Convertible Notes bore an interest rate of 12% per annum from the original maturity date to February 21, 2020. Pursuant to the deed of settlement and its amendments, US$6.6 million of the outstanding amount of the Convertible Notes continues to bear an interest rate of 14% per annum commencing from February 22, 2020.

(3) Includes minimum guaranteed payments under service arrangement with Thurgau Limited related to the agency fee on the disposal of three subsidiaries that collectively held the Previously Mortgaged Properties.

(4) Operating lease obligations related to the lease of office space, parking lots and warehouse.

G. Safe Harbor

This annual report on Form 20-F contains statements of a forward-looking nature. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as "may," "will," "expects," "anticipates," "future," "intend," "plan," "believe," "estimate," "is/are likely to," "considers" or other and similar expressions. The accuracy of these statements may be impacted by a number of risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, the following:

- our ability to return to profitability or raise sufficient capital to cover our capital needs;
- our ability to identify alternative business development focus;
- our ability to successfully launch and operate additional games in China and overseas;
- our ability to obtain sufficient capital to make contribution to the joint venture with F&F;
- our ability to repay the Convertible Notes in a timely manner;

- our ability to obtain requisite license and approvals for our electric vehicles business;
- our ability to develop electric vehicles business and other new businesses;
- our ability to develop, license or acquire additional online games that are attractive to users;
- the maintenance and expansion of our relationships with game distributors and online game developers, including our existing licensors;
- our ability to maintain and expand our relationships with joint venture partners and other business partners;
- uncertainties in and the timeliness of obtaining necessary governmental approvals and licenses for operating any new online game;
- risks inherent in the online game business;
- risks associated with our future acquisitions and investments;
- our ability to compete effectively against our competitors;
- risks associated with our corporate structure and the regulatory environment in China; and
- other risks outlined in our filings with the SEC including this annual report on Form 20-F.

These risks are not exhaustive. We operate in an emerging and evolving environment. New risk factors emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any specific factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We would like to caution you not to place undue reliance on forward-looking statements and you should read these statements in conjunction with the risk factors disclosed in "Item 3. Key Information—D. Risk Factors." We do not undertake any obligation to update forward-looking statements except as required under applicable law.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Jun Zhu	53	Director, Chairman of the Board and Chief Executive Officer
Davin A. Mackenzie(1)(2)	59	Independent Director
Kwok Keung Chau(1)(2)	43	Independent Director
Ka Keung Yeung(1)(2)	61	Independent Director
George Lai (Lai Kwok Ho)	43	Director and Chief Finance Officer
Chris Shen	51	Vice President

Notes:

(1) Member of Audit Committee.

(2) Member of Compensation Committee.

Biographical Information

Jun Zhu is one of our co-founders. He has served as the chairman of our board of directors and chief executive officer since our inception. Prior to founding our company, Mr. Zhu co-founded Flagholder New Technology Co. Ltd., an information technology company based in China, in 1997, and served as its director from 1997 to 1999. From 1993 to 1997, Mr. Zhu worked at QJ (U.S.A.) Investment, Ltd., a trading company in the United States. Mr. Zhu attended an undergraduate program at Shanghai Jiaotong University.

Davin A. Mackenzie has served as our independent director since July 2005. Mr. Mackenzie is currently the General Manager of Greater China for Scape, a developer and operator of purpose-build student accommodation, and the Managing Director – Asia Pacific for the Madison Sports Group, the promoter of the Six Day series of track cycling events. Mr. Mackenzie was a consultant of Spencer Stuart Beijing Office, a renowned global executive search company, from 2012 to 2016. Currently, he serves as a director of Mountain Hazelnut Ventures, a private agricultural company. From 2009 to 2011, Mr. Mackenzie was the Beijing representative of Brocade Capital Limited, a private equity advisory firm that he founded in 2009. From 2008 to 2009, Mr. Mackenzie was the managing director and Beijing representative of Arctic Capital Limited, a pan-Asia private equity advisory firm. Between 2000 and 2008, Mr. Mackenzie held the same positions in Peak Capital LLC, another private equity investment and advisory firm that focuses on the China market. Prior to Peak Capital, Mr. Mackenzie worked with the International Finance Corporation, a private sector arm of The World Bank Group, for seven years, including four years as the resident representative for China and Mongolia. Mr. Mackenzie has also worked at Mercer Management Consultants in Washington, D.C., and at First National Bank of Boston in Taiwan. Mr. Mackenzie received a bachelor’s degree in Government from Dartmouth College. He received a master’s degree in international studies and an MBA degree from the Wharton School of Business at the University of Pennsylvania. Mr. Mackenzie has also completed the World Bank Executive Development Program at Harvard Business School.

Kwok Keung Chau has served as our independent director since October 2015. Currently, he serves as the authorized representative and the company secretary of Comtec Solar Systems Group Limited (SEHK: 00712), an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Limited (SEHK: 02779), an independent director of China Tobacco International (HK) Company Limited (SEHK: 06055) and an independent non-executive director and the chairman of the audit committee of Forward Fashion (International) Holdings Company Ltd. (SEHK: 02528) and an independent non-executive director of Bank of Zhangjiakou Co., Ltd. since April 2020. From November 2007 to January 2020, Mr. Chau was an executive director and the chief financial officer of Comtec Solar Systems Group Limited, responsible for corporate financial and general management. He acted as a member of supervisory board of RIB Software AG, a software company in Germany, which was listed in Frankfurt Stock Exchange, from May 2010 to June 2013. Prior to joining Comtec Solar in November 2007, Mr. Chau served in various positions at China.com Inc., (SEHK: 08006) from October 2005 to October 2007, including vice president of the finance department, chief financial officer, company secretary and authorized representative. Prior to joining China.com Inc., Mr. Chau served as the deputy group financial controller of China South City Holdings Limited (SEHK: 01668) from August 2003 to April 2005. Before that, he served as the financial controller of Shanghai Hawei New Material and Technology co., Ltd. from June 2002 to August 2003. Mr. Chau has been a fellow member of the Association of Chartered Certified Accountants since June 2002, a member of the Hong Kong Institute of Certified Public Accountants since July 2005 and a Chartered Financial Analyst of the CFA Institute since September 2003. Mr. Chau received his bachelor’s degree in business administration from the Chinese University of Hong Kong in May 1998.

Ka Keung Yeung has served as our independent director since July 2005. Mr. Yeung also serves as the director of Phoenix New Media Limited (NYSE: FENG). He is also the company secretary and qualified accountant. Mr. Yeung joined Phoenix in March 1996 and is in charge of all of Phoenix’s internal and external financial management and arrangements and also supervises administration and personnel matters. Mr. Yeung also serves as a director of Phoenix New Media, a subsidiary of Phoenix and a company listed on the NYSE. Mr. Yeung graduated from the University of Birmingham and is qualified as a chartered accountant. Upon returning to Hong Kong, he worked at Hutchison Telecommunications and STAR in the fields of finance and business development.

George Lai has served as our chief financial officer since July 2008 and our director since January 2016. Currently, he also serves as an independent non-executive director and the chairman of the compensation committee of Qingdao Port International Co., Ltd. (SEHK: 06198). Prior to joining us, Mr. Lai worked for Deloitte Touche Tohmatsu since 2000. Mr. Lai worked in several different Deloitte offices, including Hong Kong, New York and Beijing. During his eight years at Deloitte, Mr. Lai played key roles in the audit function in a number of IPO projects in the United States and China. He also assisted public companies in the United States, Hong Kong and China with a wide range of accounting matters. Mr. Lai received his bachelor of business administration, with a focus in professional accountancy, from the Chinese University of Hong Kong. Mr. Lai holds various accounting professional qualifications, including from AICPA, FCCA and HKICPA.

Chris Shen has served as our vice president since January 2006. Mr. Shen joined us in August 2005 as our senior director of marketing and is in charge of our mobile social gaming platform and marketing and public relations activities. Prior to joining us, Mr. Shen served as the group account director and account director for several renowned advertising agencies in Shanghai and Taipei, mainly serving multinational companies in various industries, such as consumer goods, financial services and retail. During the past twelve years, Mr. Shen helped numerous local and international brands plan and executed various marketing initiatives. Mr. Shen received his bachelor's degree in management science from the National Chiao Tung University in Taiwan.

B. Compensation

Compensation of Directors and Executive Officers

In 2019, the aggregate cash compensation paid or payable to our executive officers and non-executive directors for their services in 2019 was approximately RMB4.0 million (US$0.6 million) and RMB1.0 million (US$0.1 million), respectively. No director or executive officer is entitled to any severance benefits upon termination of his or her employment with or appointment by our company. In addition, in September 2018, we issued 30,000,000 ordinary shares in the form of restricted shares to our directors, employees and consultant in accordance with our stock option plan. Simultaneous with the new grants, options to purchase 6,200,000 ordinary shares by certain grantees were cancelled. In January 2019, we forfeited and cancelled 15,000,000 ordinary shares in aggregate in the form of restricted shares held by relevant directors, employees and consultant. Those incentive shares are subject to a six-month lock-up period and will vest in installments upon the satisfaction of certain service period conditions of the grantees. No director or executive officer is entitled to any severance benefits upon termination of his or her employment with or appointment by our company.

Share Incentive Plan

Eighth Amended and Restated 2004 Stock Option Plan

Our board of directors and our shareholders have adopted and approved the 2004 Stock Option Plan, as amended and restated, or the Option Plan, in order to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to employees, directors and consultants and to promote the success of our business. The Option Plan was amended and restated in December 2006, November 2008, August 2010, November 2010, November 2015, August 2016, June 2017 and December 2018. By the amendment to the Option Plan in December 2018, we increased the total number of ordinary shares reserved under the Option Plan from 34,449,614 to 100,000,000. As of February 29, 2020, options to purchase 1,050,000 Class A ordinary shares under the Option Plan were outstanding and 15,000,000 restricted shares were issued. In September 2018 our board granted an aggregate amount of 30,000,000 restricted shares to our directors, officers and consultant. In exchange for such restricted shares grant, we forfeited and cancelled the stock options in the total amount of 6,200,000 shares previously granted to our directors in January 2018. In January 2019, our board of directors approved to forfeit and cancel 15,000,000 out of 30,000,000 restricted shares previously granted. The following table provides a summary of the options and restricted shares granted to our directors, executive officers and other individuals as a group under the Option Plan as of February 29, 2020 and that remained outstanding.

	Restricted Shares Outstanding	Total Number of Ordinary Shares Underlying Options	Exercise Price (in US$)	Expiration Date
Jun Zhu	7,500,000	—	—	March 4, 2021
Davin Alexander Mackenzie	*	—	—	—
Kwok Keung Chau	*	—	—	—
Ka Keung Yeung	*	—	—	—
George Lai	1,500,000	—	—	March 4, 2021
Chris Shen	—	—	—	—
All Directors and Senior Executive Officers as a Group				
Restricted Shares	9,900,000	—	—	March 4, 2021
Other Individuals as a Group (other than those listed above)	5,100,000	*	0.93	January 24, 2023

* Less than 1% of our total issued and outstanding shares.

The following paragraphs describe the principal terms of the Eighth Amended and Restated 2004 Stock Option Plan.

Types of Awards. The Option Plan permits the awards of options, stock purchase rights, restricted shares and restricted share units.

Administration. Our Option Plan is administered by our board of directors or an option administrative committee designated by our board of directors and constituted to comply with applicable laws. In each case, our board of directors or the committee it designates will determine the provisions, terms and conditions of each award grant, including, but not limited to, the option vesting schedule, repurchase provisions, forfeiture provisions, form of payment upon settlement of the award, payment contingencies and satisfaction of any performance criteria.

Award Agreement. Awards granted under our Option Plan are evidenced by an award agreement that contains, among other things, terms, conditions and limitations for each award, which may include the term of the award, the provisions concerning exercisability and forfeiture upon termination of employment or consulting arrangements, as determined by our board.

Eligibility. We may grant awards to our employees, directors and consultants of our company.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant.

Third-Party Acquisition. If a third party acquires us through the purchase of all or substantially all of our assets, a merger or other business combination, all outstanding awards will be assumed or equivalent options or share awards substituted by the successor corporation or parent or subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the options or share purchase rights, all options or share purchase rights will become fully vested and exercisable immediately prior to such transaction.

Changes in Capitalization and Other Adjustments. If we shall at any time increase or decrease the number of outstanding shares, or change in any way the rights and privileges of our outstanding shares, by means of a payment or a stock dividend or any other distribution upon such ordinary shares, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving such ordinary shares, then in relation to the ordinary shares that are covered by the awards granted or available under the plan and are affected by one or more of the above events, the number, rights and privileges shall be increased, decreased or changed in like manner as if such ordinary shares had been issued and outstanding, fully paid and non-assessable at the time of such occurrence.

Termination of Plan. Unless terminated earlier, our Option Plan will expire in 2038. Our board of directors has the authority to amend, alter, suspend or terminate our Option Plan. However, no such action may (i) impair the rights of any grantee unless agreed by the grantee and the stock option plan administrator, or (ii) affect the stock option plan administrator's ability to exercise the powers granted to it under our Option Plan.

C. Board Practices

Board of Directors

Our board of directors consists of the following five directors: Jun Zhu, Kwok Keung Chau, Davin A. Mackenzie, Ka Keung Yeung and George Lai. A director is not required to hold any shares in our company by way of qualification. Any director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company must declare the nature of his interest at a meeting of our directors. A director may vote with respect to any contract, proposed contract or arrangement notwithstanding that he may be interested, and if he does so, his vote shall be counted and he may be counted in the quorum at any meeting of our directors at which any such contract or proposed contract or arrangement is considered and voted upon.. Our directors may exercise all the powers of our company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and issue debentures, debenture stock or other securities whenever money is borrowed, or as security for any debt, liability or obligation of our company or of any third party.

Committees of the Board of Directors

Audit Committee. Our audit committee consists of Messrs. Kwok Keung Chau, Davin A. Mackenzie and Ka Keung Yeung, all of whom satisfy the "independence" definition under Rule 5605 of the Nasdaq Stock Market, Inc. Marketplace Rules, or the Nasdaq Rules, and the audit committee independence standard under Rule 10A-3 under the Exchange Act. All the members of our audit committee meet the "financial expert" definition of the Nasdaq Rules.

The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing and approving all proposed related party transactions;
- discussing the annual audited financial statements with management and the independent auditors;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent auditors;
- reporting regularly to the full board of directors; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

Compensation Committee. Our compensation committee consists of Messrs. Kwok Keung Chau, Davin A. Mackenzie and Ka Keung Yeung, all of whom meet the "independence" standards for compensation committee members under the Nasdaq Rules. The compensation committee assists the board in reviewing and approving the compensation structure of our executive officers, including all forms of compensation to be provided to our executive officers. The compensation committee will be responsible for, among other things:

- reviewing and determining the compensation for our five most senior executives;
- reviewing the compensation of our other employees and recommending any proposed changes to the management;
- reviewing and approving director and officer indemnification and insurance matters;
- reviewing and approving any employee loans in an amount equal to or greater than US$60,000 (or such amount as from time to time announced by the relevant regulatory bodies as requiring the approval of the Committee); and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pensions and welfare benefits plans.

Duties of Directors

Under Cayman Islands law, our directors owe to our company fiduciary duties, including a duty of loyalty, a duty to act honestly and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to act with care and diligence that a reasonably prudent person would exercise in comparable circumstances and a duty to exercise the skill they actually possess. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. We have the right to seek damages if a duty owed by our directors is breached.

Terms of Directors

Our board of directors is currently divided into three classes with different terms. This provision would delay the replacement of a majority of our directors and would make changes to the board of directors more difficult than if such provision were not in place. Our independent directors, namely Kwok Keung Chau, Davin A. Mackenzie and Ka Keung Yeung, were re-elected (elected in the case of Kwok Keung Chau) at our 2018 annual general meeting and each of them is serving a three-year term until the 2021 annual general meeting or until his successor is duly elected and qualified, whichever is earlier. Jun Zhu, our chairman and chief executive officer, was re-elected as a director at our 2019 annual general meeting and is serving a three-year term until the 2022 annual general meeting or until his successor is duly elected and qualified, whichever is earlier. George Lai, our chief financial officer and director, was re-elected as a director at our 2018 annual general meeting and is serving a three-year term until the 2021 annual general meeting or until his successor is duly elected and qualified, whichever is earlier. Upon expiration of the term of office of each class, succeeding directors in each class will be elected for a term of three years. Directors may be removed from office by ordinary resolution of shareholders at any time before the expiration of his/her term. Pursuant to the natural expiration of the directorial terms, elections for directors would be held on the date of the annual general meeting of shareholders.

D. Employees

As of December 31, 2019, we had 61 employees, of which 59 were based in China, including 42 in management and administration, one in our customer service center, eight in game operations, sales and marketing, and eight in product development, including supplier management personnel and technical support personnel, and two were based in the United States. We had 236 and 105 employees as of December 31, 2017 and 2018, respectively. The decrease in the number of employees as of December 31, 2019 as compared to that of December 31, 2018 was primarily due to our business restructuring. We consider our relations with our employees to be good.

E. Share Ownership

As of February 29, 2020, there were 125,271,675 ordinary shares outstanding, being the sum of 111,664,341 Class A ordinary shares (excluding 15,338,560 ordinary shares we reserved for issuance upon the exercise of options under our share incentive plan and for our treasury ADSs) and 13,607,334 Class B ordinary shares.

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of February 29, 2020 by:

- each of our directors and executive officers who are also our shareholders; and
- each person known to us to own beneficially more than 5% of our ordinary shares.

	Ordinary Shares Beneficially Owned[1]				
	Class A	Class B	Total ordinary shares on an as converted basis	%[2]	% of aggregate voting power[3]
Directors and Executive Officers:					
Jun Zhu[4]	6,376,196	13,607,334	19,983,530	16.0	86.7
Davin A. Mackenzie	*	—	*	*	*
Kwok Keung Chau	*	—	*	*	*
Ka Keung Yeung	*	—	*	*	*
George Lai (Lai Kwok Ho)[5]	1,500,000	—	1,500,000	1.2	*
Chris Shen	*	—	*	*	*
All Directors and Senior Executive Officers as a Group	9,150,656	13,607,334	22,757,990	18.2	87.1
Principal Shareholders:					
Plutux Labs Limited[6]	21,000,000	—	21,000,000	16.8	2.7
Leading Choice Holdings Limited[7]	21,000,000	—	21,000,000	16.8	2.7
Splendid Days Limited[8]	15,028,844	—	15,028,844	10.7	1.9
IE Limited[9]	12,500,000	—	12,500,000	10.0	1.6
Incsight Limited[4][10]	912,094	6,107,334	7,019,428	5.6	38.7

Notes:

* Less than 1% of our total outstanding shares.

(1) Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of February 29, 2020, including through the exercise of any option, warrant or other right or the conversion of any other security.

(2) Percentage of beneficial ownership is based on 125,271,675 ordinary shares outstanding as of February 29, 2020, as well as the shares underlying share options and warrants exercisable by such person or group within 60 days from February 29, 2020.

(3) For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to fifty votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

(4) Includes (i) 6,107,334 Class B ordinary shares and 912,094 Class A ordinary shares represented by ADSs held by Incsight Limited, a British Virgin Islands company wholly owned and controlled by Mr. Jun Zhu, and (ii) 7,500,000 Class B ordinary shares in the form of restricted shares and 5,464,102 Class A ordinary shares represented by ADSs held by Mr. Jun Zhu.

(5) Includes 1,500,000 Class A ordinary shares in the form of restricted shares held by George Lai.

(6) Includes 21,000,000 Class A ordinary shares held by Plutux Labs Limited, as reported by Plutux Labs Limited on the Schedule 13G filed with the SEC on September 13, 2018. The address for Plutux Labs Limited is 4th Floor, Harbour Place, 103 South Church Street, Grand Cayman KY1-1002, Cayman Islands.

(7) Includes 21,000,000 Class A ordinary shares held by Leading Choice Holdings Limited. The address for Leading Choice Holdings Limited is Unit 1005, 10/F, Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui, Hong Kong.

(8) Includes an aggregate 11,695,511 ordinary shares issuable upon conversion of the Convertible Notes and an aggregate 3,333,333 ordinary shares issuable upon exercise of the Warrants within 60 days of February 29, 2020 that are beneficially owned by Splendid Days. Splendid Days currently holds all of the Convertible Notes and the Warrants that we issued in December 2015. Splendid Days Limited is controlled by Truth Beauty Limited, a British Virgin Islands company, which is in turn controlled by Cyrus Jun-Ming Wen. The address for Splendid Days Limited is Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands.

(9) Includes 12,500,000 Class A ordinary shares held by IE Limited, as reported by IE Limited on the Schedule 13G filed with the SEC on February 9, 2018. The address for IE Limited is 7th Floor, Revesant Building, 6 Bongeunsa-ro 86-gil, Gangnam-gu, Seoul, Korea.

(10) Includes 6,107,334 Class B ordinary shares and 912,094 Class A ordinary shares represented by ADSs held by Incsight Limited, a British Virgin Islands company wholly owned and controlled by Jun Zhu, reported by Incsight Limited on the Schedule 13D/A filed with the SEC on July 1, 2019. The business address for Incsight Limited is 17 Floor, No. 130 Wu Song Road, Hong Kou District, Shanghai 200080, People's Republic of China.

To our knowledge, as of February 29, 2020, 57,926,590 Class A ordinary shares (including 15,338,560 ordinary shares we reserved for issuance upon the exercise of options under our share incentive plan and for our treasury ADSs), were held by two record shareholders in the United States. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

We are currently not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions

Arrangements with Affiliated PRC Entities

Current PRC laws and regulations impose substantial restrictions on foreign ownership of entities involved in ICP, Internet culture operation and Internet publishing businesses, including online game operations, in China. Therefore, we conduct part of our activities through a series of agreements with Shanghai IT, our key affiliated PRC entity. Shanghai IT holds the requisite licenses and approvals for conducting ICP, Internet culture operation and Internet publishing businesses in China. Shanghai IT is owned by our employee Wei Ji, who acquired his equity interests in Shanghai IT from Jun Zhu in November 2011, and our employee Zhimin Lin, who acquired his equity interests in Shanghai IT from Yong Wang in April 2014.

We have obtained the exclusive right to benefit from Shanghai IT's licenses and approvals. In addition, through a series of contractual arrangements with Shanghai IT and its shareholders, we are able to direct and control the operation and management of Shanghai IT. We believe that the individual shareholders of Shanghai IT will not receive material personal benefits from these agreements except as shareholders or employees of The9 Limited.

We do not believe we could have obtained these agreements, taken as a whole, from unrelated third parties. Because of the uncertainty relating to the legal and regulatory environment in China, the terms of most of the agreements were not defined unless terminated by the parties thereto. According to our PRC counsel, Grandall Law Firm, subject to the interpretation and implementation of the GAPP Circular and the Network Publication Measures, these agreements, except those that have already been terminated, are valid, binding and enforceable under the current laws and regulations of China. The principal provisions of these agreements are described below.

Exclusive Technical Service Agreement. We provide Shanghai IT with technical services for the operation of computer software and related businesses, including the provision of systematic solutions for the operation of Internet websites, the rental of computer and Internet facilities, daily maintenance of Internet servers and databases, the development and update of relevant computer software, and all other related technical and consulting services. Shanghai IT pays service fees equivalent to 90% of its operating profit to. We are the exclusive provider of these services to Shanghai IT. According to the relevant PRC rules and regulations, related party transactions should be negotiated at the arm's length basis and apply reasonable transfer pricing methods. However, the determination of service fees is under the sole discretion of us. This agreement shall remain in force indefinitely unless the parties agrees in writing to terminate in advance.

Shareholder Voting Proxy Agreement. Each of the shareholders of Shanghai IT has entered into a shareholder voting proxy agreement with us, under which each shareholder of Shanghai IT irrevocably grants any third parties designated by us the power to exercise all voting rights to which he/she is entitled as a shareholder of Shanghai IT, including the right to attend shareholders meetings, to exercise voting rights and to appoint directors, a general manager, and other senior management of Shanghai IT. The power of proxy is irrevocable and may only be terminated at our discretion.

Call Option Agreement. We entered into a call option agreement with each of the shareholders of Shanghai IT, under which the parties irrevocably agreed that, at our sole discretion, we and/or any third parties designated by us will be entitled to acquire all or part of the equity interests in Shanghai IT, to the extent permitted by the then-effective PRC laws and regulations. The consideration for such acquisition will be the price equal to the lower of the amount of the registered capital of Shanghai IT and the minimum amount permissible by the then-applicable PRC law. The shareholders of Shanghai IT have also agreed not to enter into any transaction, or fail to take any action, that would substantially affect the assets, liabilities, equity, operations or other legal rights of Shanghai IT without our prior written consent, including, without limitation, declaration and distribution of dividends and profits; sale, assignment, mortgage or disposition of, or encumbrances on, Shanghai IT's equity; merger or consolidation; creation, assumption, guarantee or incurrence of any indebtedness; entering into other materials contracts. This agreement shall not expire until such time as we acquire all equity interests of Shanghai IT subject to applicable PRC laws.

Loan Agreement. From 2002 to May 2005, we provided an aggregate of RMB23.0 million in loan to the then shareholders of Shanghai IT, namely Jun Zhu and Yong Wong, for the purposes of capitalizing and increasing the registered capital of Shanghai IT. Such loan agreement was assumed by the current shareholders of Shanghai IT when Jun Zhu transferred the equity interest in Shanghai IT to Wei Ji in 2011 and Yong Wang transferred the equity interests in Shanghai IT to Zhimin Lin in 2014. In May 2019, we terminated such loan agreement and entered into a new loan agreement among the shareholders of Shanghai IT and Shanghai Hui Ling and a subsidiary of us. Pursuant to the terms of this new loan agreement, we granted an interest-free loan to each shareholder of Shanghai IT for the explicit purpose of making a capital contribution to Shanghai IT. The loans have an unspecified term and will remain outstanding for the shorter of the duration of Shanghai Hui Ling or that of the Shanghai IT, or until such time that we elect to terminate the agreement (which is at our sole discretion) at which point the loans are payable on demand. Such loan shall only become immediately due and payable when we send a written notice to the borrowers requesting repayment. Currently, Zhimin Lin and Wei Ji have pledged all of their equity interests in Shanghai IT in favor of us under the equity pledge agreements. In the event of a breach of any term in the loan agreement or any other agreements by either Shanghai IT or its shareholders, we will be entitled to enforce our rights as a pledgee under the agreement.

Equity Pledge Agreements. To secure the full performance by Shanghai IT or its shareholders of their respective obligations under the Shareholder Voting Proxy Agreement, the Call Option Agreement and the Loan Agreement, the shareholders of Shanghai IT have pledged all of their equity interests in Shanghai IT in favor of us under two equity pledge agreements. In addition, the dividend distributions to the shareholders of Shanghai IT, if any, will be deposited in an escrow account over which we have exclusive control. The pledge shall remain effective until all obligations under such agreements have been fully performed. The shareholder has the obligation to maintain ownership and effective control over the pledged equity. Under no circumstances, without our prior written consent, may the shareholder transfer or otherwise encumber any equity interests in Shanghai IT. If any event of default as provided for therein occurs, Shanghai Hui Ling, as the pledgee, will be entitled to dispose of the pledged equity interests through transfer or assignment and use the proceeds to repay the loans or make other payments due under the above loan agreement up to the loan amounts. Each of the shareholders of Shanghai IT has registered the pledge of its equity interests with the relevant local administration for market regulation pursuant to the PRC Property Rights Law. In the event of a breach of any term in the above agreements by either Shanghai IT or its shareholders, we will be entitled to enforce our pledge rights over such pledged equity interests to compensate for any and all losses suffered from such breach.

In the opinion of Grandall Law Firm, our PRC counsel:

- the ownership structures of Shanghai Hui Ling and Shanghai IT currently are in compliance with PRC laws or regulations currently in effect; and
- the contractual arrangements among Shanghai Hui Ling, Shanghai IT and the shareholders of Shanghai IT governed by PRC law currently are valid, binding and enforceable under PRC law, and do not and will not result in any violation of applicable PRC laws or regulations currently in effect.

However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. The PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC counsel. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in value-added telecommunications services business, such as the internet content provision services, we could be subject to severe penalties, including being prohibited from continuing operations. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—Our current corporate structure and business operations may be affected by the Foreign Investment Law."

Investments or Agreements entered into with Affiliated Entities or Associates

In February 2013, we established a new joint venture, namely Zhongxing The9 Network Technology Co., Ltd., in cooperation with Shanghai Zhongxing Communication Technology Enterprise Co., Ltd. and Shanghai Ruigao Information Technology Co., Ltd., in Wuxi, Jiangsu province of China, to develop and operate home entertainment set top box business. In February 2014, Guangdong Hongtu Guangdian Investment Limited Company made a capital investment of RMB12.5 million to acquire 10% equity interests in ZTE9. As of December 31, 2019, we held 26.0% equity interest in ZTE9. ZTE9 charged net royalty and other service fee related to IPTV business to us in an amount of RMB7.1 million, RMB5.2 million and nil in 2017, 2018 and 2019, respectively. Total amount due to ZTE9 for IPTV business was RMB2.7 million, RMB5.1 million and RMB0.2 million (US$0.03 million) as of December 31, 2017, 2018 and 2019, respectively.

In 2017, 2018 and 2019, we lent RMB4.0 million, RMB0.6 million and nil to ZTE9 to fund its operations, respectively. The loans are interest-free. As of December 31, 2017, 2018 and 2019, total outstanding amount for loan due from ZTE9 was RMB2.1 million, RMB1.0 million and RMB1.0 million (US$0.1 million), respectively.

We charged service fee to Big Data, a previous subsidiary and now an equity investee of ours, amounted to RMB0.05 million and RMB0.02 million (US$0.01 million) in 2018 and 2019, respectively. As of December 31, 2018 and 2019, the total amount due from Big Data was RMB0.1 million and RMB0.1 million (US$0.02 million), respectively.

In 2016, Asian Way entered into a license agreement with T3 Entertainment, a then equity investee of ours, for developing a game using augmented reality (AR) technologies based on the intellectual property relating to the game Audition. Upon commercial launch, Asian Way will share certain percentages of revenues of the game to T3. The game is still under development as of December 31, 2019. In July 2019, we disposed our equity interest in T3.

In 2017, we entered into a share purchase agreement with Incsight Limited, which is controlled by Mr. Jun Zhu, our chairman and chief executive officer. Pursuant to this agreement, Mr. Jun Zhu would acquire 12,500,000 of our newly issued shares for a total cash consideration of US$15.0 million. The transaction was terminated in February 2019 and the previously issued shares were surrendered and cancelled.

In 2017, we entered into a share purchase agreement with Ark Pacific Special Opportunities Fund I, L.P., which caused it to beneficially own more than 10% of share capital in our company then. Pursuant to this agreement, Ark Pacific Special Opportunities Fund I, L.P. would acquire 12,500,000 of our newly issued shares for a total cash consideration of US$15.0 million. The transaction was terminated in February 2019 and the previously issued shares were surrendered and cancelled.

On May 6, 2019, we held an extraordinary general meeting at which our shareholders approved, among other things, to adjust our authorized share capital and to adopt a dual-class share structure, consisting of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share is entitled to one vote per share on all matters subject to vote at general meetings of our company. Each Class B ordinary share is entitled to fifty (50) votes per share on all matters subject to vote at general meetings of our company. The issued and outstanding ordinary shares then held by Incsight Limited, a British Virgin Islands business company, which is wholly owned by Mr. Jun Zhu, our chairman and chief executive officer, and the issued and outstanding ordinary shares then held by Mr. Jun Zhu himself, were re-designated and re-classified as Class B ordinary shares. All other ordinary shares then issued and outstanding were re-designated and re-classified as Class A ordinary shares. On the same date, we amended and restated our then effective Amended and Restated Memorandum of Association and Articles of Association in their entirety and adopted our Second Amended and Restated Memorandum and Articles of Association which reflect, among other things, the changes to our capital structure. As a result of such changes, Mr. Jun Zhu holds the majority of our outstanding voting power and we became a "controlled company" as defined under Nasdaq Stock Market Rules.

In June 2019, we and our wholly-owned subsidiary entered into a share purchase agreement with Comtec Windpark Renewable (Holdings) Co Ltd, a wholly-owned subsidiary of Comtec Solar Systems Group Limited (SEHK: 00712), which was affiliated with Kwok Keung Chau, our independent director. Pursuant to the share purchase agreement, we issued 3,444,882 Class A ordinary shares to purchase 9.9% equity interest in Zhenjiang Kexin Power System Design and Research Company, a lithium battery management system and power storage system supplier.

Loan from Related Parties

Mr. Jun Zhu, the chairman and chief executive officer, extended aggregate of RMB73.9 million, RMB11.0 million and RMB16.1 million (US$2.3 million) in loan to us in 2017, 2018 and 2019, respectively. The loans are interest-free. As of December 31, 2017, 2018 and 2019, RMB75.2 million, RMB57.1 million and RMB63.2 million (US$9.1 million) of such loan remained outstanding, respectively.

Stock Option Grants

See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan—Eighth Amended and Restated 2004 Stock Option Plan."

C. <u>Interests of Experts and Counsel</u>

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. <u>Consolidated Statements and Other Financial Information</u>

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

Red 5 and its affiliates previously had been in dispute with Qihoo 360 and its affiliates regarding System Link and Firefall. Various legal proceedings have been initiated in connection with such dispute, including a litigation proceeding in Shanghai and an arbitration proceeding in Hong Kong. In May 2019, we entered into a mediation agreement with Qihoo 360 to settle the disputes in principals and then withdrew all the litigation claims against Qihoo 360 in Shanghai. As of the date of this annual report, we and Qihoo 360 are implementing the mediation agreement to settle the arbitration proceeding in Hong Kong. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Our equity investments or establishment of joint ventures and any material disputes with our investment or joint venture partners may have an adverse effect on our financial results, business prospects and our ability to manage our business."

In April 2020, Inner Mongolia Culture Assets and Equity Exchange filed a civil claim against Wuxi Qudong and Shanghai IT to recover RMB57.5 million of principal and interest that we previously raised to finance the early phase development of CrossFire New Mobile Game. We cooperated with a third-party company for development and operation of CrossFire New Mobile Game and plan to apply for the requisite license from GAPPRPT for CrossFire New Mobile Game as soon as development of the game is finalized to launch the game. We may seek to meditate and settle this claim amid ongoing game development. We do not expect this case to significantly affect our business operations.

Shanghai Oh Yeah Information Technology Co., Ltd. filed several related civil claims in April 2019 against joint defendants including Shanghai IT, ZTE9 and a third-party defendant, regarding copyright infringements of their intellectual property to the Intellectual Property Court of Shanghai with a total aggregated claim amount of RMB3.0 million. We have assessed the likelihood of the outcome and have accrued an amount for the contingency. We may be subject to other legal or administrative proceedings in the ordinary course of business. We do not believe that any currently pending legal or administrative proceeding to which we are a party will have a material adverse effect on our business or financial condition.

Other than the foregoing, we are currently not a party to any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

Dividend Policy

We currently intend to retain most, if not all, of our available funds and any future earnings for use in the operation of our business. Our board of directors has discretion as to whether we will distribute dividends in the future, subject to applicable laws. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors determines to distribute dividends, the form, frequency and amount of our dividends will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, legal restrictions and other factors as the board of directors may deem relevant. Any dividend we declare will be paid to the holders of ADSs, subject to the terms of the deposit agreement, to the same extent as holders of our ordinary shares, less the fees and expenses payable under the deposit agreement. Any dividend we declare will be distributed by the depositary bank to the holders of our ADSs. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as otherwise disclosed in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ADSs, each currently representing three ordinary shares, are listed on the Nasdaq Capital Market. Our ADSs are traded under the symbol "NCTY." Our ADSs had been listed on the Nasdaq Global Market from December 15, 2004 to October 2018. Effective May 9, 2018, we effected a change of the ratio of the ADSs to ordinary shares from one ADS representing one ordinary share to three ordinary shares. In October 2018, we transferred our listing venue to the Nasdaq Capital Market.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing three ordinary shares, have been listed on the Nasdaq Capital Market since October 2018 and previously Nasdaq Global Market since December 15, 2004 under the symbol "NCTY."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The following are summaries of material provisions of our currently effective Second Amended and Restated Memorandum and Articles of Association, as well as the Companies Law (2020 Revision) insofar as they relate to the material terms of our ordinary shares.

Ordinary Shares

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. All of our outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form and are issued when entered in our register of members (shareholders). Every person whose name is entered in our register of members as a registered shareholder is entitled to receive a share certificate within two months of the allotment of such shares. We are not permitted to issue bearer shares.

Conversion

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of Class B ordinary shares by a holder thereof to any person who is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the same number of Class A ordinary shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights

Holders of our Class A ordinary shares and our Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by our shareholders at any general meeting of our company. Each Class A ordinary share shall be entitled to one vote, and each Class B ordinary share shall be entitled to fifty votes, on all matters subject to a vote at general meetings of our company. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by one or more shareholders together holding not less than ten percent of the paid up voting share capital, present in person or by proxy.

A quorum required for a meeting of shareholders consists of holders of not less than one-third of all issued and outstanding shares entitled to vote. Our company may hold an annual general meeting but shall not (unless required by the Companies Law) be obliged to hold an annual general meeting. Annual general meetings and extraordinary general meetings may be convened by our board of directors on its own initiative. In addition, our board of directors is required to convene extraordinary general meetings upon any requisition by shareholders holding in aggregate not less than 33% of our voting share capital. Advance notice of at least seven business days is required for the convening of our annual general meeting and extraordinary general meetings.

An ordinary resolution to be passed by our shareholders requires the affirmative vote of a simple majority of the votes attaching to our ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to our ordinary shares cast in a general meeting. A special resolution is required for important matters such as a change of name, a reduction of our share capital, effecting a statutory merger, or amending our memorandum and articles of association. Holders of our ordinary shares may effect certain changes by ordinary resolution, including an increase of our authorized share capital, the consolidation and division of all or any of our share capital into shares of a larger amount than our existing share capital, and the cancellation of any authorized but unissued shares.

Transfer of Shares

Subject to the restrictions of our memorandum and articles of association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register of members in respect thereof.

Liquidation

On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares

Our board of directors may from time to time make calls upon shareholders for any moneys unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of such shares, on such terms and in such manner as may be determined, before the issuance of such shares, by our board of directors. Our company may also repurchase any of our shares (including any redeemable shares) provided that the manner of such purchase has been approved by ordinary resolution of our shareholders or the manner of such purchase is in accordance with our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variation of Rights of Shares

If at any time our share capital is divided into different classes of shares, the rights attaching to any class of shares may, subject to our memorandum articles of association, be varied or abrogated either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a resolution passed by at least a majority of the holders of the shares of that class present in person or by proxy at a separate general meeting of the holders of the shares of that class.

Issuance of Additional Shares

Our Second Amended and Restated Memorandum and Articles of Association authorizes our board of directors to issue additional shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our Second Amended and Restated Memorandum and Articles of Association also authorizes our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including but not limited to:

- the designation of the series;
- the number of shares of the series and the subscription price thereof if different from the par value thereof;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences

Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements.

Anti-Takeover Provisions

Some provisions of our Second Amended and Restated Memorandum and Articles of Association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders; and
- create a classified board of directors pursuant to which our directors are elected for staggered terms, which means that shareholders can only elect, or remove, a limited number of directors in any given year; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Second Amended and Restated Memorandum and Articles of Association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Changes in Capital

We may from time to time by ordinary resolution of our shareholders increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe.

We may by ordinary resolution of our shareholders:

- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in case of our share from which the reduced share is derived; and
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

We may by special resolution of our shareholders reduce our share capital and any capital redemption reserve in any manner authorized by law.

Differences in Corporate Law

The Companies Law is derived, to a large extent, from the older Companies Acts of England, but does not follow recent English law statutory enactments, and accordingly there are significant differences between the Companies Law and the current Companies Act of England. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Law applicable to us and the comparable provisions of the laws applicable to companies incorporated in the State of Delaware and their shareholders.

Mergers and Similar Arrangements

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Save in certain limited circumstances, a shareholder of a Cayman Islands constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provided the dissenting shareholder complies strictly with the procedures set out in the Companies Law. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition to the statutory provisions relating to mergers and considerations, the Companies Law also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders or creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the Grand Court of the Cayman Islands can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

The Companies Law also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory provisions, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule, a derivative action may ordinarily not be brought by a minority shareholder. However, based on English authority, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected (and have had occasion) to follow and apply the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, our company to challenge:

- an act which is ultra vires or illegal and is therefore incapable of ratification by the shareholders,
- an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and
- an act which requires a resolution with a qualified (or special) majority (i.e. more than a simple majority) which has not been obtained.

Indemnification of Directors and Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Second Amended and Restated Memorandum and Articles of Association provides that we shall indemnify each of our directors and officers against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such director or officer in connection with the execution or discharge of his duties, powers, authorities or discretions as a director or officer, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our Second Amended and Restated Memorandum and Articles of Association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore he owes the following duties to the company—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Companies Law and our Second Amended and Restated Memorandum and Articles of Association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Law provides shareholders with only limited rights to requisition a general meeting and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Second Amended and Restated Memorandum and Articles of Association allow our shareholders holding not less than 33% of the share capital of our company carrying the right of voting at general meetings of our company to requisition a shareholder's meeting, in which case our directors are obligated to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our Second Amended and Restated Articles of Association do not provide our shareholders other right to put proposal before annual general meetings or extraordinary general meetings not called by such shareholders. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of directors of our company, it is not a concept that is accepted as a common practice in the Cayman Islands, and our company has made no provisions in our memorandum and articles of association to allow cumulative voting for such elections. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our Second Amended and Restated Memorandum and Articles of Association, subject to certain restrictions as contained therein, directors may be removed with or without cause, by an ordinary resolution of our shareholders. A director shall hold office until the expiration of his or her term or his or her successor shall have been elected and qualified, or until his or her office is otherwise vacated. In addition, a director's office shall be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (iv) without special leave of absence from our board of directors, is absent from meetings of our board for six consecutive months and the board resolves that his office be vacated; or (v) is removed from office pursuant to any other provisions of our Second Amended and Restated Memorandum and Articles of Association.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, the directors of the Company are required to comply with the fiduciary duties which they owe to the Company under Cayman Islands law, including the duty to ensure that, in their opinion, any such transactions entered into are bona fide in the best interests of the Company, and are entered into for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our Second Amended and Restated Articles of Association, if at any time our share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to our Memorandum and Articles of Association, be varied or abrogated with the consent in writing of the holders of a majority of the issued shares of that class or with the sanction of a resolution passed by at least a majority of the holders of the shares of that class present in person or by proxy at a separate general meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our Second Amended and Restated Memorandum and Articles of Associations, our Second Amended and Restated Memorandum and Articles of Association may only be amended with a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders

There are no limitations imposed by our Second Amended and Restated Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Second Amended and Restated Memorandum and Articles of Association which require our company to disclose shareholder ownership above any particular ownership threshold.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" or elsewhere in this annual report.

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Foreign Currency Exchange and Dividend Distribution."

E. Taxation

Cayman Islands Taxation

In the opinion of our Cayman Islands counsel, Maples and Calder (Hong Kong) LLP, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. No Cayman Islands stamp duty will be payable unless an instrument is executed in, or after execution, brought into, or produced before a court of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our shares, nor will gains derived from the disposal of our shares be subject to Cayman Islands income or corporation tax.

People's Republic of China Taxation

If we are considered a PRC resident enterprise under the EIT Law, our shareholders and ADS holders who are deemed non-resident enterprises may be subject to the 10% EIT on the dividends payable by us or any gains realized from the transfer of our shares or ADSs, if such income is deemed derived from China, provided that (i) such foreign enterprise investor has no establishment or premises in China, or (ii) it has establishment or premises in China but its income derived from China has no real connection with such establishment or premises. Furthermore, if we are considered a PRC resident enterprise and relevant PRC tax authorities consider the dividends we pay with respect to our shares or ADSs and the gains realized from the transfer of our shares or ADSs to be income derived from sources within the PRC, it is also possible that such dividends and gains earned by non-resident individuals may be subject to the 20% PRC individual income tax. It is uncertain whether, if we are considered a PRC resident enterprise, holders of our shares or ADSs would be able to claim the benefit of tax treaties or arrangements entered into between China and other jurisdictions.

If we are required under the PRC tax law to withhold PRC income tax on our dividends payable to our non-PRC resident shareholders and ADS holders, or if any gains realized from the transfer of our shares or ADSs by our non-PRC resident shareholders and ADS holders are subject to the EIT or the individual income tax, your investment in our shares or ADSs could be materially and adversely affected.

U. S. Federal Income Taxation

The following discussion is a summary of U.S. federal income tax considerations to U.S. Holders (as defined below) relating to the ownership and disposition of the ADSs or ordinary shares. This discussion applies only to U.S. Holders of the ADSs or ordinary shares as "capital assets" (generally, property held for investment). This discussion is based on the tax laws of the United States in effect as of the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion is for general information only and does not address all of the tax considerations that may be relevant to any particular investor or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- U.S. expatriates or entities subject to the U.S. anti-inversion rules;
- tax-exempt entities (including private foundations);

- persons liable for alternative minimum tax;
- persons whose functional currency is not the U.S. dollar;
- persons holding ADSs or ordinary shares as part of a straddle, hedging, conversion or integrated transaction for U.S. federal income tax purposes;
- persons holding ADSs or ordinary shares through a bank, financial institution or other entity, or a branch thereof, located, organized or resident outside the United States;
- persons that directly, indirectly or constructively own 10% or more of our stock (by vote or value);
- investors required to accelerate the recognition of any item of gross income with respect to our ADSs or ordinary shares as a result of such income being recognized on an applicable financial statement;
- partnerships or other pass-through entities, or persons holding ADSs or ordinary shares through such entities; or
- persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation.

In addition, the discussion below does not address any U.S. state, local or non-U.S. tax considerations, the Medicare tax, alternative minimum tax, or any non-income tax (such as U.S. federal estate or gift tax) considerations.

U.S. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ADSs OR ORDINARY SHARES.

For the purpose of this discussion, a "U.S. Holder" is a beneficial owner of ADSs or ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or other entity taxable as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or ordinary shares, the tax treatment of a partner in such partnership will depend on the status of such partner and the activities of such partnership. If you are a partner or a partnership holding our ADSs or ordinary shares, you are urged to consult your tax advisor as to the particular U.S. federal income tax considerations of an investment in the ADSs or ordinary shares that is applicable to you.

It is generally expected that a U.S. Holder of ADSs should be treated, for U.S. federal income tax purposes, as the beneficial owner of the underlying Class A ordinary shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of ADSs will be treated in this manner. Predicated upon such treatment, deposits or withdrawals of our ordinary shares for our ADSs will not be subject to U.S. federal income tax.

Passive Foreign Investment Company Considerations

A non-U.S. corporation will be a PFIC for any taxable year if either:

- at least 75% of its gross income for such year consists of certain types of passive income (the "income test"); or
- at least 50% of the value of its assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income (the "asset test").

For this purpose, cash and assets readily convertible into cash are generally classified as passive assets and goodwill and other unbooked intangibles associated with active business activities may generally be classified as non-passive assets. Passive income generally includes, among other things, dividends, interest, royalties and rents (other than certain royalties and rents derived in the active conduct of a trade or business and not derived from a related person), and gains from the disposition of passive assets.

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

Based on the market price of our ADSs and the composition of income and assets, we believe that we were a PFIC for United States federal income tax purposes for our taxable year ended December 31, 2019, and we will very likely be a PFIC for our current taxable year unless the market price of our ADSs increases, the portion of our gross income attributable to the passive types decreases, and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income.

If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, we generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold ADSs or ordinary shares. However, if we cease to be a PFIC, provided that you have not made a mark-to-market election, as described below, you may avoid some of the adverse effects of the PFIC regime by making a "deemed sale" election with respect to the ADSs or ordinary shares, as applicable. If such election is made, you will be deemed to have sold our ADSs or ordinary shares you hold at their fair market value and any gain from such deemed sale would be subject to the rules described in the following two paragraphs. After the deemed sale election, so long as we do not become a PFIC in a subsequent taxable year, your ADSs or ordinary shares with respect to which such election was made will not be treated as shares in a PFIC and you will not be subject to the rules described below with respect to any "excess distribution" you receive from us or any gain from an actual sale or other disposition of the ADSs or ordinary shares. The rules dealing with deemed sale elections are very complex. **You are strongly urged to consult your tax advisors as to the possibility and consequences of making a deemed sale election if we cease to be a PFIC and such election becomes available to you.**

Passive Foreign Investment Company Rules

For each taxable year that we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any "excess distribution" you receive and any gain you recognize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under the PFIC rules, if you receive any excess distribution or recognize any gain from a sale or other disposition of the ADSs or ordinary shares:

- the excess distribution or recognized gain will be allocated ratably over your holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we became a PFIC (a "pre-PFIC year"), will be taxable as ordinary income;

- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to the highest tax rate in effect for individuals or corporations, as applicable to the U.S. Holder for each such year; and
- the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each prior taxable year other than a pre-PFIC year.

The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) from the sale or other disposition of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

If we are a PFIC for any taxable year and any of non-U.S. subsidiaries is also a PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules, and could incur liability for the deferred tax and interest charge described below if either (1) we receive a distribution from, or dispose of all or part of our interest in, the lower-tier PFICs or (2) you dispose of all or part of your ADSs or ordinary shares. It is possible that one or more of our subsidiaries were also PFICs for the taxable year ending December 31, 2019. You should consult your tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

The tax liability for amounts allocated to years prior to the year of disposition of "excessive distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

Alternatively, a U.S. Holder of "marketable stock" (as defined below) of a PFIC may make a mark-to-market election for such stock to elect out of the PFIC rules described above regarding excess distributions and recognized gains. If you make a valid mark-to-market election for the ADSs or ordinary shares, you will include in income for each year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or ordinary shares, will be treated as ordinary income. Ordinary loss treatment will apply to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss from the actual sale or other disposition of the ADSs or ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make a mark-to-market election, any distributions that we make generally would be subject to the tax rules discussed below under "—Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares," except that the lower tax rate applicable to qualified dividend income would not apply.

The mark-to-market election is available only for "marketable stock," which is stock that is traded in greater than *de minimis* quantities on at least 15 days during each calendar quarter ("regularly traded") on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Although our ADSs are currently listed on, and historically regularly traded on, Nasdaq, which is a qualified exchange or other market for these purposes, no assurance can be given that the ADSs will be regularly traded on an established securities market in the United States for any taxable year. Moreover, if our ADSs are delisted (as described in "Item 3. Key Information—D. Risk Factors—Risks Related to Our Shares and ADSs— Our ADSs may be delisted from the Nasdaq Capital Market as a result of our not meeting the Nasdaq Capital Market continued listing requirements."), then the mark-to-market election generally would be unavailable to U.S. Holders. If any of our subsidiaries are or become PFICs, the mark-to-market election will technically not be available with respect to the shares of such subsidiaries that are treated as owned by you. Consequently, you could be subject to the PFIC rules with respect to income of the lower-tier PFICs the value of which already had been taken into account indirectly via mark-to-market adjustments. You should consult your tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

Unless otherwise provided by the U.S. Treasury, each U.S. shareholder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. In addition, if you hold ADSs or ordinary shares in any year in which we are a PFIC, you will be required to file IRS Form 8621 regarding distributions received on the ADSs or ordinary shares and any gain realized on the disposition of the ADSs or ordinary shares. You should consult your tax advisors regarding any reporting requirements that may apply to you.

YOU ARE STRONGLY URGED TO CONSULT YOUR TAX ADVISORS REGARDING THE IMPACT OF OUR BEING A PFIC FOR PRIOR YEARS ON YOUR INVESTMENT IN OUR ADSs AND ORDINARY SHARES AS WELL AS THE APPLICATION OF THE PFIC RULES AND THE POSSIBILITY OF MAKING A MARK-TO-MARKET OR DEEMED SALE ELECTION.

Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares

As discussed above, we believe that we were a PFIC for our taxable year ended December 31, 2019, and we will very likely be a PFIC for our current taxable year. Therefore, dividends will be taxed as described above under “Passive Foreign Investment Company Rules.”

Subject to the PFIC rules, the gross amount of any distribution we make to you with respect to the ADSs or ordinary shares generally will be includible in your gross income as dividend income on the date of receipt by the depositary, in the case of ADSs, or by you, in the case of ordinary shares, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as computed under U.S. federal income tax principles). The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations. To the extent the amount of the distribution exceeds our current and accumulated earnings and profits, (as computed under U.S. federal income tax principles) such excess amount will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and then, to the extent such excess amount exceeds your tax basis, as a capital gain. Because we do not intend to determine our earnings and profits on the basis of U. S. federal income tax principles, any distribution paid will generally be reported as a “dividend” for U. S. federal income tax purposes.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends will be taxed at the lower capital gains rate applicable to “qualified dividend income,” provided that (1) the ADSs or ordinary shares, as applicable, are readily tradable on an established securities market in the United States, or we are eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are neither a PFIC nor treated as such with respect to you for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Under IRS authority, common or ordinary shares, or ADSs representing such shares, are considered for the purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on Nasdaq, as are our ADSs (but not our ordinary shares). There can be no assurance that our ADSs will be considered readily tradable on an established securities market in the United States in later years. Moreover, if our ADSs are delisted and not readily tradable on an established securities market in the United States (as described in “Item 3. Key Information—D. Risk Factors—Risks Related to Our Shares and ADSs— Our ADSs may be delisted from the Nasdaq Capital Market as a result of our not meeting the Nasdaq Capital Market continued listing requirements.”), clause (1) above would not be satisfied, and dividends would not qualify for the preferential rate applicable to qualified dividend income. Since we do not expect that our ordinary shares will be listed on an established securities market in the United States, it is unclear if the dividends that we pay on our ordinary shares which are not backed by ADSs currently meet the conditions required for the reduced tax rate. Furthermore, as previously disclosed, we believe that we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2019. If we are treated as a “resident enterprise” for PRC tax purposes under the EIT Law (see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—The PRC income tax laws may increase our tax burden or the tax burden on the holders of our shares or ADSs, and tax benefits available to us may be reduced or repealed, causing the value of your investment in us to suffer”), we may be eligible for the benefits of the income tax treaty between the United States and the PRC. You should consult your tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for dividends paid with respect to our ADSs or ordinary shares.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation in general will be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to the ADSs or ordinary shares generally will constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income."

If PRC withholding taxes apply to dividends paid to you with respect to our ADSs or ordinary shares (see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—The PRC income tax laws may increase our tax burden or the tax burden on the holders of our shares or ADSs, and tax benefits available to us may be reduced or repealed, causing the value of your investment in us to decrease"), subject to certain conditions and limitations, such PRC withholding taxes may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisors regarding the availability of a foreign tax credit in your particular circumstances, including the effects of any applicable income tax treaties.

Taxation of Disposition of the ADSs or Ordinary Shares

As discussed above, we believe that we were a PFIC for our taxable year ended December 31, 2019, and we will very likely be a PFIC for our current taxable year. Therefore, gains will be taxed as described above under "Passive Foreign Investment Company Rules."

Subject to the PFIC rules, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of an ADS or ordinary share equal to the difference between the amount realized (in U.S. dollars) for the ADS or ordinary share and your tax basis (in U.S. dollars) in the ADS or ordinary share. If the consideration you receive for the ADS or ordinary share is not paid in U.S. dollars, the amount realized will be the U.S. dollar value of the payment received. In general, the U.S. dollar value of such a payment will be determined on the date of receipt of payment if you are a cash basis taxpayer and on the date of disposition if you are an accrual basis taxpayer. However, if the ADSs or ordinary shares, as applicable, are treated as traded on an established securities market and you are either a cash basis taxpayer or an accrual basis taxpayer who has made a special election, you will determine the U.S. dollar value of the amount realized in a foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. The gain or loss generally will be a capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, that has held the ADS or ordinary share for more than one year, you generally will be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations.

Any gain or loss that you recognize on a disposition of ADSs or ordinary shares generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes (in the case of loss, subject to certain limitations). However, if we are treated as a "resident enterprise" for PRC tax purposes and PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares (see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—The PRC income tax laws may increase our tax burden or the tax burden on the holders of our shares or ADSs, and tax benefits available to us may be reduced or repealed, causing the value of your investment in us to decrease"), a U.S. Holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income for foreign tax credit purposes. You should consult your tax advisors regarding the proper treatment of gain or loss in your particular circumstances, including the effect of any applicable income tax treaties.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding Registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP.

We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk for changes in interest rates relates primarily to the interest income generated by excess cash invested in bank deposits. We have not used any derivative financial instruments in our investment portfolio or for cash management purposes. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. However, our future interest income may fall short of expectations due to changes in interest rates.

Foreign Exchange Risk

We are exposed to foreign exchange risk arising from various currency exposures. Our payments to overseas developers, a portion of our financial assets and the Convertible Notes are denominated in U.S. dollars and other foreign currencies, while a significant portion of our revenues are denominated in RMB, the legal currency in China. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency risk. The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. Any significant revaluation of RMB against the U.S. dollar may materially affect our earnings and financial position, and the value of, and any dividends payable on, our ADS in U.S. dollars. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Future movements in exchange rates between the U.S. dollar and the RMB may adversely affect the value of our ADSs.”

A hypothetical 10% increase or decrease in the exchange rate of the U.S. dollar against the RMB would have resulted in an increase or decrease of RMB41.4 million (US$5.9 million) in the aggregate principal amount of our U.S. dollar-denominated convertible notes outstanding as of December 31, 2019.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

The Bank of New York Mellon, our ADS depositary, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares or ADSs holders must pay:	***For:***
US$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
US$0.05 (or less) per ADS	• Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	• Distribution of securities distributed to holders of deposited securities that are distributed by the depositary to ADS registered holders
US$0.05 (or less) per ADS per calendar year	• Depositary services
Registration or transfer fees	• Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	• As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	• As necessary

The depositary has agreed to reimburse us for expenses we incur that are related to the administration and maintenance of our ADS facility including, but not limited to, investor relations expenses, the annual Nasdaq Stock Market continued listing fees or any other program related expenses every year. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. As of December 31, 2019, we had received approximately US$0.1 million reimbursement for the year 2019, after deducting withholding tax, from the depositary as reimbursement for legal fees and administrative expenses.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

On May 6, 2019, we held an extraordinary general meeting at which our shareholders approved, among other things, to adjust our authorized share capital and to adopt a dual-class share structure, consisting of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share is entitled to one vote per share on all matters subject to vote at general meetings of our company. Each Class B ordinary share is entitled to fifty (50) votes per share on all matters subject to vote at general meetings of our company.

See "Item 10. Additional Information" for a description of the rights of securities holders.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15I under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of December 31, 2019, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such item is defined in Rules 13a-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. GAAP and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As required by Section 404 of the Sarbanes-Oxley Act and related rules as promulgated by the SEC, our management assessed the effectiveness of the internal control over financial reporting as of December 31, 2019 using criteria established in "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Attestation Report of the Registered Public Accounting Firm

This annual report on Form 20-F does not include an attestation report of our registered public accounting firm because our company is neither an accelerated filer nor a large accelerated filer, as such terms are defined in Rule 12b-2 under the Exchange Act.

Changes in Internal Control over Financial Reporting

Our management has evaluated, with the participation of our chief executive officer and chief financial officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on the evaluation we conducted, our management has concluded that no such changes occurred during the period covered by this annual report on Form 20-F.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

See "Item 6. Directors, Senior Management and Employees—C. Board Practices."

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, principal accounting officer, controller, vice presidents and any other persons who perform similar functions for us. We hereby undertake to provide to any person, without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Grant Thornton, our principal external auditors for the periods indicated below.

	2018	2019	
	RMB	RMB	US$
Audit fees[1]	2,510,000	2,259,000	324,485
Tax fees[2]	—	—	—

(1) "Audit fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements.

(2) "Tax fees" means the fees billed for tax compliance services, including the preparation of tax returns and tax consultations.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firm, including audit services, audit-related services, tax services and other services as described above, other than those for de minimus services which are approved by our audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are an exempted company incorporated in the Cayman Islands and our corporate governance practices are governed by applicable Cayman Islands law. In addition, because our ADSs are listed on the Nasdaq Capital Market, we are subject to corporate governance requirements of the Nasdaq. However, Nasdaq Marketplace Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" with respect to certain corporate governance matters, and we may decide to follow the "home country practice" on a case-by-case basis. In each of November 2015 and August 2016, our board of directors approved an increase in the total number of ordinary shares reserved for issuance under our Option Plan, for which we have followed "home country practice" in lieu of obtaining a shareholder approval pursuant to Nasdaq Marketing Rule 5635(c). We are committed to a high standard of corporate governance. As such, we endeavor to comply with most of the Nasdaq corporate governance practices and believe that we are currently in compliance with the Nasdaq corporate governance practices.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements for The9 Limited and its subsidiaries are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1*	Second Amended and Restated Memorandum and Articles of Association of the Registrant as currently in effect
2.1	Specimen American Depositary Receipt (incorporated by reference to Exhibit A (Form of American Depositary Receipt) of Exhibit 1 (Form of Deposit Agreement) to our Post-Effective Amendment No. 3 to the Registration Statement on Form F-6 (file no. 333-156635) filed with the Securities and Exchange Commission on June 21, 2019)
2.2*	Specimen Certificate for Class A ordinary shares of The Registrant
2.3	Form of Amended and Restated Deposit Agreement among The Registrant, The Bank of New York Mellon, as Depositary, and all Owners and Beneficial Owners from time to time of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 1 to our Post-Effective Amendment No. 3 to the Registration Statement on Form F-6 (file no. 333-156635) filed with the Securities and Exchange Commission on June 21, 2019)
2.4*	Description of Securities
4.1	Eighth Amended and Restated 2004 Stock Option Plan (incorporated herein by reference to Exhibit 8.1 to the Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 29, 2019)
4.2	Form of Indemnification Agreement with the Registrant’s directors and executive officers (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 Amendment No. 1 (file no. 333-120810) filed with the Securities and Exchange Commission on November 30, 2004)
4.3	Form of Employment Agreement between the Registrant and a Senior Executive Officer of the Registrant (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 Amendment No. 1 (file no. 333-120810) filed with the Securities and Exchange Commission on November 30, 2004)
4.4	Convertible Note and Warrant Purchase Agreement dated November 24, 2015 among the Registrant, Splendid Days Limited and the security providers listed on Schedule 1 attached thereto (incorporated by reference to Exhibit 4.23 from our Annual Report on Form 20-F (file no. 001-34238) filed with the Securities and Exchange Commission on April 11, 2016)

Exhibit Number	Description of Document
4.5*	Deed of Settlement dated March 11, 2019 among Splendid Days, the Registrant, The9 Computer, Shanghai IT and other parties named therein
4.6	Joint Venture Agreement dated March 24, 2019 between the Registrant and Faraday&Future Inc. (incorporated by reference to Exhibit 99.2 from our Current Report on Form 6-K (file no. 001-34238) filed with the Securities and Exchange Commission on March 25, 2019)
4.7*	First Amendment to Deed of Settlement dated April 28, 2019 among Splendid Days, the Registrant, The9 Computer, Shanghai IT and other parties named therein
4.8*	Translation of Exclusive Technical Service Agreement dated May 1, 2019 between Shanghai IT and Shanghai Hui Ling
4.9*	Translation of Shareholder Voting Proxy Agreement dated May 1, 2019 among Shanghai Hui Ling, Wei Ji and Zhimin Lin
4.10*	Translation of Equity Pledge Agreements dated May 1, 2019 between Shanghai Hui Ling and each of the shareholders of Shanghai IT
4.11*	Translation of Exclusive Call Option Agreement dated May 1, 2019 among Shanghai Hui Ling, Wei Ji and Zhimin Lin
4.12*	Translation of Loan Agreement dated May 1, 2019 among Shanghai Hui Ling, Wei Ji and Zhimin Lin
4.13*	Second Amendment to Deed of Settlement dated May 22, 2019 among Splendid Days, the Registrant, The9 Computer, Shanghai IT and other parties named therein
4.14*	Amendment to Joint Venture Agreement dated June 23, 2019 between Faraday&Future Inc. and the Registrant.
4.15*	Second Amendment to Joint Venture Agreement dated July 31, 2019 between the Registrant and Faraday&Future Inc.
4.16*	Third Amendment to Deed of Settlement dated August 9, 2019 among Splendid Days, the Registrant, The9 Computer, Shanghai IT and other parties named therein
4.17*	Third Amendment to Joint Venture Agreement dated September 17, 2019 between the Registrant and Faraday&Future Inc.
4.18*	English summary of Equity Transfer Agreement dated September 26, 2019 among Shanghai The9 Information Technology Co., Ltd., China The9 Interactive Limited and Kapler Pte. Ltd.
4.19*	Fourth Amendment to Deed of Settlement dated October 22, 2019 among Splendid Days, the Registrant, The9 Computer, Shanghai IT and other parties named therein

Exhibit Number	Description of Document
8.1*	List of Significant and Other Principal Subsidiaries and Affiliated Entities of the Registrant
11.1	Amended Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 11.1 to our annual report on Form 20-F filed with the Securities and Exchange Commission on June 30, 2005)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Maples and Calder (Hong Kong) LLP
15.2*	Consent of Grandall Law Firm
15.3*	Consent of Grant Thornton, independent registered public accounting firm
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this Form 20-F.

** Furnished with this Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

The9 Limited

By: /s/ Jun Zhu
Name: Jun Zhu
Title: Chairman and Chief Executive Officer

Date: April 30, 2020

THE9 LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of The9 Limited:

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of The9 Limited and its subsidiaries and its variable interest entities (the "Group") as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedule (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2019 and 2018, and the results of its operations, changes in equity, and cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Going concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 2.1 to the consolidated financial statements, the Group has an accumulated deficit of approximately RMB3,410.9 million (US$489.9 million) as of December 31, 2019, and incurred a net loss of approximately RMB196.2 million (US$28.2 million) for the year ended December 31, 2019. These conditions, along with other matters set forth in Note 2.1, raise substantial doubt about the Group's ability to continue as a going concern. Management's plans regarding these matters are also discussed in Note 2.1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in accounting principles

As discussed in Note 2.23, the Group has changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Codification ("ASC") 842, Leases.

Basis for opinion

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

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

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

/s/ GRANT THORNTON

We have served as the Group's auditor since 2016.

Shanghai, China
April 30, 2020

THE9 LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

	2017 RMB	2018 RMB	2019 RMB	2019 US$ (Note 3)
Revenues:				
Online game services	71,564,023	16,551,080	303,577	43,606
Other revenues	1,644,143	941,335	39,500	5,674
	73,208,166	17,492,415	343,077	49,280
Sales taxes	(59,610)	(60,557)	(1,582)	(227)
Total net revenues	**73,148,556**	**17,431,858**	**341,495**	**49,053**
Cost of revenues	(23,782,054)	(16,435,590)	(1,342,266)	(192,804)
Gross profit (loss)	**49,366,502**	**996,268**	**(1,000,771)**	**(143,751)**
Operating (expenses) income:				
Product development	(45,112,396)	(24,555,308)	(13,090,530)	(1,880,337)
Sales and marketing	(9,089,969)	(2,325,818)	(2,114,519)	(303,732)
General and administrative	(108,824,680)	(89,583,331)	(113,867,000)	(16,355,971)
Impairment of other long-lived assets	-	-	(34,881,000)	(5,010,342)
Gain on disposal of subsidiaries	-	10,473,159	1,206,925	173,364
Total operating expenses	**(163,027,045)**	**(105,991,298)**	**(162,746,124)**	**(23,377,018)**
Other operating income, net	349,954	229,538	30,240	4,344
Loss from operations	**(113,310,589)**	**(104,765,492)**	**(163,716,655)**	**(23,516,425)**
Impairment on equity investments and available-for-sale investments	-	(1,386,174)	(4,666,128)	(670,247)
Impairment on other investments	(9,109,312)	(7,776,157)	(3,791,039)	(544,549)
Impairment on other advances	-	-	(5,980,788)	(859,087)
Interest income	30,525	193,928	18,576	2,668
Interest expense	(83,922,200)	(104,776,674)	(34,501,556)	(4,955,838)
Fair value change on warrants liability	12,615,466	2,251,427	1,292,244	185,619
Gain on disposal of equity investee and available-for-sale investments	115,349	-	694,628	99,777
Gain on disposal of other investments	-	-	13,430,588	1,929,183
Foreign exchange gain (loss)	19,206,747	(20,331,430)	(5,474,002)	(786,291)
Other income, net	4,669,587	1,598,663	9,372,652	1,346,297
Loss before income tax expense and share of loss in equity method investments	**(169,704,427)**	**(234,991,909)**	**(193,321,480)**	**(27,768,893)**
Income tax benefit	-	-	-	-
Recovery of equity investment in excess of cost	60,548,651	-	-	-
Share of loss in equity method investments	(2,937,131)	(4,292,887)	(2,847,260)	(408,983)
Net loss	**(112,092,907)**	**(239,284,796)**	**(196,168,740)**	**(28,177,876)**
Net gain (loss) attributable to noncontrolling interest	3,955,640	(16,332,968)	(13,517,983)	(1,941,737)
Net gain (loss) attributable to redeemable noncontrolling interest	2,117,303	(5,858,902)	(4,855,589)	(697,462)
Net loss attributable to The9 Limited	(118,165,850)	(217,092,926)	(177,795,168)	(25,538,677)
Change in redemption value of redeemable noncontrolling interest	(57,126,233)	(40,918,773)	(12,827,598)	(1,842,569)
Net loss attributable to holders of ordinary shares	**(175,292,083)**	**(258,011,699)**	**(190,622,766)**	**(27,381,246)**
Other comprehensive loss, net of tax:				
Currency translation adjustments	(9,525,761)	(1,314,265)	(793,531)	(113,984)
Total comprehensive loss	**(121,618,668)**	**(240,599,061)**	**(196,962,271)**	**(28,291,860)**

THE9 LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019 (Continued)

	2017	2018	2019	2019
	RMB	RMB	RMB	US$ (Note 3)
Comprehensive gain (loss) attributable to:				
Noncontrolling interest	13,457,650	(24,888,425)	(19,738,118)	(2,835,203)
Redeemable noncontrolling interest	2,117,303	(5,858,902)	(4,855,589)	(697,462)
The9 Limited	(137,193,621)	(209,851,734)	(172,368,564)	(24,759,195)
Net loss attributable to holders of ordinary shares per share:				
- Basic and diluted	(5.24)	(4.15)	(1.79)	(0.26)
Weighted average number of shares outstanding:				
- Basic and diluted	33,426,448	62,114,760	106,407,008	106,407,008

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

THE9 LIMITED
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2019

	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	US$ (Note 3)
ASSETS			
Current assets:			
Cash and cash equivalents	4,256,449	10,113,141	1,452,662
Accounts receivable, net of allowance for doubtful accounts of RMB1,149,864 and RMB1,319,331 as of December 31, 2018 and 2019, respectively	592,897	110,437	15,863
Advances to suppliers	15,808,042	11,246,608	1,615,474
Prepayments and other current assets, net of allowance for doubtful accounts of RMB 20,770,928 and RMB 5,343,427 as of December 31, 2018 and 2019, respectively	6,148,787	8,848,534	1,271,012
Amounts due from related parties	6,207,846	758,761	108,989
Assets classified as held-for-sale	-	123,390,350	17,723,915
Total current assets	33,014,021	154,467,831	22,187,915
Investments	45,216,118	10,000,000	1,436,410
Property, equipment and software, net	17,352,445	1,218,521	175,030
Land use rights, net	62,589,656	-	-
Operating lease right-of-use assets	-	9,257,604	1,329,772
Other long-lived assets, net	6,515,200	6,515,200	935,850
TOTAL ASSETS	164,687,440	181,459,156	26,064,977
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Short-term borrowings (including short-term borrowings of the consolidated VIEs without recourse to the Group of nil as of both December 31, 2018 and 2019)	112,461,383	117,526,089	16,881,566
Accounts payable (including accounts payable of the consolidated VIEs without recourse to the Group of RMB5,920,126 and RMB5,640,424 as of December 31, 2018 and 2019, respectively)	38,035,661	38,232,425	5,491,744
Other taxes payable (including other taxes payable of the consolidated VIEs without recourse to the Group of RMB1,398,996 and RMB1,391,227 as of December 31, 2018 and 2019, respectively)	2,949,082	1,203,644	173,893
Advances from customers (including advances from customers of the consolidated VIEs without recourse to the Group of RMB23,976,676 and RMB64,335,073 as of December 31, 2018 and 2019, respectively)	39,631,950	39,527,778	5,677,810
Other advances (including other advances of the consolidated VIEs without recourse to the Group of nil as of both December 31, 2018 and 2019)	-	56,276,200	8,083,570
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs without recourse to the Group of RMB62,268,751 and RMB59,306,848 as of December 31, 2018 and 2019, respectively)	71,849,633	74,379,529	10,683,951
Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to the Group of nil as of both December 31, 2018 and 2019, respectively)	159,125	-	-
Refund of game points (including refund of game points of the consolidated VIEs without recourse to the Group of RMB169,998,682 as of both December 31, 2018 and 2019)	169,998,682	169,998,682	24,418,783
Warrants (including warrants of consolidated VIEs without recourse to the Group of nil as of both December 31, 2018 and 2019)	1,490,844	198,600	28,527
Convertible notes (including convertible notes of consolidated VIEs without recourse to the Group of nil as of both December 31, 2018 and 2019)	375,257,140	414,127,908	59,485,752
Interest payable (including interest payable of consolidated VIEs without recourse to the Group of nil as of both December 31, 2018 and 2019)	15,298,961	5,371,931	771,630
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to the Group of RMB67,862,435 and RMB71,176,256 as of December 31, 2018 and 2019, respectively)	81,291,306	93,140,843	13,378,845
Current portion of operating lease liabilities of the consolidated VIE without recourse to the Group (including operating lease liabilities of consolidated VIEs without recourse to the Group of RMB34,227 as of December 31, 2019)	-	3,407,670	489,481
Liabilities directly associated with assets held-for-sale	-	44,691,296	6,419,503
Total current liabilities	908,423,767	1,058,082,595	151,984,055

THE9 LIMITED
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2019 (Continued)

Non-current portion of operating lease liabilities of the consolidated VIE without recourse to the Group (including operating lease liabilities of consolidated VIEs without recourse to the Group of RMB18,287 as of December 31, 2019)	-	6,251,705	898,001
TOTAL LIABILITIES	908,423,767	1,064,334,300	152,882,056
Commitments and contingencies (Note 30)			
Redeemable noncontrolling interest (Note 28)	341,074,539	349,046,548	50,137,400
SHAREHOLDERS' EQUITY (DEFICIT):			
Ordinary shares (US$0.01 par value; 350,000,000 shares authorized, 91,315,465 and nil shares issued and outstanding as of December 31, 2018 and 2019, respectively)	6,502,658	-	-
Class A ordinary shares (US$0.01 par value; 4,300,000,000 shares authorized, nil and 103,737,691 shares issued and outstanding as of December 31, 2018 and 2019, respectively)	-	7,321,099	1,051,610
Class B ordinary shares (US$0.01 par value; 600,000,000 shares authorized, nil and 9,192,011 shares issued and outstanding as of December 31, 2018 and 2019, respectively)	-	648,709	93,181
Additional paid-in capital	2,496,069,065	2,539,552,478	364,783,889
Statutory reserves	28,071,982	28,071,982	4,032,288
Accumulated other comprehensive loss	(9,204,556)	(3,777,952)	(542,669)
Accumulated deficit	(3,233,061,063)	(3,410,856,231)	(489,938,842)
The9 Limited shareholders' deficit	(711,621,914)	(839,039,915)	(120,520,543)
Noncontrolling interest	(373,188,952)	(392,881,777)	(56,433,936)
Total shareholders' deficit	(1,084,810,866)	(1,231,921,692)	(176,954,479)
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY	164,687,440	181,459,156	26,064,977

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Ordinary shares (US$0.01 par value)		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income (loss)	Accumulated deficit	Equity (deficit) attributable to The9 Limited	Noncontrolling interest	Total shareholder equity (deficit)
	Number of shares	Par value RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2017	23,915,501	1,931,642	2,525,599,832	28,071,982	2,582,023	(2,897,802,287)	(339,616,808)	(362,437,649)	(702,054,457)
Net loss	-	-	-	-	-	(118,165,850)	(118,165,850)	3,955,640	(114,210,210)
Currency translation adjustments	-	-	-	-	(19,027,771)	-	(19,027,771)	9,502,010	(9,525,761)
Disposal of Yunmei Partnership	-	-	-	-	-	-	-	117,983	117,983
Contributions from noncontrolling interest	-	-	-	-	-	-	-	20,000,000	20,000,000
Exercise of options	6,328,535	425,483	(425,483)	-	-	-	-	-	-
Share-based compensation	-	-	37,727,861	-	-	-	37,727,861	301,852	38,029,713
Change in redemption value of redeemable noncontrolling interest	-	-	(57,126,233)	-	-	-	(57,126,233)	-	(57,126,233)
Change in equity interest attributable to noncontrolling interest	-	-	(7,060)	-	-	-	(7,060)	7,060	-
Issuance of shares	14,300,000	971,727	21,446,398	-	-	-	22,418,125	-	22,418,125
Balance as of December 31, 2017	44,544,036	3,328,852	2,527,215,315	28,071,982	(16,445,748)	(3,015,968,137)	(473,797,736)	(328,553,104)	(802,350,840)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018 (Continued)

	Ordinary shares (US$0.01 par value)		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive loss	Accumulated deficit	Equity (deficit) attributable to The9 Limited	Noncontrolling interest	Total shareholder equity (deficit)
	Number of shares	Par value RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2018	44,544,036	3,328,852	2,527,215,315	28,071,982	(16,445,748)	(3,015,968,137)	(473,797,736)	(328,553,104)	(802,350,840)
Net loss	-	-	-	-	-	(217,092,926)	(217,092,926)	(16,332,968)	(233,425,894)
Currency translation adjustments	-	-	-	-	7,241,192	-	7,241,192	(8,555,457)	(1,314,265)
Derecognition of noncontrolling interests	-	-	-	-	-	-	-	(20,000,000)	(20,000,000)
Share-based compensation	-	-	3,645,751	-	-	-	3,645,751	252,577	3,898,328
Change in redemption value of redeemable noncontrolling interest	-	-	(40,918,773)	-	-	-	(40,918,773)	-	(40,918,773)
Issuance of shares	46,771,429	3,173,806	6,126,772	-	-	-	9,300,578	-	9,300,578
Balance as of December 31, 2018	91,315,465	6,502,658	2,496,069,065	28,071,982	(9,204,556)	(3,233,061,063)	(711,621,914)	(373,188,952)	(1,084,810,866)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019 (Continued)

	Ordinary shares (US$0.01 par value)		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive (income) loss	Accumulated deficit	Equity (deficit) attributable to The9 Limited	Noncontrolling interest	Total shareholder equity (deficit)
	Number of shares	Par value RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1,2019	91,315,465	6,502,658	2,496,069,065	28,071,982	(9,204,556)	(3,233,061,063)	(711,621,914)	(373,188,952)	(1,084,810,866)
Net loss	-	-	-	-	-	(177,795,168)	(177,795,168)	(13,517,983)	(191,313,151)
Currency translation adjustments	-	-	-	-	5,426,604	-	5,426,604	(6,220,135)	(793,531)
Share-based compensation	6,169,355	425,593	21,279,647	-	-	-	21,705,240	45,293	21,750,533
Change in redemption value of redeemable noncontrolling interest	-	-	(12,827,598)	-	-	-	(12,827,598)	-	(12,827,598)
Issuance of shares	15,444,882	1,041,557	35,031,364		-	-	36,072,921	-	36,072,921
Balance as of December 31, 2019	112,929,702	7,969,808	2,539,552,478	28,071,982	(3,777,952)	(3,410,856,231)	(839,039,915)	(392,881,777)	(1,231,921,692)
Balance as of December 31, 2019(US$ except share data, Note 3)	112,929,702	1,144,791	364,783,889	4,032,288	(542,669)	(489,938,842)	(120,520,543)	(56,433,936)	(176,954,479)

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

THE9 LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

	2017	2018	2019	2019
	RMB	RMB	RMB	US$ (Note 3)
Cash flows from operating activities:				
Net loss	(112,092,907)	(239,284,796)	(196,168,740)	(28,177,876)
Adjustments for:				
Loss (gain) on disposal of property, equipment and software	18,460	(183,767)	(2,153,158)	(309,282)
Gain on disposal of subsidiaries	-	(10,473,159)	(1,206,925)	(173,364)
Gain on disposal of other investments	-	-	(13,430,588)	(1,929,183)
Share-based compensation expenses	38,029,713	3,898,328	21,750,533	3,124,269
Impairment on equity investments	-	1,386,174	4,666,128	670,247
Impairment on other investments and available-for-sale investments	9,109,312	7,776,157	3,791,039	544,549
Impairment on other long-lived assets	-	-	34,881,000	5,010,342
Provision for doubtful accounts receivable	47,948	109,939	169,416	24,335
Impairment on advances to suppliers	-	7,765,482	-	-
Impairment on other advances	-	-	5,980,787	859,086
Provision for doubtful other receivables	-	21,042,700	-	-
Consulting fee paid by issuance of shares	13,454,692	4,172,800	35,091,686	5,040,605
Depreciation and amortization of property, equipment and software	5,299,059	3,650,261	2,778,778	399,146
Amortization of land use right	1,920,910	1,920,910	1,440,682	206,941
Recovery of equity investment in excess of cost	(60,548,651)	-	-	-
Share of loss in equity method investments	2,937,131	4,292,887	2,847,260	408,983
Gain on disposal of investment in equity investee and available-for-sales investment	(115,349)	-	(694,628)	(99,777)
Foreign currency exchange (gain) loss	(19,206,747)	20,331,430	5,474,002	786,291
Fair value change on warrant liability	(12,615,466)	(2,251,427)	(1,292,244)	(185,619)
Amortization of discount and interest on convertible notes	76,990,826	98,308,205	33,154,191	4,762,302
Non-cash lease expense	-	-	409,048	58,756
Changes in operating assets and liabilities:				
Change in accounts receivable	5,742,365	1,904,732	313,044	44,966
Change in advances to suppliers	2,462,761	(1,400,665)	(1,419,353)	(203,877)
Change in prepayments and other current assets	3,169,076	(20,575,190)	(6,628,897)	(952,181)
Change in right-of-use assets	-	-	(9,666,652)	(1,388,528)
Change in other long-lived assets	-	6,220	-	-
Change in accounts payable	2,073,797	905,990	246,764	35,445
Change in amounts due to related parties	(53,060,754)	(1,628,877)	3,144,106	451,623
Change in other taxes payable	1,430,998	1,234,090	(491,112)	(70,544)
Change in advances from customers	21,137,125	(2,336,252)	(15,887)	(2,282)
Change in deferred revenue	(10,345,604)	(5,417,144)	(159,125)	(22,857)
Change in interest payable	5,452,770	6,053,191	1,457,811	209,401
Change in accrued expenses and other current liabilities	(7,943,127)	(2,408,745)	11,896,337	1,708,802
Change in lease liabilities	-	-	9,659,375	1,387,482
Net cash used in operating activities	(86,651,662)	(101,200,526)	(54,175,322)	(7,781,799)
Cash flows from investing activities				
Proceeds from disposal of other investment	1,158,040	-	37,026,498	5,318,524
Proceeds from disposal of equity investee and available-for-sale investment	115,349	-	694,628	99,777
Purchase of other investments	(4,000,000)	(5,300,000)	-	-
Deposit for joint venture arrangement	-	-	(34,881,000)	(5,010,342)
Advances to subscribe tokens (Note 5)	-	(14,070,581)	-	-
Disbursement for loans receivable from a related party	(4,000,000)	(600,000)	-	-
Collection of loans receivable from related party	3,000,000	-	-	-
Proceeds from disposal of property, equipment and software	292,074	81,848	2,648,259	380,399
Proceeds from disposal of assets and liabilities classified as held-for-sale (Note 7)	-	2,800,000	49,300,000	7,081,502
Proceeds from tokens transferred (Note 5)	-	-	6,887,915	989,387
Settlement payment from investee	165,812,500	-	-	-
Purchase of property, equipment and software	(454,560)	(226,717)	(796,921)	(114,470)
Net cash provided by (used in) investing activities	161,923,403	(17,315,450)	60,879,379	8,744,777

THE9 LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019 (Continued)

	2017	2018	2019	2019
	RMB	RMB	RMB	US$ (Note 3)
Cash flows from financing activities:				
Repayments of bank borrowings	(25,528,388)	-	-	-
Loans from a related party	73,930,427	11,030,602	16,065,376	2,307,647
Repayment of loans from a related party	(23,950,421)	(29,127,540)	(10,023,576)	(1,439,797)
Proceeds from other loans	19,881,900	-	34,881,000	5,010,342
Repayments of other loans	(20,260,085)	(260,073)	-	-
Contribution from noncontrolling interest	20,000,000	-	-	-
Net cash provided by (used in) financing activities	44,073,433	(18,357,011)	40,922,800	5,878,192
Effect of foreign exchange rate changes on cash and cash equivalents	4,527,918	(1,494,584)	1,257,310	180,601
Cash reclassified as held for sale	(20,127,148)	-	(43,027,475)	(6,180,510)
Net change in cash and cash equivalents	103,745,944	(138,367,571)	5,856,692	841,261
Cash and cash equivalents, beginning of year	38,878,076	142,624,020	4,256,449	611,401
Cash and cash equivalents, end of year	142,624,020	4,256,449	10,113,141	1,452,662
Supplemental disclosure of cash flow information:				
Interest paid	892,159	260,073	-	-
Income taxes paid	-	-	-	-
Non-cash investing and financing activities				
Receivable related to the disposition of a subsidiary	1,600,000	-	-	-
Shares issued for equity investments and other investments	-	3,091,986	236,667	33,995
Cash paid for amounts included in the measurement of operating lease liabilities	-	-	1,271,769	182,678

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

1. ORGANIZATION AND NATURE OF OPERATIONS

The accompanying consolidated financial statements include the financial statements of The9 Limited ("the Company"), which was incorporated on December 22, 1999 in the Cayman Islands, its subsidiaries and variable interest entities ("VIE subsidiaries" or "VIEs"), collectively referred to as the "Group".

The Group is principally engaged in the development and operation of online games and internet related businesses. In 2019, the Group attempted enter into electric vehicle industry and now aims to become a diversified high-tech Internet company.

The Company's principal subsidiaries and VIEs are as follows as of December 31, 2019:

Name of Entity	Date of Registration	Place of Registration	Legal Ownership
Principal subsidiaries:			
GameNow.net (Hong Kong) Ltd. ("*GameNow Hong Kong*")	January-2000	Hong Kong	100%
China The9 Interactive Limited ("*C9I*")	October-2003	Hong Kong	100%
China The9 Interactive (Shanghai) Limited ("*C9I Shanghai*")	February-2005	People's Republic of China ("PRC")	100%
China The9 Interactive (Beijing) Ltd. ("*C9I Beijing*")	March-2007	PRC	100%
JiuTuo (Shanghai) Information Technology Ltd. (*"Jiu Tuo"*)	July-2007	PRC	100%
China Crown Technology Ltd. ("*China Crown Technology"*)	November-2007	Hong Kong	100%
Asian Development Ltd. (*"Asian Development"*)	January-2007	Hong Kong	100%
Asian Way Development Ltd. *("Asian Way")*	November-2007	Hong Kong	100%
New Star International Development Ltd. (*"New Star"*)	January-2008	Hong Kong	100%
Red 5 Studios, Inc. (*"Red 5"*) (Note 2.2)	June-2005	USA	34.71%
Red 5 Singapore Pte. Ltd. ("*Red 5 Singapore*") (Note 2.2)	April-2010	Singapore	34.71%
The9 Interactive, Inc. ("*The9 Interactive*")	June-2010	USA	100%
Shanghai Jiu Gang Electronic technology Ltd. ("*Jiu Gang*")	December-2014	PRC	100%
City Channel Ltd. ("*City Channel*")	June-2006	Hong Kong	100%

Name of Entity	Date of Registration	Place of Registration	Legal Ownership
The9 Singapore Pte. Ltd. ("The9 Singapore")	April-2010	Singapore	100%
Fast Supreme Development Limited ("*Fast Supreme*")	July-2017	Hong Kong	99.99%
Ninebit Inc. ("*Ninebit*")	January -2018	Cayman Islands	100%
1111 Limited ("*1111*")	January -2018	Hong Kong	100%
Supreme Exchange Limited ("*Supreme*")	December-2018	Malta	90%
BET 111 Ltd. ("Bet 111")	Jan-2019	Malta	90%
Coin Exchange Ltd ("Coin")	Jan-2019	Malta	90%
The9 EV Limited ("*The9 EV*")	May-2019	Hong Kong	100%
Comtec Solar (China) Investment Holding Limited ("*Comtec Solar*")	June-2019	Hong Kong	100%
FF The9 China Joint Venture Limited ("*FF The9*")	September-2019	Hong Kong	50%
Huiling Computer Technology Consulting (Shanghai) Co. Ltd. ("*Huiling*")	March-2019	PRC	100%
Leixian Information Technology (Shanghai) Co., Ltd. ("*Leixian*")	March-2019	PRC	100%
Variable interest entity:			
Shanghai The9 Information Technology Co., Ltd. ("*Shanghai IT*") (Note 4)	September-2000	PRC	N/A

Subsidiaries and VIEs of Shanghai IT:

Name of Entity	Date of Registration	Place of Registration	Legal Ownership Held by Shanghai IT
Shanghai Jiushi Interactive Network Technology Co., Ltd. (*"Jiushi"*)	July-2011	PRC	80%
Shanghai ShencaiChengjiu Information Technology Co., Ltd. ("*SH Shencai*")	May-2015	PRC	60%
Wuxi Interest Dynamic Network Technology Co., Ltd. ("*Wuxi Qudong*")	June-2016	PRC	100%
Changsha Quxiang Network Technology Co., Ltd. ("*Changsha Quxiang*")	July-2016	PRC	100%
Silver Express Investments Ltd. ("*Silver Express*")	November-2007	Hong Kong	100%
The9 Computer Technology Consulting (Shanghai) Co., Ltd. ("*The9 Computer*")	June-2000	PRC	100%
Shanghai Kaie Information Technology Co., Ltd. ("*Shanghai Kaie*")	January -2019	PRC	100%

2. PRINCIPAL ACCOUNTING POLICIES

<1> Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

The accompanying consolidated financial statements have been prepared on a going concern basis. The Group has accumulated deficit of approximately RMB3,410.9 million (US$489.9 million) and total current liabilities exceeded total assets by approximately RMB876.6 million (US$125.9 million) as of December 31, 2019. The Group also suffered a net loss of approximately RMB196.2 million (US$28.2 million) for the year ended December 31, 2019. The Group expects to continue to incur product development and sales and marketing expenses for licensed and proprietary new games in order to achieve overall revenue growth.

To meet its working capital needs, the Group is considering multiple alternatives, including, but not limited to, additional equity financing, settlement of secured convertible notes, launch of new games and new operations, and cost controls as outlined below. There can be no assurance that the Group will be able to complete any such transaction on acceptable terms or otherwise. If the Group is unable to obtain the necessary capital, it will need to pursue a plan to license or sell its assets, seek to be acquired by another entity, or cease operations.

These factors raise substantial doubt about the Group's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset or liability amounts that might result from the outcome of this uncertainty.

Additional Equity Financing

The Group intends to obtain financial support from Mr. Jun Zhu, CEO and Chairman of the Group, if needed in 2020.

Settlement of Secured Convertible Notes (see Note 19)

On November 24, 2015, the Group entered into an agreement with Splendid Days Limited for a private placement of secured convertible notes for gross proceeds of US$40,050,000. This transaction closed on December 11, 2015. Pursuant to the terms of the agreement, the convertible notes matured in December 2018, subject to a two-year extension at the discretion of the investor. In March 2019, the Group entered into a deed of settlement agreement relating to the settlement of convertible notes which matured in December 2018, pursuant to which the convertible notes should be repaid by May 31, 2019 through the proceeds from the sale of the Group's subsidiaries that hold office buildings located at Zhangjiang, Shanghai. In November 2019, Splendid Days Limited agreed to extend the repayment date to December 31, 2019 as disposal of those Group subsidiaries was still in process. Subsequent to December 31, 2019, the Group completed disposal of those Group subsidiaries, has repaid the principal and interest due on the entrusted bank loan and has repaid US$4.8 million to the issuer of convertible notes. The Group plans to use proceeds from the above sale to settle remaining outstanding balance of convertible notes amounting to US$55.5 million.

Launch of New Games and New Operations

The Group plans to launch our proprietary online mobile games on different platforms, including the CrossFire New Mobile Game and Audition. In November 2017, the Group entered into an exclusive publishing agreement with two third-party companies, pursuant to which these third-party companies were granted an exclusive right to publish CrossFire New Mobile Game and Audition in the PRC. The Group has invested significant financial and personnel resources in development of our proprietary CrossFire New Mobile Game and the Group expects to obtain regulatory approval to launch this game in 2020.

In February 2018, the Group subscribed for a total of 5,297,157 tokens to be issued by Telegram Inc. at a consideration of US$2.0 million with a third-party company and the tokens were expected to be issued in 2019. In October 2019, Telegram notified participants of the tokens offering that the U.S. Securities and Exchange Commission ("SEC") filed a lawsuit against them in United States and that the expected launch date has been extended to April 2020. As of December 31, 2019, the Group has provided a valuation allowance on these subscribed tokens. As of the issuance date of these consolidated financial statements, these subscribed tokens have not been issued. Telegram may further extend the launch date or may enter into a termination arrangement depending on the development of the future events.

In March 2019, the Group entered into a joint venture agreement with Faraday & Future Inc. ("F&F"), and subsequently attempted to enter into electric vehicle business. The Group has established a joint venture with F&F to manufacture, market, distribute and sell certain of F&F's car models in the PRC. As of December 31, 2019, the Group has not entered into a license agreement with F&F and has not fulfilled its first installment capital commitment to the development of the joint venture. While the joint venture arrangement remains effective, the Group is currently in the process of identifying alternative business development areas.

Cost Controls

Currently, a significant portion of our cash outflows is attributable to administrative expenses. The Group has the ability to control the level of discretionary spending on administrative expenses by implementation of cost savings on non-essential expenses from the day-to-day business operations.

<2> Consolidation

The consolidated financial statements include the financial statements of The9 Limited, its subsidiaries and VIEs in which it has a controlling financial interest. A subsidiary is consolidated from the date on which the Group obtained control and continues to be consolidated until the date that such control ceases. A controlling financial interest is typically determined when a company holds a majority of the voting equity interest in an entity. If the Group demonstrates its ability to control a VIE through its rights to all the residual benefits of the VIE and its obligation to fund losses of the VIE, then the VIE is consolidated. All intercompany balances and transactions between The9 Limited, its subsidiaries and VIEs have been eliminated in consolidation.

In April 2010, the Group acquired a controlling interest in Red 5. In June 2016, the Group completed a share exchange transaction with L&A International Holding Limited ("L&A") and certain other shareholders of Red 5 (see Note 9). After the transaction, the Group owned 34.71% shareholding in Red 5. As the Group controls a majority of Board of Director seats and only a majority vote is required to approve Board of Director resolutions, and as the Group has continuously funded the operation of Red 5, the Group still retained effective control over Red 5. Red 5 remained as a consolidated entity of the Group as of December 31, 2019.

PRC laws and regulations currently prohibit or restrict foreign ownership of internet-related business. In September 2009, the General Administration of Press and Publication Radio, Film and Television ("GAPPRFT") further promulgated the Circular Regarding the Implementation of the Department Reorganization Regulation by State Council and Relevant Interpretation by State Commission Office for Public Sector Reform to Further Strengthen the Administration of Pre-approval on Online Games and Approval on Import Online Games (the "GAPP Circular"). Pursuant to Administrative Measures on Network Publication (the "Network Publication Measures") jointly issued by GAPPRFT and the Ministry of Information Industry (which has subsequently been reorganized as the Ministry of Industry and Information Technology) ("MIIT") on February 4, 2016, effective from March 2016, wholly foreign-owned enterprises, Sino-foreign equity joint ventures and Sino-foreign cooperative enterprises shall not engage in the provision of web publishing services, including online game services. Prior examination and approval by GAPPRFT are required on project cooperation involving internet publishing services between an internet publishing services and a wholly foreign-owned enterprise, Sino-foreign equity joint venture, or Sino-foreign cooperative enterprise within China or an overseas organization or individual. It is unclear whether PRC authorities will deem our VIE structure as a kind of such "manners of cooperation" by foreign investors to gain control over or participate in domestic online game operators, and it is not clear whether GAPPRFT and MIIT have regulatory authority over the ownership structures of online game companies based in China and online game operations in China. Therefore, the Group believes that its ability to direct those activities of its VIEs that most significantly impact their economic performance is not affected by the GAPP Circular.

<3> Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reported periods. Significant accounting estimates reflected in the Group's consolidated financial statements include the valuation of non-marketable equity investments and determination of other-than-temporary impairment, allowance for doubtful accounts, revenue recognition, assessment of impairment of other long-lived assets, assessment of impairment of advances to suppliers and other advances, incremental borrowing rates for lease assessment, fair value of redeemable noncontrolling interest, fair value of the warrants, share-based compensation expenses, consolidation of VIEs, valuation allowances for deferred tax assets, and contingencies. Such accounting policies are affected significantly by judgments, assumptions and estimates used in the preparation of our consolidated financial statements, and actual results could differ materially from these estimates.

<4> Foreign currency translation

The Group's reporting currency is the Renminbi ("RMB"). The Group's functional currency, with the exception of its subsidiaries, Red 5, The9 Interactive, and Red 5 Singapore, is the RMB. The functional currency of Red 5, The9 Interactive, and Red 5 Singapore, is the United States dollar ("US$" or "U.S. dollar"), U.S. dollar, and Singapore dollar, respectively. Assets and liabilities of Red 5, The9 Interactive, and Red 5 Singapore, are translated at the current exchange rates quoted by the People's Bank of China (the "PBOC") in effect at the balance sheet dates. Equity accounts are translated at historical exchange rates and revenues and expenses are translated at the average exchange rates in effect during the reporting period to RMB. Gains and losses resulting from foreign currency translation to reporting currency are recorded in accumulated other comprehensive income (loss) in the consolidated statements of changes in equity for the years presented.

Transactions denominated in currencies other than functional currencies, are translated into functional currencies at the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of operations and comprehensive loss. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies using the applicable exchange rates at the balance sheet dates. All such exchange gains and losses are included in foreign exchange (loss) gain in the consolidated statements of operations and comprehensive loss.

<5> Cash and cash equivalents

Cash and cash equivalents represent cash on hand and highly liquid investments with a maturity date when acquired of three months or less. As of December 31, 2018 and 2019, cash and cash equivalents were comprised primarily of bank deposits where cash is deposited with reputable financial institutions. Included in cash and cash equivalents as of December 31, 2018 and 2019 are amounts denominated in U.S. dollar totaling US$0.08 million and US$0.35 million, respectively.

The RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the PBOC, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in China's foreign exchange trading system market. The Group's aggregate amount of cash and cash equivalents denominated in RMB amounted to RMB3.6 million and RMB7.6 million (US$1.1 million) as of December 31, 2018 and 2019, respectively.

<6> Allowance for doubtful accounts

Accounts receivable mainly consist of receivables from third-party game platforms, and other receivables, which are included in prepayments and other current assets, both of which are recorded net of allowance for doubtful accounts. The Group determines the allowances for doubtful accounts when facts and circumstances indicate that the receivable is unlikely to be collected. Allowances for doubtful accounts are charged to general and administrative expenses. If the financial condition of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company provided an allowance for doubtful accounts of RMB0.05 million, RMB21.2 million and RMB0.2 million (US$0.01 million) for the years ended December 2017, 2018 and 2019, respectively.

<7> Investments in equity method investee and loan to equity method investee

Equity investments are comprised of investments in privately held companies. The Group uses the equity method to account for an equity investment over which it has the ability to exert significant influence but does not otherwise have control. The Group records equity method investments at the cost of acquisition, plus the Group's share in undistributed earnings and losses since acquisition. For equity investments over which the Group does not have significant influence or control, the cost method of accounting is used.

The Group has historically provided financial support to certain equity investees in the form of loans. If the Group's share of the undistributed losses exceeds the carrying amount of an investment accounted for by the equity method, the Group continues to report losses up to the investment carrying amount, including any loans balance due from the equity investees.

The Group assesses its equity investments and loans to equity investees for impairment on a periodic basis by considering factors including, but not limited to, current economic and market conditions, the operating performance of the investees including current earnings trends, the technological feasibility of the investee's products and technologies, the general market conditions in the investee's industry or geographic area, factors related to the investee's ability to remain in business, such as the investee's liquidity, debt ratios, cash burn rate, and other company-specific information including recent financing rounds. If it has been determined that the equity investment is less than its related fair value and that this decline is other-than-temporary, the carrying value of the investment and loan to equity investee is adjusted downward to reflect these declines in value.

<8> Available-for-sale investments

Investments in debt and equity securities are, on initial recognition, classified into the three categories: held-to-maturity securities, trading securities and available-for-sale securities. Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses recognized in accumulated other comprehensive income.

When there is objective evidence that an available-for-sale investment is impaired, the cumulative losses from declines in fair value that had been recognized directly in other comprehensive income are removed from equity and recognized in earnings. When the available-for-sale investment is sold, the cumulative fair value adjustments previously recognized in accumulated other comprehensive income are recognized in the current period operating results. When the Group determines that the impairment of an available-for-sale equity security is other-than-temporary, the Group recognizes an impairment loss in earnings equal to the difference between the investment's cost and its fair value at the balance sheet date of the reporting period for which the assessment is made. When other-than-temporary impairment has occurred for an available-for-sale debt security and the Group intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, an impairment loss is recognized in earnings equal to the difference between the investment's amortized cost basis and its fair value at the balance sheet date. The new cost basis will not be changed for subsequent recoveries in fair value. To determine whether a loss is other-than-temporary, the Group reviews the cause and duration of the impairment, the extent to which fair value is less than cost, the financial condition and near-term prospects of the issuer, and the Group's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery of its amortized cost.

<9> Property, equipment and software, net

Property, equipment and software are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Shorter of respective lease term or estimated useful life
Computer and equipment	3 to 4 years
Software	5 years
Office furniture and fixtures	3 years
Motor vehicles	5 years
Office buildings	10 to 20 years

In September 2019, the Group entered into an agreement with Kapler Pte. Ltd., a third-party, to sell three subsidiaries which hold land use rights and office buildings located at Zhangjiang, Shanghai. As of December 31, 2019, the transaction was in process and the Group has presented both the land use rights and office buildings as assets held-for-sale (see Note 7).

<10> Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of the Group's business acquisitions. Goodwill is not depreciated or amortized but is tested for impairment at the reporting unit level on an annual basis, and between annual tests when an event or circumstances change occurs that indicate the asset might be impaired. In 2010, the Group recognized goodwill of US$1.6 million in connection with the acquisition of Red 5 and provided a full valuation allowance against that goodwill in 2016. Subsequently, the Group has not recognized additional goodwill.

<11> Assets held for sale

Assets and asset disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Long-lived assets to be sold are classified as held for sale if all the recognition criteria in Accounting Standards Codification ("ASC") 360-10-45-9 are met:

- Management, having the authority to approve the action, commits to a plan to sell the asset;
- The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- An active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated;
- The sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within one year;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assets and liabilities classified as held-for-sale are measured at lower of their carrying amount or fair value less costs to sell.

<12> Intangible assets, net

Intangible assets consist primarily of acquired game licenses and acquired game development costs from business combinations.

Acquired game licenses are amortized on a straight-line basis over the shorter of the useful economic life of the relevant online game or license period, which range from two to seven years. Amortization of acquired game licenses commences upon monetization of the related online game. In September 2011, the Group paid US$10.0 million and guaranteed an additional payment of US$12.7 million due within four years to the third-party game publisher to acquire game licenses. In addition, the Group is subject to additional contingent payments to be calculated based on certain percentages of the proceeds received from future game licensing and royalties, if any. The total consideration paid, including the US$10.0 million and the guaranteed amount of US$12.7 million, was recorded as an acquired game license. The contingent payments will be recorded as cost of services when incurred. The remaining payable related to this game license fee was US$3.1 million as of both December 31, 2018 and 2019. The acquired game licenses were fully amortized or impaired in 2016.

The Group recognizes intangible assets acquired through business acquisitions as assets separate from goodwill. Acquired in-process research and development costs are initially considered an indefinite-lived asset. Upon completion of the research and development efforts, these costs are recorded as acquired game development costs and are amortized on a straight-line basis over the estimated useful economic life of the relevant online game. Amortization of acquired game development cost commences upon monetization of the related online game. The acquired game development cost was fully amortized or impaired in 2016.

<13> Land use rights, net

Land use rights represents operating lease prepayments to the PRC's Land Bureau for usage of the parcel of land located at Zhangjiang, Shanghai. Amortization is calculated using the straight-line method over the estimated land use rights period of 44 years.

In September 2019, the Group entered into a sale purchase agreement with Kapler Pte. Ltd. to sell three subsidiaries which hold the land use rights and office buildings located at Zhangjiang, Shanghai. As of December 31, 2019, the transaction was in process and the Group has presented both the land use right and office buildings as assets held-for sale (see Note 7).

<14> Impairment of long-lived assets

The Group evaluates its long-lived assets, including finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or that the useful life is shorter than the Group had originally estimated. The Group assesses the recoverability of the long-lived assets by comparing the carrying amount to the estimated future undiscounted cash flow expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the fair value of the assets.

Indefinite-lived intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the intangible asset to its carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to that excess.

<15> Revenue recognition

On January 1, 2018, the Group adopted ASC 606, *Revenue from Contracts with Customers*, applying the modified retrospective method to contracts that were not completed as of January 1, 2018. Results for reporting periods beginning on or after January 1, 2018 are presented under ASC 606, while prior period results are not adjusted.

Revenues are recognized when control of the promised goods or services is transferred to the Group's customers, in an amount that reflects the consideration of the Group expects to be entitled to in exchange for those goods or services. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time.

Online game services

The Group earns revenue from provision of online game operation services to players on the Group's game servers and third-party platforms and overseas licensing of the online game to other operators. The Group grants operation right on authorized games, together with associated services which are rendered to the customers over time. The Group adopts virtual item / service consumption model for the online game services. Players can access certain games free of charge, but many purchase game points to acquire in-game premium features. The Group may act as principal or agent through the various transaction arrangements.

The determination on whether to record the revenue gross or net is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has general inventory risk; (iii) changes the product or performs part of the services; (iv) has latitude in establishing the selling price; (v) has involvement in the determination of product or service specifications. The assessment is performed for all licensed online games.

When acting as principal

Revenues from online game operation operated through telecom carriers and certain online games operators are recognized upon consumption of the in-game premium features based on gross revenue sharing-payments to third-party operators, but net of value-added tax ("VAT"). The Group earns revenue from the sale of in-game virtual items. Revenues are recognized as the virtual items are consumed or over the estimated lives of the virtual items, which are estimated by considering the average period that players are active and players' behavior patterns derived from operating data. Accordingly, commission fees paid to third-party operators are recorded as cost of revenues.

When acting as agent

With respect to games license arrangements entered into by third-party operators, if the terms provide that (i) third-party operators are responsible for providing game desired by the game players; (ii) the hosting and maintenance of game servers for running the games is the responsibility of third-party operators; (iii) third-party operators have the right to review and approve the pricing of in-game virtual items and the specification, modification or update of the game made by the Group; and (iv) publishing, providing payment solution and market promotion services are the responsibilities of third-party operators and the Group is responsible to provide intellectual property licensing and subsequent technical services, then the Group considers itself as an agent of the third-party operators in such arrangement with game players. Accordingly, the Group records the game revenues from these licensed games, net of amounts paid to the third-party operators.

Licensing revenue

The Group licenses its online games, most of which are developed in house, to third parties. The Group receives monthly revenue-based royalty payments from the third-party licensee operators. Monthly revenue-based royalty payments are recognized when the relevant services are delivered, provided that collectability is reasonably assured. The Group views the third-party licensee operators as its customers and recognizes revenues on a net basis, as the Group does not have the primary responsibility for fulfillment and acceptability of the game services. The Group receives additional up-front license fees from certain third-party licensee operators who are entitled to an exclusive right to access the games where initial license fee is allocated solely on the license. License fees are recognized as revenue evenly throughout the license period after commencement of the game, given that the Group's intellectual property rights subject to the license are considered to be symbolic and the licensee has the right to access such intellectual property rights as they exist over time when the license is granted.

Technical services

Technical services are blockchain-related consulting services where the Group is to provide designing, programming, drafting of white papers, and related services to customers. These revenues are recognized when delivery of the services has occurred or when services have been rendered and the collection of the related fees is reasonably assured.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represent amounts invoiced and revenue recognized prior to invoicing, where the Group has satisfied its performance obligations and has the unconditional right to payment.

Deferred revenue related to unsatisfied performance obligations at the end of the period primarily consists of fees received from game players for online game services and technical services. For deferred revenue, due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following reporting period. Of the deferred revenue balance at the beginning of the period, revenue of RMB5.4 million and RMB0.2 million (US$0.02 million) was recognized during the years ended December 31, 2018 and 2019, respectively.

<16> Advances from customers

The Group licenses proprietary games to operators in other countries and receives license fees and royalty income. License fees received in advance of the monetization of the game is recorded in advances from customers.

<17> Convertible notes and warrants

Convertible Notes and Beneficial Conversion Feature ("BCF")

The Group issued convertible notes and warrants in December 2015. The Group has evaluated whether the conversion feature of the notes is considered an embedded derivative instrument subject to bifurcation in accordance with ASC 815, *Accounting for Derivative Instruments and Hedging Activities*. Based on the Group's evaluation, the conversion feature is not considered an embedded derivative instrument subject to bifurcation as the conversion option does not provide the holder of the notes with means to net settle the contracts. Convertible notes, for which the embedded conversion feature does not qualify for derivative treatment, are evaluated to determine if the effective rate of conversion per the terms of the convertible notes agreement is below market value. In these instances, the value of the BCF is determined as the intrinsic value of the conversion feature is recorded as deduction to the carrying amount of the notes and credited to additional paid-in-capital. For convertible notes issued with detachable warrants, a portion of the note's proceeds is allocated to the warrant based on the fair value of the warrants at the date of issuance. The allocated fair value for the warrants and the value of the BCF are both recorded in the consolidated financial statements as a debt discount from the face amount of the notes, which is then accreted to interest expense over the life of the related debt using the effective interest method.

The Group present the occurred debt issuance costs as a direct deduction from the convertible notes. Amortization of the costs is reported as interest expense.

Warrants

The Group accounts for the detachable warrants issued in connection with convertible notes under the authoritative guidance on accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock. The Group classifies warrants in its consolidated balance sheet as a liability which is revalued at each balance sheet date subsequent to the initial issuance. The Group uses the Black-Scholes-Merton pricing model (the "Black-Scholes Model") to value the warrants. Determining the appropriate fair-value model and calculating the fair value of warrants requires considerable judgment. A small change in the estimates used may cause a relatively large change in the estimated valuation. The estimated volatility of the Group's common stock at the date of issuance, and at each subsequent reporting period, is based on historical fluctuations in the Company's stock price. The risk-free interest rate is based on United States Treasury zero-coupon issues with a maturity similar to the expected remaining life of the warrants at the valuation date. The expected life of the warrants is based on the historical pattern of exercises of warrants.

<18> Cost of revenues

Cost of revenues consists primarily of online game royalties, payroll, revenue sharing to third-party game platform, telecom carriers and other suppliers, maintenance and rental of Internet data center sites, depreciation and amortization of computer equipment and software, and other overhead expenses directly attributable to the services provided.

<19> Product development costs

For software development costs, including online games, to be sold or marketed to customers, the Group expenses software development costs incurred prior to reaching technological feasibility. Once a software product has reached technological feasibility, all subsequent software costs for that product are capitalized until that product is released for marketing. After an online game is released, the capitalized product development costs are amortized over the estimated product life. For the years ended December 31, 2017, 2018 and 2019, although software products has reached technological feasibility, total software costs incurred subsequent to reaching technological feasibility amounted to be immaterial and therefore not capitalized.

For website and internally used software development costs, the Group expenses all costs that are incurred in connection with the planning and implementation phases of development and costs that are associated with repair or maintenance of the existing websites and software. Costs incurred in the application and infrastructure development phase are capitalized and amortized over the estimated product life. Since the inception of the Group, the amount of internally generated costs qualifying for capitalization has been immaterial and, as a result, all website and internally used software development costs have been expensed as incurred.

Product development costs consist primarily of outsourced research and development, payroll, depreciation charges and other overhead for the development of the Group's proprietary games. Other overhead product development costs include costs incurred by the Group to develop, maintain, monitor, and manage its websites.

<20> Sales and marketing expenses

Sales and marketing expenses consist primarily of advertising and promotional expenses, payroll and other overhead expenses incurred by the Group's sales and marketing personnel. Advertising expenses in the amount of RMB0.9 million, RMB0.3 million and RMB0.2 million (US$0.04 million) for the years ended December 31, 2017, 2018 and 2019, respectively, were expensed as incurred.

<21> Government grants

Unrestricted government subsidies from local government agencies allowing the Group full discretion to utilize the funds were RMB2.3 million, RMB1.6 million and RMB1.2 million (US$0.2 million) for the years ended December 31, 2017, 2018 and 2019, respectively, which were recorded in other income, net in the consolidated statements of operations and comprehensive loss.

<22> Share-based compensation

The Group has granted share-based compensation awards to certain employees under several equity plans. The Group measures the cost of employee services received in exchange for an equity award, based on the fair value of the award at the date of grant. Share-based compensation expense is recognized net of estimated forfeitures, determined based on historical experience. The Group recognizes share-based compensation expense over the requisite service period. For performance and market-based awards which also require a service period, the Group uses graded vesting over the longer of the derived service period or when the performance condition is considered probable. The Company determines the grant date fair value of stock options using a Black-Scholes Model with assumptions made regarding expected term, volatility, risk-free interest rate, and dividend yield. The fair value of the stock options containing a market condition is estimated using a Monte Carlo simulation model. For options awarded by private subsidiaries of the Group, the fair value of shares is estimated based on the equity value of the subsidiary. The Group evaluates the fair value of the subsidiary by making judgments and assumptions about the projected financial and operating results of the subsidiary. Once the equity value of the subsidiary is determined, it is allocated (as applicable) into the various classes of shares and options using the option-pricing method, which is one of the generally accepted valuation methodologies. On January 1, 2019, the Group adopted ASU 2018-07, Compensation—Stock Compensation (Topic 718): Improvement to Nonemployee Share-based Payment Accounting to amend the accounting for share-based payment awards issued to nonemployees. Under ASU 2018-07, the accounting for awards to non-employees is similar to the model for employee awards.

The expected term represents the period of time that stock-based awards granted are expected to be outstanding. The expected term of stock-based awards granted is determined based on historical data on employee exercise and post-vesting employment termination behavior. Expected volatilities are based on historical volatilities of the Company's ordinary shares. Risk-free interest rate is based on United States government bonds issued with maturity terms similar to the expected term of the stock-based awards.

The Group recognizes compensation expense, net of estimated forfeitures, on all share-based awards on a straight-line basis over the requisite service period, which is generally a one-to-four year vesting period or in the case of market-based awards, over the greater of the vesting period or derived service period. Forfeiture rate is estimated based on historical forfeiture patterns and adjusted to reflect future changes in circumstances and facts, if any. If actual forfeitures differ from those estimates, the estimates may need to be revised in subsequent periods. The Group uses historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest.

For stock option modifications, the Group compares the fair value of the original award immediately before and after the modification. For modifications, or probable-to-probable vesting conditions, the incremental fair value of fully vested awards is recognized as expense on the date of the modification, with the incremental fair value of unvested awards recognized ratably over the new service period.

On June 6, 2017, the Board of Directors of the Group approved cancellation of a portion of the options and accelerated vesting of the remaining options in addition to the repricing of the exercise price which was US$0.00. Pursuant to the option agreement entered with the optionees, options totaling 6,328,535 were exercised and options totaling 10,806,665 were canceled. An independent appraiser engaged by the Group prepared a valuation report assessing the fair value of the options. The cancellation and acceleration of the options were considered as an option modification. Subject to ASC 718-20-35, the remaining unrecognized compensation cost of unvested stock option measured at grant date shall be recognized at the date of modification. The incremental compensation cost which is the excess of the fair value of the replacement award over the fair value of the canceled award was recognized at the date of cancelation.

<23> Leases

The Group applied ASC 842, Leases, on January 1, 2019 on a modified retrospective basis and has elected not to recast comparative periods. Right-of-use (“ROU”) assets represent the Group’s right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. The operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. As most of the Group’s leases do not provide an implicit rate, the Company uses the PBOC’s incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Group’s lease terms may include options to extend or terminate the lease. Renewal options are considered within the ROU assets and lease liability when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For operating leases with a term of one year or less, the Group has elected to not recognize a lease liability or ROU asset on its consolidated balance sheet. Instead, it recognizes the lease payments as expense on a straight-line basis over the lease term. Short-term lease expense is immaterial to its consolidated statements of operations, comprehensive loss, and cash flows. The Group has operating lease agreements with insignificant non-lease components and has elected the practical expedient to combine and account for lease and non-lease components as a single lease component.

On January 1, 2019, the effective date of ASC 842, the Group has no lease assets and lease liabilities to be recognized as the Group has no lease contracts that require transition. There was no impact to retained earnings at adoption.

<24> Income taxes

Current income taxes are provided for in accordance with the laws and regulations applicable to the Group as enacted by the relevant tax authorities. Income taxes are accounted for under the asset and liability method. Deferred taxes are determined based upon differences between the financial reporting and tax bases of assets and liabilities at currently enacted statutory tax rates for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized as income in the period of change. A valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that such deferred tax assets will not be realized. The total income tax provision includes current tax expenses under applicable tax regulations and the change in the balance of deferred tax assets and liabilities.

The Group recognizes the impact of an uncertain income tax position at the largest amount that is more-likely-than not to be sustained upon audit by the relevant tax authority. Income tax related interest is classified as interest expenses and penalties as income tax expense.

<25> Redeemable noncontrolling interests

Redeemable noncontrolling interests are equity interests of our consolidated subsidiary not attributable to the Group that has redemption features that are not solely within the Group's control. These interests are classified as temporary equity because their redemption is considered probable. These interests are measured at the greater of estimated redemption value at the end of each reporting period or the initial carrying amount of the redeemable noncontrolling interests adjusted for cumulative earnings (loss) allocations.

<26> Noncontrolling interest

A noncontrolling interest in a subsidiary or VIE of the Group represents the portion of the equity (net assets) in the subsidiary or VIE not directly or indirectly attributable to the Group. Noncontrolling interests are presented as a separate component of equity in the consolidated balance sheet and modifies the presentation of net income by requiring earnings and other comprehensive income loss to be attributed to controlling and noncontrolling interest.

<27> Loss per share

Basic loss per share is computed by dividing net loss attributable to the holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share is calculated by dividing net income attributable to the holders of ordinary shares as adjusted for the effect of dilutive ordinary share equivalents, if any, by the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during the period. Ordinary share equivalents of stock options and warrants are calculated using the treasury stock method and are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive, such as in a period in which a net loss is recorded.

<28> Segment reporting

The Group has one operating segment whose business is developing and operating online games and related services. The Group's chief operating decision maker is the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group generates its revenues from customers in Greater China, North America, and other areas.

<29> Certain risks and concentration

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and prepayments and other current assets. As of December 31, 2018 and 2019, substantially all of the Group's cash and cash equivalents were held by major financial institutions, which management believes are of high credit worthiness.

<30> Fair value measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. The fair value measurement guidance provides a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets that the management has the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 inputs include unobservable inputs to the valuation methodology that reflect management's assumptions about the assumptions that market participants would use in pricing the asset. Management develops these inputs based on the best information available, including their own data.

<31> Financial instruments

Financial instruments primarily consist of cash and cash equivalents, investments, accounts receivable, accounts payable, short-term borrowings, warrants and convertible notes. The carrying value of the Group's cash and cash equivalents, investments, accounts receivable, accounts payable and short-term borrowings approximate their market values due to the short-term nature of these instruments. Warrants are recorded in the consolidated balance sheets based on fair value. Both carrying value and fair value of convertible notes as of December 31, 2019 were RMB414.1 million (US$59.5 million).

<32> Recent accounting pronouncements

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU No. 2016-13 Financial Instruments—Credit Losses ("ASU 2016-13"). Further, as clarification of the new guidance, the FASB issued several subsequent amendments and updates to ASU 2016-13. ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company will adopt ASU 2016-13 beginning January 1, 2020 by applying the modified retrospective method with the cumulative effect of initially applying the guidance recognized at the date of initial application. The Group's adoption of ASU 2016-13 did not have a material impact on the consolidated financial statements.

Fair Value Measurements

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement," which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. The new guidance is effective for the fiscal years and interim reporting periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for the adoption of either the entire ASU or only the provisions that eliminate or modify the requirements. The Group's adoption of ASU 2018-13 did not have a material impact to the consolidated financial statements.

Income Taxes

In December 2019, the FASB issued ASU 2019-12 - Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. ASU 2019-12 provides an exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. This update also (1) requires an entity to recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, (2) requires an entity to evaluate when a step-up in the tax basis of goodwill should be considered part of the business combination in which goodwill was originally recognized for accounting purposes and when it should be considered a separate transaction, and (3) requires that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The standard is effective for the Company for fiscal years beginning after December 15, 2020, with early adoption permitted. The Group is currently evaluating the impact of ASU 2019-12 on its financial position, results of operations, and cash flow .

3. CONVENIENCE TRANSLATION

The Group, with the exception of its subsidiaries, Red 5, The9 Interactive and Red 5 Singapore, maintains its accounting records and prepares its financial statements in RMB. The U.S. dollar amounts disclosed in the accompanying financial statements are presented solely for the convenience of the readers at the rate of US$1.00 = RMB6.9618, representing the noon buying rate in New York for cable transfers of RMB, as certified for customs purposes by the Federal Reserve Bank of New York, on December 31, 2019. Such translations should not be construed as representations that the RMB amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

4. VARIABLE INTEREST ENTITIES

The Group is the primary beneficiary of its VIEs, including Shanghai IT which was designed by the Group to comply with PRC regulations that prohibit direct foreign ownership of businesses that operate online and TV games in the PRC.

Shanghai IT and its VIE subsidiaries

There are certain key contractual arrangements between the Group's subsidiary, Huiling (wholly-owned foreign enterprise, the "WOFE") and each of the VIEs that provide the Group with control over the VIEs. As a result of these contracts, the Group concluded that it is required to consolidate the VIEs pursuant to the guidance in ASC 810.

A summary of these contractual agreements is as follows:

1) Loan agreement. The WOFE entered into loan agreements with each shareholder of the relevant VIEs. Pursuant to the terms of these loan agreements, the WOFE granted an interest-free loan to each shareholder of the VIEs for the explicit purpose of making a capital contribution to the VIEs. These loans have an unspecified term and will remain outstanding for the shorter of the duration of WOFE or that of the VIE, or until such time that the WOFE elects to terminate the agreement (which is at the WOFE's sole discretion), at which point the loans are payable on demand. The shareholders of the VIEs may not prepay all or any portion of the loans without the WOFE's prior written request.

2) Equity pledge agreement. The shareholders of the VIEs entered into equity pledge agreements with the WOFE. Under the equity pledge agreements, the shareholders of the VIEs pledged all of their equity interests in the VIEs to the WOFE as collateral for all of their payments due to the WOFE and to secure performance of all obligations of the VIEs and their shareholders under the above loan agreements. In addition, the dividend distributions to the shareholders of VIEs, if any, will be deposited in an escrow account over which the WOFE has exclusive control. The pledge shall remain effective until all obligations under such agreements have been fully performed. The shareholders have the obligation to maintain ownership and effective control over the pledged equity. Under no circumstances, without the prior written consent of the WOFE, may the shareholder transfer or otherwise encumber any equity interests in the VIEs. If any event of default as provided for therein occurs, the WOFE, as the pledgee, will be entitled to dispose of the pledged equity interests through transfer or assignment and use the proceeds to repay the loans or make other payments due under the above loan agreements up to the loan amounts.

3) Call option agreement. The VIEs and their shareholders entered into equity call option agreements with the WOFE. Pursuant to such agreements, the shareholders of the VIEs grant the WOFE an irrevocable and exclusive option to purchase the shares of VIEs at a purchase price equal to the amount of the registered capital of the VIE or the loan provided by the WOFE, permissible by the then-applicable PRC laws and regulations. WOFE may exercise such right at any time during the term of the agreement. Moreover, under the call option agreements, neither the VIEs nor their shareholders may take actions that could materially affect the VIEs' assets, liabilities, operations, equity or other legal rights without the prior written approval of the WOFE, including, without limitation, declaration and distribution of dividends and profits; sale, assignment, mortgage or disposition of, or encumbrances on, the VIE's equity; merger or consolidation; acquisition of and investment in any third-party entities; creation, assumption, guarantee or incurrence of any indebtedness; entering into other materials contracts. The agreements shall not expire until such time as the WOFE acquires all equity interests of the relevant VIEs subject to applicable PRC laws.

4) Shareholder voting proxy agreement. Each of the VIE's shareholders executed an irrevocable power of proxy to appoint the WOFE as the attorney-in-fact to act on his or her behalf on all matters pertaining to the VIEs and to exercise all of his or her rights as a shareholder of the VIEs, including the right to attend shareholders meetings, to exercise voting rights and to appoint directors, a general manager, and other senior management of the VIEs. The power of proxy is irrevocable and may only be terminated at the discretion of the WOFE.

5) Exclusive technical service agreement. Under the exclusive technical service agreement, the VIEs agreed to engage the WOFE as their exclusive provider of technology consulting and other services for a service fee equal to 90% of all operating profit generated by the VIEs. According to the relevant PRC rules and regulations, related party transactions should be negotiated at the arm's length basis and apply reasonable transfer pricing methods. The determination of service fees, however, is under the sole discretion of the WOFE. These agreements do not have specific clauses on renewal but do have an initial term of 20 years (with the earliest expiration date being December 31, 2029). By virtue of the governance rights the WOFE maintains over the VIEs, through the terms of the other agreements noted above, the Group is able to unilaterally renew, extend or amend the service agreements at its discretion.

The Group shall be deemed to have a controlling financial interest in a VIE if it has both of the following characteristics:

a. The power to direct the activities of a VIE that most significantly impact the VIE's economic performance; and

b. The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

In determining that the Group has "the power to direct the activities of the VIE that most significantly impact the VIEs' economic performance", the Group looked to the specific provisions of the call option agreement and shareholder voting proxy agreement. These agreements, as summarized above, provide the WOFE effective control over all of the corporate and operating decisions of the VIEs, and as such, the Group's management concluded that the WOFE has the requisite power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance. In assessing the Group's obligation to absorb losses, the Group notes that it has funded through the loan agreements all of the entities' share capital and also provides financial support as necessary to the entities through intercompany transactions. The Group's rights to receive economic benefits that are significant to the VIEs are embodied firstly in the equity pledge agreements that secure the equity owners' obligations under the relevant agreements, and ascribes to the WOFE all of the economic benefits of the equity interests including rights to any dividends declared. Secondly, the exclusive technical service agreement further secures the ability of WOFE to receive substantially all of the economic benefits from each of the VIEs on behalf of the Group.

In conclusion, because the Group, through its wholly owned subsidiary Huiling, has (1) the power to direct the activities of the VIEs that most significantly affect the VIE's economic performance, and (2) the right to receive benefits from the VIEs that could potentially be significant to the VIEs, the Group has been deemed to be the primary beneficiary of the VIEs and has consolidated the VIEs since the date of execution of such agreements.

Shareholders of the VIEs may potentially have conflicts of interest with the Company, and they may breach their contracts with the PRC subsidiaries or cause such contracts to be amended in a manner contrary to the interests of the Group. As a result, the Group may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt the Groups business operations and adversely affect the Group's ability to control the VIEs. As most of the shareholders of the VIEs are directors, officers, shareholders or employees of the Group, management is of the view that the risk that misaligned interests may lead to deconsolidation in the foreseeable future is remote and insignificant.

PRC laws and regulations currently limit foreign ownership of companies that provide Internet content services, which include operating online games. In addition, foreign invested enterprises are currently not eligible to apply for the required licenses to operate online games in the PRC. The9 Limited is incorporated in the Cayman Islands and is considered a foreign entity under PRC laws. Due to restrictions on foreign ownership of companies that provide online games, the Group has entered into contractual arrangements with Shanghai IT to conduct its online games business through its VIEs in the PRC. Shanghai IT holds the necessary licenses and approvals that are essential for the online game business in China. Shanghai IT is principally owned by certain shareholder and employee of the Company. Pursuant to certain other agreements and undertakings, The9 Limited in substance controls Shanghai IT. The Group believes that its current ownership structures and contractual arrangements with Shanghai IT and its equity owners, as well as its operations, are in compliance with all existing PRC laws and regulations. There may, however, be changes and other developments in the PRC laws and regulations or their interpretation. Specifically, following the recent promulgation of the GAPPRFT Circular, it is unclear whether the authorities will deem our VIE structure and contractual arrangements with Shanghai IT as an "indirect or disguised" way for foreign investors to gain control over or participate in domestic online game operators, and challenge our VIE structure accordingly.

If the Group is found to be in violation of any existing or future PRC laws or regulations, or fails to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including requiring the Group to undergo a costly and disruptive restructuring, such as forcing The9 Limited to transfer its equity interest in the VIEs to a domestic entity or invalidating the VIE agreements. If the PRC government authorities impose penalties which cause the Group to lose its rights to direct the activities of and receive economic benefits from the VIEs, the Group may lose the ability to consolidate and reflect in its financial statements the financial position, and results of operation of the VIEs. The Group, however, does not believe such actions would result in the liquidation or dissolution of the Group, the WOFEs or VIEs.

The aforementioned contractual arrangements with the VIEs and their respective shareholders are subject to risks and uncertainties:

- The VIEs or their shareholders could fail to obtain the proper operating licenses or fail to comply with other regulatory requirements. As a result, the PRC government could impose fines, new requirements or other penalties on the VIEs or the Group mandate a change in ownership structure or operations for the VIEs or the Group, restrict the VIEs or the Group's use of financing sources, or otherwise restrict the VIEs or the Group's ability to conduct business.

- The aforementioned contractual agreements may be unenforceable or difficult to enforce. The equity pledge agreements may be deemed improperly registered or the VIEs or the Group may fail to meet other requirements. Even if the agreements are enforceable, they may be difficult to enforce given the uncertainties in the PRC legal system.

- The PRC government may declare the aforementioned contractual agreements invalid. They may modify the relevant regulation, have a different interpretation of such regulations, or otherwise determine that the Group or the VIEs have failed to comply with the legal obligations required to effectuate such contractual arrangements.

- It may be difficult to finance the VIEs by means of loans or capital contributions. Loans from The9 Limited to the VIEs must be approved by the relevant PRC government body and such approval may be difficult or impossible to obtain. The VIEs are domestic PRC enterprises owned by nominee shareholders, thus the Group is not likely to finance activities of the VIEs by means of direct capital contributions.

Summary financial information of the VIE subsidiaries included in the accompanying consolidated financial statements with intercompany balances and transactions eliminated are as follows:

	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	US$ (Note 3)
Total assets	80,531,978	150,615,709	21,634,593
Total liabilities	335,980,249	423,900,573	60,889,508

	2017	2018	2019	2019
	RMB	RMB	RMB	US$ (Note 3)
Net revenues	19,995,118	16,567,372	182,119	26,160
Net loss	(71,839,112)	(49,024,050)	(51,667,515)	(7,421,574)

The VIEs contributed an aggregate of 27.3%, 95.0% % and 53.3% of the consolidated net revenues for the years ended December 31, 2017, 2018 and 2019, respectively. As of the fiscal years ended December 31, 2018 and 2019, the VIEs accounted for an aggregate of 48.9% and 83.0%, respectively, of the consolidated total assets, and 37.0% and 39.8%, respectively, of the consolidated total liabilities.

The VIE's assets are not used as collateral for the VIE's obligations and can only be used to settle the VIE's obligations.

Relevant PRC laws and regulations restrict the VIE subsidiaries from transferring a portion of their net assets, equivalent to the balance of its statutory reserve and share capital, to the Group in the form of loans and advances or cash dividends. See Note 27 for disclosure of restricted net assets.

5. ADVANCES TO SUPPLIERS

Advances to suppliers are as follows:

	December 31, 2018 RMB	December 31, 2019 RMB	December 31, 2019 US$ (Note 3)
Advance to subscribe tokens	14,070,581	10,094,972	1,450,052
Company registration fee	1,383,962	794,692	114,150
Advertising fee	255,259	255,259	36,666
Financing fee	-	-	-
Other	98,240	101,685	14,606
	15,808,042	11,246,608	1,615,474

The Group has obtained financing for the early phase development of CrossFire New Mobile Game from the Inner Mongolia Culture Assets and Equity Exchange. As of December 31, 2019, the Group had paid RMB7.5 million (US$1.1 million) as the financing fee of the total funds raised and to be raised amounting to RMB157.5 million (US$22.6 million). According to the agreement, the Group paid the total financing fee of RMB7.5 million (US$1.1 million) upon receipt of the first payment in October 2016 (see Note 17). Due to unforeseen circumstances, the Group is not planning to finance the remaining RMB100.0 million (US$14.4 million) and due to non-recovery of the advance financing fee, the Group has fully impaired the advance financing fee in 2018.

On February 6, 2018, the Group entered into an agreement with a third-party company to subscribe to a total of 5,297,157 tokens for digital assets at a consideration of RMB14.1 million (US$2.0 million). The issuer was expected to issue the tokens in April 2020 or to further extend the launch date or enter into a termination arrangement depending on the development of the events. In July 2019, the Group received an advance of RMB7.0 million (US$1.0 million) from a third-party to transfer approximately 2,222,222 tokens to this third-party. This advanced amount has been presented as other advances as of December 31, 2019 on the consolidated balance sheets.

Due to unexpected events to the development for issuance of tokens by the issuer, the Group has performed an impairment assessment to consider on the recoverable amount. The Group has provided an impairment loss of nil and RMB6.0 million (US$0.9 million) for the years ended December 31, 2018 and 2019, respectively.

6. PREPAYMENTS AND OTHER CURRENT ASSETS, NET

Prepayments and other current assets are as follows:

	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	US$ (Note 3)
Employee advances	2,158,987	1,648,197	236,749
Prepayments and deposits	693,111	1,488,463	213,804
Input VAT recoverable	1,448,075	1,441,700	207,087
Refundable withholding tax	-	1,297,016	186,305
Other receivables, net of allowance for doubtful accounts of RMB 20,770,928 and RMB 5,343,427 as of December 31, 2018 and 2019, respectively	1,848,614	2,973,158	427,067
	6,148,787	8,848,534	1,271,012

7. ASSETS HELD-FOR-SALE AND LIABILITIES HELD-FOR-SALE

On September 26, 2019, the Group entered into an agreement with Kapler Pte. Ltd. to sell three subsidiaries, namely The9 Computer, C9I Shanghai and Shanghai Kaie for total consideration of RMB493.0 million (US$70.8 million). These subsidiaries hold land use rights and office buildings located at Zhangjiang, Shanghai. Proceeds from the disposal will be used to repay both the outstanding entrusted bank loan and convertible notes, with the residual to be used as working capital for the Group's operations.

As of December 31, 2019, Shanghai IT had received an advance of RMB49.3 million, which is 10% of total consideration and accounted under other advances on the consolidated balance sheets. The sale of the subsidiaries was subsequently completed on February 21, 2020. As of the issuance date of these consolidated financial statements, the Group had collected 90% of proceeds from Kapler Pte. Ltd. and the remaining 10% of proceeds is expected to be received in May 2020. As of the issuance date of these consolidated financial statements, the Group has repaid the principal and interest due on the entrusted bank loan and has repaid US$4.8 million to the issuer of convertible notes. The Group plans to use proceeds from the above sale to settle the remaining outstanding balance of convertible notes amounting to US$55.5 million.

	December 31, 2019	**December 31, 2019**
	RMB	**US$ (Note 3)**
Assets classified as held-for-sale		
Cash and cash equivalents	43,027,475	6,180,510
Prepayments and other current assets	5,162,857	741,598
Property, equipment and software, net	14,051,044	2,018,306
Land use rights, net	61,148,974	8,783,501
Total assets classified as held-for-sale	**123,390,350**	**17,723,915**
Liabilities directly associated with assets held-for-sale		
Accounts payable	50,000	7,182
Other taxes payable	1,585,095	227,685
Other payables and accruals	46,800	6,722
Interest payable	11,384,841	1,635,330
Long-term borrowing due within one year	31,624,560	4,542,584
Total liabilities directly associated with assets held-for-sale	**44,691,296**	**6,419,503**

8. INVESTMENTS

The Group's investments comprise the following:

	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	US$ (Note 3)
Investments accounted for under equity method:			
ZTE9 Network Technology Co., Ltd., Wuxi ("ZTE9")	-	-	-
System Link Corporation Limited ("System Link") <1>	-	-	-
Shanghai Big Data Cultures & Media Co., Ltd. ("Big Data") <2>	6,146,104	-	-
Maxline Holdings Limited ("Maxline") <6>	1,367,285	-	-
Leading Choice Holdings Limited ("Leading Choice") <7>	-	-	-
Investments accounted for under cost method:			
Shanghai Institute of Visual Art of Fudan University ("SIVA")	10,000,000	10,000,000	1,436,410
T3 Entertainment Co., Ltd. ("T3") <3>	24,892,921	-	-
Smartposting Co, Ltd. ("Smartposting") <4>	2,809,808	-	-
Beijing Ti Knight Network Technology Co., Ltd. ("Beijing Ti Knight") <5>	-	-	-
Shanghai The9 Education Technology Co., Ltd. ("The9 Education Technology") <8>	-	-	-
Shanghai Ronglei Culture Communication Co., Ltd. ("Shanghai Ronglei") <9>	-	-	-
Plutux Limited ("Plutux") <10>	-	-	-
Zhenjiang Kexin Power System Design and Research Co., Ltd. ("Zhenjiang Kexin") <11>	-	-	-
Total	45,216,118	10,000,000	1,436,410

<1> System Link

In August 2015, System Link entered into an agreement with Smilegate Entertainment, Inc. ("Smilegate") to form a joint venture company, Oriental Shiny Star Limited ("Oriental Shiny"), for the operation of the CrossFire 2 game. In the event of a successful commercial launch of CrossFire 2, Smilegate would receive a 30% equity share of Oriental Shiny.

In November 2015, Oriental Shiny entered into a license and distribution agreement with Smilegate for publishing and operating CrossFire 2 on an exclusive basis for a five-year term in the PRC (the "License Agreement"). In consideration for the exclusive license, Oriental Shiny made an upfront payment of US$50.0 million and was to make additional payments totaling US$450.0 million based on certain development and operation milestones of CrossFire 2. The payment of license fees was guaranteed by the Group and Qihoo 360 Technology Co., Ltd. ("Qihoo 360") proportional to their equity interest in System Link.

In October 2017, Oriental Shiny and Smilegate agreed to terminate the License Agreement. In November 2017, Smilegate made a settlement payment of US$25.0 million to both the Group and Qihoo 360, total of US$50.0 million. A settlement agreement was signed among the Group, Qihoo 360 and Smilegate whereby subsequent to the payment of US$50.0 million, the joint venture agreement signed among Oriental Shiny and Smilegate was terminated. During 2017, the Group offset its 2017 share of losses in System Link against the US$25.0 million recovery and reduced its investment in System Link to nil, with the remaining portion of the recovery, RMB60.5 million (US$8.7 million), recorded as gain as the Group then had no future funding obligation to System Link or Oriental Shiny.

As of December 31, 2018, System Link met the criteria as a significant subsidiary in accordance with Rule 3-09 of SEC Regulation S-X but the Group has applied for and received a waiver from the SEC dated June 13, 2019 to not provide separate financial statements of System Link for the fiscal year ended December 31, 2018 and any other filings that would require such separate financial statements for the three years ended December 31, 2018.

<2> Big Data

Shanghai Jiucheng Advertisement Co., Ltd. (“Jiucheng Advertisement”) was previously a subsidiary of the Company. In 2015, the Company granted 33.3% equity interest of Jiucheng Advertisement to two of its employees as share-based compensation and share exchange transaction with Fei Fan Information Technology Co., Ltd. (“Fei Fan”), whereby Jiucheng Advertisement acquired 100% equity interest in Fei Fan in exchange of 30% equity interest in Jiucheng Advertisement. Upon completion of the exchange, the Group’s equity interest in Jiucheng Advertisement was diluted to 46.7%. In November 2015, the Group’s equity interest in Jiucheng Advertisement was further diluted to 42.0% as a result of capital injection by other shareholders. In August 2016, Jiucheng Advertisement raised capital from the Group and a third-party, and as a result, the Group’s equity interest in Jiucheng Advertisement became 43.7%. In October 2016, the Group’s equity interest in Jiucheng Advertisement further increased to 44.5% after the execution of certain terms under the investment agreements among certain investors of Jiucheng Advertisement.

In December 2016, the Group entered into an agreement with third-party investors of Jiucheng Advertisement. According to the agreement, the Group would repurchase an additional 19.11% equity interest in Jiucheng Advertisement for RMB18.3 million (US$2.6 million) from those third-party investors if Jiucheng Advertisement is not listed on the PRC’s National Equities Exchange and Quotations (“NEEQ”), commonly known as the New Third Board, before December 31, 2017. In March 2017, Jiucheng Advertisement was renamed as Shanghai Big Data Cultures & Media Co., Ltd. (“Big Data”). In September 2017, Big Data listed its shares on NEEQ. As Big Data has listed its shares on NEEQ and has fulfilled its obligation, the Group was relieved of its obligation to repurchase 19.11% equity interest in Big Data from those third-party investors. After the listing, the Group holds a 44.46% equity interest in Big Data. In 2019, there was no change in the equity interest of Big Data and the Group has recorded share of loss on Big Data amounting to RMB2.8 million (US$0.4 million) was recognized.

In 2019, due to weaker than expected operating performance, the investment in Big Data was fully impaired and an impairment loss of RMB3.4 million (US$0.5 million) was recorded for the year ended December 31, 2019.

<3> T3

In April 2008, the Group, through China Crown Technology, acquired 3,031,232 preferred shares issued by G10 Incorporation ("G10"), an established Korean online game developer and operator, which accounted for less than 20% of the equity interest in G10 and accounted the investment under cost method. In December 2011, pursuant to the agreement between the shareholders of G10 and T3, a wholly-owned subsidiary of G10, G10 was spun off and the shareholders of G10 became shareholders of T3 at the same shareholding percentages. In February 2012, the changes in shareholding structures of G10 and T3 was completed and the Group owned 32,290 ordinary shares of T3, which reflects the same percentage of equity the Group owned in G10 on as an converted basis.

In July 2019, China Crown Technology disposed all of its ordinary shares in T3 to third-parties for a total consideration of KRW6,092.8 million, approximately US$5.2 million, and recorded a gain on disposal of RMB10.4 million (US$1.5 million).

<4> Smartposting

In June 2017, the Group completed a share exchange transaction with IE Limited (“IE”), which was a listed company on Korean Securities Dealers Automated Quotations of Korea Exchange (“KOSDAQ”) for issuance and sale of 12,500,000 ordinary shares of the Company with a 10-year lock-up period. In exchange, IE transferred 14.55% equity interest in Smartposting, a wholly-owned subsidiary of IE. The fair value of 14.55% equity interest in Smartposting was considered to be the value of the assets surrendered to the Group in this non-monetary exchange transaction. Due to weaker than expected operating performance of Smartposting, the Group recorded an impairment of RMB5.1 million, RMB1.1million and RMB2.8 million (US$0.4 million) for the years ended December 31, 2017, 2018 and 2019, respectively.

<5> Beijing Ti Knight

In June 2017, the Group entered into an investment agreement with shareholders of Beijing Ti Knight where the Group invested a total of RMB9.0 million (US$1.3 million) in Beijing Ti Knight. As of December 31, 2018, the Group has invested RMB4.9 million (US$0.7 million). Due to weaker than expected operating performance, the investment in Beijing Ti Knight was fully impaired and impairment losses of RMB4.0 million, RMB0.9 million and nil were recorded for the years ended December 31, 2017, 2018 and 2019, respectively (see Note 30.1).

<6> Maxline

In January 2018, the Group completed a share exchange transaction with Red Ace Limited ("Red Ace"), which was a private company incorporated under the laws of the British Virgin Islands for issuance and sale of 3,571,429 ordinary shares of the Company with a specific lock-up period. In exchange, Red Ace transferred 29% equity interest in Maxline, an associate of Red Ace. The fair value of 29% equity interest in Maxline was considered to be the value of the assets surrendered to the Group in this nonmonetary exchange transaction. In 2019, due to weaker than expected operating performance of Maxline, the Group recorded an impairment loss of RMB1.3 million (US$0.2 million).

<7> Leading Choice

In September 2018, the Group completed a share exchange transaction with Leading Choice, which is a private company incorporated under the laws of Hong Kong for issuance and sale of 21,000,000 ordinary shares of the Company with a specific lock-up period. In exchange, the Company obtained 20% equity interest in Leading Choice. The fair value of 20% equity interest in Leading Choice was considered to be the nominal value of ordinary shares of the Group in the nonmonetary exchange transaction. In 2018, due to weaker than expected operating performance of Leading Choice, the Group recorded a full impairment loss of RMB1.4 million (US$0.2 million).

<8> The9 Education Technology

In April 2018, the Group invested RMB0.4 million (US$0.1 million) in The9 Education Technology. Due to weaker than expected operating performance, the investment in The9 Education Technology was fully impaired and an impairment loss of RMB0.4 million (US$0.1 million) was recorded for the year ended December 31, 2018.

<9> Shanghai Ronglei

In December 2017, the Group has entered into an investment agreement with a shareholder of Shanghai Ronglei, where the Group agreed to invest a total of RMB5.0 million (US$0.7 million) in Shanghai Ronglei. As of December 31, 2018, the Group has invested RMB4.0 million (US$0.6 million) but due to weaker than expected operating performance, the investment in Shanghai Ronglei was fully impaired and the impairment of RMB4.0 million (US$0.6 million) was recorded for the year ended December 31, 2018. In June 2019, both the Group and shareholder of Shanghai Ronglei has agreed to terminate the investment agreement and the shareholder of Shanghai Ronglei agreed to repurchase the shares issued to the Group at original cost. The Group disposed of its equity interest in Shanghai Ronglei and received RMB3.0 million (US$0.4 million) for the year ended December 31, 2019.

<10> Plutux

In September 2018, the Group completed a share exchange transaction with Plutux Labs Limited ("Plutux Labs"), which was a private company incorporated under the laws of Cayman Islands for issuance and sale of 21,000,000 ordinary shares of the Company with a specific lock-up period. In exchange, Plutux Labs transferred 8% equity interest in Plutux, a wholly-owned subsidiary of Plutux Labs. The fair value of 8% equity interest in Plutux was considered to be the nominal value of ordinary shares of the Group in the nonmonetary exchange transaction. In 2018, due to weaker than expected operating performance of Plutux, the Group recorded a full impairment loss of RMB1.4 million (US$0.2 million). Cyrus Jun-Ming Wen is a director of Plutux Labs according to the Schedule 13G filed by Plutux Labs on September 13, 2018. According to the Schedule 13D filed by Splendid Days Limited, the Group's convertible notes investor (see Note 19), on February 21, 2019, Cyrus Jun-Ming Wen is also a director of Truth Beauty Limited, the shareholder of Splendid Days Limited.

<11> Zhenjiang Kexin

In June 2019, the Group completed a share exchange transaction with Comtec Windpark Renewable (Holdings) Co., Ltd. ("Comtec"), which was a private company incorporated under the laws of British Virgin Islands for issuance and sale of 3,444,882 ordinary shares of the Group. In exchange, Comtec transferred 9.9% equity interest in Zhenjiang Kexin, a company incorporated under the laws of PRC. The fair value of 9.9% equity interest in Zhenjiang Kexin was considered to be the value of the assets surrendered to the Group in the nonmonetary exchange transaction. In 2019, due to weaker than expected operating performance of Zhenjiang Kexin, the Group recorded an impairment loss of RMB1.0 million (US$0.1 million).

In total, the Group recorded impairment charges relating to its investments in equity and other of RMB9.1 million, RMB9.2 million and RMB8.5 million (US$1.2 million) for the years ended December 31, 2017, 2018 and 2019, respectively.

9. AVAILABLE-FOR-SALE INVESTMENTS

Investment in L&A

In June 2016, the Group along with certain other shareholders of Red 5 completed a share exchange transaction with L&A, a Cayman Islands company with shares publicly listed on the Growth Enterprise Market of the Hong Kong Stock Exchange (Stock Code: 8195). The Group exchanged approximately 30.6% equity interest (on a fully-diluted basis) in Red 5 for a total of 723,313,020 (after a one-to-five stock split) newly issued shares of L&A, after deducting 6% of shares received (46,168,920 shares) as payment of a service fee to a third-party consultant.

In June 2016, Asian Development, a wholly-owned subsidiary of the Group incorporated in Hong Kong, borrowed a total of HK$92.3 million from a financial services company, which was secured by a pledge of 417,440,000 shares of L&A (see Note 16). In 2016, Asian Development was in default on the loan due to a sharp decline in share price of L&A. The lender is entitled to foreclose on the pledged shares and become the legal and beneficial owner of the pledged shares (see Note 30.2). In 2016, the Group provided a full impairment allowance of RMB244.8 million (US$35.2 million) on the investment in L&A. In 2019, the loan remained in default and the lender has not made any claim against Asian Development to recover any outstanding amounts under the agreement.

In 2017, the Group sold 18,360,000 shares in L&A for consideration of RMB0.1 million (US$0.01 million). In an extraordinary general meeting in October 2017, Board of Directors of L&A passed a resolution to consolidate every twenty issued and unissued shares into one share. The Group owned 14,375,651 shares in L&A after the share consolidation. In 2019, the Group sold all of its shares in L&A for consideration of RMB0.7 million (US$0.1 million).

As of December 31, 2019, the Group has no available-for-sale investments.

10. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software and related accumulated depreciation and amortization are as follows:

	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	US$ (Note 3)
Office buildings	69,341,652	69,341,652	9,960,305
Computers and equipment	84,134,612	5,181,577	744,287
Leasehold improvements	10,365,904	9,359,857	1,344,459
Office furniture and fixtures	6,194,658	1,787,549	256,765
Motor vehicles	7,038,397	5,031,201	722,687
Software	15,832,264	14,542,095	2,088,842
Less: accumulated depreciation and amortization	(175,555,042)	(89,974,366)	(12,924,009)
Less: property, equipment and software, net, held-for-sale	-	(14,051,044)	(2,018,306)
Net book value	17,352,445	1,218,521	175,030

Depreciation and amortization charges for the years ended December 31, 2017, 2018 and 2019 amounting to RMB5.3 million, RMB3.7 million and RMB2.8 million (US$0.4 million), respectively. In 2019, the Group has disposed large quantity of computers and equipment which are not in-use and the value of these assets have been fully depreciated or impaired in the past. The Group has recorded a gain on disposal of property, equipment and software amounting to RMB0.02 million, RMB0.2 million, RMB2.2 million (US$0.3 million), as other income, net for the years ended December 31, 2017, 2018 and 2019. The office buildings were mortgaged as collateral for the convertible notes and entrusted bank loan in 2015 (see Note 19 and Note 16). Property, equipment and software classified as held-for-sale represents office buildings held by The9 Computer, C9I Shanghai and Shanghai Kaie which are in the process of disposal as of December 31, 2019 (see Note 7).

11. LAND USE RIGHTS, NET

Gross carrying amount, accumulated amortization and net book value of land use rights are as follows:

	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	US$ (Note 3)
Land use rights	85,160,348	85,160,348	12,232,519
Less: accumulated amortization	(22,570,692)	(24,011,374)	(3,449,018)
Less: land use right, net, held-for-sale	-	(61,148,974)	(8,783,501)
Net book value	62,589,656	-	-

Amortization charge for the years ended December 31, 2017, 2018 and 2019 amounting to RMB1.9 million, RMB1.9 million and RMB1.4 million (US$0.2 million), respectively. The land use rights were mortgaged for the convertible notes and entrusted bank loan in 2015 (see Note 19 and Note 16). Land use rights classified as held-for-sale represented land use rights held by The9 Computer, C9I Shanghai and Shanghai Kaie in relation to the office buildings located at Zhangjiang, Shanghai which are in the process of disposal as of December 31, 2019 (see Note 7).

12. LEASES

The Group has operating leases primarily for office space, parking lots and warehouse after relocation of their principal office in August 2019. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the lease payments over the lease term at commencement date.

As the leases do not provide an implicit rate, an incremental borrowing rate is used based on the information available at commencement date, to determine the present value of lease payments. The incremental borrowing rates approximate the rate the Group would pay to borrow in the currency of the lease payments for the weighted-average life of the lease.

The operating lease ROU assets also include any lease payments made prior to lease commencement and excludes lease incentives and initial direct costs incurred if any. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Operating lease costs are recognized on a straight-line basis over the lease term. As of December 31, 2019, the prepaid rental expense of RMB0.01 million (US$0.01 million) was recorded in operating lease right-of-use assets.

As of December 31, 2019, the items related to operating lease in the consolidated balance sheet are summarized below:

	December 31, 2019 RMB	December 31, 2019 US$ (Note 3)
Operating lease right-of-use assets	9,257,604	1,329,772
Operating lease liabilities-current portion	3,407,670	489,481
Operating lease liabilities-non-current portion	6,251,705	898,001

Lease cost recognized in the Group's consolidated statements of operations and comprehensive loss is summarized as follows:

	Classification in Consolidated Statements of Operations and Comprehensive Loss	December 31, 2019 RMB	December 31, 2019 US$ (Note 3)
Operating lease cost	Operating expenses	1,606,340	230,736
Cost of other leases with terms less than one year	Operating expenses	82,232	11,812
Total		1,688,572	242,548

Maturities of operating lease liabilities are as follows:

	December 31, 2019 RMB	December 31, 2019 US$ (Note 3)
Due within one year	3,779,845	542,941
Due in the second year	3,995,768	573,956
Due in the third year	2,502,839	359,510
Total lease payments	**10,278,452**	**1,476,407**
Less: imputed interest	(619,077)	(88,925)
Total	**9,659,375**	**1,387,482**

As of December 31, 2019, the Group does not have any significant operating or finance leases that have not yet commenced. The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental cash flow information related to operating leases is as follows:

	December 31, 2019 RMB	December 31, 2019 US$ (Note 3)
Cash paid for amounts included in the measurement of operating lease liabilities	1,271,769	182,678

13. OTHER LONG-LIVED ASSETS, NET

Other long-lived assets are as follows:

	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	US$ (Note 3)
Prepaid license fee	6,515,200	6,515,200	935,850
Prepaid deposit for joint venture	-	-	-
Total	6,515,200	6,515,200	935,850

Prepaid license fee represents the payment made by the Group pursuant to an IP license agreement with an online game company in January 2016 to use its IP to develop a mobile game for a period of two years after commercialization of the game. The contract is effective through October 31, 2020 for the development phase and the mobile game is expected to be launched in second half of 2020. Amortization of the license will be commenced upon the commercialization of the game over its license period.

The Group has been monitoring its licensed games that have not commercially launched, including but not limited to their market acceptance and operational performance in other regions where they are commercially launched and operated by other operators. The Group incorporates these factors into its continuous evaluation of the forecasted results of the respective games and takes into account the Group's expected commercial launch and cash flows in the evaluation of potential impairment of the carrying value of upfront licensing fees. Based on the Group's impairment tests, there was no impairment of upfront licensing fees in 2017, 2018 and 2019.

In March 2019, the Group entered into a joint venture agreement with F&F in an attempt to enter the electric vehicle business. The Group paid an initial deposit of US$5.0 million to F&F through an interest-free loan from Ark Pacific Associates Limited in April 2019. In accordance with the joint venture agreement, in the event the Group cannot make the required capital contribution in accordance with the joint venture agreement, the total amount of capital contribution that has been made by the Group will automatically convert into Class B ordinary shares in Smart King Limited, the holding company of F&F at a pre-agreed conversion price set forth in the joint venture agreement. As of December 31, 2019, as the actual progress of the joint venture is below expectations and the Group recorded a full impairment loss of RMB34.9 million (US$5.0 million) (see Note 30.1).

14. FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair values of common stock warrants were measured using the Black-Scholes Model (see Note 23). Inputs used to determine estimated fair value of the warrant liabilities include the estimated fair value of the underlying stock at the valuation date, the estimated term of the warrants, risk-free interest rates, expected dividends and the expected volatility of the underlying stock. The significant unobservable inputs used in the fair value measurement of the warrant liability are the fair value of the underlying stock at the valuation date and the estimated term of the warrants. The fair value of convertible note is based on a discounted cash flow model with an unobservable input of discount rate. (Level 3)

In 2015, the Group issued warrants in connection with its convertible notes. The warrants are recorded at fair market value at the date of issuance and subsequently at each reporting date. The following table presents the change in the warrants liability that were measured at fair value on a recurring basis using significant Level 3 inputs during 2018 and 2019 (see Note 20).

	December 31, 2018	**December 31, 2019**	**December 31, 2019**
	RMB	**RMB**	**US$ (Note 3)**
Balance at issuance date/beginning of year	3,742,271	1,490,844	214,146
Fair value change on warrants liability recognized in other comprehensive income	(2,251,427)	(1,292,244)	(185,619)
Balance at the end of the year	1,490,844	198,600	28,527

15. TAXATION

Cayman Islands

Under the current tax laws of the Cayman Islands, the Group is not subject to tax on its income or capital gains. In addition, upon payment of dividends by The9 Limited to its shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

The Group's subsidiaries incorporated in Hong Kong did not have assessable profits that were derived in Hong Kong during the years ended December 31, 2017, 2018 and 2019. Therefore, no Hong Kong income tax has been provided for in the years presented.

Singapore

The Group's subsidiaries incorporated in Singapore did not have assessable profits that were derived in Singapore during the years ended December 31, 2017, 2018 and 2019. Therefore, no Singapore income tax has been provided for in the years presented.

PRC

The Group's subsidiaries and VIE subsidiaries incorporated in the PRC are subject to Enterprise Income Tax ("EIT") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the PRC Enterprise Income Tax Law ("EIT Law"), which went into effect as of January 1, 2008. The Group's subsidiaries and VIE subsidiaries in the PRC are generally subject to EIT at a statutory rate of 25%. The subsidiaries that hold a "High and New Technology Enterprise" ("HNTE") qualification are subject to a 15% preferential EIT rate. The HNTE qualification is valid for three years and every qualified HNTE company is required to re-apply for it in the three years after receiving approval. In October 2017, Shanghai IT renewed its HNTE qualification and obtained approval in 2018, which entitles Shanghai IT to enjoy a preferential EIT rate of 15% during the period from 2018 to 2020. As Shanghai IT did not have taxable income for the years ended December 31, 2017, 2018 and 2019, Shanghai IT has not benefited from this preferential income tax rate.

United States

The Group's subsidiaries incorporated in the U.S. are registered in the state of California and are subject to U.S. federal corporate marginal income tax rate of 21% and state income tax rate of 0.28%, respectively.

On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act includes significant changes to the U.S. corporate income tax system including a federal corporate rate reduction from 34% to 21%; limitations on the deductibility of interest expense and executive compensation; creation of the base erosion anti-abuse tax ("BEAT"), a new minimum tax; and the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system. A majority of the provisions in the Tax Act are effective January 1, 2018.

The Tax Act creates a new requirement that certain income such as Global Intangible Low-Taxed Income ("GILTI") earned by a controlled foreign corporation ("CFC") must be included in the gross income of the CFC U.S. shareholder. The Group has evaluated these provisions of the Tax Act and whether taxes due on future U.S. inclusions related to GILTI be recorded as current-period expense when incurred, or factored into measurement of deferred taxes. The Group concluded that the Tax Act had no material effect to the financial statements.

Composition of income tax expense
The current and deferred portions of income tax expense included in the consolidated statements of operations and comprehensive loss are as follows:

	For the year ended December 31,			
	2017	**2018**	**2019**	**2019**
	RMB	**RMB**	**RMB**	**US$ (Note 3)**
Current income tax expense				
PRC	-	-	-	-
Other jurisdictions	-	-	-	-
Deferred tax assets				
PRC	(84,042,632)	(39,763,083)	(5,772,005)	(829,097)
Other jurisdictions	(124,313,755)	(19,816,235)	(15,151,553)	(2,176,384)
Subtotal	(208,356,387)	(59,579,318)	(20,923,558)	(3,005,481)
Change in valuation allowance				
PRC	84,042,632	39,763,083	5,772,005	829,097
Other jurisdictions	124,313,755	19,816,235	15,151,553	2,176,384
Subtotal	208,356,387	59,579,318	20,923,558	3,005,481
Income tax expense	-	-	-	-

Reconciliation of the differences between statutory tax rate and the effective tax rate

Reconciliation between the statutory EIT rate and the Group's effective tax rate is as follows:

	For the year ended December 31, 2017	**For the year ended December 31, 2018**	**For the year ended December 31,** 2019
PRC statutory EIT rate	25%	25%	25%
Effect of different tax rates in other jurisdictions	(2%)	2%	1%
Change in future tax rate (upon expiration of preferential rate)	(22%)	1%	2%
Change of prior year deferred tax assets	(8%)	(11%)	(15%)
Change of valuation allowance	61%	(2%)	(18%)
Income not subject to tax and non-deductible expenses, net	(1%)	0%	0%
Effect of expired net operating loss	(53%)	(15%)	5%
Effective EIT rate	0%	0%	0%

Significant components of deferred tax assets

	For the year ended December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2019
	RMB	RMB	US$ (Note 3)
Temporary differences related to expenses and accruals	1,087,421	1,076,708	154,659
Temporary differences related to impairment on advances to suppliers	2,451,767	3,438,597	493,924
Temporary differences related to provision for doubtful accounts	3,077,784	1,078,742	154,952
Others	7,152,217	8,771,868	1,260,000
Temporary differences related to depreciation, amortization, and impairment of equipment and intangible assets	23,165,631	24,890,416	3,575,285
Startup expenses and advertising fees	608,399	199,704	28,686
Temporary differences related to research and development credits	1,106,956	1,120,850	161,000
Temporary differences related to equity investments	3,978,269	5,069,035	728,121
Foreign tax credits	-	-	-
Temporary differences related to provision for prepayment for equipment	5,000,000	5,000,000	718,205
Tax loss carry forwards	294,535,956	270,594,922	38,868,529
Total deferred tax assets	342,164,400	321,240,842	46,143,361
Less: Valuation allowance	(342,164,400)	(321,240,842)	(46,143,361)
Total deferred tax assets	-	-	-

Movement of valuation allowance on deferred tax assets

	For the year ended December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2019
	RMB	RMB	US$ (Note 3)
Beginning balance	401,743,718	342,164,400	49,148,842
Decrease in valuation allowance	(59,579,318)	(20,923,558)	(3,005,481)
Ending balance	342,164,400	321,240,842	46,143,361

For the years ended December 31, 2018 and 2019, the Group recorded a reversal of valuation allowance of approximately RMB59.6 million and RMB 20.9 million (US$3.0 million), respectively. The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carry forward periods, the Group's experience with tax attributes expiring as unused and tax planning alternatives. Valuation allowances have been established for deferred tax assets based on a more-likely-than-not threshold. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carry forward periods provided for in the tax law.

As of December 31, 2019, the Group's PRC subsidiaries had net operating loss carry forwards amounting to RMB343.7 million which will expire from 2020 to 2029. The Group has provided a full valuation allowance as it is not more likely than not that the net operating losses can be utilized before expiry. According to Caishui [2018] No. 76, with effect from January 1, 2018, losses of qualified HNTE in the current year occurred five years before the year in which the entity qualified for HNTE and have not been made up shall be allowed to be carried forward to subsequent years to be made up, and the maximum carry-forward period shall be extended from five years to ten years.

As of December 31, 2019, Red 5 had net operating loss carry forwards for federal and state income tax purposes of approximately US$126.4 million and US$68.5 million, respectively, which will begin to expire in 2026 and 2028, respectively. Red 5 also had credits for increasing research activities available to offset future federal and state taxes payable of approximately US$0.1 million and US$0.1 million, respectively, that will begin to expire in 2026 for federal purposes and which have no expiration for state purposes. Red 5 had foreign tax credits for federal purposes of approximately US$2.5 million, which expired in 2018. Pursuant to US tax laws and regulations, the utilization of an acquired entity's net operating losses and credits are subject to annual limitation computed based on the fair value of the acquired entity. As a result of the limitation, the Group provided a full valuation allowance on its deferred tax assets as it is not more likely than not that the net operating losses and credits carried forward can be utilized before expiration.

In accordance with the EIT Law, dividends, which arise from profits of foreign invested enterprises ("FIEs") earned after January 1, 2008, are subject to a 10% withholding income tax. In addition, under tax treaty between the PRC and Hong Kong, if the foreign investor is incorporated in Hong Kong and qualifies as the beneficial owner, the applicable withholding tax rate is reduced to 5%, if the investor holds at least 25% in the FIE, or 10%, if the investor holds less than 25% in the FIE. A deferred tax liability should be recognized for the undistributed profits of PRC companies unless the Group has sufficient evidence to demonstrate that the undistributed dividends will be reinvested and the remittance of the dividends will be postponed indefinitely. The Group plans to indefinitely reinvest undistributed profits earned after December 31, 2007 from its PRC subsidiaries with operations in the PRC. Therefore, no withholding income taxes for undistributed profits of the Company's subsidiaries established in PRC have been provided as of December 31, 2018 and 2019.

Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting basis over tax basis in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Group has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interests in VIEs because these VIEs do not have any accumulated earnings as of December 31, 2018 and 2019.

The Group made its assessment of the level of authority for each tax position (including the potential application of interests and penalties) based on the tax positions' technical merits, and measured the unrecognized benefits associated with the tax positions. The Group did not have any unrecognized tax benefits as of December 31, 2018 and 2019. The Group does not anticipate that unrecognized tax benefits will significantly increase or decrease within the next twelve months. For the years ended December 31, 2017, 2018 and 2019, the Group did not have any material interest and penalties associated with its tax positions.

According to PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or withholding agent. The statute of limitations will be extended five years under special circumstances, which are not clearly defined (but an underpayment of tax liability exceeding RMB 0.1 million is specifically listed as a special circumstance). In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. From inception to 2019, the Group is subject to examination by the PRC tax authorities. Red 5's U.S. federal income tax returns and state income tax returns for 2015 through 2019 are open tax years, subject to examination by the relevant tax authorities.

16. SHORT-TERM BORROWINGS

Short-term borrowings are as follows:

	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	US$ (Note 3)
Pledged loan	80,836,823	82,645,089	11,871,224
Interest-free loan	-	34,881,000	5,010,342
Long-term borrowing due within one year	31,624,560	31,624,560	4,542,584
Less: borrowing classified as held for sale	-	(31,624,560)	(4,542,584)
Total	112,461,383	117,526,089	16,881,566

In June 2016, the Group completed a share exchange transaction with L&A for a total of 769,481,940 (after a 1 to 5 stock split) newly issued shares of L&A. In June 2016, Asian Development borrowed a total of HK$92.3 million from a financial services company at an annual interest rate of 2% for a term of 24 months, which is secured by a pledge of 417,440,000 shares of L&A. The outstanding balance as of December 31, 2019 is RMB88.0 million (US$13.0 million), which includes RMB5.4 million (US$0.8 million) of interest payable and the pledged loan was due in June 2018. Asian Development has defaulted the loan in June 2016 due to a sharp decline in share price of L&A (see Note 30.2)

In December 2015, the Group entered an entrusted bank loan agreement, amounted to RMB31.6 million (US$4.6 million), with a subsidiary of the investor holding the convertible notes (see Note 19) and China Merchants Bank as entrustment bank. The borrowing agreement matured in December 2018, with the annual interest rate of 12% continuing after maturity of the loan. The loan is secured by the Group's office buildings. The outstanding balance as of December 31, 2019 is RMB43.0 million (US$6.0 million), including RMB11.4 million (US$1.6 million) of interest payable. In December 2019, the Group signed a confirmation letter with the lender regarding settlement. According to the confirmation letter, if the total amount of principal and interest of the entrusted bank loan amounted to RMB43.0 million is repaid before December 31, 2019, the overdue interest since December 2018 will be exempted. The parties agreed to extend the payment period from December 31, 2019 to February 29, 2020 to allow for completion of the disposal transaction with Kapler Pte. Ltd. (see Note 7). Both the principal and interest of the entrusted bank loan was repaid on February 11, 2020 and the overdue interest has been exempted.

In March 2019, the Group entered into a joint venture agreement with F&F, to establish a joint venture in China to manufacture and distribute electric vehicles designed and developed by F&F with a committed capital investment amounting to US$600.0 million. The Group made the initial deposit of US$5.0 million to F&F in April 2019 through an interest-free loan granted from Ark Pacific Associates Limited, an entity affiliated with the Group's former president as of the issuance date of these consolidated financial statements, for a period of one year. The loan was due on March 31, 2020 and the Group is still in negotiation with Ark Pacific Associates Limited regarding settlement of the interest-free loan.

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are as follows:

	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	US$ (Note 3)
Funds raised for CrossFire New Mobile Game	57,499,910	57,499,910	8,259,345
Professional services	6,879,775	11,844,738	1,701,390
Staff cost related payables	4,245,967	9,851,024	1,415,011
Office expenses	3,377,709	3,543,495	508,991
Other payables	1,840,000	3,540,000	508,489
Utility fees	1,547,898	1,646,394	236,490
Product development services	892,216	906,906	130,269
Others	5,007,831	4,308,376	618,860
Total	81,291,306	93,140,843	13,378,845

The Group has financed the early phase development of CrossFire New Mobile Game through fundraising from the Inner Mongolia Culture Assets and Equity Exchange. As of December 31, 2019, the Group had raised RMB57.5 million (US$8.3 million). The Group continues to cooperate with a third-party company for development and operation of CrossFire New Mobile Game. The Group plans to apply for a license (“Banhao”) from GAPPRPT for CrossFire New Mobile Game as soon as development of the game is finalized to launch the game. The Group does not plan to finance the remaining RMB100.0 million (US$14.4 million) from the planned fund raising arrangement, and due to non-recovery of the advance financing fee, the Group fully impaired the advance financing fee in 2018. In November 2017, the Group entered into an exclusive publishing agreement with a third-party company, pursuant to which this third-party company was granted an exclusive right to publish the CrossFire New Mobile Game in China. Upon commercialization of the game, the Group will share certain percentages of the revenues from CrossFire New Mobile Game with investors providing funding to the Group. In April 2020, Inner Mongolia Culture Assets and Equity Exchange filed a civil claim against Wuxi Qudong and Shanghai IT based on the cooperation agreement entered in September 2016. Inner Mongolia Culture Assets and Equity Exchange claims refund of RMB57.5 million (US$8.3 million), which the Group has previously raised through Inner Mongolia Culture Assets and Equity Exchange to finance the early phase development of CrossFire New Mobile Game with compensation of interest on the principal financed (see Note 32).

18. Refund of WoW game points

As a result of the loss of the World of Warcraft ("WoW") license on June 7, 2009, the Group announced a refund plan in connection with inactivated WoW game point cards, which the Group recorded as refund of game points. According to the plan, inactivated WoW game point card holders are eligible to receive a cash refund from the Group. The Group recorded a liability in connection with both inactivated points cards and activated but unconsumed point cards of approximately RMB200.4 million (US$28.8 million).

Upon the loss of the WoW license, the Group concluded the nature of the obligation substantively changed from deferred revenue, for which the Group had the responsibility to satisfy the underlying performance obligation, to an obligation to refund players for their unconsumed points. The Group has accounted for this refund liability by applying the derecognition guidance specified in ASC 405-20. In accordance with this guidance, the refund liability associated with these WoW game points, to the extent not refunded, will be recorded as other operating income after the Group is legally released from the obligation to refund amounts under the applicable laws. In consultation with its legal counsel, the Group concluded the legal liability relating to the inactivated WoW game point cards was extinguished in September 2011 on the basis that the legal liability lapsed two years from the date the Group publicly announced the refund policy that applied to these cards. Accordingly, the associated liability amounting to RMB26.0 million (US$3.7 million) was recognized as other operating income for the year ended December 31, 2011. With respect to the remaining refund liability, based on current PRC laws, to the extent not refunded, the Company, in consultation with legal counsel, has determined that it will be legally released from this liability in September 2029, which represents 20 years from the discontinuation of WoW in 2009. However, if the Group were to publicly announce a refund policy, the Group would be legally released from any remaining liability for these activated, but unconsumed points that remained two years from the date of such announcement. To date, the Group has determined not to publicly announce any refund policy with respect to this remaining liability, and no refunds have been claimed. The remaining refund liability relating to the activated, but unconsumed WoW game points is RMB170.0 million (US$24.4 million) as of both December 31, 2018 and 2019.

19. CONVERTIBLE NOTES

On November 24, 2015, the Group entered into an agreement with Splendid Days Limited for a private placement of secured convertible notes and warrants for gross proceeds of US$40,050,000. The transaction closed on December 11, 2015. Pursuant to the terms of the agreement, the convertible notes shall mature in December 2018, subject to an extension for two years at the discretion of the investor. The convertible notes accrue interest at a rate of 12% per annum and are payable upon maturity of the notes. According to the Schedule 13D filed by Splendid Days Limited on March 5, 2018, Splendid Days Limited's equity was transferred from Ark Pacific Special Opportunities Fund I, L.P., an entity affiliated with the Group's former president as of the issuance date of these consolidated financial statements to Truth Beauty Limited. The notes are secured by the equity interest of the Group's subsidiaries (The9 Computer and C9I Shanghai), and the Group's office buildings with a total net book value of RMB14.1 million as of December 31, 2019. The net book value of office buildings has been classified as assets held-for-sale as of December 31, 2019. Splendid Days Limited is entitled to put the convertible notes to the Group upon a change in control and upon an event of default. The Group has entered into a deed of settlement with the Splendid Days Limited on March 12, 2019 wherein the Group will proceed to dispose of office buildings and use the proceeds to repay both convertible notes and the entrusted bank loan. Annual interest rate on the loan remained at 12% up to settlement date. In September 2019, the Group entered into an agreement with Kapler Pte. Ltd. to sell three subsidiaries, namely The9 Computer, C9I Shanghai and Shanghai Kaie for total consideration of RMB493.0 million (US$70.8 million). These subsidiaries hold land use rights and office buildings located at Zhangjiang, Shanghai. The transaction was subsequently completed on February 21, 2020. As of the issuance date of these consolidated financial statements, the Group has repaid the principal and interest due on the entrusted bank loan and has repaid US$4.8 million to the issuer of convertible notes and is planning to use the consideration received for payment of the remaining outstanding balance of convertible notes amounting to US$55.5 million.

The notes are divided into three tranches and can be converted into a total of 11,695,513 shares of the Group's ADS at any time as follows:

Convertible Notes	Principal Amount		Conversion Price	
Tranche A	US$	22,250,000	US$	2.60
Tranche B	US$	13,350,000	US$	5.20
Tranche C	US$	4,450,000	US$	7.80

The conversion prices are subject to anti-dilution adjustments in the event the Group issues ordinary shares at a price per share lower than the applicable conversion price in effect immediately prior to the issuance. As of December 31, 2019, no adjustments to the conversion prices had occurred.

The Group has determined that there was BCF attributable to the Tranche A convertible loan as the conversion price is lower than market value at the date of issuance of the convertible notes. The value of the BCF is determined to be US$8.1 million, which is equal to the intrinsic value of the conversion feature. The convertible notes are recorded at net carrying value at the date of issuance as follows:

Principal Amount	US$40,050,000
Less:	
Fair value allocated to warrants (Note 21)	8,821,883
Beneficial conversion feature	8,112,556
Issuance cost	3,200,000
Net carrying value	US$19,915,561

The fair value of warrants, BCF and issuance costs are recorded as debt discount and accreted to interest expense over three years using the effective interest method. The convertible notes should be repaid with principal and interest based on the agreement. As of December 31, 2018 and 2019, the total carrying amount of the convertible notes principal and interest payable is RMB375.3 million and RMB414.1 million (US$59.5million), respectively. Interest expenses recognized on the convertible notes are RMB77.0 million, RMB98.3 million, and RMB33.2 million (US$4.8 million) for the years ended December 31, 2017, 2018 and 2019, respectively.

20. WARRANTS ON CONVERTIBLE NOTES

The warrants are exercisable at any time after the commitment date to purchase up to 4,778,846 shares of the Group's ADS as follows:

Warrants	Principal Amount		Exercise Price	
Tranche I	US$	5,000,000	US$	1.50
Tranche A	US$	2,750,000	US$	2.60
Tranche B	US$	1,650,000	US$	5.20
Tranche C	US$	550,000	US$	7.80

For the tranches A, B and C, the expiration date is the third anniversary of the issuance date or if the holder has exercised its option to extend the maturity date of all or any portion of the convertible notes in accordance with the terms and conditions thereof, the fifth anniversary of the issuance date. Tranches A, B and C expired on December 20, 2018. Tranche I will expire in December 2020.

The exercise prices of the warrants are subject to anti-dilution adjustments in the event the Company issue ordinary shares at a price per share lower than the applicable exercise price in effect immediately prior to the issuance. As of December 31, 2019, no adjustments to the exercise prices had occurred.

The Group performs valuations of the warrants using a probability weighted Black-Scholes Model. This model requires input of assumptions including the risk-free interest rates, volatility, expected life and dividend rates, and has also considered the likelihood of "down-round" financings. Selection of these inputs involves management's judgment and may affect net income.

The assumptions used in the Black-Scholes option pricing model for Tranche I was as follows:

Warrants	Tranche I
Risk-free interest rate	1.59%
Expected volatility of common stock	93.67%
Dividend yield	0.00
Expected life of warrants	0.9 years

The fair value of the warrants as of issuance date, December 31, 2018 and 2019 is RMB1.5million and RMB0.2 million (US$0.03 million), respectively. The change in fair value of the warrants liability resulted in a loss of RMB12.6 million, RMB2.3million and RMB1.3 million (US$0.2 million) for the years ended December 31, 2017, 2018 and 2019, respectively.

21. SHAREHOLDER RIGHTS PLAN

On January 8, 2009, the Company adopted a shareholder rights plan. The shareholder rights plan is designed to protect the best interests of the Company and its shareholders by discouraging third-parties from seeking to obtain control of the Company in a tender offer or similar hostile transaction. The shareholder rights plan was amended on March 9, 2009, June 8, 2017, and June 16, 2017.

Pursuant to the terms of the shareholder rights plan, as amended, one right was distributed with respect to each ordinary share of the Company outstanding at the close of business on January 22, 2009. The rights will become exercisable only if a person or group (the "Acquiring Person") obtains ownership of 15% or more of the Company's voting securities (including by acquisition of the Company's ADSs representing ordinary shares) (a "Triggering Event"), subject to certain exceptions. In the case of a Triggering Event, the rights plan entitles shareholders other than the Acquiring Person to purchase, for an exercise price of US$19.50, a number of shares with a value twice that of the exercise price. The number of shares each such shareholder will be entitled to purchase is equal to the product of (i) the number of shares then owned by such shareholder and (ii) two times the exercise price divided by the then current market price per share. The rights plan expired on January 8, 2019. The plan has not been exercisable as of the expiration date and has not been extended.

On May 6, 2019, an extraordinary general meeting was held to adjust the authorized share capital and to adopt a dual-class share structure, consisting of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share is entitled to one vote per share on all matters subject to vote at general meetings of the Group. Each Class B ordinary share is entitled to fifty (50) votes per share on all matters subject to vote at general meetings of the Group. Class A ordinary shares and Class B ordinary shares were split from the ordinary shares issued at the time of change. No new shares were issued. Only Mr. Jun Zhu and Incsight Limited ("Incsight") hold Class B ordinary shares. As of December 31, 2019, there were 112,929,702 ordinary shares issued or outstanding, being the sum of 103,737,691 Class A ordinary shares and 9,192,011 Class B ordinary shares.

22. EMPLOYEE BENEFITS

Full-time employees of the Group's subsidiaries and VIE subsidiaries registered in the PRC are entitled to statutory staff welfare benefits, including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. These subsidiaries and VIE subsidiaries are required to accrue for these benefits based on certain percentages of the employees' salaries in accordance with the relevant regulations, and to make contributions to the state-sponsored pension and medical plans out of the amounts accrued for medical and pension benefits. The total amounts charged to the consolidated statements of operations and comprehensive loss for such employee benefits amounted to RMB12.9 million, RMB7.9 million and RMB4.5 million (US$0.6 million) for the years ended December 31, 2017, 2018 and 2019, respectively. The PRC government is responsible for the medical benefits and ultimate pension liability to these employees.

23. SHARE-BASED COMPENSATION

23.1 Share Option Plan

On December 15, 2004, in connection with its initial public offering, the Company adopted a share option plan ("2004 Option Plan"). As of December 31, 2013, the total number of ordinary shares reserved in the 2004 Option Plan was 6,449,614 shares. The maximum contractual term of the awards under this plan shall be no more than five years from the date of grant. The options granted under this plan shall be at the money on the date of grant and typically vest over a three-year period, with one third of the options to vest on the each of the anniversary after the grant date. The 2004 Option Plan was amended in November 2015 to increase the maximum aggregate number of ordinary shares to 14,449,614 shares. The 2004 Option Plan was amended in August 2016 to increase the maximum aggregate number of ordinary shares to 34,449,614 shares. On June 6, 2017, the Group and optionees have entered into certain stock option agreements, pursuant to which the Group has granted to the optionees options to acquire the ordinary shares, par value US$0.01 each, of the Group. According to the agreements, 6,328,535 options were exercised to ordinary shares, and 10,806,665 options were canceled. In December 2018, the 2004 Option Plan was amended to increase the maximum aggregate number of ordinary shares to 100,000,000 shares. As of December 31, 2019, options to purchase 1,050,000 ordinary shares are outstanding and options to purchase 64,527,118 ordinary shares are available for future grant under the 2004 Option Plan.

Stock Options

The following table summarizes the Group's share option activities with its employees and directors:

	Number of Options	Weighted-Average Exercise Price		Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2019	50,000	US$	0.93	4.07	Nil
Granted	-		-	-	Nil
Exercised	-		-	-	Nil
Forfeited	-		-	-	Nil
Outstanding as of December 31, 2019	50,000	US$	0.93	3.07	Nil
Vested and expected to vest as of December 31, 2019	50,000	US$	0.93	3.07	Nil
Exercisable as of December 31, 2019	50,000	US$	0.93	3.07	Nil

The options expected to vest are estimated by applying the pre-vesting forfeiture rate assumptions to total unvested options. The total intrinsic value of options exercised during the year was nil for years ended December 31, 2017, 2018 and 2019.

On January 24, 2018, as approved by the Board of Directors, the Group granted share options totaling 5,750,000 shares to directors, officers and consultants. The remaining shares shall become vested in a series of 36 successive equal monthly installments upon grantees' completion of each month of service to the Company over the 36-month period measured from the grant date. On September 4, 2018, the Group canceled a portion of the options totaling 4,700,000 share options granted to directors, officers and consultants. The remaining 1,000,000 share options were forfeited due to the resignation of directors.

The weighted-average grant-date fair value of options granted during 2018 was US$0.51. The fair value of the share options were measured on the respective grant dates based on the Black-Scholes option pricing model, with below assumptions made regarding expected term and volatility, risk-free interest rate and dividend yield:

Risk-free interest rate	2.19%
Expected life (years)	2.93
Expected dividend yield	0.00%
Volatility	78.55%
Fair value of options at grant date	US$0.51

On August 6, 2016, the Group granted share options totaling 6,000,000 shares to Mr. Jun Zhu, chairman and chief executive officer, and a third-party consultant as a reward for facilitating the Mongolia funding platform with total funding amount of RMB157.5 million (US$22.6 million) to the Group. According to ASC 718, the share option was applicable to the performance condition due to the share options would be vested in line with the percentage of funding received by the Group. In 2017, the options totaling 5,000,000 granted to Mr. Jun Zhu were canceled. Stock options to purchase 1,000,000 shares issued to the third-party consultant were canceled on January 22, 2019.

On January 24, 2018, as approved by the Board of Directors, the Group granted share options totaling 2,500,000 shares to directors and consultant, subject to performance conditions, of which 1,000,000 shares granted will vest upon the success of improvement on the Group's online game business and 1,500,000 shares will vest upon the success of the Group's fund raising efforts. On September 4, 2018, the Group canceled 1,500,000 share options granted to director and consultant.

The following table summarizes the share option activities subject to performance condition:

	Number of Options	Weighted-Average Exercise Price		Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2019	2,000,000	US$	1.86	2.06	Nil
Granted	-		-	-	Nil
Exercised	-		-	-	Nil
Forfeited	(1,000,000)	US$	0.93	-	Nil
Outstanding as of December 31, 2019	1,000,000	US$	0.93	3.07	Nil
Vested and expected to vest as of December 31, 2019	1,000,000	US$	0.93	3.07	Nil
Exercisable as of December 31, 2019	-		-	-	Nil

The grant-date fair value of share options with performance condition during 2018 was US$0.51. The fair value of the awards that are based on the performance condition was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.19%
Expected life (years)	2.93
Expected dividend yield	0.00%
Volatility	78.55%
Fair value of options at grant date	US$0.51

Cancelation and Acceleration Vesting of Share-Based Awards

On June 6, 2017, the Group canceled a portion of the options totaling 10,806,665 and accelerated the vesting and exercise of the remaining options totaling 6,328,535 for options granted to 15 directors, officers and employees. The exercise price was modified to US$0.00, which the original exercise price of the accelerated vesting options ranged from US$1.53 to US$1.86. The incremental compensation cost recognized due to the cancelation and acceleration vesting of options was RMB33.0 million (US$4.7 million) in 2017. The fair value of the options canceled and accelerated vested under service and performance condition was measured on the modification date using Binomial Tree Pricing Model with the following assumptions:

Risk-free interest rate	1.16%-1.62%
Expected life (years)	4.49-5.00
Expected dividend yield	0.00%
Volatility	62%-74%
Fair value of options at modification date	US$0.06-US$0.31

The fair value of the options canceled and accelerated vested under market condition was measured on the modification date using the Monte Carlo Simulation model with the following assumptions:

Risk-free interest rate	1.52%
Expected life (years)	5.00
Expected dividend yield	0.00%
Volatility	72%
Fair value of options at modification date	US$0.18-US$0.25

Restricted Ordinary Shares

On September 4, 2018, the Group granted an aggregate amount of 30,000,000 restricted ordinary shares to directors, officers and consultants. In exchange for such restricted ordinary shares granted, the Group forfeited and canceled the stock options in the total amount of 6,200,000 shares previously granted on January 24, 2018. Half of each individual's shares will only vest if the Group meets certain target on non-GAAP profit before tax in 2019. If the Group fails to achieve this target, such half of each individual's shares will be forfeited and canceled. The remaining half of each individual's shares is subjected to a half year lock-up period. After the half year lock-up period, such remaining shares shall become vested in 36 successive equal monthly installments upon grantees' completion of each month of service to the Group measured from the last day of each month after the vesting commencement date.

On January 21, 2019, the Group forfeited and canceled an aggregate amount of 15,000,000 restricted ordinary shares with the vesting condition that the Group meets certain target on non-GAAP profit before tax in 2019 previously granted on September 4, 2018. The vesting conditions of the remaining 15,000,000 ordinary shares are subjected to a half year lock-up period. After the half year lock-up period, such remaining shares shall become vested in 24 successive equal monthly installments instead of 36 installments upon grantees' completion of each month of service to the Group measured from the last day of each month after the Vesting Commencement Date dated on March 5, 2019.

Share-Based Compensation

For the years ended December 31, 2017, 2018 and 2019, the Group recorded share-based compensation of RMB38.0 million, RMB3.9 million and RMB21.3 million (US$3.1 million), respectively, for options granted to the Group's employees and directors.

As of December 31, 2019, there was approximately RMB35.0 million (US$5.0 million) unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested options and restricted shares with performance condition. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures.

23.2 Ordinary Shares Granted to Incsight

Incsight is a company incorporated in the British Virgin Islands and wholly owned by Mr. Jun Zhu. On December 8, 2010, as approved by the Board of Directors, the Company granted 1,500,000 ordinary shares to Incsight, subject to performance conditions, of which 500,000 ordinary shares granted will vest when the Group achieves breakeven and 1,000,000 ordinary shares will vest when the Group's cumulative profit reaches US$5.0 million in a quarter subsequent to the quarter in which the Group breaks even. The ordinary shares granted are not entitled to receive dividends until vested. The Board of Directors considered the grant of ordinary shares as an incentive to retain Mr. Jun Zhu's services with the Group. The awarded non-vested shares would be valid for five years from December 8, 2010. For the quarter ended September 30, 2014, the Group achieved breakeven. It was considered probable the performance targets would be met for the total of 1,500,000 ordinary shares. The fair value of the granted non-vested shares was US$6.48 per share, the market price on the date of grant. On December 7, 2015, 500,000 ordinary shares granted to Incsight were vested. The awarded non-vested shares were valid for additional three years and expired on December 7, 2018. The Group recorded share-based compensation of RMB0.5 million, nil and nil for the years ended December 31, 2017, 2018 and 2019, respectively. As of December 31, 2019, there was no outstanding non-vested shares granted to Incsight.

23.3 Stock Options and Ordinary Shares Granted by Red 5

In February 2006, Red 5 adopted a Stock Incentive Plan ("Red 5 Stock Incentive Plan") under which Red 5 may grant to its employees, director and consultants stock options to purchase common shares or restricted shares. As of December 31, 2010, 13,626,955 shares were reserved under Red 5 Stock Incentive Plan. In September 2011, Red 5 further increased the number of common shares reserved to 22,855,591. If an option shall expire or terminate for any reason without having been exercised in full, the reserved shares subject to such option shall again be available for subsequent option grants under the plan. From the inception of this plan to December 31, 2019, Red 5 granted a total of 38,191,879 options to its employees and directors at the exercise price ranging from US$0.0001 to US$0.2450 per share, which vest over four years commencing from grant date. Options expire within a period of not more than ten years from the grant date. An option granted to a person who is a greater than 10% shareholder on the date of grant may not be exercisable more than five years after the grant date. As of December 31, 2019, options to purchase 5,111,250 shares of common stock were outstanding and options to purchase 15,480,087 shares of common stock were available for future grant.

The following table summarizes the Red 5's share option activities with its employees and directors for the year ended December 31, 2019:

	Number of Options	Weighted-Average Exercise Price per Option		Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2019	5,111,250	US$	0.049	2.24	Nil
Granted	-		-	-	Nil
Exercised	-		-	-	Nil
Forfeited	-			-	Nil
Outstanding as of December 31, 2019	5,111,250	US$	0.049	1.24	Nil
Vested and expected to vest as of December 31, 2019	5,111,250	US$	0.049	1.24	Nil
Exercisable as of December 31, 2019	5,111,250	US$	0.049	1.24	Nil

The option's intrinsic value was calculated by the excess of the estimated fair value of Red 5's common shares, which was determined by the Group with the assistance of an independent valuation firm.

The options expected to vest are estimated by applying the pre-vesting forfeiture rate assumptions to total unvested options. The total intrinsic value of options exercised for the year ended December 31, 2017, 2018 and 2019 were nil.

The fair value of options granted at US$0.0178, measured on the grant date based on the Black-Scholes option pricing model with assumptions made regarding expected term and volatility, risk-free interest rate and dividend yield:

Risk-free interest rate	0.78%
Expected life (years)	4.00
Expected dividend yield	0.00%
Volatility	45.70%

Red 5 recorded share-based compensation of RMB0.3 million, RMB0.04 million and RMB0.05 million (US$0.01 million) for options and shares of restricted common stock granted for the years ended December 31, 2017, 2018 and 2019, respectively. The share-based payment awards were recorded as a component of noncontrolling interest in the consolidated financial statements.

As of December 31, 2019, unrecognized compensation cost related to share-based awards granted to Red 5 grantees was nil.

24. RELATED PARTY TRANSACTIONS AND BALANCES

Transaction with equity investee

In 2013, the Group entered into an agreement with ZTE9, an equity investee of the Group, to jointly operate IPTV games in the PRC. According to the agreement, the Group pays ZTE9 a royalty fee for providing game contents on IPTV. Net royalty and other service fees related to IPTV business charged by ZTE9 to the Group amounted to RMB5.2million and nil for the years ended December 31, 2018 and 2019, respectively. The Group provided IPTV related supporting service to ZTE9 of RMB0.2 million and nil for the years ended December 31, 2018 and 2019, respectively. Total amount due to ZTE9 for IPTV business was RMB5.1 million and RMB0.2 million (US$0.03 million) as of December 31, 2018 and 2019, respectively. The Group lent RMB0.6 million and nil to ZTE9 to fund its operations in 2018 and 2019, respectively. ZTE9 has repaid RMB1.7 million and nil in 2018 and 2019, respectively. Total amount due from ZTE9 for outstanding loans was RMB1.0 million and RMB1.0 million (US$0.1 million) as of December 31, 2018 and 2019, respectively.

The Group charged service fees to Big Data of RMB0.05 million and RMB 0.02 million (US$0.01 million) for the years ended December 31, 2018 and 2019, respectively. The Group charged outsourcing service fee of RMB0.4 million and nil for the years ended December 31, 2018 and 2019, respectively. Total amount due from Big Data was RMB0.1 million and RMB0.1 million (US$0.02 million) as of December, 2018 and 2019, respectively.

In 2014, the Group entered into a license agreement with System Link, a 50% joint venture of the Group, for publishing and operating Firefall for a five-year term in the PRC. Under this license agreement, System Link is expected to pay Red 5 and Red 5 Singapore a total of no less than US$160.0 million (including license fee and royalties) during the term of the agreement. In 2015, System Link paid US$10.0 million to the Group as a license fee. The Group recorded the US$10.0 million as amount due to the related party and was to amortize the amount over the five-year period. System Link has been dormant since the cessation of Firefall in March 2016 and the termination of CrossFire 2 license in November 2017. Red 5 Singapore filed a lawsuit against System Link in 2016. Due to ongoing litigation and non-operation of Firefall, Red 5 was no longer required to render any service to System Link in relation to the operation of Firefall. As such, Red 5 recognized the remaining unamortized license fee as revenue in 2017. The balance due to System Link (non-current) was nil as both of December 31, 2018 and 2019. The Group recognized licensing revenue of RMB51.1 million, nil and nil for the years ended December 31, 2017, 2018 and 2019, respectively. In 2019, the Group has reached an out-of-court settlement with Qihoo 360 where Red 5 Singapore has withdrawn the litigation from Shanghai Intellectual Property Court in May 2019 and the Group is implementing a mediation agreement with Qihoo 360 to settle the arbitration proceeding in Hong Kong as of the issuance date of these consolidated financial statements (see Note 30.2).

Transaction with T3

In 2016, Asian Way entered into a license agreement with T3, an equity investee of the Group, for developing a game using augmented reality (“AR”) technologies based on the intellectual property relating to the game. Upon commercial launch, Asian Way will share certain percentages of revenues of the game to T3. The game is still under development as of December 31, 2019. The Group has sold all its equity interest in T3 during the year.

Transaction with Mr. Jun Zhu

Mr. Jun Zhu, the chairman and chief executive officer, provided loans of RMB11.0 million and RMB16.1 million (US$2.3 million) to the Group in 2018 and 2019, respectively. The loans were interest-free and the outstanding balance of RMB57.1 million and RMB63.2 million (US$9.1 million) remained as of December 31, 2018 and 2019, respectively.

In May 2019, the issued and outstanding ordinary shares then held by Incsight, which is wholly owned by Mr. Jun Zhu, and the issued and outstanding ordinary shares then held by Mr. Jun Zhu himself, were re-designated and re-classified as Class B ordinary shares. All other ordinary shares then issued and outstanding were re-designated and re-classified as Class A ordinary shares. On the same date, the Company amended and restated then effective Amended and Restated Memorandum of Association and Articles of Association in their entirety and adopted the Second Amended and Restated Memorandum and Articles of Association which reflect, among other things, the changes to the capital structure of the Company. As a result of such changes, Mr. Jun Zhu holds the majority of our outstanding voting power and we became a “controlled company” as defined under Nasdaq Stock Market Rules.

Transaction with Comtec

In June 2019, the Group entered into a share purchase agreement with Comtec, a wholly-owned subsidiary of Comtec Solar Systems Group Limited (SEHK: 00712) (“Comtec Group”), an entity affiliated with Kwok Keung Chau, independent director of the Company. Pursuant to the share purchase agreement, the Company has issued 3,444,882 Class A ordinary shares to purchase 9.9% equity interest in Zhenjiang Kexin, a lithium battery management system and power storage system supplier.

25. LOSS PER SHARE

Loss per share is calculated as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2019
	RMB	RMB	RMB	US$ (Note 3)
Numerator:				
Net loss attributable to ordinary shareholders before change in redeemable noncontrolling interest	(118,165,850)	(217,092,926)	(177,795,168)	(25,538,677)
Change in redeemable noncontrolling interest	(57,126,233)	(40,918,773)	(12,827,598)	(1,842,569)
Net loss attributable to ordinary shareholders	(175,292,083)	(258,011,699)	(190,622,766)	(27,381,246)
Denominator:				
Denominator for basic and diluted loss per share – weighted-average shares outstanding	33,426,448	62,114,760	106,407,008	106,407,008
Loss per share				
- Basic and diluted	(5.24)	(4.15)	(1.79)	(0.26)

The Company had 5,778,846, 20,383,333 and 13,213,978 stock options, warrants and non-vested shares outstanding as of December 31, 2017, 2018 and 2019, respectively, which were excluded in the computation of diluted loss per share in the periods presented, as their effect would have been anti-dilutive due to the net loss reported in such periods.

26. RESTRICTED NET ASSETS

Pursuant to laws applicable to entities incorporated in the PRC, the subsidiaries and the VIEs of the Group established in the PRC must make appropriations from after-tax profit to non-distributable reserved funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires annual appropriation of 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) until the accumulative amount of such reserved fund reaches 50% of their registered capital; the other fund appropriations are at the subsidiaries' discretion. These reserve funds can only be used for specific purposes of enterprise expansion, and the staff bonus and welfare are not distributable as cash dividends. The appropriation to these reserves by the Group's PRC entities was nil for the years ended December 31, 2017, 2018 and 2019. The accumulated reserves as of December 31, 2019 were RMB3.8 million (US$0.5 million). In addition, due to restrictions on the distribution of registered capital from the Company's PRC subsidiaries, the PRC subsidiaries' registered capital of RMB11.5 million (US$1.6 million) as of December 31, 2019, were considered restricted. As a result of these PRC laws and regulations, as of December 31, 2019, approximately RMB7.7 million (US$1.1 million), were not available for distribution to the Company by its PRC subsidiaries in the form of dividends, loans or advances.

27. NONCONTROLLING INTEREST

As of December 31, 2019, the Group's noncontrolling interests mainly included equity interest in Red 5 and equity awards granted as compensation by the Group's subsidiaries. The following schedule shows the effects of changes in the ownership interest of The9 Limited in its subsidiaries on equity attributed to The9 Limited for the years ended December 31, 2017, 2018 and 2019.

	December 31, 2017	**December 31, 2018**	**December 31, 2019**	**December 31, 2019**
	RMB	**RMB**	**RMB**	**US$ (Note 3)**
Net loss attributable to The9 Limited	(118,165,850)	(217,092,926)	(177,795,168)	(25,538,677)
Transfers (to) from the noncontrolling interest:				
Change in The9 Limited's additional paid-in capital for adjustment on noncontrolling interest as a result of issuance of common shares of Red 5 upon vesting of stock options and restricted shares (1)	(7,060)	-	-	-
Change from net loss attributable to The9 Limited and transfers to noncontrolling interests	(118,172,910)	(217,092,926)	(177,795,168)	(25,538,677)

(1) In June 2016, the Group completed a share exchange transaction with L&A and certain other shareholders of Red 5, whereby the Group exchanged approximately 30.6% equity interest (on a fully-diluted basis) owned in Red 5 for a total of 723,313,020 (after a one-to-five stock split) of newly issued shares of L&A, after deducting a 6% of total shares received (769,481,940 shares) for the payment of a service fee to a third-party consultant. As a result, the percentage of noncontrolling interest in Red 5 changed from 10.4% to 58.1%, after deducting shares of Series B redeemable convertible preferred shares ("SBPS") from total shares of Red 5.

28. REDEEMABLE NONCONTROLLING INTEREST

In January 2014, Red 5 issued 27,438,952 SBPS to a third-party investor, Shanghai Oriental Pearl Culture Development Co., Ltd., ("Oriental Pearl"), for an aggregate consideration of RMB118.3 million (US$17.0 million). In conjunction with the issuance of SBPS, Oriental Pearl also purchased 5,948,488 common shares of Red 5 from two executives of Red 5 at the same per share price as the per share price of SBPS for an aggregate consideration of RMB25.6 million (US$3.7 million). The purchase price for these common shares was determined to be less than fair value as the transaction was contemplated in conjunction with the issuance of the SPBS. The difference between the purchase price and fair value of SBPS as determined by the Group with the assistance of an independent valuation firm, amounted to RMB131.3 million (US$18.9 million), was recognized as a compensation paid to the two executives in the amount of RMB13.0 million (US$1.9 million).

Due to share exchange transaction with L&A in 2016, a 37% share of SBPS was owned by L&A. As of December 31, 2019, the holders of SBPS were as follows:

Holder	**December 31, 2018**	**December 31, 2019**
	Number of Shares	Number of Shares
L&A International Holdings Limited	10,180,553	10,180,553
Shanghai Oriental Pearl Culture Development Co., Ltd.	17,258,399	17,258,399

As of December 31, 2014, the Group considered the redemption of the SBPS to be probable. The Group accreted the carrying value of SBPS to redemption value using the effective interest rate method over the period from the issuance date to the redemption date.

The key terms of the SBPS are as follows:

Conversion

Each SBPS may be converted at any time into common shares at the then applicable conversion price. The initial conversion ratio is 1:1, subject to adjustment in the event of (i) share splits, share combinations, share dividends or distribution, other dividends, recapitalizations and similar events, or (ii) issuance of common shares at a price per share less than the conversion price in effect on the date of or immediately prior to such issuance. In that case, the conversion price shall be reduced concurrently to the subscription price of such issuance.

The SBPS shall be automatically converted into common shares immediately prior to the consummation of a public offering of Red 5's shares wherein gross proceeds are at least US$30,000,000, immediately following the public offering (the "Qualifying IPO").

The conversion option can only be settled by issuance of common shares except that fractional shares may be settled in cash.

Dividends
The holder of each share of SBPS shall be entitled to receive dividends at the rate per share of $0.038237 per annum if and when a dividend is declared on common shares. The preferred shares participate in dividends on an as-converted basis and must be paid prior to any payment on common shares.

Upon conversion, any declared or accrued but unpaid dividends will be converted into common shares at the same applicable conversion price.

Redemption
At any time on or after April 1, 2017, if requested by at least 50% of the holders of SBPS then outstanding, Red 5 shall redeem all of the outstanding SBPS at a redemption price equal to 200% of the issuance price in three equal annual installments. The full amount of the redemption price due but not paid shall accrue interest daily at a rate of 10% per annum from the issuance date of SBPS (see Note 30.2).

Voting
Each SBPS has voting rights equivalent to the number of common shares to which it is convertible at the record date. The holders of SBPS shall vote together with the common shareholders, and not as a separate class or series, on all matters put before the shareholders.

Liquidation
The holders of SBPS have preference over holders of common shares with respect to distribution of assets upon voluntary or involuntary liquidation of Red 5. The holders of SBPS shall be entitled to receive 100% of the original issue price ("preferred liquidation"). The holders of SBPS are also entitled to distribution of remaining assets from preferred liquidation, along with other shareholders, while the total distribution entitled to the holders of SBPS should not exceed 200% of the original issue price.

A reconciliation of redeemable noncontrolling interest is as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2019
	RMB	RMB	US$ (Note 3)
Redeemable noncontrolling interest opening balance	306,014,668	341,074,539	48,992,293
Net loss attributable to redeemable noncontrolling interest	(5,858,902)	(4,855,589)	(697,462)
Change in redeemable noncontrolling interest	40,918,773	12,827,598	1,842,569
Redeemable noncontrolling interest ending balance	341,074,539	349,046,548	50,137,400

29. DISPOSAL OF SUBSIDIARIES

On September 26, 2019, the Group entered into an agreement with Kapler Pte. Ltd. to sell three subsidiaries namely The9 Computer, C9I Shanghai and Shanghai Kaie for total consideration of RMB493.0 million (US$70.8 million). These subsidiaries hold the land use rights and office buildings located at Zhangjiang, Shanghai. Proceeds from the disposal will be used to repay both the outstanding entrusted bank loan and convertible notes, with the residual to be used as working capital for the Group's operations.

As of December 31, 2019, the transaction was under process and the equity interest of The9 Computer, C9I Shanghai and Shanghai Kaie have been transferred to Kapler Pte. Ltd. The Group, however, continued to manage operation of these subsidiaries, including subsequent repayment of the entrusted bank loan, until final completion of the transaction in February 2020. As of December 31, 2019, the Group still retained power over decisions that most significantly impact the economic activities and potential to receive significant benefits or absorb significant losses of these subsidiaries. As such, these subsidiaries are part of consolidated entities of the Group as of December 31, 2019 and the Group has presented the assets and liabilities of these subsidiaries as held-for-sale. The transaction was subsequently completed on February 21, 2020.

30. COMMITMENTS AND CONTINGENCIES

30.1 Other operating commitments

In October 2016, the Group had raised RMB57.5 million (US$8.3 million), and the Group planned to raise an additional RMB100.0 million (US$14.4 million) until CrossFire New Mobile Game is launched. Under this fundraising arrangement, the Group will share certain percentages of revenues from CrossFire New Mobile Game to investors providing funding to the Group. In August 2016, the Group granted a third-party consultant 1,000,000 options to acquire shares of the Group as payment for consulting services related to the RMB157.5 million (US$22.6 million) financing plan of CrossFire Mobile Game with Inner Mongolia Culture Assets and Equity Exchange. The options will vest in accordance with the schedule of the actual funding to be received. In October 2016, 365,079 options were vested after the Group received the first funding of RMB57.5 million (US$8.3 million). The Group continues to cooperate with a third-party company for development and operation of CrossFire Mobile Game. The Group plans to apply for a license (“Banhao”) from GAPPRPT for CrossFire New Mobile Game as soon as development of the game is finalized to launch the game. The Group does not plan to finance the remaining RMB100.0 million (US$14.4 million) from the planned fund raising arrangement, and due to non-recovery of the advance financing fee, the Group fully impaired the advance finance fee in 2018. In January 2019, total 1,000,000 options granted to the third-party consultant were canceled. The Group is obligated to pay an amount of US$2.0 million within 30 days after commercial launch date of the game to Smilegate as minimum guarantee for royalty.

In June 2017, Shanghai IT has entered into an investment agreement with the shareholders of Beijing Ti Knight where Shanghai IT will invest a total of RMB9.0 million (US$1.3 million) in Beijing Ti Knight. As of December 31, 2019, Shanghai IT has invested RMB4.9 million (US$0.7 million) and has a remaining capital contribution commitment amounting to RMB4.1 million (US$0.6 million). Shanghai IT’s purchase commitment amounting to RMB6.8 million (US$1.0 million) for the outsourcing development agreement entered on October 9, 2016 with Beijing Ti Knight will be waived if Shanghai IT’s accumulated investment in Beijing Ti Knight is more than RMB6.0 million (US$0.9 million). Hence, as of December 31, 2019, the Group has both a capital commitment and a purchase commitment amounting to RMB4.1 million (US$0.6 million) and RMB6.8 million (US$1.0 million), respectively, but the purchase commitment will be waived under the condition that accumulated investment in Beijing Ti Knight by Shanghai IT is more than RMB6.0 million (US$0.9 million). As of December 31, 2019 the agreements have not been terminated but the related outsourcing development of the related game has been transferred to a third-party company.

In 2019, Jiu Gang has signed a joint venture agreement with Shenzhen EN-plus Technologies Co., Ltd. ("EN+"), an electric vehicle charging equipment company incorporated in the PRC, to establish a joint venture to engage in sales of new energy electric vehicle charging equipment, investment, construction and operation of charging stations, and provision of operational services for urban charging equipment and platforms for electric vehicles. According to the joint venture agreement, the Group will make a cash investment of RMB50.0 million (US$7.2 million) in the joint venture in consideration for which it will receive 80% equity interest in the joint venture, and EN+ will contribute its current and future proprietary electric vehicle charging technology to the joint venture in consideration for which it will receive a 20% equity interest of the joint venture. As of December 31, 2019, the joint venture has not been commenced and no progress on the joint venture.

In March 2019, the Group entered into a joint venture agreement with F&F to establish a joint venture to manufacture, market, distribute and sell electric cars in the PRC. Under the terms of joint venture agreement, the Group will make capital contribution of up to US$600.0 million in three equal installments to the joint venture, and F&F will make contributions including its use rights for a piece of land in the PRC to manufacture electric cars and will grant the joint venture an exclusive license to manufacture, market, distribute and sell certain F&F's car models and other potential selected car models in the PRC, in each case subject to the satisfaction of certain conditions, such as establishment of the joint venture and funding arrangements. As of December 31, 2019, the Group has paid the initial deposit of US$5.0 million and has not paid remaining capital contribution.

In October 2019, the Group entered into a development agreement with F&F to establish a development plan for the joint venture's business conduct in the PRC. Under the terms of development agreement, the Group shall pay an amount of US$18.0 million as development fee in four-equal installments. The first installment of US$6.0 million shall be paid within 2 business days following the receipt by the Group of the proceeds from its proposed offering under that certain Registration Statement on Form F-1 filed with the U.S SEC on June 24, 2019. The Group has applied to withdraw the Registration Statement on From F-1 in February 2020.

30.2 Contingencies

In June 2016, Asian Development borrowed HK$92.3 million (US$11.9 million) from a financial services company at an annual interest rate of 2% for a term of 24 months. This loan is secured by 417,440,000 shares of L&A (see Note 16). Pursuant to the financing agreement ("Agreement"), such loan is considered to be in default since the market price of the pledged shares had fallen below the collateralized stock price by more than 35% for ten consecutive trading days. Asian Development had not made any remediation pursuant to the Agreement. Upon default, the lender shall be entitled to foreclose the pledged shares and become the legal and beneficial owner of the pledged shares. If the market value of the pledged shares cannot cover the total outstanding amount owed by Asian Development to the lender under the Agreement, the lender may claim against Asian Development to recover any outstanding amounts under the Agreement, in addition to foreclosure of the pledged shares as mentioned above.

As mentioned in Note 24, Red 5 and its affiliates are currently in dispute with Qihoo 360 and its affiliates regarding System Link and Firefall and various legal proceedings have been initiated and are ongoing in connection with such dispute since 2016 where litigations have been filed with both Intellectual Property Court of Shanghai and Hong Kong International Arbitration Centre. In May 2019, the Group has entered into an out-of-court settlement with Qihoo 360 where both the Group and Qihoo 360 agreed to withdraw litigations filed in relation to the dispute over Firefall and to liquidate the joint venture, System Link. As of December 31, 2019, the Group has withdrew all the claims against Qihoo 360 and settled the litigation proceedings in Shanghai in May 2019. In August 2019, the Group has received a refund from Intellectual Property Court of Shanghai on court acceptance fee paid in 2016 and recognized other income amounting to RMB3.8 million (US$0.5 million) for the year ended December 31, 2019. As of the issuance date of these consolidated financial statements, the Group is implementing the mediation agreement with Qihoo 360 to settle the arbitration proceeding in Hong Kong.

Shanghai Oh Yeah Information Technology Co., Ltd. ("Shanghai Oh Yeah") filed several related civil claims against joint defendants including Shanghai IT, ZTE9 and a third-party defendant, regarding copy-right infringements of their intellectual property to the Intellectual Property Court of Shanghai with a total aggregated claim amount of RMB3.0 million (US$0.4 million). These civil claims are still in process as of December 31, 2019. The Group has assessed the likelihood of the outcome and has accrued an amount for the contingency. The Group may be subject to other legal or administrative proceedings in the ordinary course of business. The Group does not believe that any currently pending legal or administrative proceeding to which the Group is a party will have a material adverse effect on the business or financial condition.

As described in Note 28, in August 2014, Red 5 issued 27,438,952 Series B redeemable convertible preferred shares of Red 5 to a new investor, Oriental Pearl. Due to the stock exchange transaction with L&A in 2016, a 37% share of the SBPS was owned by L&A as of December 31, 2019 (see Note 28). Per Articles of Association of Red 5, major holders of SBPS, at any time on or after April 1, 2017 (the "Redemption Election"), can require Red 5 to redeem all, but not less than all, of the outstanding shares of SBPS, as applicable, in three equal annual installments. New Star, a wholly owned subsidiary of the Group, owns 39,766,589 Series A redeemable convertible preferred shares which have similar terms with the Series B redeemable convertible preferred shares. The redemption value of SBPS was US$16.5 million for the first installment, US$18.1 million for the second installment and US$19.9 million for the third installment. Since Red 5 is in a net liability position, the Group does not believe the preferred shareholders will request such redemption. As of the issuance date of these consolidated financial statements, there was no such preferred shareholder requiring Red 5 to redeem the preferred shares.

31. SEGMENT REPORTING

The Group operates in one segment whose business is developing and operating online games and related services. The Group's chief operating decision maker is the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group generates its revenues from customers in the Greater China (including PRC, Taiwan, Hong Kong and Macau), North America and other areas for the years ended December 31, 2017, 2018 and 2019.

The following geographic area information includes revenue based on location of players for the years ended December 31, 2017, 2018 and 2019:

	2017	2018	2019	2019
	RMB	RMB	RMB	US$ (Note 3)
Greater China	19,690,716	16,430,205	182,107	26,158
North America	51,156,109	-	-	-
Other areas	2,301,731	1,001,653	159,388	22,895
Total	73,148,556	17,431,858	341,495	49,053

The majority of the Group's assets are located in Greater China.

32. SUBSEQUENT EVENTS

In February 2020, the Group completed the sale of three subsidiaries, namely The9 Computer, C9I Shanghai and Shanghai Kaie that held the mortgaged office buildings located at Zhangjiang, Shanghai to Kapler Pte. Ltd. As of the issuance date of these consolidated financial statements, the Group has received 90% of sale proceeds from Kapler Pte. Ltd. amounting to RMB443.7 million. The Group has repaid the principal and interest due on the entrusted bank loan and has repaid US$4.8 million to the issuer of convertible notes. The Group plans to use proceeds from the above sale to settle the remaining outstanding balance of convertible notes amounting to US$55.5 million.

In February 2020, the Group issued and sold (i) a one-year convertible note in a principal amount of US$500,000, (ii) 70,000 ADSs, and (iii) 3,300,000 Class A ordinary shares, for an aggregate consideration of US$500,000 at an initial conversion price of US$1.05 per ADS to Iliad Research and Trading, L.P. ("Iliad"). The convertible note bears interest at a rate of 6.0% per year, compounded daily. Iliad has the right, at its sole discretion, for any time after six months from the purchase date until the outstanding balance has been paid in full, to convert all or any portion of the outstanding balance up to US$150,000 per calendar month into ADSs of the Group at an initial conversion price of US$1.05 per ADS, subject to adjustment. Beginning on the date that is six months from the note purchase date, Iliad has the right, exercisable at any time in its sole and absolute discretion, to redeem any portion of the convertible note. The Group could pay the redemption amount to Iliad in cash or the Group's ADSs. In the events the principal amount and interest accrued for the convertible note issued to Iliad are fully repaid, the Company has the right to repurchase the remaining Class A ordinary shares held by Iliad that are unsold at US$0.0001 per share.

On March 6, 2020, the Company received a letter from the Listing Qualifications Department of Nasdaq, notifying that the minimum bid price per ADS, each representing three Class A ordinary shares of the Company, was below US$1.00 for a period of 30 consecutive business days and the Company did not meet the minimum bid price requirement set forth in Rule 5550(a)(2) of the Nasdaq Listing Rules. The Group has a compliance period of 180 calendar days, or until September 2, 2020, to regain compliance with Nasdaq's minimum bid price requirement. If the Company fail to satisfy Nasdaq Capital Market's continued listing requirements and fail to regain compliance on a timely basis, the ADSs could be delisted from Nasdaq Capital Market.

On April 13, 2020, the Company received a letter from the Listing Qualifications Department of Nasdaq indicating that the Company no longer met the continued listing requirement of minimum MVLS for the Nasdaq Global Market because the market value of the Company's securities listed on Nasdaq for the last 30 consecutive business days was below the minimum requirement of US$35.0 million. Pursuant to the relevant Nasdaq listing rules, the Company has a compliance period of 180 calendar days, or until October 12, 2020, to regain minimum MVLS requirements. If the Company fails to satisfy Nasdaq Global Market's continued listing requirements and fail to regain compliance on a timely basis, the ADSs could be delisted from Nasdaq Global Market.

On April 17, 2020, the Company received a notification letter from the Listing Qualifications Department of Nasdaq indicating that Nasdaq has determined to toll the compliance period for minimum bid price and market value of publicly held shares requirements through June 30, 2020. As a result of the tolling of the compliance period, the Company will have until November 16, 2020 to regain compliance. The Company can regain compliance, either during the tolling period or during the compliance period resuming after the tolling period, by evidencing compliance with the minimum bid price requirement for a minimum of ten consecutive trading days.

In April 2020, Inner Mongolia Culture Assets and Equity Exchange filed a civil claim against Wuxi Qudong and Shanghai IT to recover RMB57.5 million (US$8.3 million) of principal and interest that it previously raised to finance the early phase development of CrossFire New Mobile Game. The Group is cooperating with a third-party company for the development and operation of CrossFire Mobile Game. The Group plans to apply for a license ("Banhao") from GAPPRPT for CrossFire New Mobile Game as soon as development of the game is finalized. The Group may seek to meditate and settle this claim amid ongoing game development. The Group does not expect this case to significantly affect the business operations.

Starting from January 2020, a novel strain of coronavirus, later named COVID-19, has spread worldwide. Government-imposed measures such as travel restrictions, extended holidays and delay of business resumption have interrupted normal operation of businesses in various regions. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. This pandemic may cause pressure on the Group due to delayed ability to identify alternative business opportunities and to obtain additional financing to support business transitions. Travel restrictions have affected Group management's progress of discussions with its business partners regarding potential cooperation to facilitate transition into a different industry. Consequently, the Group is unable to accurately predict the impact that the pandemic will have on our financial condition and results of operations due to numerous uncertainties, including the severity of the disease, the duration of the outbreak, actions that may be taken by government authorities, the impact to the business of our customers, and other factors.

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY

FINANCIAL STATEMENTS SCHEDULE I

THE9 LIMITED

FINANCIAL INFORMATION OF PARENT COMPANY

CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

	2017	2018	2019	2019
	RMB	RMB	RMB	US$ (Note 3)
REVENUE	-	-	-	-
Cost of revenues	-	-	-	-
Gross loss	-	-	-	-
Operating expenses:				
Product development	(43,710)	-	-	-
Sales and marketing	(231,884)	-	-	-
General and administrative	(62,979,090)	(21,435,150)	(68,165,230)	(9,791,323)
Total operating expenses	(63,254,684)	(21,435,150)	(68,165,230)	(9,791,323)
Loss from operations	(63,254,684)	(21,435,150)	(68,165,230)	(9,791,323)
Interest expenses	(76,989,899)	(98,308,205)	(33,154,189)	(4,762,301)
Fair value change on warrants liability	12,615,466	2,251,427	1,292,243	185,619
Foreign exchange gain (loss)	35,473,519	1,963,364	(1,648,652)	(236,814)
Other expenses, net	(21,649,514)	(18,180,060)	(1,636,394)	(235,053)
Loss before income tax expense and share of loss in equity method investments	(113,805,112)	(133,708,624)	(103,312,222)	(14,839,872)
Income tax benefit	-	-	-	-
Recovery of equity investment in excess of cost	60,548,651	-	-	-
Equity in loss of subsidiaries and VIEs	(64,909,389)	(83,384,302)	(74,482,946)	(10,698,805)
Net loss	(118,165,850)	(217,092,926)	(177,795,168)	(25,538,677)
Other comprehensive (loss) income, net of tax:				
Currency translation adjustments	(19,027,771)	7,241,192	5,426,604	779,483
Total comprehensive loss	(137,193,621)	(209,851,734)	(172,368,564)	(24,759,194)

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY

FINANCIAL STATEMENTS SCHEDULE I

THE9 LIMITED

FINANCIAL INFORMATION OF PARENT COMPANY

CONDENSED BALANCE SHEETS

AS OF DECEMBER 31, 2018 AND 2019

	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	US$ (Note 3)
ASSETS			
Current assets:			
Cash and cash equivalents	18	143,896	20,669
Prepayments and other current assets, net	61,979	63,873	9,175
Amounts due from intercompany	1,305,838,856	1,303,065,115	187,173,592
Total current assets	1,305,900,853	1,303,272,884	187,203,436
Investments in subsidiaries and VIEs	(1,635,525,945)	(1,681,526,537)	(241,536,174)
Total assets	(329,625,092)	(378,253,653)	(54,332,738)
LIABILITIES			
Current liabilities:			
Short-term borrowings	-	34,881,000	5,010,342
Accrued expenses and other current liabilities	5,248,838	11,578,754	1,663,184
Warrants	1,490,844	198,600	28,527
Convertible notes	375,257,140	414,127,908	59,485,752
Total current liabilities	381,996,822	460,786,262	66,187,805
Total liabilities	381,996,822	460,786,262	66,187,805
SHAREHODERS' EQUITY (DEFICIT)			
Ordinary shares	6,502,658	-	-
Class A ordinary shares	-	7,321,099	1,051,610
Class B ordinary shares	-	648,709	93,181
Additional paid-in capital	2,496,069,065	2,539,552,478	364,783,889
Statutory reserves	28,071,982	28,071,982	4,032,288
Accumulated other comprehensive loss	(9,204,556)	(3,777,952)	(542,669)
Accumulated deficit	(3,233,061,063)	(3,410,856,231)	(489,938,842)
Total shareholders' deficit	(711,621,914)	(839,039,915)	(120,520,543)
Total liabilities and shareholders' equity	(329,625,092)	(378,253,653)	(54,332,738)

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY

FINANCIAL STATEMENTS SCHEDULE I

THE9 LIMITED

FINANCIAL INFORMATION OF PARENT COMPANY

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 2018 AND 2019

	2017	2018	2019	2019
	RMB	**RMB**	**RMB**	**US$ (Note 3)**
Cash flows from operating activities:				
Net loss	(118,165,850)	(217,092,926)	(177,795,168)	(25,538,678)
Adjustments for:				
Share-based compensation expenses	37,727,861	3,645,751	21,705,240	3,117,763
Fair value change on warrants liability	(12,615,466)	(2,251,427)	(1,292,244)	(185,619)
Amortization of discount and interest on convertible notes	76,990,826	98,308,205	33,154,191	4,762,302
Foreign exchange (gain) loss	(35,473,519)	(1,963,364)	1,648,652	236,813
Recovery of equity investment in excess of cost	(60,548,651)	-	-	-
Equity in loss of subsidiaries and VIEs	64,909,389	83,384,302	74,482,946	10,698,806
Consulting fee paid by issuance of shares	13,454,692	4,172,800	35,091,686	5,040,605
Change in prepayments and other current assets	915,269	(2,971)	(1,894)	(272)
Change in amounts due from intercompany	(130,954,737)	30,882,203	(28,060,447)	(4,030,631)
Change in accrued expenses and other current liabilities	(2,092,500)	898,712	6,329,916	909,236
Net cash used in operating activities	(165,852,686)	(18,715)	(34,737,122)	(4,989,675)
Cash flows from investing activity:				
Settlement payment from investee	165,812,500	-	-	-
Cash flows from financing activities:				
Proceeds from other loans	-	-	34,881,000	5,010,341
Net cash provided by (used in) financing activities	-	-	34,881,000	5,010,341
Net change in cash and cash equivalents	(40,186)	(18,715)	143,878	20,666
Cash and cash equivalents, beginning of year	58,919	18,733	18	3
Cash and cash equivalents, end of year	18,733	18	143,896	20,669
Supplement disclosure of cash flow information:				
Interest paid	-	-	-	-
Income taxes paid	-	-	-	-

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY

FINANCIAL STATEMENTS SCHEDULE I

THE9 LIMITED

FINANCIAL INFORMATION OF PARENT COMPANY

NOTES TO SCHEDULE I

1) Schedule I has been provided pursuant to the requirements of *Rule 12-04(a)* and *5-04(c)* of *Regulation S-X*, which require condensed financial information as to the financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

2) As disclosed in Note 1 to the consolidated financial statements, The9 Limited (the "Company") was incorporated in December 22, 1999 in the Cayman Islands to be the holding company of the Group principally engaged in the development and operation of online games. In 2019, the Group attempted to enter into electric vehicle industry and now aims to become a diversified high-tech Internet company.

3) The condensed financial information has been prepared using the same accounting policies as set out in the consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries and VIEs. For the parent company, the Company records its investments in subsidiaries and VIE under the equity method of accounting as prescribed in *ASC 323, Investments-Equity Method and Joint Ventures* . Such investments are presented on the Condensed Balance Sheets as "Investment in subsidiaries and VIEs" and the subsidiaries and VIEs' profit or loss as "Equity in income/loss of subsidiaries and VIEs" on the Condensed Statements of Comprehensive Loss. Ordinarily under the equity, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this Schedule I, the parent company has continued to reflect its share, based on its proportionate interest, of the losses of subsidiaries and VIE regardless of the carrying value of the investment even though the parent company is not obligated to provide continuing support or fund losses.

4) As of December 31, 2018 and 2019, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of the Company. No dividend was paid by the Company's subsidiaries to the Company in 2017, 2018 and 2019

5) Translations of balances in the additional financial information of The9 Limited ("Parent Company") — Financial Statements Schedule I from RMB into US$ as of December 31, 2019 and for the year ended December 31, 2019 are solely for the convenience of the readers and were calculated at the rate of US$1.00 = RMB6.9618, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 31, 2019. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2019, or at any other rate.

Exhibit 1.1

THE COMPANIES LAW (2018 REVISION)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES

SECOND AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION OF THE9 LIMITED

(adopted by a Special Resolution passed on May 6, 2019)

1. The name of the Company is The9 Limited.

2. The Registered Office of the Company shall be at the offices of CARD Corporate Services Ltd, Zephyr House, Mary Street, PO Box 709 George Town, Grand Cayman, or at such other place as the Directors may from time to time decide.

3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (2018 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands.

4. The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.

5. The authorized share capital of the Company is US$50,000,000 divided into (i) 4,300,000,000 Class A Ordinary Shares of a par value of US$0.01 each, (ii) 600,000,000 Class B Ordinary Shares of a par value of US$0.01 each and (iii) 100,000,000 shares of a par value of US$0.01 each of such class or classes as the Board may determine in accordance with this Second Amended and Restated Memorandum of Association and the Articles. The Company has the power to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (2018 Revision) and the Articles and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.

6. The Company has the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

7. Capitalized terms that are not defined in this Second Amended and Restated Memorandum of Association bear the same meaning as those given in the Second Amended and Restated Articles of Association of the Company adopted by Special Resolution passed and effective on , 2019.

THE COMPANIES LAW, CAP. 22 (2018 REVISION)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES

SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION
OF
THE9 LIMITED

(adopted by a Special Resolution passed on May 6, 2019)

INTERPRETATION

1. In these Articles, unless otherwise defined, the defined terms shall have the meanings assigned to them as follows:

"Articles"

means the Second Amended and Restated Articles of Association adopted by Special Resolution on May 6, 2019, as from time to time altered or added to in accordance with the Statutes and these Articles;

"Business Day"

means a day, excluding Saturdays or Sundays, on which banks in Hong Kong, Shanghai and New York are open for general banking business throughout their normal business hours;

"Class A Ordinary Share"

means an Ordinary Share of a par value of US$0.01 each in the capital of the Company, designated as a Class A Ordinary Shares and having the rights provided for in these Articles;

"Class B Ordinary Share"

means an Ordinary Share of a par value of US$0.01 each in the capital of the Company, designated as a Class B Ordinary Share and having the rights provided for in these Articles;

"Commission"

means the Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act;

"Companies Law"

means the Companies Law (2018 Revision) of the Cayman Islands and any statutory amendment or re-enactment thereof. Where any provision of the Companies Law is referred to, the reference is to that provision as amended by any law for the time being in force;

"Company"

means The9 Limited, a Cayman Islands exempted company limited by shares;

"Company's Website"

means the website of the Company, the address or domain name of which has been notified to Members;

"Directors" and "Board of Directors" and "Board"

means the directors of the Company for the time being, or as the case may be, the Directors assembled as a Board or as a committee thereof;

“electronic”

has the meaning given to it in the Electronic Transactions Law 2000 of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefore;

“electronic communication”

means electronic posting to the Company’s Website, transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds of the vote of the Board;

“in writing”

includes writing, printing, lithograph, photograph, type-writing and every other mode of representing words or figures in a legible and non-transitory form and, only where used in connection with a notice served by the Company on Members or other persons entitled to receive notices hereunder, shall also include a record maintained in an electronic medium which is accessible in visible form so as to be useable for subsequent reference;

“Member” or "Shareholder"

means a person whose name is entered in the Register of Members as the holder of a share or shares;

“Memorandum of Association”

means the Memorandum of Association of the Company, as amended and restated from time to time;

“month”

means a calendar month;

“Ordinary Resolution”

means a resolution:

(a) passed by a simple majority of votes cast by such Members as, being entitled to do so, vote in person or, in the case of any Member being an organization, by its duly authorized representative or, where proxies are allowed, by proxy at a general meeting of the Company; or

(b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments if more than one, is executed;

“Ordinary Shares”

means a Class A Ordinary Share or a Class B Ordinary Share;

“paid up”

means paid up as to the par value and any premium payable in respect of the issue of any shares and includes credited as paid up;

“Register of Members”

means the register to be kept by the Company in accordance with the Companies Law;

“Seal”

means the Common Seal of the Company (if adopted) including any facsimile thereof;

“Securities Act”

means the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time;

“share”

means any share in the capital of the Company, including the Ordinary Shares and shares of other classes;

“signed”

includes a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication;

“Special Resolution”

means a special resolution of the Company passed in accordance with the Companies Law, being a resolution:

(a) passed by not less than two-thirds of the votes cast by such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of the Company of which notice specifying the intention to propose the resolution as a special resolution has been duly given; or

(b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed;

“Statutes”

means the Companies Law and every other laws and regulations of the Cayman Islands for the time being in force concerning companies and affecting the Company;

“year”

means a calendar year.

2. In these Articles, save where the context requires otherwise:

(a) words importing the singular number shall include the plural number and vice versa;

(b) words importing the masculine gender only shall include the feminine gender;

(c) words importing persons only shall include companies or associations or bodies of persons, whether corporate or not;

(d) “may” shall be construed as permissive and “shall” shall be construed as imperative;

(e) a reference to a dollar or dollars (or $) is a reference to dollars of the United States;

(f) references to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force; and

(g) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

3. Subject to the last two preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

PRELIMINARY

4. The business of the Company may be conducted as the Directors see fit.

5. The registered office of the Company shall be at such address in the Cayman Islands as the Directors shall from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

SHARE CAPITAL

6. The authorised share capital of the Company at the date of adoption of these Articles is US$50,000,000.00 divided into divided into (i) 4,300,000,000.00 Class A Ordinary Shares of a par value of US$0.01 each, (ii) 600,000,000.00 Class B Ordinary Shares of a par value of US$0.01 each and (iii) 100,000,000.00 shares of a par value of US$0.01 each of such class or classes as the Board may determine in accordance with the Memorandum of Association and these Articles, each with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law and these Articles and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.

ISSUE OF SHARES

7. Subject to the provisions, if any, in that behalf in the Memorandum of Association and to any direction that may be given by the Company in a general meeting, the Directors may allot, issue, grant options over or otherwise dispose of shares of the Company (including fractions of a share) with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper. The Company shall not issue shares in bearer form.

7A. The Directors may authorise the division of Shares into any number of Classes and the different Classes shall be authorised, established and designated (or re-designated as the case may be) and the variations in the relative rights (including, without limitation, voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different Classes (if any) may be fixed and determined by the Directors or by an Ordinary Resolution. The Directors may issue shares with such preferred or other rights, all or any of which may be greater than the rights of Ordinary Shares, at such time and on such terms as they may think appropriate. Notwithstanding Articles 19 and 20, the Directors may issue from time to time, out of the authorised share capital of the Company (other than the authorised but unissued Ordinary Shares), series of preferred shares in their absolute discretion and without approval of the Members; provided, however, before any preferred shares of any such series are issued, the Directors shall by resolution of Directors determine, with respect to any series of preferred shares, the terms and rights of that series, including:

(a) the designation of such series, the number of preferred shares to constitute such series and the subscription price thereof if different from the par value thereof;

(b) whether the preferred shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may be general or limited;

(c) the dividends, if any, payable on such series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, and the preference or relation which such dividends shall bear to the dividends payable on any shares of any other class or any other series of shares;

(d) whether the preferred shares of such series shall be subject to redemption by the Company, and, if so, the times, prices and other conditions of such redemption;

(e) whether the preferred shares of such series shall have any rights to receive any part of the assets available for distribution amongst the Members upon the liquidation of the Company, and, if so, the terms of such liquidation preference, and the relation which such liquidation preference shall bear to the entitlements of the holders of shares of any other class or any other series of shares;

(f) whether the preferred shares of such series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the preferred shares of such series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

(g) whether the preferred shares of such series shall be convertible into, or exchangeable for, shares of any other class or any other series of preferred shares or any other securities and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;

(h) the limitations and restrictions, if any, to be effective while any preferred shares of such series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Company of, the existing shares or shares of any other class of shares or any other series of preferred shares;

(i) the conditions or restrictions, if any, upon the creation of indebtedness of the Company or upon the issue of any additional shares, including additional shares of such series or of any other class of shares or any other series of preferred shares; and

(j) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof;

and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued. The Company shall not issue Shares to bearer.

7B. Holders of Class A Ordinary Shares and Class B Ordinary Shares shall at all times vote together as one class on all resolutions submitted to a vote by the Members. Each Class A Ordinary Share shall entitle the holder thereof to one (1) vote on all matters subject to vote at general meetings of the Company, and each Class B ordinary share shall entitle the holder thereof to fifty (50) votes on all matters subject to vote at general meetings of the Company. Each Class B Ordinary Share is convertible into one (1) Class A Ordinary Share at any time at the option of the holder thereof. The right to convert shall be exercisable by the holder of the Class B Ordinary Share delivering a written notice to the Company that such holder elects to convert a specified number of Class B Ordinary Shares into Class A Ordinary Shares. In no event shall Class A Ordinary Shares be convertible into Class B Ordinary Shares. Any conversion of Class B Ordinary Shares into Class A Ordinary Shares pursuant to these Articles shall be effected by means of the re-designation of each relevant Class B Ordinary Share as a Class A Ordinary Share. Such conversion shall become effective forthwith upon entries being made in the Register to record the re-designation of the relevant Class B Ordinary Shares as Class A Ordinary Shares. Upon any sale, transfer, assignment or disposition of any Class B Ordinary Share by a Member to any person who is not an Affiliate of such Member, such Class B Ordinary Share shall be automatically and immediately converted into one Class A Ordinary Share. For the avoidance of doubt, (i) a sale, transfer, assignment or disposition shall be effective upon the Company's registration of such sale, transfer, assignment or disposition in its Register; and (ii) the creation of any pledge, charge, encumbrance or other third party right of whatever description on any Class B Ordinary Shares to secure contractual or legal obligations shall not be deemed as a sale, transfer, assignment or disposition unless and until any such pledge, charge, encumbrance or other third party right is enforced and results in any third party holding legal title to any such Class B Ordinary Shares, in which case any such Class B Ordinary Shares shall be automatically converted into the same number of Class A Ordinary Shares. Save and except for voting rights and conversion rights as set out in this Article 7B, the Class A Ordinary Shares and the Class B Ordinary Shares shall rank *pari passu* with one another and shall have the same rights, preferences, privileges and restrictions.

REGISTER OF MEMBERS AND SHARE CERTIFICATES

8. The Company shall maintain a Register of its Members and every person whose name is entered as a member in the Register of Members shall, without payment, be entitled to a certificate within two months after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide) in the form determined by the Directors. All certificates shall specify the share or shares held by that person and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all. All certificates for shares shall be delivered personally or sent through the post addressed to the member entitled thereto at the Member's registered address as appearing in the register.

9. Every share certificate of the Company shall bear legends required under the applicable laws, including the Securities Act.

10. Any two or more certificates representing shares of any one class held by any Member may at the Member's request be cancelled and a single new certificate for such shares issued in lieu on payment (if the Directors shall so require) of US$1 or such smaller sum as the Directors shall determine.

11. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same shares may be issued to the relevant member upon request subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of out-of-pocket expenses of the Company in connection with the request as the Directors may think fit.

12. In the event that shares are held jointly by several persons, any request may be made by any one of the joint holders and if so made shall be binding on all of the joint holders.

TRANSFER OF SHARES

13. The instrument of transfer of any share shall be in writing and executed by or on behalf of the transferor and shall be accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

14. All instruments of transfer that shall be registered shall be retained by the Company.

REDEMPTION AND PURCHASE OF OWN SHARES

15. Subject to the provisions of the Statutes and these Articles, the Company may:

    (a) issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Member or the Company on such terms and in such manner as the Board may, before the issue of the shares, determine;

    (b) purchase its own shares (including any redeemable shares) provided that the Members shall have approved the manner of purchase by Ordinary Resolution or the manner of purchase shall be in accordance with the following Articles (this authorisation is in accordance with section 37(2) of the Companies Law or any modification or re-enactment thereof for the time being in force); and

    (c) make a payment in respect of the redemption or purchase of its own shares in any manner permitted by the Statutes, including out of capital.

16. Purchase of shares listed on any securities exchange or other system on which shares of the Company may be listed or otherwise authorised for trading from time to time (an "Exchange"): the Company is authorised to purchase any share listed on such Exchange in accordance with the following manner of purchase:

    (a) the maximum number of shares that may be repurchased shall be equal to the number of issued and outstanding shares less one share; and

    (b) the repurchase shall be at such time, at such price and on such other terms as determined and agreed by the Board in their sole discretion provided however that:

        (i) the repurchase shall be at such time, at such price and on such other terms as determined and agreed by the Board in their sole discretion provided however that:

        (ii) at the time of the repurchase, the Company is able to pay its debts as they fall due in the ordinary course of its business.

17. Purchase of shares not listed on an Exchange: the Company is authorised to purchase any shares not listed on an Exchange in accordance with the following manner of purchase:

    (a) the Company shall serve a repurchase notice in a form approved by the Board on the Member from whom the shares are to be repurchased at least two business days prior to the date specified in the notice as being the repurchase date;

    (b) the price for the shares being repurchased shall be such price agreed between the Board and the applicable Member;

    (c) the date of repurchase shall be the date specified in the repurchase notice; and

    (d) the repurchase shall be on such other terms as specified in the repurchase notice as determined and agreed by the Board and the applicable Member in their sole discretion.

    The purchase of any share shall not oblige the Company to purchase any other share other than as may be required pursuant to applicable law and any other contractual obligations of the Company.

18. The holder of the shares being purchased shall be bound to deliver up to the Company at its registered office or such other place as the Board shall specify, the certificate(s) (if any) thereof for cancellation and thereupon the Company shall pay to him the purchase or redemption monies or consideration in respect thereof.

VARIATION OF RIGHTS ATTACHING TO SHARES

19. If at any time the share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to these Articles, be varied or abrogated with the consent in writing of the holders of a majority of the issued shares of that class, or with the sanction of a resolution passed by at least a majority of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of the shares of the class.

20. The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class of shares except that the necessary quorum shall be one person holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

21. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the Shares of that Class, be deemed to be materially adversely varied by, inter alia, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any Shares of any Class by the Company. The rights of the holders of Shares shall not be deemed to be materially adversely varied by the creation or issue of Shares with preferred or other rights including, without limitation, the creation of Shares with enhanced or weighted voting rights.

COMMISSION ON SALE OF SHARES

22. The Company may in so far as the Statutes from time to time permit pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares of the Company. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

NON-RECOGNITION OF TRUSTS

23. No person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future, or partial interest in any share, or any interest in any fractional part of a share, or (except only as is otherwise provided by these Articles or the Statutes) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

LIEN ON SHARES

24. The Company shall have a first and paramount lien and charge on all shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such share shall operate as a waiver of the Company's lien (if any) thereon. The Company's lien (if any) on a share shall extend to all dividends or other monies payable in respect thereof.

25. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 14 days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the persons entitled thereto by reason of his death or bankruptcy.

26. For giving effect to any such sale the Directors may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

27. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

28. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares, and each member shall (subject to receiving at least 14 days notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.

29. The joint holders of a share shall be jointly and severally liable to pay calls in respect thereof.

30. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of eight percent per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.

31. The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

32. The Directors may make arrangements on the issue of shares for a difference between the Members, or the particular shares, in the amount of calls to be paid and in the times of payment.

33. The Directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight percent. per annum) as may be agreed upon between the Member paying the sum in advance and the Directors. No such sum paid in advance of calls shall entitle the member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

FORFEITURE OF SHARES

34. If a Member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of such much of the call or instalment as is unpaid, together with any interest which may have accrued.

35. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.

36. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect.

37. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

38. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company receives payment in full of the fully paid up amount of the shares.

39. A statutory declaration in writing that the declarant is a Director of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share or any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

40. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share becomes due and payable, whether on account of the amount of the share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

REGISTRATION OF EMPOWERING INSTRUMENTS

41. The Company shall be entitled to charge a fee not exceeding one dollar (US$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

TRANSMISSION OF SHARES

42. The legal personal representative of a deceased sole holder of a share shall be the only person recognised by the Company as having any title to the share. In the case of a share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor, shall be the only person recognised by the Company as having any title to the share.

43. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member shall upon such evidence being produced as may from time to time be properly required by the Directors, have the right either to be registered as a member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt person could have made. If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

44. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company, provided however, that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

ALTERATION OF CAPITAL

45. Subject to these Articles, the Company may from time to time by Ordinary Resolution increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe.

46. Subject to these Articles, the Company may by Ordinary Resolution:

    (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

    (b) sub-divide its existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived;

    (c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

47. The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorized by law.

48. All new shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE

49. For the purpose of determining those Members that are entitled to receive notice of, attend or vote at any meeting of Members or any adjournment thereof, or those Members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Member for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period but not to exceed in any case 40 days. If the Register of Members shall be so closed for the purpose of determining those Members that are entitled to receive notice of, attend or vote at a meeting of Members such register shall be so closed for at least 10 days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register of Members.

50. In lieu of or apart from closing the Register of Members, the Directors may fix in advance a date as the record date for any such determination of those Members that are entitled to receive notice of, attend or vote at a meeting of the Members. For the purpose of determining those Members that are entitled to receive payment of any dividend, the Directors may, at or within 90 days prior to the date of declaration of such dividend, fix a subsequent date as the record date of such determination.

51. If the Register of Members is not so closed and no record date is fixed for the determination of those Members entitled to receive notice of, attend or vote at a meeting of Members or those Members that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of those Members that are entitled to receive notice of, attend or vote at a meeting of Members has been made as provided in this section, such determination shall apply to any adjournment thereof.

GENERAL MEETINGS

52. All general meetings other than annual general meetings shall be called extraordinary general meetings.

53. (a) The Company shall, if required by the Companies Law, in each year hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as may be determined by the Directors.

(b) At these meetings the report of the Directors (if any) shall be presented.

(c) The Company may hold an annual general meeting but shall not (unless required by the Companies Law) be obliged to hold an annual general meeting.

54. (a) The Directors may call general meetings, and they shall on a Members requisition forthwith proceed to convene an extraordinary general meeting of the Company.

(b) A Members requisition is a requisition of Members of the Company holding at the date of deposit of the requisition not less than 33% of the share capital of the Company as at that date carries the right of voting at general meetings of the Company.

(c) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.

(d) If the Directors do not within twenty one days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further twenty-one days, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of the second said twenty one days.

(e) A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

NOTICE OF GENERAL MEETINGS

55. At least seven business days' notice shall be given for any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting by all the Members (or their proxies) entitled to attend and vote thereat; and

(b) in the case of an extraordinary general meeting by a majority in number of the Members (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than ninety five per cent in par value of the shares giving that right.

56. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Member shall not invalidate the proceedings at any meeting.

PROCEEDINGS AT GENERAL MEETINGS

57. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. The holders of Ordinary Shares being not less than an aggregate of one-third of all Ordinary Shares in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes. A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.

58. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week, at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Member or Members present and entitled to vote shall be a quorum.

59. The Chairman of the Board of Directors shall preside as chairman at every general meeting of the Company.

60. If at any meeting the Chairman of the Board of Directors is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, the Members present shall choose a chairman of the meeting.

61. The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn a meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 10 days or more, not less than seven business days' notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

62. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by one or more Members present in person or by proxy entitled to vote and who together hold not less than 10 per cent of the paid up voting share capital of the Company, and unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.

63. If a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

64. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall not be entitled to a second or casting vote.

65. A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

VOTES OF MEMBERS

66. Subject to any rights and restrictions for the time being attached to any share, on a show of hands every Member present in person or by proxy (or, if a corporation or other non-natural person, by its duly authorised representative or proxy) shall, at a general meeting of the Company, each have one vote and on a poll every Member present in person or by proxy (or, if a corporation or other non-natural person, by its duly authorised representative or proxy) shall have one vote for each Class A Ordinary Share and fifty (50) votes for each Class B Ordinary Share of which he is the holder.

67. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

68. A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, or other person in the nature of a committee appointed by that court, and any such committee or other person, may on a poll, vote by proxy.

69. No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

70. On a poll, votes may be given either personally or by proxy.

71. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy need not be a Member of the Company.

72. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.

73. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

74. A resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETING

75. Any corporation which is a Member or a Director may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members or of the Board of Directors or of a committee of Directors, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member or Director.

CLEARING HOUSES

76. If a clearing house (or its nominee) is a member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its representative or representatives at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized pursuant to this provision shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

DIRECTORS

77. (A) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than five Directors, the exact number of Directors to be determined from time to time solely by resolution of Members at general meeting. The Directors shall be elected or appointed in the first place by the subscribers to the Memorandum of Association or by a majority of them and thereafter by the Members at general meeting.

(B) The Directors shall be divided into three classes, designated Class I, Class II and Class III. All classes shall be as nearly equal in number as possible. Each Director's class designation shall be approved by 2/3 of the affirmative votes of Directors present at the meeting of the Board of Directors.

The Directors as initially classified shall hold office for terms as follows:

(a) the Class I Directors shall hold office until the earlier of July 31, 2005 or the date by which the Company is required under applicable law or the Nasdaq corporate governance rules to appoint three independent directors;

(b) the Class II Directors shall hold office until the date of the annual general meeting of shareholders in 2006 or until their successors shall be elected and qualified; and

(c) the Class III Directors shall hold office until the date of the annual general meeting or shareholders in 2007 or until their successors shall be elected and qualified.

Upon expiration of the term of office of each class as set forth above, the Directors in each class shall be elected for a term of three years to succeed the Directors whose terms of office expire.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred share issued by the Company shall have the right, voting separately by class or series, to elect Directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the applicable terms of these Articles and any certificate of designation creating such class or series of preferred share, and such directors so elected shall not be divided into classes pursuant to this Article 77 unless expressly provided by such terms.

(C) The Board of Directors shall have a Chairman of the Board of Directors (the "Chairman") elected and appointed by a majority of the Directors then in office. The Chairman can only be removed from office by Ordinary Resolution. The Directors may also elect a Vice-Chairman of the Board of Directors (the "Vice-Chairman"). The Chairman shall preside as chairman at every meeting of the Board of Directors. To the extent the Chairman is not present at a meeting of the Board of Directors, the Vice-Chairman, or in his absence, the attending Directors may choose one Director to be the chairman of the meeting. Subject to Section 96, the Chairman's voting right as to the matters to be decided by the Board of Directors shall be the same as other Directors.

(D) Subject to these Articles and the Companies Law, the Company may by Ordinary Resolution elect any person to be a Director either to fill a casual vacancy on the Board or as an addition to the existing Board.

(E) The Directors by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting shall have the power from time to time and at any time to appoint any person as a Director to fill a casual vacancy on the Board or as an addition to the existing Board.

78. Subject to Article 77, a Director may be removed from office by Ordinary Resolution at any time before the expiration of his term notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under such agreement).

79. A vacancy on the Board created by the removal of a Director under the provisions of Article 78 above may be filled by the election or appointment by Ordinary Resolution at the meeting at which such Director is removed or by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting.

80. The Board may, from time to time, and except as required by applicable law or the listing rules of the recognized stock exchange or automated quotation system where the Company's securities are traded, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution from time to time.

81. A Director shall not be required to hold any shares in the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at general meetings of the Company and all classes of shares of the Company.

DIRECTORS' FEES AND EXPENSES

82. The Directors shall receive such remuneration as the Board may from time to time determine. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.

83. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.

ALTERNATE DIRECTOR

84. Any Director may in writing appoint another person to be his alternate to act in his place at any meeting of the Directors at which he is unable to be present. Every such alternate shall be entitled to notice of meetings of the Directors and to attend and vote thereat as a Director when the person appointing him is not personally present and where he is a Director to have a separate vote on behalf of the Director he is representing in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall not be an officer of the Company and shall be deemed to be the agent of the Director appointing him.

85. Any Director may appoint any person, whether or not a Director, to be the proxy of that Director to attend and vote on his behalf, in accordance with instructions given by that Director, or in the absence of such instructions at the discretion of the proxy, at a meeting or meetings of the Directors which that Director is unable to attend personally. The instrument appointing the proxy shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting of the Directors at which such proxy is to be used, or first used, prior to the commencement of the meeting.

POWERS AND DUTIES OF DIRECTORS

86. Subject to the provisions of the Companies Law, these Articles and to any resolutions made in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution made by the Company in a general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been made.

87. Subject to these Articles, the Directors may from time to time appoint any person, whether or not a director of the Company to hold such office in the Company as the Directors may think necessary for the administration of the Company, including without prejudice to the foregoing generality, the office of the Chief Executive Officer, one or more Vice Presidents, Chief Financial Officer, Manager or Controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. The Directors may also appoint one or more of their number to the office of Managing Director upon like terms, but any such appointment shall ipso facto determine if any Managing Director ceases from any cause to be a Director, or if the Company by Ordinary Resolution resolves that his tenure of office be terminated.

88. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

89. The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorize any such attorney to delegate all or any of the powers, authorities and discretion vested in him.

90. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the following paragraphs shall be without prejudice to the general powers conferred by this paragraph.

91. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any of the aforesaid.

92. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

93. Any such delegates as aforesaid may be authorized by the Directors to subdelegate all or any of the powers, authorities, and discretions for the time being vested to them.

94. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

DISQUALIFICATION OF DIRECTORS

95. Subject to Article 77, the office of Director shall be vacated, if the Director:

(a) becomes bankrupt or makes any arrangement or composition with his creditors;

(b) is found to be or becomes of unsound mind;

(c) resigns his office by notice in writing to the Company;

(d) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months and the Board resolves that his office be vacated; or

(e) if he or she shall be removed from office pursuant to these Articles or the Statutes.

PROCEEDINGS OF DIRECTORS

96. Subject to Article 77, the Directors may meet together (whether within or outside the Cayman Islands) for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting of the Directors shall be decided by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote. The Chairman may at any time summon a meeting of the Directors.

97. A Director or Directors may participate in any meeting of the Board of Directors, or of any committee appointed by the Board of Directors of which such Director or Directors are members, by means of telephone or similar communication equipment by way of which all persons participating in such meeting can hear each other and such participation shall be deemed to constitute presence in person at the meeting.

98. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be three Directors then in office including the Chairman, provided that a Director and his appointed alternate Director shall be considered only one person for this purpose. A meeting of the Directors at which a quorum is present when the meeting proceeds to business shall be competent to exercise all powers and discretions for the time being exercisable by the Directors. A meeting of the Directors may be held by means of telephone or teleconferencing or any other telecommunications facility provided that all participants are thereby able to communicate immediately by voice with all other participants.

99. Subject to Article 77, a Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A Director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

100. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.

101. Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.

102. The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:

(a) all appointments of officers made by the Directors;

(b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and

(c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.

103. When the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.

104. A resolution signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. When signed a resolution may consist of several documents each signed by one or more of the Directors.

105. The continuing Directors may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number, or of summoning a general meeting of the Company, but for no other purpose.

106. The Directors shall elect a chairman of their meetings and determine the period for which he is to hold office but if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.

107. A committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.

108. A committee appointed by the Directors may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall have a second or casting vote.

109. All acts done by any meeting of the Directors or of a committee of Directors, or by any person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

PRESUMPTION OF ASSENT

110. A Director of the Company who is present at a meeting of the Board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the Chairman or Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

111. Subject to any rights and restrictions for the time being attached to any class or classes of shares and these Articles, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.

112. Subject to any rights and restrictions for the time being attached to any class or classes of shares and these Articles, the Company by Ordinary Resolution may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

113. The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors be applicable for meeting contingencies, or for equalizing dividends or for any other purpose to which those funds be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit.

114. Any dividend may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address or to such person and such address as the Member or person entitled, or such joint holders as the case may be, may direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to the order of such other person as the Member or person entitled, or such joint holders as the case may be, may direct.

115. The Directors when paying dividends to the Members in accordance with the foregoing provisions may make such payment either in cash or in specie.

116. No dividend shall be paid otherwise than out of profits or, subject to the restrictions of the Companies Law, the share premium account.

117. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as fully paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the amounts of the shares. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share.

118. If several persons are registered as joint holders of any share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share.

119. No dividend shall bear interest against the Company.

BOOK OF ACCOUNTS

120. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.

121. The books of account shall be kept at the registered office of the Company, or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

122. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorized by the Directors or by the Company by Ordinary Resolution.

123. The accounts relating to the Company's affairs shall be audited in such manner and with such financial year end as may be determined from time to time by the Company by Ordinary Resolution or failing any such determination by the Directors or failing any determination as aforesaid shall not be audited.

ANNUAL RETURNS AND FILINGS

124. The Board shall make the requisite annual returns and any other requisite filings in accordance with the Companies Law.

AUDIT

125. The Directors may appoint an Auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or their remuneration.

126. Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and Officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.

127. Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an ordinary company, and at the next special meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an exempted company, and at any time during their term of office, upon request of the Directors or any general meeting of the Members.

THE SEAL

128. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of any one or more persons as the Directors may appoint for the purpose and every person as aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.

129. The Company may maintain a facsimile of its Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such person or persons as the Directors shall for this purpose appoint and such person or persons as aforesaid shall sign every instrument to which the facsimile Seal of the Company is so affixed in their presence of and the instrument signed by a Director or the Secretary (or an Assistant Secretary) of the Company or in the presence of any one or more persons as the Directors may appoint for the purpose.

130. Notwithstanding the foregoing, a Director shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

OFFICERS

131. Subject to Article 87, the Company may have a Chief Executive Officer, Chief Technology Officer, Chief Operating Officer and Chief Financial Officer, one or more Vice Presidents appointed by the Directors. The Directors may also from time to time appoint such other officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors from time to time subscribe.

CAPITALISATION OF PROFITS

132. Subject to the Statutes and these Articles, the Board may, with the authority of an Ordinary Resolution:

(a) resolve to capitalise an amount standing to the credit of reserves (including a share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution;

(b) appropriate the sum resolved to be capitalised to the Members in proportion to the nominal amount of shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:

(i) paying up the amounts (if any) for the time being unpaid on shares held by them respectively; or

(ii) paying up in full unissued shares or debentures of a nominal amount equal to that sum,

and allot the shares or debentures, credited as fully paid, to the Members (or as they may direct) in those proportions, or partly in one way and partly in the other, but the share premium account, the capital redemption reserved and profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to Members credited as fully paid;

(c) make any arrangements it thinks fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where shares or debentures become distributable in fractions the Board may deal with the fractions as it thinks fit;

(d) authorise a person to enter (on behalf of all the Members concerned) an agreement with the Company providing for either:

(i) the allotment to the Members respectively, credited as fully paid, of shares or debentures to which they may be entitled on the capitalisation, or

(ii) the payment by the Company on behalf of the Members (by the application of their respective operations of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing shares,

an agreement made under the authority being effective and binding on all those Members; and

(e) generally do all acts and things required to give effect to the resolution.

NOTICES

133. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the person entitled to give notice to any Member either personally, by facsimile or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to the Member at his address as appearing in the Register of Members or, to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address or website supplied by the member to the Company or by placing it on the Company's Website provided that the Company has obtained the Member's prior express positive confirmation in writing to receive or otherwise have made available to him notices. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.

134. Notices posted to addresses outside the Cayman Islands shall be forwarded by prepaid airmail.

135. Any Member present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.

136. Any notice or other document, if served by (a) post, shall be deemed to have been served five days after the time when the letter containing the same is posted and if served by courier, shall be deemed to have been served five days after the time when the letter containing the same is delivered to the courier (in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed and duly posted or delivered to the courier), or (b) facsimile, shall be deemed to have been served upon confirmation of receipt, or (c) recognised delivery service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service and in proving such service it shall be sufficient to provide that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier or (d) electronic means as Provided herein shall be deemed to have been served and delivered on the day following that on which it is successfully transmitted or at such later time as may be prescribed by any applicable laws or regulations.

137. Any notice or document delivered or sent to any Member in accordance with the terms of these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register of Members as the holder of the share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

138. Notice of every general meeting shall be given to:

(a) all Members who have supplied to the Company an address for the giving of notices to them; and

(b) every person entitled to a share in consequence of the death or bankruptcy of a Member, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other person shall be entitled to receive notices of general meetings.

INFORMATION

139. No Member shall be entitled to require discovery of any information in respect of any detail of the Company’s trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the members of the Company to communicate to the public.

140. The Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its members including, without limitation, information contained in the register of members and transfer books of the Company.

INDEMNITY

141. Every Director (including for the purposes of this Article any Alternate Director appointed pursuant to the provisions of these Articles) and officer of the Company for the time being and from time to time shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in connection with the execution or discharge of his duties, powers, authorities or discretions as a Director or officer of the Company, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.

142. No such Director or officer of the Company shall be liable to the Company for any loss or damage unless such liability arises through the willful neglect or default of such Director or officer.

143. Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director or officer on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

FINANCIAL YEAR

144. Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

NON-RECOGNITION OF TRUSTS

145. No person shall be recognised by the Company as holding any share upon any trust and the Company shall not, unless required by law, be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent or future interest in any of its shares or any other rights in respect thereof except an absolute right to the entirety thereof in each Member registered in the Register of Members.

WINDING UP

146. Subject to these Articles, if the Company shall be wound up the liquidator may, with the sanction of an Ordinary Resolution of the Company divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

AMENDMENT OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND NAME OF COMPANY

147. Subject to the Companies Law and these Articles, the Company may at any time and from time to time by Special Resolution alter or amend these Articles or the Memorandum of Association of the Company, in whole or in part, or change the name of the Company.

REGISTRATION BY WAY OF CONTINUATION

148. Subject to these Articles, the Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

Exhibit 2.2

NUMBER		SHARES

The9 Limited

INCORPORATED IN THE CAYMAN ISLANDS UNDER THE COMPANIES LAW

CAPITAL OF US$50,000,000

(divided into (i) 4,300,000,000 Class A Ordinary Shares of par value US$0.01 each, (ii) 600,000,000 Class B Ordinary Shares of par value US$0.01 each and (iii) 100,000,000 shares of a par value of US$0.01 each)

This certifies that ____________________

Of ____________________

is the registered holder of Class A Ordinary Shares fully paid and non-assessable, subject to the Memorandum and the Articles of Association of the Company, and transferable only on the books of the Company by the holder hereof in person or by Attorney upon surrender of this certificate properly endorsed.

***Given** under the Common Seal of the said Company*

This __ day of ___ 2019

The Common Seal of the Company was hereunto affixed in the presence of

____________________ **CA** ____________________

Director

Exhibit 2.4

Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act")

American Depositary Shares ("ADSs"), each representing three Class A ordinary shares of The9 Limited ("we," "our," "our company," or "us"), are listed and traded on the Nasdaq Capital Market and, in connection with this listing (but not for trading), the Class A ordinary shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of Class A ordinary shares and (ii) the holders of ADSs. Class A ordinary shares underlying the ADSs are held by The Bank of New York Mellon, as depositary, and holders of ADSs will not be treated as holders of the Class A ordinary shares.

Description of Class A Ordinary Shares

The following is a summary of material provisions of our currently effective Second Amended and Restated Memorandum and Articles of Association (the "Memorandum and Articles of Association"), as well as the Companies Law (2020 Revision) of the Cayman Islands (the "Companies Law") insofar as they relate to the material terms of our ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which is filed with the SEC as an exhibit to our annual report on Form 20-F filed on April 30, 2020 (the "2019 Form 20-F").

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each Class A ordinary share has US$0.01 par value. The number of Class A ordinary shares that have been issued as of the last day of the financial year ended December 31, 2019 is provided on the cover of the 2019 Form 20-F. Our Class A ordinary shares are issued in registered form, and are issued when registered in our register of members. We are not permitted to issue bearer shares.

Preemptive Rights (Item 9.A.3 of Form 20-F)

Our shareholders do not have preemptive rights.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

We have a dual-class voting structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share shall be entitled to one vote, and each Class B ordinary share shall be entitled to fifty votes, on all matters subject to a vote at general meetings of our company. Due to the super voting power of Class B ordinary share holder, the voting power of the Class A ordinary shares may be materially limited.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Class A Ordinary Shares (Item 10.B.3 of Form 20-F)

Classes of Ordinary Shares

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights.

Conversion

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of Class B ordinary shares by a holder thereof to any person who is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the same number of Class A ordinary shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights

Holders of our Class A ordinary shares and our Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by our shareholders at any general meeting of our company. Each Class A ordinary share shall be entitled to one vote, and each Class B ordinary share shall be entitled to fifty votes, on all matters subject to a vote at general meetings of our company. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by one or more shareholders together holding not less than ten percent of the paid up voting share capital, present in person or by proxy.

A quorum required for a meeting of shareholders consists of holders of not less than one-third of all issued and outstanding shares entitled to vote. Our company may hold an annual general meeting but shall not (unless required by the Companies Law) be obliged to hold an annual general meeting. Annual general meetings and extraordinary general meetings may be convened by our board of directors on its own initiative. In addition, our board of directors is required to convene extraordinary general meetings upon any requisition by shareholders holding in aggregate not less than 33% of our voting share capital. Advance notice of at least seven business days is required for the convening of our annual general meeting and extraordinary general meetings.

An ordinary resolution to be passed by our shareholders requires the affirmative vote of a simple majority of the votes attaching to our ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to our ordinary shares cast in a general meeting. A special resolution is required for important matters such as a change of name, a reduction of our share capital, effecting a statutory merger, or amending our Memorandum and Articles of Association. Holders of our ordinary shares may effect certain changes by ordinary resolution, including an increase of our authorized share capital, the consolidation and division of all or any of our share capital into shares of a larger amount than our existing share capital, and the cancellation of any authorized but unissued shares.

Transfer of Shares

Subject to the restrictions of our Memorandum and Articles of Association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register of members in respect thereof.

Liquidation

On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares

Our board of directors may from time to time make calls upon shareholders for any moneys unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of such shares, on such terms and in such manner as may be determined, before the issuance of such shares, by our board of directors. Our company may also repurchase any of our shares (including any redeemable shares) provided that the manner of such purchase has been approved by ordinary resolution of our shareholders or the manner of such purchase is in accordance with our Memorandum and Articles of Association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Requirements to Change the Rights of Holders of Class A Ordinary Shares (Item 10.B.4 of Form 20-F)

Variations of Rights of Shares

If at any time our share capital is divided into different classes of shares, the rights attaching to any class of shares may, subject to our Memorandum and Articles of Association, be varied or abrogated either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a resolution passed by at least a majority of the holders of the shares of that class present in person or by proxy at a separate general meeting of the holders of the shares of that class.

Limitations on the Rights to Own Class A Ordinary Shares (Item 10.B.6 of Form 20-F)

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote ordinary shares.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Anti-Takeover Provisions

Some provisions of our Memorandum and Articles of Association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders;
- create a classified board of directors pursuant to which our directors are elected for staggered terms, which means that shareholders can only elect, or remove, a limited number of directors in any given year; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Memorandum and Articles of Association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions under Cayman Islands law applicable to the Company, or under the Memorandum and Articles of Association, that require the Company to disclose shareholder ownership above any particular ownership threshold.

Differences between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

The Companies Law is derived, to a large extent, from the older Companies Acts of England, but does not follow recent English law statutory enactments, and accordingly there are significant differences between the Companies Law and the current Companies Act of England. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Law applicable to us and the comparable provisions of the laws applicable to companies incorporated in the State of Delaware and their shareholders.

Mergers and Similar Arrangements

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Save in certain limited circumstances, a shareholder of a Cayman Islands constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provided the dissenting shareholder complies strictly with the procedures set out in the Companies Law. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition to the statutory provisions relating to mergers and considerations, the Companies Law also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders or creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the Grand Court of the Cayman Islands can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

The Companies Law also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory provisions, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule, a derivative action may ordinarily not be brought by a minority shareholder. However, based on English authority, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected (and have had occasion) to follow and apply the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, our company to challenge:

- an act which is ultra vires or illegal and is therefore incapable of ratification by the shareholders,
- an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and
- an act which requires a resolution with a qualified (or special) majority (i.e. more than a simple majority) which has not been obtained.

Indemnification of Directors and Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Memorandum and Articles of Association provides that we shall indemnify each of our directors and officers against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such director or officer in connection with the execution or discharge of his duties, powers, authorities or discretions as a director or officer, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our Memorandum and Articles of Association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore he owes the following duties to the company—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Companies Law and our Memorandum and Articles of Association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Memorandum and Articles of Association allow our shareholders holding not less than 33% of the share capital of our company carrying the right of voting at general meetings of our company to requisition a shareholder's meeting, in which case our directors are obligated to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our Memorandum and Articles of Association do not provide our shareholders other right to put proposal before annual general meetings or extraordinary general meetings not called by such shareholders. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of directors of our company, it is not a concept that is accepted as a common practice in the Cayman Islands, and our company has made no provisions in our Memorandum and Articles of Association to allow cumulative voting for such elections. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our Memorandum and Articles of Association, subject to certain restrictions as contained therein, directors may be removed with or without cause, by an ordinary resolution of our shareholders. A director shall hold office until the expiration of his or her term or his or her successor shall have been elected and qualified, or until his or her office is otherwise vacated. In addition, a director's office shall be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (iv) without special leave of absence from our board of directors, is absent from meetings of our board for six consecutive months and the board resolves that his office be vacated; or (v) is removed from office pursuant to any other provisions of our Memorandum and Articles of Association.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, the directors of the Company are required to comply with the fiduciary duties which they owe to the Company under Cayman Islands law, including the duty to ensure that, in their opinion, any such transactions entered into are bona fide in the best interests of the Company, and are entered into for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our Memorandum and Articles of Association, if at any time our share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to our Memorandum and Articles of Association, be varied or abrogated with the consent in writing of the holders of a majority of the issued shares of that class or with the sanction of a resolution passed by at least a majority of the holders of the shares of that class present in person or by proxy at a separate general meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our Memorandum and Articles of Association, our Memorandum and Articles of Association may only be amended with a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders

There are no limitations imposed by our Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Memorandum and Articles of Association which require our company to disclose shareholder ownership above any particular ownership threshold.

Changes in Capital (Item 10.B.10 of Form 20-F)

Our company may from time to time by ordinary resolution of our shareholders increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe.

Our company may by ordinary resolution of our shareholders:

- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Our company may by special resolution of our shareholders reduce our share capital and any capital redemption reserve in any manner authorised by law.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

The Bank of New York Mellon, as depositary, registers and delivers American Depositary Shares, also referred to as ADSs. Each ADS represents three Class A ordinary shares deposited with The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depositary in Hong Kong. Each ADS will also represent any other securities, cash or other property which may be held by the depositary. The deposited shares together with any other securities, cash or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs are administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also known as DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the depositary confirming their holdings.

As an ADS holder, we do not treat ADSs holder as one of our shareholders and an ADSs holder do not have shareholder rights. The laws of Cayman Islands govern shareholder rights. The depositary is the holder of the Class A ordinary shares underlying the ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, ADS holders and all other persons indirectly holding or beneficially owning ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of what we believe to be the material terms of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the form of deposit agreement which was filed as exhibit 1 to Post-Effective Amendment No. 3 to Form F-6 (File no. 333-156635) filed on June 21, 2019. The form of ADR is incorporated in the form of deposit agreement.

Share Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

Cash. The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the distribution.*

Shares. The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.

Rights to purchase additional shares. If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may (i) exercise those rights on behalf of ADS holders, (ii) distribute those rights to ADS holders or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. *In that case, you will receive no value for them.* The depositary will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the depositary that it is legal to do so. If the depositary will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

Other Distributions. The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. *This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you*.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs to the depositary for the purpose of withdrawal. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible. However, the depositary is not required to accept surrender of ADSs to the extent it would require delivery of a fraction of a deposited share or other security. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do you vote?

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of a shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our Memorandum and Articles of Association, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the depositary as described above, you won't be able to exercise voting rights unless you surrender your ADSs and withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed or as described in the following sentences. If we timely asked the depositary to solicit your instructions but the depositary does not receive voting instructions from you by the specified date and we confirm to the depositary that

- we wish to receive a discretionary proxy;
- as of the instruction cutoff date we reasonably do not know of any substantial shareholder opposition to the particular question; and
- the particular question would not materially adverse to the interests of our shareholders,

then the depositary will consider you to have authorized and directed it to give a discretionary proxy to a person designated by us to vote the number of deposited securities represented by your ADSs as to that question.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise voting rights and there may be nothing you can do if your shares are not voted as you requested.*

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your American Depositary Shares to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities

The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a sub-division, combination or other reclassification, or any merger, consolidation, recapitalization or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold those replacement securities as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful and practical to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

If there are no deposited securities underlying ADSs, including if the deposited securities are cancelled, or if the deposited securities underlying ADSs have become apparently worthless, the depositary may call for surrender or of those ADSs or cancel those ADSs upon notice to the ADS holders.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended*.

How may the deposit agreement be terminated?

The depositary will initiate termination of the deposit agreement if we instruct it to do so. The depositary may initiate termination of the deposit agreement if

- 90 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist our shares from an exchange in the United States on which they were listed and do not list the ADSs on another exchange in the United States or make arrangements for trading of ADSs on the U.S. over-the-counter market;
- we delist our shares from an exchange outside the United States on which they were listed and do not list the shares on another exchange outside the United States;
- the depositary has reason to believe the ADSs have become, or will become, ineligible for registration on Form F-6 under the Securities Act of 1933;
- we appear to be insolvent or enter insolvency proceedings

- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depositary will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depositary may sell the deposited securities. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depositary will sell as soon as practicable after the termination date.

After the termination date and before the depositary sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depositary may refuse to accept a surrender for the purpose of withdrawing deposited securities or reverse previously accepted surrenders of that kind if it would interfere with the selling process. The depositary may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depositary will continue to collect distributions on deposited securities, but, after the termination date, the depositary is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith, and the depositary will not be a fiduciary or have any fiduciary duty to holders of ADSs;
- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;

- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;

- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person;

- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and

- the depositary has no duty to make any determination or provide any information as to our tax status, or any liability for any tax consequences that may be incurred by ADS holders as a result of owning or holding ADSs or be liable for the inability or failure of an ADS holder to obtain the benefit of a foreign tax credit, reduced rate of withholding or refund of amounts withheld in respect of tax or any other tax benefit.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the depositary will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;

- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

Your Right to Receive the Shares Underlying your ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares;

- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

Shareholder communications; inspection of register of holders of ADSs

The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Jury Trial Waiver

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws. If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law.

You will not, by agreeing to the terms of the deposit agreement, be deemed to have waived our or the depositary's compliance with U.S. federal securities laws or the rules and regulations promulgated thereunder.

Arbitration Provision

The deposit agreement gives the depositary or an ADS holder asserting a claim against us the right to require us to submit that claim to binding arbitration in New York under the International Arbitration Rules of the International Centre for Dispute Resolution, including any securities law claim. However, a claimant could also elect not to submit its claim to arbitration and instead bring its claim in any court having jurisdiction of it. The deposit agreement does not give us the right to require anyone to submit any claim to arbitration.

THIS DEED OF SETTLEMENT is made this 11th day of March 2019

AMONG:

(1) **Splendid Days Limited**, a company with limited liability incorporated under the laws of the British Virgin Islands ("**SDL**");

(2) **The9 Limited**, an exempted company with limited liability incorporated under the laws of the Cayman Islands (the "**Company**");

(3) **China The9 Interactive Limited**, a company incorporated under the laws of the Hong Kong SAR (**"HKCo 1"**);

(4) **GameNow.net (Hong Kong) Limited**, a company incorporated under the laws of the Hong Kong SAR (**"HKCo 2"**);

(5) **China The9 Interactive (Shanghai) Limited (九城互动信息技术(上海)有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 301, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**WFOE 1**");

(6) **The9 Computer Technology Consulting (Shanghai) Co., Ltd. (第九城市计算机技术咨询(上海)有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 103, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**WFOE 2**"); and

(7) **Shanghai The9 Information Technology Co., Ltd. (上海第九城市信息技术有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 201, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**Operating Company**").

SDL, the Company, HKCo 1, HKCo 2, WFOE 1, WFOE 2, and the Operating Company are collectively referred to as the "**Parties**" and each of them as a "**Party**".

WHEREAS

A. The Parties entered into a convertible note and warrant purchase agreement, dated as of November 24, 2015 (the "**CB Agreement**"), pursuant to which the Company sold to SDL certain convertible notes (the "**Notes**") in the aggregate principal amount of US$40,050,000 (the "**CB Principal**");

B. SDL, HKCo 1, and WFOE 1 entered into the equity pledge agreement dated as of December 2, 2015 (the "**Equity Pledge Agreement 1**"), pursuant to which HKCo 1 pledged 100% of the equity interest of WFOE 1 to SDL as security for the Notes;

C. SDL, HKCo 2, and WFOE 2 entered into the equity pledge agreement dated as of November 15, 2015 (the "**Equity Pledge Agreement 2**" collectively with Equity Pledge Agreement 1, the "**Equity Pledge Agreements**"), pursuant to which HKCo 2 pledged 100% of the equity interest of WFOE 2 to SDL as security for the Notes;

D. SDL, Quality Event Limited ("**QEL**"), and Ark Pacific Investment Management Limited entered into a participation agreement dated as of December 4, 2015 (the "**Participation Agreement**"), pursuant to which SDL granted to QEL a participation interest in certain portion of the Notes;

E. China Merchant Bank Shanghai branch (the "**Entrustment Bank**") and WFOE 2 entered into an entrusted loan agreement dated as of December 11, 2015 (the "**Onshore Loan Agreement**"), pursuant to which Shanghai Shengye Equity Investment Fund Limited ("**Shengye**"), through the Entrustment Bank, extended an entrusted loan in the amount of RMB31,624,560 (approximately US$4.95 million) to WFOE 2 (the "**Onshore Loan**");

F. The Entrustment Bank entered into mortgage agreements with each of WFOE 1, WFOE 2 and the Operating Company, each dated as of December 11, 2015 (collectively, the "**Mortgage Agreements**"), pursuant to which WFOE 1, WFOE 2 and the Operating Company granted a first priority mortgage over certain properties located at No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC (the "**Mortgaged Properties**") in favour of the Entrustment Bank, as security for the Onshore Loan;

G. SDL and QEL entered into a control agreement dated as of December 11, 2015 (the "**Control Agreement**"), pursuant to which QEL procured Shengye to (or instruct the Entrustment Bank to) not release, assign or otherwise dispose of any portion or all of the Mortgaged Properties without the prior written agreement of SDL, unless such release, assignment or other disposal is instructed by SDL;

H. The CB Principal and the accrued interest thereon under the Notes were due to be repaid to SDL on December 11, 2018 (the "**Maturity Date**"), but the Company has failed to repay any such amounts to SDL as of the date of this deed (the "**Default**"); and

I. The Parties are willing to assist the Company to restructure its assets and to use the proceeds thereof to fulfil all or part of its payment obligations under the Relevant Documents in accordance with the terms and conditions hereof.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties to this deed hereby agree as follows:

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

Unless otherwise defined in this deed, capitalized terms used herein shall have the meanings assigned to them in the CB Agreement.

"CB Agreement" has the meaning ascribed to it in the Recitals.

"CB Principal" has the meaning ascribed to it in the Recitals.

"CB Principal Repayment Date" has the meaning ascribed to it in Clause 2.3(a)(ii).

"Company" has the meaning ascribed to it in the Preamble.

"Contribution" has the meaning ascribed to it in Clause 2.1(k).

"Control Agreement" has the meaning ascribed to it in the Recitals.

"Default"	has the meaning ascribed to it in the Recitals.
"Deferred Repayment"	has the meaning ascribed to it in Clause 2.3(a)(iii).
"Distribution Waterfall"	has the meaning ascribed to it in Clause 2.3(a).
"Entrustment Bank"	has the meaning ascribed to it in the Recitals.
"Equity Pledge Agreements"	has the meaning ascribed to it in the Recitals.
"Equity Sale Agreements"	has the meaning ascribed to it in Clause 2.2(b).
"Existing Mortgage"	has the meaning ascribed to it in Clause 2.1(l).
"Group Company"	means each of the Company and its Subsidiaries.
"HKCo 1"	has the meaning ascribed to it in the Preamble.
"HKCo 2"	has the meaning ascribed to it in the Preamble.
"Liquidated Damage Amount"	has the meaning ascribed to it in Clause 5.1.
"Maturity Date"	has the meaning ascribed to it in the Recitals.
"Mortgage Agreements"	has the meaning ascribed to it in the Recitals.
"Mortgaged Properties"	has the meaning ascribed to it in the Recitals.
"NewCo 1"	has the meaning ascribed to it in Clause 2.1(f).
"NewCo 2"	has the meaning ascribed to it in Clause 2.1(g).
"NewCo 3"	has the meaning ascribed to it in Clause 2.1(h).
"New Office"	has the meaning ascribed to it in Appendix 1.
"Notes"	has the meaning ascribed to it in the Recitals.
"Office Purchase"	has the meaning ascribed to it in Clause 2.3(a)(iii).
"Onshore Loan"	has the meaning ascribed to it in the Recitals.
"Onshore Loan Agreement"	has the meaning ascribed to it in the Recitals.
"Operating Company"	has the meaning ascribed to it in the Preamble.
"Outstanding Amount"	has the meaning ascribed to it in Clause 2.3(b).
"Participation Agreement"	has the meaning ascribed to it in the Recitals.
"PRC"	means the People's Republic of China excluding, for the purposes of this deed, the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and Taiwan.

"QEL"	has the meaning ascribed to it in the Recitals.
"Relevant Documents"	mean the CB Agreement, the Notes, the Equity Pledge Agreements, the Onshore Loan Agreement, and the Mortgage Agreements.
"Reorganization"	means the reorganization of the holding structure of the Mortgaged Properties pursuant to Clause 2.1.
"Replacement Mortgage"	has the meaning ascribed to it in Clause 2.1(l).
"RMB"	means Renminbi, the lawful currency of the PRC.
"Sale"	means the sale of the shares of WFOE 1, WFOE 2, and NewCo 3 pursuant to Clause 2.2.
"Sale Proceeds"	has the meaning ascribed to it in Clause 2.3(a).
"SDL"	has the meaning ascribed to it in the Preamble.
"Security Providers"	mean HKCo 1, HKCo 2, WFOE 1, WFOE 2, and the Operating Company.
"Shengye"	has the meaning ascribed to it in the Recitals.
"SPV"	has the meaning ascribed to it in Appendix 1.
"SPV Pledge"	has the meaning ascribed to it in Clause 2.3(c).
"Transaction"	has the meaning ascribed to it in Clause 2.5.
"WFOE 1"	has the meaning ascribed to it in the Preamble.
"WFOE 2"	has the meaning ascribed to it in the Preamble.

1.2 INTERPRETATION

The following rules of interpretation shall apply to this deed:

(a) headings are used for convenience only and do not affect interpretation;

(b) words importing the singular include the plural and vice versa, words importing a gender include every gender and references to persons include bodies corporate or unincorporated;

(c) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(d) a reference to a Clause, Section or Appendix is to a clause, section or appendix, respectively, of this deed;

(e) a reference to any Party to this deed or any other agreement or document includes that Party's successors and permitted assigns;

(f) no provision of this deed will be construed adversely to a Party solely on the ground that the Party was responsible for the preparation of this deed or that provision;

(g) where the consent or approval of a Party to this deed is required hereunder to any act, matter or thing such requirement shall in the absence of any express stipulation to the contrary herein mean the prior written consent or approval (as the case may be) in the absolute and unfettered discretion of such Party;

(h) references to writing shall include typewriting, printing, lithography, photography and other modes of reproducing words in a legible and non-transitory form;

(i) references to any statute or statutory provision include, unless inconsistent with the context, a reference to that statute or statutory provision as modified, re-enacted or consolidated and in force from time to time, whether before or after the date of this deed and any subordinate legislation made pursuant to it whether before or after the date of this deed provided that, as between the Parties, no such modification, re-enactment or consolidation after the date of this deed will apply to the extent it substantively changes any provision which is relevant to this deed; and

(j) references to a person includes any individual, firm, company, corporation or other body corporate, government, state or agency of a state or any unincorporated association, joint venture or partnership (whether or not having a separate legal personality) and references to a person includes references to that person's legal personal representatives and permitted assigns and reference to Parties will be construed accordingly.

2. SETTLEMENT CONSIDERATION

As consideration for SDL's waiver and release as set out in Clause 3 below, the Company hereby agrees to undertake the following actions.

2.1 Reorganization of the Holding Structure of the Mortgaged Properties

As soon as practicable, the Company and the Security Providers shall effect a reorganization of the holding structure of the Mortgaged Properties as follows, subject to any alternation to the steps as may be requested in writing by SDL from time to time (the "**Reorganization**"):

(a) SDL will release the pledge over 100% of the equity interest of WFOE 1 pursuant to the terms of the Equity Pledge Agreement 1;

(b) The Operating Company, WFOE 1 and certain Group Companies will enter into certain intercompany payable assignment and assumption agreement(s) pursuant to which the Operating Company assumes the obligation of WFOE 1 to pay such Group Companies the amounts due and payable owed by WFOE 1 to them in exchange for the share subscription pursuant to Clause 2.1(c);

(c) HKCo 1 and the Operating Company will enter into certain shareholder agreement of WFOE 1, pursuant to which the Operating Company subscribes for new shares of WFOE 1 in exchange for its assumption of WFOE's debt obligations described in Clause 2.1(b);

(d) Simultaneously with the step set forth in Clause 2.1(c), WFOE 1 will amend its articles of association and file a company change registration with State Administration for Industry & Commerce in the PRC, reflecting the addition of the Operating Company as a shareholder and its shareholding;

(e) Simultaneously with the steps set forth in Clauses 2.1(c) and 2.1(d), HKCo 1, the Operating Company and SDL will enter into an equity pledge agreement, pursuant to which each of HKCo 1 and the Operating Company will pledge its respective equity interest in WFOE 1 in favor of SDL upon the completion of company change registration referred to in Clause 2.1(d);

(f) HKCo 1 will form a wholly owned limited liability company in accordance with the PRC laws ("**NewCo 1**");

(g) HKCo 2 will form a wholly owned limited liability company in accordance with the PRC laws ("**NewCo 2**");

(h) The Operating Company will form a wholly owned limited liability company in accordance with the PRC laws ("**NewCo 3**");

(i) WFOE 1 will transfer all of its assets except for the real estate properties to NewCo 1;

(j) WFOE 2 will transfer all of its assets except for the real estate properties to NewCo 2;

(k) The Operating Company will contribute all of its real estate properties to NewCo 3 (the "**Contribution**");

(l) Immediately prior to the Contribution, SDL will procure QEL to instruct the Entrustment Bank to release the mortgage over the Mortgaged Properties listed in items nos. 47 to 50 on Appendix 2 hereto (the "**Existing Mortgage**"), pursuant to the Control Agreement; provided that, the Operating Company and NewCo 3 will simultaneously execute and deliver to SDL any and all agreements and other instruments necessary and desirable to substitute the Existing Mortgage with a replacement mortgage granted by NewCo 3 over the said Mortgage Properties in favor of the Entrustment Bank to secure the obligations of WFOE 2 under the Onshore Loan Agreement (the "**Replacement Mortgage**"), to be dated and take effect as of the date of the Contribution. Without prejudice to the foregoing, upon SDL's request, the NewCo 3 shall promptly (x) remove its then legal representative from such office and appoint the person designated by SDL as the new legal representative, and (y) enter into any custody arrangement with respect to the corporate chops or seals, bank mandates, books and records of NewCo 3 as requested by SDL. Immediately upon the Contribution, the Parties agree to take any and all actions required to perfect the Replacement Mortgage.

2.2 Sale of the Equity Interest of Onshore Entities

(a) Upon completion of the Reorganization, (a) HKCo 1 shall sell and transfer all its equity in WFOE 1, (b) HKCo 2 shall sell and transfer all its equity in WFOE 2; and (c) the Operating Company shall sell and transfer all its equity in NewCo 3 to the third party buyer pursuant to Clause 2.2(b) (the "**Sale**");

(b) The Company, HKCo 1, HKCo 2 and the Operating Company shall take the following actions to effect the Sale on a confidential basis:

i. solicit interest from third parties to acquire all or a portion of the equity interest in WFOE 1, WFOE 2 and NewCo 3;

ii. in consultation with SDL, select a third party to enter into a term sheet for the Sale on or before February 28, 2019, or a later date as agreed to by SDL in writing;

iii. negotiate, finalize and execute the definitive purchase agreements ("**Equity Sale Agreements**") with the third party buyer on or before April 30, 2019 or a later date as agreed to by SDL in writing; provided that, the economic and other material terms of such agreements, including the consideration for the equity interest in WFOE 1, WFOE 2 and NewCo 3, as applicable, the closing date and closing conditions for the transactions contemplated thereunder, shall be subject to the approval by SDL in its absolute discretion prior to execution to the Equity Sale Agreements and any other agreements related to the Sale and prior to the amendment or supplementation of the Equity Sale Agreements or any other agreements related to the Sale;

iv. consummate the transactions contemplated under the Equity Sale Agreements, including procuring payment of the applicable consideration from the third party buyer to SDL in full by May 31, 2019; and

v. upon SDL's request, promptly provide SDL with progress updates with respect to the actions in Clauses (i) to (iv) above.

(c) The Company shall procure the third party buyer to pay the consideration for the equity interest in WFOE 1, WFOE 2 and NewCo 3 directly to SDL in US Dollars by remitting such fund to a bank account outside of the PRC as designated by SDL, unless SDL otherwise instructs the Company to direct the remittance of all or a portion of such fund to a designated party appointed and approved by SDL in such currency as designated by SDL.

2.3 Distribution of Sale Proceeds

(a) Upon receipt by SDL or any other designated entities of any sale proceeds from the Sale in Clause 2.2 above (the "**Sale Proceeds**"), any such proceeds shall be distributed in the following order of priority (the "**Distribution Waterfall**") in US Dollars, or in the sole discretion of SDL, in its equivalent amount in RMB:

i. First, up to US$10,000,000 (or its equivalent amount in RMB) or another amount as approved by SDL in writing to the Company as reserve for tax liability and fees in connection with the Reorganization, the Sale, and the distribution of Sale Proceeds in accordance with the Distribution Waterfall; provided that, (x) the actual amount of the portion reserved for tax liability shall be verified by Ernst & Young or another tax advisor approved by SDL, and approved by SDL, and (y) the actual amount of the portion reserved for fees shall be approved by SDL;

ii. Second, to the extent there is any available cash remaining after the payment pursuant to sub-clause (i) above, US$45,000,000 (or its equivalent amount in RMB) to SDL as repayment of the CB Principal (the date on which the Company fully repays the CB Principal shall be referred to as the "**CB Principal Repayment Date**");

iii. Third, to the extent there is any available cash remaining after the payment pursuant to sub-clause (ii) above, up to US$6,000,000 (or its equivalent amount in RMB) to SDL to withhold on behalf of the Company (the "**Deferred Repayment**"), which payment shall only be applied to purchase a new office for the Company in accordance with the terms and conditions set forth in Appendix 1 ("**Office Purchase**");and

iv. Fourth, to the extent there is any available cash remaining after the payment pursuant to sub-clause (iii) above, the balance of the Sale Proceeds shall be distributed to SDL to repay the interest for the CB Principal pursuant to the CB Agreement and the Notes.

(b) After the full distribution of Sale Proceeds pursuant to Clause 2.3(a)(i), if the balance of the Sale Proceeds is insufficient to complete the distributions pursuant to Clauses 2.3(a)(ii), 2.3(a)(iii) and 2.3(a)(iv), the amount of any such outstanding payment ("Outstanding Amount") will remain payable and carry interest at a rate equal to fourteen percent (14%) per annum, and shall be computed on the basis of a 360-day year and actual days elapsed. Interest on any Outstanding Amount will start to accrue on the CB Principal Repayment Date.

(c) Upon the completion of the Office Purchase pursuant to Clause 2.3(a)(iii) above, if the balance of the Sale Proceeds is insufficient to repay the distribution, the Company shall pledge its equity in the SPV in favor of SDL (the "**SPV Pledge**").

(d) SDL shall have the right to enforce the SPV Pledge if the Outstanding Amount is not fully repaid by the Company within six months after the CB Principal Repayment Date (upon mutual agreement in writing in advance, such six-month period may be extended by a further six-month period).

2.4 Clause 2 Amendment

SDL may at any time amend, modify, supplement, alter, waive or extend this Clause 2 for the purpose of effecting the Transactions and with the ultimate goal of ensuring that the outstanding amounts under the CB Agreement is repaid to SDL, and any such amendment, modification, supplementation, alteration, waiver or extension will be binding on each other Party to this deed.

2.5 Cooperation

At its own expense, each of the Company and Security Providers shall, and shall cause each of the Group Companies and its officers, employees, agents, affiliates and attorneys to and use their best efforts to procure any relevant third party to, fully and promptly cooperate with SDL, its officers, employees, agents, affiliates and attorneys in connection with the Reorganization, the Sale, the Distribution of Sale Proceeds and any other transactions contemplated hereunder (the "**Transactions**"). Such cooperation shall include but not limited to undertaking any or all of the following upon the request of SDL:

(a) granting power of attorney to SDL or any of its designated persons to take necessary actions to effect the Transactions;

(b) entering into necessary mortgage, charge, pledge, account control or other arrangement over any of its assets and properties in relation with the Transactions as SDL may require from time to time; and

(c) executing and delivering such documents and performing such acts as SDL may require from time to time for the purpose of giving full effect to the Transactions.

3. WAIVER AND RELEASE; COVENANT NOT TO SUE

3.1 Upon the fulfillment of the obligations set out in Clause 2 above to SDL's satisfaction in its sole discretion, and subject to this Clause 3, SDL agrees to waive the Default.

3.2 Except as specifically provided herein, nothing contained in this deed is intended to, or shall, modify, diminish or otherwise alter any right of SDL under the Relevant Documents. This deed shall not operate as a waiver of any other term, condition or covenant of the Relevant Documents or any default thereunder, or the rights and remedies under the Relevant Documents, nor shall this deed affect the ability of SDL to exercise any of its rights and remedies in the future or obligate the Group Companies or the Security Providers to waive or modify any other term, condition or covenant of the Relevant Documents or waive any default thereunder.

3.3 The Company and the Security Providers acknowledge and agree that the terms of the foregoing release are understood and voluntarily accepted by them without duress or coercion, economic or otherwise, and that the Company and the Security Providers have obtained sufficient information to intelligently exercise their own judgment regarding the terms of the foregoing release before executing this deed.

4. REPRESENTATIONS AND COVENANTS BY THE COMPANY

4.1 Except as set forth in Appendix 2 hereto, as of the date hereof, each of the Security Providers, as applicable, holds good, valid, legal, indefeasible and marketable title to the Mortgaged Properties to effect Reorganization and the Sale, and no third party has any right or interest whatsoever, whether legal or equitable, in the Mortgaged Properties.

4.2 Except for the Mortgage Agreements or as set forth in Appendix 2 hereto, the Mortgaged Properties are not affected by any encumbrances, variances, or limitations of any nature which any Group Company or Security Provider is aware of or could have ascertained on reasonable inquiry.

4.3 Unless otherwise approved by SDL, (a) at any time prior to the completion of the Sale, NewCo 3 will not conduct property development or any other business other than holding the Mortgaged Properties contributed by the Operating Company; (b) at any time after the completion of the Reorganization but prior to the completion of the Sale, WFOE 1 and WFOE 2 will not hold any assets other than the Mortgaged Properties, and all other assets, business, labor, employment or other arrangements, and any rights, obligations and liabilities associated thereto, will be retained by, relocated or assigned to NewCo 1 and NewCo 2, as applicable.

4.4 Upon and after the completion of the Reorganization but prior to the completion of the Sale, (a) NewCo 1 will be severally and jointly liable for WFOE 1's obligations and liabilities, whether actual or contingent; (b) NewCo 2 will be severally and jointly liable for WFOE 2's obligations and liabilities, whether actual or contingent; and (c) NewCo 3 will not be liable for any obligations and liabilities of the Operating Company, whether actual or contingent. NewCo 1 shall indemnify and hold harmless WFOE 1 against all liabilities, damages, costs and expenses arising from the Reorganization. NewCo 2 shall indemnify and hold harmless WFOE 2 against all liabilities, damages, costs and expenses arising from the Reorganization. The Operating Company shall indemnify and hold harmless NewCo 3 against all liabilities, damages, costs and expenses arising from the Reorganization.

4.5 Each of the Group Companies and Security Providers has the right, power and authority, and has taken all action necessary, to execute, deliver and exercise its rights, and perform its obligations, under this deed and any other documents and/or instruments necessary to effect the Transactions.

4.6 None of the Group Companies and Security Providers shall release, assign or otherwise dispose of any portion or all of the Mortgaged Properties or request that any other person take any such action, in each case without the prior consent of the Entrustment Bank and SDL.

4.7 None of the Group Companies and Security Providers has granted or will grant any option or right of first refusal to any person to acquire the Mortgaged Properties.

4.8 None of the Mortgaged Properties is subject to any Encumbrance, except for those listed in Appendix 2 hereto. There are no civil, criminal, arbitration, administrative or other proceeding concerning the Mortgaged Properties and, none are pending or threatened. There is no outstanding notice, judgment, order decree, arbitral award or decision of a court, tribunal, arbitrator or governmental agency affecting the Mortgaged Properties.

4.9 Each of the Group Companies and Security Providers has disclosed in writing any and all facts and circumstances that materially affect the Mortgaged Properties or the construction, use, operation, management, leasing, occupancy, status, condition and legal compliance of the Mortgaged Properties or any portion thereof.

4.10 None of the Group Companies and Security Providers is involved in or the subject of, either on its own account or vicariously, any legal proceeding, arbitration or tribunal proceeding, prosecution or any governmental or regulatory investigation is pending or threatened, by or against such Group Company or Security Provider, and there are no circumstances which may lead to any such legal proceeding, arbitration or tribunal proceeding, prosecution or governmental or regulatory investigation, which may materially affect the Sale as contemplated under this deed.

4.11 There are no insolvency proceedings of any character whatsoever, including, without limitation, any insolvency resolution application, bankruptcy, receivership, reorganization, compromise, or an arrangement with creditors, voluntary or involuntary, affecting any Group Company or Security Provider which have been filed are pending or have been threatened in writing, and none of the Group Companies and Security Providers has made any assignment for the benefit of creditors. With respect to any Group Company or Security Provider and/or its assets, no liquidator, provisional liquidator, receiver or administrator has been appointed and, no proceedings have been filed under which such a liquidator, provisional liquidator, receiver or an administrative receiver might be appointed. None of the Group Companies and Security Providers (x) is insolvent or unable pay its financial debts as they fall due (other than the Default); or (y) will become insolvent or unable to pay its financial debts as they fall due after the Reorganization.

5. Liquidated Damages.

5.1 Each of the Company and the Security Providers acknowledges that SDL shall suffer from material damages if any of the representations, warranties, covenants or agreements set forth in Clauses 2 and 4 is breached (each, a "**Material Breach**"), including without limitation the payment to SDL of the amounts set forth in Clauses 2.3(a)(ii) and 2.3(a)(iv), and that the resulting damages may not be susceptible of precise determination. Each of the Company and the Security Providers agrees to be jointly and severally liable for any Material Breach and further acknowledges that the aggregate amount of the CB Principal then outstanding and any and all unpaid accrued interest thereon pursuant to the CB Agreement (the "**Liquidated Damage Amount**") is a reasonable approximation of the damages for a Material Breach, and such amount shall be deemed to be liquidated damages and not a penalty. For the avoidance of doubt, in no circumstances, shall the aggregate amount paid by the Company and the Security Providers exceed the Liquidated Damage Amount.

6. Miscellaneous.

6.1 This deed shall inure to the benefit of, and be binding upon the Parties and their heirs and permitted successors and assigns.

6.2 This deed shall not be assignable by any Party without the prior written consent of each of the other Parties, except as provided hereunder.

6.3 Nothing in this deed shall constitute or be deemed to constitute a partnership between the Parties or constitute one the agent of another and none of the Parties shall do or suffer anything to be done whereby it shall or may be represented that it is the partner or agent of a Party hereto (save as aforesaid) unless such Party is appointed partner or agent of that other Party with the consent in writing of that Party.

6.4 The liabilities of the Company and the Security Providers under this deed shall be joint and several.

6.5 This deed does not create, and shall not be construed as creating, any rights enforceable by any Person not a party to this deed.

6.6 Each of the Parties shall bear the expenses incurred by that Party incident to this deed, including without limitation all fees and disbursements of counsel and accountants retained by such Party.

6.7 This deed contains the entire understanding of the Parties with respect to the subject matter herein contained and may be amended, modified, supplemented or altered only by a writing duly executed by all of the Parties (except with respect to any Transactions contemplated under Clause 2 which, for the avoidance of doubt, may be amended, modified, supplemented or altered by SDL as it deems necessary in its sole and absolute discretion), and any other prior agreements or understandings, whether oral or written, are entirely superseded hereby.

6.8 No modification, waiver or extension of any of the provisions of this deed shall be effective unless such modification, waiver or extension shall be in writing and signed by each of the Parties (except with respect to any Transactions contemplated under Clause 2 which, for the avoidance of doubt, may be modified, waived or extended by SDL as it deems necessary in its sole and absolute discretion).

6.9 A waiver of any term, provision or condition of, or consent granted under, this deed will be effective only if given in writing and signed by the waiving or consenting Party and then only in the instance and for the purpose for which it is given.

6.10 No failure or delay on the part of any Party in exercising any right, power or privilege under this deed will operate as a waiver thereof, nor will any single or partial exercise of any such right, power or privilege preclude any other further exercise thereof or the exercise of any other right, power or privilege.

6.11 To the maximum extent permissible by law, the rights and remedies herein provided are exclusive of any rights or remedies provided by law.

6.12 The captions of the various clauses and sections of this deed have been inserted for the purpose of convenience of reference only, and such captions are not a part of this deed and shall not be deemed in any manner to modify, explain, enlarge or restrict any of the provisions of this deed.

6.13 This deed may be executed in any number of counterparts, each of which when executed will be an original but together will constitute one and the same agreement.

6.14 If any provision or provisions of this deed, or any portion of any provision hereof, shall be deemed invalid or unenforceable pursuant to a final determination of any court of competent jurisdiction or as a result of future legislative action, such determination or action shall be construed so as not to affect the validity or enforceability hereof and shall not affect the validity or effect of any other portion hereof, unless, as a result of such determination or action, the consideration to be received or enjoyed by any Party hereto would be materially impaired or reduced.

6.15 The Parties agree that they will execute and deliver, or cause to be executed and delivered, to each other such further instruments, and take such other action as may be necessary to effect the intent of this deed.

6.16 The formation, existence, construction, performance, validity and all aspects whatsoever of this deed or of any term of this deed will be governed by the laws of the State of New York without regard to any choice of laws or conflict of laws provisions that would require the application of the laws of any other jurisdiction.

6.17 Any dispute, controversy, difference, proceedings or claim arising out of or in relating to this deed, including the existence, validity, interpretation, performance, breach or termination thereof or any dispute regarding non-contractual obligations arising out of or relating to it shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Center under the Hong Kong International Arbitration Center Administered Arbitration rules in force when the notice of arbitration is submitted.

6.18 The seat of arbitration shall be Hong Kong. The number of arbitrators shall be three. The arbitration proceedings shall be conducted in English. The arbitration decision issued in accordance with this clause shall be final and binding on the parties.

[Signature pages to follow]

Execution

IN WITNESS WHEREOF the Parties have executed this deed on the date first above written.

Executed as a deed by affixing the common seal of **Splendid Days Limited** in the presence of:	))))	/s/ Authorized Signatory
	))))	Name: Authorized Signatory Title: Director
/s/ Xinyuan Zhang Signature of witness Name of witness: Xinyuan Zhang		Name: Title: Director/ Secretary

[Signature page to the Deed of Settlement]

IN WITNESS WHEREOF the Parties have executed this deed on the date first above written.

Executed as a deed by affixing the common seal of **The9 Limited** in the presence of:	))))))))	/s/ George Lai Name: George Lai Title: Director
/s/ Yiqin Sun Signature of witness Name of witness: Yiqin Sun		Name: Title: Director/ Secretary

[Signature page to the Deed of Settlement]

IN WITNESS WHEREOF the Parties have executed this deed on the date first above written.

Executed as a deed by affixing the common seal of **China The9 Interactive Limited** in the presence of:	))))))))	/s/ Yong Wang Name: Yong Wang Title: Director
/s/ Yiqin Sun Signature of witness Name of witness: Yiqin Sun		Name: Title: Director/ Secretary

[Signature page to the Deed of Settlement]

IN WITNESS WHEREOF the Parties have executed this deed on the date first above written.

Executed as a deed by affixing the common seal of **China The9 Interactive (Shanghai) Ltd.** 九城互动信息技术(上海)有限公司 in the presence of:	))))))))
	/s/ Yong Wang Name: Yong Wang Title: Director
/s/ Yiqin Sun Signature of witness Name of witness: Yiqin Sun	Name: Title: Director/ Secretary

[Signature page to the Deed of Settlement]

IN WITNESS WHEREOF the Parties have executed this deed on the date first above written.

Executed as a deed by affixing the common seal of **GameNow.net (Hong Kong) Limited** in the presence of:	/s/ Authorized Signatory Name: Authorized Signatory Title: Director
/s/ Xinyuan Zhang Signature of witness Name of witness: Xinyuan Zhang	Name: Title: Director/ Secretary

[Signature page to the Deed of Settlement]

IN WITNESS WHEREOF the Parties have executed this deed on the date first above written.

Executed as a deed by affixing the common seal of **The9 Computer Technology Consulting (Shanghai) Co., Ltd.** **第九城市计算机技术咨询(上海)有限公司** in the presence of:	))))))))	/s/ Authorized Signatory Name: Authorized Signatory Title: Director
/s/ Yiqin Sun Signature of witness Name of witness: Yiqin Sun		Name: Title: Director/ Secretary

[Signature page to the Deed of Settlement]

IN WITNESS WHEREOF the Parties have executed this deed on the date first above written.

Executed as a deed by affixing the common seal of **Shanghai The9** **Information Technology Co., Ltd.** 上海第九城市信息技术有限公司 in the presence of:	))))))))	/s/ Authorized Signatory Name: Authorized Signatory Title: Director
/s/ Yiqin Sun Signature of witness Name of witness: Yiqin Sun		Name: Title: Director/ Secretary

[Signature page to the Deed of Settlement]

Appendix 1

Appendix 2

Exhibit 4.7

AMENDMENT TO DEED OF SETTLEMENT

AMENDMENT TO DEED OF SETTLEMENT (the "**Amendment**"), dated April 28, 2019, by and among the following:

(1) **Splendid Days Limited**, a company with limited liability incorporated under the Laws of the British Virgin Islands (the "**SDL**");

(2) **The9 Limited**, an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the "**Company**");

(3) **China The9 Interactive Limited**, a company incorporated under the laws of the Hong Kong SAR (**"HKCo 1"**);

(4) **GameNow.net (Hong Kong) Limited**, a company incorporated under the laws of the Hong Kong SAR (**"HKCo 2"**);

(5) **China The9 Interactive (Shanghai) Limited (九城互动信息技术(上海)有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 301, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**WFOE 1**");

(6) **The9 Computer Technology Consulting (Shanghai) Co., Ltd. (第九城市计算机咨询(上海)有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 103, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**WFOE 2**"); and

(7) **Shanghai The9 Information Technology Co., Ltd. (上海第九城市信息技术有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 201, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**Operating Company**").

The Company, HKCo 1, HKCo 2, WFOE 1, WFOE 2, and the Operating Company are collectively referred to as the "**Warrantors**" and each of them as a "**Warrantor**."

WHEREAS

A. SDL and the Warrantors entered into a Deed of Settlement dated March 11, 2019 (the "**Deed**"), pursuant to which the Warrantors agree to use the proceeds of the sale of the equity of WFOE 1, WFOE 2 and NewCo 3 (the "**Equity Sale**") to repay the outstanding amount owed to SDL under the convertible note and warrant purchase agreement, dated November 24, 2015.

B. In connection with the Equity Sale, the Company proposes to amend certain Reorganization steps, including (i) transferring the equity of WFOE 2, in lieu of the equity of WFOE 1, to the Operating Company as part of the Reorganization; and (ii) settling the intercompany payables and receivables among the Group Companies as set forth herein.

C. To induce SDL to agree to such amendments, the Warrantors have agreed to provide, jointly and severally the representations, warranties, indemnities and other agreements as set forth herein.

D. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Deed.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, SDL and the Warrantors hereby agree as follows:

1. **AMENDED REORGANIZATION STEPS**

Clauses 2.1 (*Reorganization of the Holding Structure of the Mortgaged Properties*) of the Deed shall be replaced in its entirety by the following (the "**Amended Steps**"):

"As soon as practicable, the Company and the Security Providers shall effect a reorganization of the holding structure of the Mortgaged Properties as follows, subject to any alternation to the steps as may be requested in writing by SDL from time to time (the "**Reorganization**"):

(a) SDL will release the pledge over 100% of the equity interest of WFOE 2 pursuant to the terms of the Equity Pledge Agreement 2;

(b) WFOE 1, WFOE 2 and certain Group Companies will enter into intercompany payable assignment and assumption agreement(s) pursuant to which WFOE 2 assumes the intergroup payables and receivables of WFOE 1 such that the intergroup balance of WFOE 1 will become zero;

(c) the Operating Company, WFOE 2 and certain Group Companies will enter into intercompany payable assignment and assumption agreement(s) pursuant to which the Operating Company assumes the obligation of WFOE 2 to pay such Group Companies the amounts due and payable owed by WFOE 2 to them;

(d) HKCo2 and the Operating Company will enter into a sale and purchase agreement, pursuant to which HKCo2 will sell to the Operating Company and the Operating Company will purchase from HKCo2 100% of the equity interest in WFOE 2 in consideration of RMB99,320,025. The payment of the consideration under such sale and purchase agreement will be deferred until the payment of the consideration by the third party buyer ("**Buyer**") under the Equity Sale Agreements;

(e) WFOE 2 will amend its articles of association and file a company change registration with the State Administration for Industry & Commerce, Ministry of Commerce and State Administration of Foreign Exchange and relevant competent authorities in the PRC, reflecting the change of shareholder from HKCo2 to the Operating Company;

(f) SDL reserves the right to request the Operating Company to enter into an equity pledge agreement, pursuant to which the Operating Company will pledge its equity interest in WFOE 2 in favor of SDL upon the completion of company change registration referred to in Clause 2.1(e);

(g) WFOE 2 and the Buyer will enter into a bridge loan agreement pursuant to which the Buyer will grant a loan in the principal amount of RMB40 million to WFOE 2;

(h) WFOE 2 will use the loan proceeds to repay the amount due to the Operating Company arising from the assignment and assumption in Clause 2.1(c);

(i) the Operating Company and WFOE 2 will enter into a subscription agreement pursuant to which the Operating Company will contribute the proceeds received from WFOE 2 in Clause 2.1(h) above to WFOE 2 in exchange for new shares to be issued by WFOE 2;

(j) the steps set forth in Clauses 2.1(g) through (i) will be repeated until WFOE 2's outstanding payable balance to the Operating Company is reduced to zero, at which time WFOE 2 will repay the bridge loan;

(k) HKCo 1 will form a wholly owned limited liability company in accordance with the PRC laws ("**NewCo 1**");

(l) HKCo 2 will form a wholly owned limited liability company in accordance with the PRC laws ("**NewCo 2**");

(m) The Operating Company will form a wholly owned limited liability company in accordance with the PRC laws ("**NewCo 3**");

(n) WFOE 1 will transfer all of its assets except for the real estate properties to NewCo 1;

(o) WFOE 2 will transfer all of its assets except for the real estate properties to NewCo 2;

(p) The Operating Company will contribute all of its real estate properties to NewCo 3 (the "**Contribution**"); and

(q) Immediately prior to the Contribution, SDL will procure QEL to instruct the Entrustment Bank to release the mortgage over the Mortgaged Properties listed in items nos. 47 to 50 on Appendix 2 hereto (the "**Existing Mortgage**"), pursuant to the Control Agreement; provided that, the Operating Company and NewCo 3 will simultaneously execute and deliver to SDL any and all agreements and other instruments necessary and desirable to substitute the Existing Mortgage with a replacement mortgage granted by NewCo 3 over the said Mortgage Properties in favor of the Entrustment Bank to secure the obligations of WFOE 2 under the Onshore Loan Agreement (the "**Replacement Mortgage**"), to be dated and take effect as of the date of the Contribution. Without prejudice to the foregoing, upon SDL's request, the NewCo 3 shall promptly (x) remove its then legal representative from such office and appoint the person designated by SDL as the new legal representative, and (y) enter into any custody arrangement with respect to the corporate chops or seals, bank mandates, books and records of NewCo 3 as requested by SDL. Immediately upon the Contribution, the Parties agree to take any and all actions required to perfect the Replacement Mortgage."

2. **REPRESENTATION, WARRANTY AND INDEMNITY**

2.1 The Warrantors jointly and severally represent and warrant to SDL that neither the Amended Steps nor the consummation of the transactions contemplated thereby will violate or breach or result in a violation or breach of (i) any applicable laws or (ii) any negative tax, accounting and regulatory compliance consequences with respect to SDL, any Warrantor or their respective affiliates as compared to the original Reorganization steps set forth in Clause 2 of the Deed prior to the execution of this Amendment.

2.2 The Warrantors shall jointly and severally indemnify and hold harmless SDL against all liabilities, damages, costs and expenses arising from the Amended Steps or the consummation of the transactions contemplated thereby.

3. **CONTINUING OBLIGATIONS**

The provisions of the Deed shall, save as amended by this Amendment, continue in full force and effect. For the avoidance of doubt, the representation, warranty and indemnity provided by the Warrantors in Clause 2 above are in addition to, and not in derogation of, the representations, warranties and indemnities as set forth in the Deed.

4. **MISCELLANEOUS**

The provisions under Section 6 (*Miscellaneous*) of the Deed are incorporated in this Agreement by reference *mutatis mutandis*; provided that, references to "**this deed**" in such sections shall mean this Amendment and references to "**Party**" or "**Parties**" shall mean the party or parties to this Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Warrantors and SDL have caused this Amendment to be duly executed as of the day and year first written above.

The9 Limited

By: /s/ George Lai
Name: George Lai
Title: Director

China The9 Interactive Limited

By: /s/ Yong Wang
Name: Yong Wang
Title: Authorized Signatory

GameNow.net (Hong Kong) Limited

By: /s/ Yong Wang
Name: Yong Wang
Title: Authorized Signatory

China The9 Interactive (Shanghai) Ltd.
(九城互动信息技术(上海)有限公司)

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

The9 Computer Technology Consulting (Shanghai) Co., Ltd.
第九城市计算机技术咨询(上海)有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

Shanghai The9 Information Technology Co., Ltd.
上海第九城市信息技术有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

Splendid Days Limited

By: /s/ Arthur Lau
Name: Arthur Lau
Title: Authorized Signatory

Exhibit 4.8

Exclusive Technical Service Agreement

This agreement is entered into in Pudong New District of Shanghai PRC as of May 1, 2019 by and between the following two Parties:

Shanghai The9 Information Technology Co., Ltd., (hereinafter **"Party A"**), with its registered address: Room 201, Building 3, 690 Bibo Road, Zhangjiang Hi-Tech Park, Shanghai, legal representative: Wei Ji; and;

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd., (hereinafter **"Party B".** Party A and Party B are referred separately as a "**Party**" and collectively as "**Parties**"), with its registered address: Block 8, Chuansha Road 1098, Pudong New District, Shanghai, legal representative: Wei Ji.

WHEREAS:

(1) Party A is a company mainly providing electronic commercial technology, developing eight technologies services in the field of biochemistry and related business activities, internet information services and internet sales of gaming products.;

(2) Party B is a company mainly engaged in the development of computer and internet technology and provision of related technical support and services.

(3) Party A wishes to engage Party B to provide related services to it, and Party B agrees to provide Party A with necessary technical support and assistance.

The Parties hereby have reached the following agreement upon mutual friendly consultations:

Article 1 - Definition

1.1 Except as otherwise construed in the terms or context hereof, the following terms in this Agreement shall be interpreted to have the following meanings:

"**Party A's Business**" shall mean any businesses engaged in and developed by Party A currently and at any time during the valid term hereof, including but not limited to:

(1) internet information services;
(2) network game operations;
(3) other related services.

“**Services**” shall mean the services to be provided by Party B exclusively to Party A, which are related to Party A’s Business, with a technical platform combining software and hardware as well as relevant technical support and maintenance services, including but not limited to:

(1) provision of system solutions for internet websites operations;
(2) provision of the rights to use computer and network hardware equipment necessary for Party A’s Business;
(3) daily management, maintenance and upgrading of the network sever and databases;
(4) development, maintenance and upgrading of the related applied software; and
(5) other related technical and consultancy services in relation to or required by Party A’s Business.

“**Monthly Business Plan**” shall mean the development plan and budget report for Party A’s Business in the next month which is prepared by Party A with the assistance of Party B pursuant to this Agreement.

“**Service Fee**” shall mean all fees to be paid by Party A to Party B pursuant to Article 3 of this Agreement in respect of the Services provided by Party B.

“**Equipment**” shall mean any and all equipment owned by Party B or purchased by Party B from time to time, which are to be provided to Party B for its use for the purpose of provision of the Services.

“**Business Income**” shall mean the aggregate of all main business incomes and other business incomes as confirmed by Party A in the process of its business operations (before the deduction of related costs, fees and taxes), including but not limited to (i) income from game services; (ii) internet content placement income; and (iii) any other income.

1.2 The references to any laws and regulations (hereinafter the **“Law”**) herein shall be deemed (1) to include the references to the amendments, changes, supplements and reenactments of such Law, irrespective of whether they take effect before or after the formation of this Agreement; and (2) to include the references to other decisions, notices or regulations enacted in accordance therewith or effective as a result thereof.

1.3 Except as otherwise stated in the context herein, all references to an Article, clause, item or paragraph shall refer to the relevant part of this Agreement.

Article 2 – Services

2.1 Party B shall provide the Services to Party A pursuant to this Agreement, and Party A shall accept the Services provided by Party B and shall endeavor to cooperate with Party B in applicable provision of the Services.

2.2 Party B shall procure various equipment reasonably necessary for the provision of the Services and shall purchase and procure new equipment in accordance with Party A's Annual Business Plan, as to meet with the demand for its provision of quality Services.

2.3 Party A shall discuss and decide with Party B prior to the last calendar day of each month the Monthly Business Plan of Party A for the next month, in order for Party B to make appropriate arrangement for its Services plan and purchase necessary equipment. In case that Party A need Party B to purchase new equipment in interim, Party A shall discuss the same with Party B fifteen (15) days in advance and obtain Party B's consent thereto.

2.4 The Services provided by Party B hereunder shall be of an exclusive nature. During the valid term hereof, without Party B's prior written consent, Party A shall not enter into any agreement with any other third party as to engage such third party to provide to Party A services identical or similar to the Services provided by Party B.

Article 3 – Service Fee

3.1 In respect of the Services to be provided by Party B pursuant to Article 2 hereof, Party A agrees to pay to Party B pursuant to 3.2 hereof the Service Fee as follows:

90% of profits after deduction of validated costs by the Parties

3.2 Party A shall pay the Service Fee to Party B on a monthly basis. Prior to the last calendar day of each month Party A shall pay to Party B the performance fee set out in 3.1.; after the end of each of Party A's accounting month, Party A and Party B shall, on the basis of mutually accepted income amount calculation by the Parties, carry out the overall examination and verification on the Service Fee actually payable by Party A, and shall make corresponding payment adjustment within thirty (30) days of the commencement of the next accounting month.

3.3 Party A shall, according to the provisions of this Article, pay all Service Fees in a timely manner into the bank account designated by Party B. In case that Party B is to change its bank account, it shall notify Party A in writing of such change seven (7) working days in advance.

3.4 Upon expiration or termination of this Agreement, Party A shall, within thirty (30) days of the date of the expiration or termination of this Agreement, pay all the remaining part of the Service Fee to Party B.

3.5 Party A shall, according to the provisions of Article 3 hereof, provide Party B with the true information concerning its business income, and shall pay the full amount of the Service Fee to Party B in a timely manner; at the request of Party B, Party A shall permit Party B to review and examine its financial records, as to verify the amount of its business income.

Article 4 – Work Product, Intellectual Property and Know-how

4.1 Both Parties acknowledge that all work products, intellectual property and know-how involved or generated in the process of Party B's provision of the Services shall belong to Party B, but excluding the followings:

(1) intellectual property legally owned by any third party, which Party A or Party B has obtained legally the right to use through license or otherwise;
(2) customer information obtained during the process of Party A's Business; such customer information shall belong to Party A and Party B jointly; and
(3) issues agreed otherwise between the Parties in writing.

Article 5 –Representations and Warranties

5.1 Party A represents and warrants hereby as follows:

5.1.1 it is a company of limited liabilities duly registered and validly existing under the laws where it is incorporated with independent legal person qualification, with full and independent legal status and legal capacity to execute, deliver and perform this Agreement, and may act independently as a subject of actions.

5.1.2 it has full power and authorization to execute and deliver this Agreement and all the other documents to be entered into by it in relation to the transaction referred to herein, and it has the full power and authorization to complete the transaction referred to herein. This Agreement shall be executed and delivered by it legally and properly. This Agreement constitutes the legal and binding obligations on it and is enforceable on it in accordance with the terms and conditions.

5.1.3 it has obtained complete business permits as necessary for its operations upon the time when the Agreement takes effect, and it has sufficient rights and qualifications to operate within PRC the businesses of internet information services, electronic announcement services, short message services, operations of network games and other Party A's Business it is currently engaged in.

5.2 Party B represents and warrants hereby as follows:

5.2.1 it is a company of limited liabilities duly registered and validly existing under the laws where it is incorporated with independent legal person qualification, with full and independent legal status and legal capacity to execute, deliver and perform this Agreement, and may act independently as a subject of actions.

5.2.2 it has full corporate power and authorization to execute and deliver this Agreement and all the other documents to be entered into by it in relation to the transaction referred to herein, and it has the full power and authorization to complete the transaction referred to herein. This Agreement shall be executed and delivered by it legally and properly. This Agreement constitutes the legal and binding obligations on it and is enforceable on it in accordance with the terms and conditions.

Article 6 – Special Undertakings by Party A

Party A hereby undertakes as follows:

6.1 it must take all necessary measures during the term of this Agreement to obtain promptly all the business permits requisite under the then applicable Law and necessary for the purpose of Party A's Business operation, and to keep all the business permits to remain in effect at any time.

6.2 It must make all its efforts during the term of this Agreement to develop Party A's Business, as to maximize the profits.

6.3 Party A must respect Party B's work product and intellectual property, and shall take all necessary or practical measures to protect Party B's work product and intellectual property during the term of this Agreement.

Article 7 - Indemnification

Party A agrees that it shall indemnify and keep Party B harmless from any and all losses Party B suffers or may suffer as the result of the execution and performance hereof and of Party A's Business, including but not limited to any loss arising from any litigation, repayment pursuit, arbitration, claims lodged by any third party or administration investigations and/or penalties by government authorities against it in relation to Party A's Business; provided that losses due to Party B's willful or gross fault shall be excluded from such indemnification.

Article 8 - Confidentiality

8.1 Notwithstanding the termination of this Agreement, Party A shall be obliged to keep in confidence the execution, performance and the contents of this Agreement; the commercial secret, proprietary information and customer information in relation to Party B known to or received by it as the result of execution and performance of this Agreement; and the customer information and other non-public information jointly owned by it with Party B (hereinafter collectively the "**Confidential Information**"). Party A may use such Confidential Information only for the purpose of performing its obligations under this Agreement. Party A shall not disclose the above Confidential Information to any third parties without the written consent from Party B, or Party A shall bear the default liability and indemnify the losses.

8.2 Upon termination of this Agreement, Party A shall, upon demand by Party B, return, destroy or otherwise dispose of all the documents, materials or software containing the Confidential Information and suspend using such Confidential Information.

8.3 Notwithstanding any other provisions herein, the validity of this Article shall not be affected by the suspension or termination of this Agreement.

Article 9 – Force Majeure

In the event of earthquake, typhoon, flood, fire, war, computer virus, loophole in the design of tooling software, computer system or internet encountering a hacker, invasion or disastrous spreading of computer virus, affection by the technical adjustment of telecommunication departments, temporary close-down of websites due to government supervision, or change of policies or laws, and other unforeseeable or unpreventable or unavoidable event of force majeure, which directly prevents a Party from performing this Agreement or performing the same on the agreed condition, the Party encountering such a force majeure event shall forthwith issue a notice by a facsimile and, within thirty (30) days, present the documents proving the details of such force majeure event and the reasons for which this Agreement is unable to be performed or is required to be postponed in its performance, and such proving documents shall be issued by the notarial office of the area where such force majeure event takes place. The Parties shall consult each other and decide whether this Agreement shall be waived in part or postponed in its performance with regard to the extent of impact of such force majeure event on the performance of this Agreement. No Party shall be liable to compensate for the economic losses incurred to the other Party by the force majeure event.

Article 10 – Term of Agreement

10.1 This Agreement shall take effect as of the date of formal execution by the Parties, and shall remain in force with no express expiration unless as terminated early in writing by the Parties.

Article 11 - Notice

11.1 Any notice, request, demand and other correspondences made as required by or in accordance with this Agreement shall be made in writing and delivered to the relevant Party.

11.2 The abovementioned notice or other correspondences shall be deemed to have been delivered when it is transmitted if transmitted by facsimile or telex; it shall be deemed to have been delivered when it is delivered if delivered in person; it shall be deemed to have been delivered five (5) days after posting the same if posted by mail.

Article 12 – Default Liability

12.1 The Parties agree and confirm that, if any Party (hereinafter the "**Defaulting Party**") breaches substantially any of the agreements made under this Agreement, or fails substantially to perform any of the obligations under this Agreement, such a breach shall constitute a default under this Agreement (hereinafter a "**Default**"), then the non-defaulting Party (hereinafter the "**Non-defaulting Party**") shall have the right to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period. If the Defaulting Party fails to rectify such Default or take remedial measures within such reasonable period or within ten (10) days of the other Party notifying the Defaulting Party in writing and requiring it to rectify the Default, then (1) in case of Party A being the Defaulting Party, Party B shall have the right to terminate this Agreement and require the Defaulting Party to indemnify it for the damage; (2) in case of Party B being the Defaulting Party, the Non-defaulting Party shall have the right to terminate this Agreement and require the Defaulting Party to indemnify it for the damage, and under no circumstances shall the Non-defaulting Party have the right to terminate or dissolve this Agreement or the authorization under this Agreement.

12.2 Notwithstanding any other provisions herein, the validity of this Article shall stand disregarding the suspension or termination of this Agreement.

Article 13 - Miscellaneous

13.1 This Agreement shall be prepared in the Chinese language in two (2) original copies, with each involved Party holding one (1) copy hereof.

13.2 The formation, validity, execution, amendment, interpretation and termination of this Agreement shall be subject to the PRC Laws.

13.3 Any disputes arising hereunder and in connection herewith shall be settled through consultations between the Parties, and if the Parties cannot reach an agreement regarding such disputes within thirty (30) days of their occurrence, such disputes shall be submitted to China International Economic and Trade Arbitration Commission Shanghai Branch for arbitration in Shanghai in accordance with the arbitration rules of such Commission, and the arbitration award shall be final and binding on the Parties.

13.4 Any rights, powers and remedies empowered to any Party by any provisions herein shall not preclude any other rights, powers and remedies entitled by such Party in accordance with laws and other provisions under this Agreement, and the exercise of its rights, powers and remedies by a Party shall not preclude its exercise of its other rights, powers and remedies by such Party.

13.5 Any failure or delay by a Party in exercising any of its rights, powers and remedies hereunder or in accordance with laws (hereinafter the "**Party's Rights**") shall not lead to a waiver of such rights, and the waiver of any single or partial exercise of the Party's Rights shall not preclude such Party from exercising such rights in any other way and exercising the remaining part of the Party's Rights.

13.6 The titles of the Articles contained herein shall be for reference only, and in no circumstances shall such titles be used in or affect the interpretation of the provisions hereof.

13.7 Each provision contained herein shall be severable and independent from each of other provisions, and if at any time any one or more articles herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected as a result thereof.

13.8 Any amendments or supplements to this Agreement shall be made in writing and shall take effect only when properly signed by the Parties to this Agreement.

13.9 No Party shall assign any of its rights and/or obligations hereunder to any third parties without the prior written consent from the other Party.

13.10 This Agreement shall be binding on the legal successors of the Parties.

IN WITNESS HEREOF, the Parties have caused this Agreement to be executed as of the date and in the place first here above mentioned.

Shanghai The9 Information Technology Co., Ltd.

Signed by: /s/ Wei Ji
Name: Wei Ji

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd.

Signed by: /s/ Wei Ji
Name: Wei Ji

SHAREHOLDER VOTING PROXY AGREEMENT

This **Shareholders Voting Proxy Agreement** (hereinafter this "**Agreement**") is entered into in Pudong New District, Shanghai city of the People's Republic of China as of May 1, 2019 by and among the following Parties:

1. **Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd.** (hereinafter "**Hui Ling**")
   Registered Address: Block 8, Chuansha Road 1098, Pudong New District, Shanghai, PRC

2. **Shanghai The9 Information Technology Co., Ltd.** (hereinafter "**Company**")
   Registered Address: Room 201, Building 3, 690 Bibo Road, Shanghai, PRC

3. **Wei Ji**
   Identity Card No.: *
   Address: *

4. **Zhimin Lin**
   Identity Card No.: *
   Address: *

(Wei Ji and Zhimin Lin hereinafter are individually referred to as a "**Shareholder**" and collectively as the "**Shareholders**")

(each party to this Agreement is individually referred as the "**Party**" and collectively referred as the "**Parties**")

WHEREAS:

1. The Shareholders are currently the only shareholders of the Company, legally holding 100% of Company's equity;

2. The Shareholders intend to severally entrust Hui Ling to exercise their voting rights in the Company while Hui Ling is willing to accept such entrustment.

The Parties hereby have reached the following agreement upon mutual consultations:

Article 1 Voting Rights Entrustment

1.1 The Shareholders, after signing date of this Agreement, through separately executed Power of Attorney substantially in the form attached as Annex 1 herein, irrevocably entrust individual appointed in a due course by Hui Ling (hereinafter the "Proxy"), to exercise on behalf of Shareholders the following rights respectively enjoyed by them as shareholders of the Company in accordance with the then effective articles of association of the Company (collectively the "**Entrusted Rights**"):

(1) Convening and attending shareholders' meetings of the Company in accordance with its Article of Association as representative of the Shareholders;

(2) Exercising on behalf of the Shareholders voting rights on all issues required to be discussed and resolved by the shareholders' meeting, including but not limited to, nomination and election of Company's directors, general manager and other management positions appointed by shareholders;

(3) Exercising all shareholders' rights prescribed by the relevant laws and regulations of PRC (including amendments, supplements, renewals to the content thereof regardless of their effective date prior or post execution of this Agreement);

(4) Other voting rights of Shareholders under the articles of association of the Company (including such other voting rights of Shareholders as provided after amendment to the articles of association).

The premise of the above authorization and entrustment is Hui Ling's consent to the above authorization and entrustment. Only when Hui Ling issues a written notice to each Shareholder to replace Proxy, each Shareholder shall immediately designate other Chinese citizens designated by Hui Ling to exercise the above rights of entrustment. Once the new entrustment is made, it will replace the original entrustment. Otherwise, any Shareholder shall not revoke the entrustment and authorization made to the Proxy.

1.2 The Proxy discreetly and diligently fulfills Proxy's obligations in accordance with the law within the scope of the authorization provided for in this Agreement. Shareholders acknowledge and assume relevant liabilities for any legal consequences of Proxy's exercise of the foregoing Entrusted Rights.

1.3 The Shareholders hereby acknowledge that Proxy needs no advice from the Shareholders prior to its exercise of the foregoing Entrusted Rights. However, Proxy shall inform the Shareholders in a timely manner of any resolution or proposal on convening interim shareholders' meeting after such resolution or proposal is made.

Article 2 Right to Information

2.1 For the purpose of exercising the Entrusted Rights under this Agreement, Hui Ling is entitled to know the information with regard to the Company's operation, business, clients, finance, staff, etc., and shall have access to relevant materials of the Company. Company shall adequately cooperate with Hui Ling in this regard.

Article 3 Exercise of Entrusted Rights

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3.1 The Shareholders will provide adequate assistance to the exercise of the Entrusted Rights of Hui Ling, including execution of the resolutions of the shareholders' meeting of the Company or other pertinent legal documents made by Hui Ling when necessary (e.g., when it is necessary for examination and approval of or registration or filing with governmental departments).

3.2 If at any time during the term of this Agreement, the entrustment or exercise of the Entrusted Rights under this Agreement is unenforceable for any reason except for default of any Shareholder or the Company, the Parties shall immediately seek a most similar substitute for the provision unenforceable and, if necessary, enter into supplementary agreement to amend or adjust the provisions herein, in order to ensure the realization of the purpose of this Agreement.

Article 4 Exemption and Compensation

4.1 The Parties acknowledge that Hui Ling shall not be requested to be liable for or compensate (by money or otherwise) other Parties or any third party due to its exercise of Entrusted Rights by its Proxy under this Agreement.

4.2 The Shareholders and the Company agree to compensate Hui Ling for and hold it harmless against all losses incurred or likely to be incurred by it due to its exercise of the Entrusted Rights, including without limitation any loss resulting from any litigation, demand arbitration or claim initiated or raised by any third party against it or from administrative investigation or penalty of governmental authorities. However, the Shareholders and the Company will not compensate for losses incurred due to misconduct or gross negligence of Proxy.

Article 5 Representations and Warranties

5.1 Each of the Shareholders hereby severally and jointly with the other Shareholder represent and warrant that:

5.1.1 They are PRC citizens with full capacity and with full and independent legal status and legal capacity to execute, deliver and perform this Agreement, and may act independently as a subject of actions;

5.1.2 they have full power to execute and deliver this Agreement and all the other documents to be entered into by them in relation to the transaction contemplated hereunder, as well as to consummate such transaction. This Agreement shall be executed and delivered by them legally and properly. This Agreement constitutes the legal and binding obligations on them and is enforceable on it in accordance with the terms and conditions.

5.1.3 they are registered shareholders of the Company as of the effective date of this Agreement, and except the rights created by this Agreement, "Equity Pledge Agreement" and "Exclusive Equity Transfer Option Agreement" between the Company and Hui Ling, there exist no third-party rights on the Entrusted Rights. Pursuant to this Agreement, Proxy is able to completely and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.

5.2 Hui Ling and the Company hereby severally represent and warrant that:

5.2.1 each of them is a company with limited liability properly registered and legally existing under the law of its registration place, with an independent corporate legal person status, and has full and independent legal status and legal capacity to execute, deliver and perform this Agreement and may act independently as a subject of actions;

5.2.2 each of them has the full company power and authority to execute and deliver this Agreement and all the other documents to be entered into by it in relation to the transaction contemplated hereunder, and has the full power and authority to consummate such transaction.

5.3 Company further represents and warrants that:

5.3.1 the Shareholders are the only registered shareholders of the Company as of the effective date of this Agreement. Except the rights created by this Agreement, "Equity Pledge Agreement" and "Exclusive Equity Transfer Option Agreement" between the Company and Hui Ling, there exist no third-party rights on the Entrusted Rights. Pursuant to this Agreement, Proxy is able to completely and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.

Article 6　　Term of Agreement

6.1 Subject to provisions of Article 6.2 and 6.3 of this Agreement, this Agreement becomes effective from the signing date hereof and shall remain in effect until expiration of business term of the Company or Hui Ling (whichever is earlier). Unless the parties agree in writing to terminate this Agreement ealier or decide to terminate this Agreement in accordance with the provisions of Article 9.1, this Agreement will be automatically renewed for one (1) year after its expiration, unless Hui Ling notifies the other parties thirty (30) days in advance that it will not be renewed. Subsequently Agreement shall be prolonged in the same manner.

6.2 In case the Company or Hui Ling are unable to prolong and obtain approval to extend its business term, this Agreement shall terminate.

6.3 In case a Shareholder transfers all of the equity held by it in the Company with prior consent of Hui Ling, such Shareholder shall no longer be a Party to this Agreement whilst the obligations and commitments of the other Parties under this Agreement shall not be adversely affected thereby.

Article 7　　Notice

7.1 Any notice, request, demand and other correspondences made as required by or in accordance with this Agreement shall be made in writing and delivered to the relevant Party.

7.2 The abovementioned notice or other correspondences shall be deemed to have been delivered when (i) it is transmitted if transmitted by facsimile or telex, or (ii) it is delivered if delivered in person, or (iii) when five (5) days have elapsed after posting the same if posted by mail.

Article 8　　Default Liability

8.1 The Parties agree and confirm that, if any of the Parties (hereinafter the "**Defaulting Party**") breaches substantially any of the provisions herein or fails substantially to perform any of the obligations hereunder, such a breach or failure shall constitute a default under this Agreement (hereinafter a "**Default**"). In such event any of the other Parties without default (a "**Non-defaulting Party**") shall have the right to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period. If the Defaulting Party fails to rectify such Default or take remedial measures within such reasonable period or within ten (10) days of a Non-defaulting Party's notifying the Defaulting Party in writing and requiring it to rectify the Default, then (1) Hui Ling shall be entitled to terminate this Agreement and require the Defaulting Party to indemnify damages in case the Defaulting Party is either a Shareholder or the Company, or (2) the Non-defaulting Party is entitled to require the Defaulting Party to indemnify damages in case such Defaulting Party is Hui Ling, provided that the Non-defaulting Party shall in no circumstance be entitled to terminate or cancel this Agreement or the trust hereunder.

8.2 The rights and remedies set out herein shall be cumulative, and shall not preclude any other rights or remedies provided by law.

8.3 Notwithstanding any other provisions herein, the validity of this Article shall survive the suspension or termination of this Agreement.

Article 9 Miscellaneous

9.1 This Agreement shall be prepared in Chinese language in four (4) original copies, with each involved Party holding one (1) copy hereof.

9.2 The conclusion, validity, execution, amendment, interpretation and termination of this Agreement shall be governed by laws of the PRC.

9.3 Any disputes arising from and in connection with this Agreement shall be settled through consultations among the Parties, and if the Parties fail to reach an agreement regarding such a dispute within thirty (30) days of its occurrence, such dispute shall be submitted to China International Economic and Trade Arbitration Commission Shanghai Branch for arbitration in Shanghai in accordance with the arbitration rules of such commission, and the arbitration award shall be final and binding on all Parties.

9.4 Any rights, powers and remedies empowered to any Party by any provisions herein shall not preclude any other rights, powers and remedies enjoyed by such Party in accordance with laws and other provisions under this Agreement, and a Party's exercise of any of its rights, powers and remedies shall not preclude its exercise of other rights, powers and remedies of it.

9.5 Any failure or delay by a Party in exercising any of its rights, powers and remedies hereunder or in accordance with laws (hereinafter the "**Party's Rights**") shall not lead to a waiver of such rights, and the waiver of any single or partial exercise of the Party's Rights shall not preclude such Party from exercising such rights in any other way or exercising the remaining part of the Party's Rights.

9.6 The titles of the Articles contained herein are for reference only, and in no circumstances shall such titles be used for or affect the interpretation of the provisions hereof.

9.7 Each provision contained herein shall be severable and independent from each of other provisions. If at any time any one or more articles herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected thereby.

9.8 Any amendments or supplements to this Agreement shall be made in writing and shall take effect only when properly signed by the Parties to this Agreement.

9.9 No Party shall assign any of its rights and/or transfer any of its obligations hereunder to any third parties without prior written consent from other Parties.

9.10 This Agreement shall be binding on the legal successors of the Parties.

[The following is intended to be blank]

IN WITNESS HEREOF, the Parties have caused this Agreement to be executed as of the date and at the place first above mentioned.

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd.
(Company chop)

Signature: /s/ Authorized Representative
Name: Authorized Representative
Position: Authorized Representative

Shanghai The9 Information Technology Co., Ltd.
(Company chop)

Signature: /s/ Authorized Representative
Name: Authorized Representative
Position: Authorized Representative

Wei Ji
Signature: /s/ Wei Ji

Zhimin Lin
Signature: /s/ Zhimin Lin

Power of Attorney

This Power of Attorney (hereinafter referred to as the "Power of Attorney") is signed by [shareholders of the company] (domicile is [ ], and its ID number is [ ]) on [ ] year [ ] month [ ], and issued to [ ] (domicile is [ ], its ID number is [ ]) (hereinafter referred to as "Proxy").

I hereby authorize the Proxy to act as his own agent, to exercise in my name the following rights as Shareholder of Shanghai Jiucheng Information Technology Co., Ltd. (hereinafter referred to as "Company"):

(1) As my agent, propose to convene and attend the shareholders' meeting in accordance with the articles of association;

(2) As my agent, exercise the right to vote on all matters discussed and decided by the shareholders' meeting, including, but not limited to, the appointment and election of directors of the company and other senior managers who should be appointed or removed by the shareholders' meeting;

(3) To exercise the voting rights on other matters under the articles of association as my agent (including any other shareholders' voting rights provided for in the amended articles of association).

I hereby confirm irrevocably that unless Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd. ("Hui Ling") issues an order to me to replace the Proxy, the validity period of this authorization shall extend to the expiration or early termination of the “Shareholder Proxy Agreement” signed by Hui Ling, the Company and the Shareholders of the company on [ ].

Name:

Signature:
Date: year month day

Exhibit 4.10

Equity Pledge Agreement

This **Equity Pledge Agreement** (hereinafter this "**Agreement**") is entered into in Shanghai of the People's Republic of China (hereinafter "**PRC**") as of May 1, 2019 by and between the following Parties:

Wei Ji, a PRC citizen, with his identity card number of * and his domicile address at * (hereinafter "**Pledgor**");

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd., a company with limited liability established upon registration in Shanghai of the PRC with its registered address at * (hereinafter "**Pledgee**").

(Any single Party hereinafter referred to as the "**Party**" and all Parties collectively - the "**Parties**")

Whereas:

(1) Pledgor is the registered shareholder of Shanghai The9 Information Technology Co., Ltd. (a company with limited liability established and validly existing under the PRC Law, hereinafter the "**Company**"), legally holding 64% equity of the Company (hereinafter the "**Company Equity**"), all contributions to and equity proportion in the registered capital of Company as of the date of this Agreement are set out in Appendix I hereto.

(2) Parties to this Agreement entered into the Exclusive Call Option Agreement dated May 1, 2019 (hereinafter the "**Exclusive Call Option Agreement**"), pursuant to which Pledgor shall, to the extent permitted by the PRC Law, transfer at the request of Pledgee all or part of his equity interests in Company to Pledgee and/or any other entities or persons designated by Pledgee.

(3) Parties to this Agreement entered into Shareholder Voting Proxy Agreement dated May 1, 2019 (hereinafter the "**Proxy Agreement**"), pursuant to which Pledgor shall irrevocably entrust person appointed by the Pledgee in a due course with full power to exercise on his behalf all of his shareholders' voting rights in the Company.

(4) Pursuant to the Loan Agreement (hereinafter the "**Loan Agreement**") dated May 1, 2019 between Pledgee and pledgors (namely, the Pledgor and the other pledger, hereinafter "**Pledgors**"), Pledgee has already provided Pledgor with a loan in aggregate amount of fourteen million seven hundred and twenty thousand Renminbi (RMB14,720,000), which shall be repaid, at the sole discretion of Pledgee, by Pledgor promptly at the written repayment request by Pledgee to Pledgor.

(5) As the guarantee by Pledgor for his performance of the Contractual Obligations (as defined below) and repayment of the Guaranteed Liabilities (as defined below), Pledgor agrees to pledge all of his Company Equity to Pledgee, and grant herewith to Pledgee the right of first priority in the pledging.

The Parties hereby have reached the following agreement upon mutual consultations:

Article 1 - Definition

1.1 Except as otherwise construed in the context, the following terms in this Agreement shall be interpreted to have the following meanings:

"**Contractual Obligations**" shall mean all contractual obligations of Pledgor under this Agreement, the Loan Agreement, Exclusive Call Option Agreement and Proxy Agreement; all contractual obligations of the Company under the Proxy Agreement.

"**Guaranteed Liabilities**" shall mean all direct, indirect and derivative losses and loss of foreseeable profits suffered by Pledgee due to any Breaching Event (as defined below) of Pledgor and/or the Company, the amount of which shall be determined by Pledgee in its absolute sole discretion, to which Pledgor shall be subject; and all fees incurred by Pledgee for its enforcement of the Contractual Obligations of Pledgor and/or the Company.

"**Transaction Agreements**" shall mean the Loan Agreement, Exclusive Call Option Agreement and Proxy Agreement.

"**Breaching Event**" shall mean any breach by Pledgor of his Contractual Obligations under the Loan Agreement, Exclusive Call Option Agreement, Proxy Agreement and/or this Agreement, and any breach by the Company of its Contractual Obligations under the Proxy Agreement.

"**Pledged Property**" shall mean all of Pledgor's Company Equity legally owned by Pledgor as of the effectiveness hereof, which Pledgor shall pledge to Pledgee according to provisions hereof as his and the Company's guarantee for the performance of their Contractual Obligations, with the particular pledged equity shares of Pledgor to be seen in Appendix I hereto, and the increased contribution amounts and interests as according to 2.6 and 2.7 hereof.

"**PRC Law**" shall mean the then valid laws, administrative regulations, administrative rules, local regulations, judicial interpretations and other binding regulatory documents of the People's Republic of China.

1.2 The references to any PRC Law herein shall be deemed (1) to include the references to the amendments, changes, supplements and reenactments of such law, irrespective of whether they take effect before or after the formation of this Agreement; and (2) to include the references to other decisions, notices or regulations enacted in accordance therewith or effective as a result thereof.

1.3 Except as otherwise stated in the context herein, all references to an Article, clause, item or paragraph shall refer to the relevant part of this Agreement.

Article 2 – Equity Pledge

2.1 Pledgor hereby agrees to pledge the Pledged Property, which he legally own and have the right to dispose of, to Pledgee according to the provisions hereof as the repayment guarantee for the Guaranteed Liabilities.

2.2 Pledgor hereby undertakes that he will be responsible for, on the date hereof, recording the arrangement of the equity pledge hereunder (hereinafter the "**Equity Pledge**") on the shareholder register of the Company. Both Parties shall make every effort to apply to the company's industrial and commercial registration authority for the registration of Equity Pledge under this Agreement as soon as possible after the signing of this Agreement.

2.3 During the valid term of this Agreement, except for willful intent, gross negligence of Pledgee or negligence as a direct cause/result to the consequence, Pledgee shall not be liable in any way to, nor shall Pledgor has any right to claim in any way or propose any demands on Pledgee, in respect of the reduction in value of the Pledged Property.

2.4 Without prejudice to the provision of 2.3 above, in case of any possibility of obvious reduction in value of the Pledged Property which is sufficient to jeopardize Pledgee's rights, Pledgee may demand Pledgor to provide corresponding guarantee as supplements. Where Pledgor fails to do so, Pledgee may at any time auction or sell off the Pledged Property on behalf of Pledgor, and discuss with Pledgor to use the proceeds from such auction or sale-off as pre-repayment of the Guaranteed Liabilities, or may submit such proceeds to the local notary institution where Pledgee is domiciled (any fees incurred in relation thereto shall be borne by Pledgors).

2.5 In case of any Breaching Event, Pledgee shall have the right to dispose of the Pledged Property in the way set out in Article 4 hereof.

2.6 Only upon prior consent by Pledgee shall Pledgor be able to increase his capital contribution to the Company. Pledgor's increased capital amount in the Company due to increased capital contribution to the Company shall also be part of the Pledged Property.

2.7 Only upon prior consent by Pledgee shall Pledgor be able to receive dividends from the Pledged Property. The dividends received by Pledgor from the Pledged Property shall be deposited into Pledgee's bank account designated by Pledgee, to be under the supervision of Pledgee and used as the Pledged Property to repay in priority the Guaranteed Liabilities.

2.8 Each of Pledgors agrees to bear joint and several liabilities to Pledgee for any Breaching Event caused by the other pledgor. Pledgee shall have the right, upon occurrence of the Breaching Event, dispose of any Pledged Property of any of Pledgors in accordance with the provisions hereof.

Article 3 – Release of Pledge

3.1 Upon full and complete performance by Pledgor and the Company of all Contractual Obligations and cleared all Guaranteed Liabilities, Pledgee shall, at the request of Pledgor, release the pledge hereunder, and shall cooperate with Pledgor to handle the formalities to cancel the record of the Equity Pledge in the shareholder register of the Company, with the reasonable fees to be incurred in connection with the release of the pledge to be borne by Pledgee.

Article 4 – Disposal of the Pledged Property

4.1 Pledgor and Pledgee agree hereby that, in case of any Breaching Event, Pledgee shall have the right to exercise, upon giving written notice to Pledgors, all of its remedies and powers at breaching entitled under the PRC Law, Transaction Agreements and the terms hereof, including but not limited to repayment in priority with proceeds from auctions or sale-offs of the Pledged Property. Pledgee shall not be liable for any loss as the result of its reasonable exercise of such rights and powers.

4.2 Pledgee shall have the right to designate in writing its legal consultant or other agents to exercise on its behalf any and all rights and powers set out above, and Pledgor shall not oppose thereto.

4.3 The reasonable costs incurred by Pledgee in connection with its exercise of any and all rights and powers set out above can be covered by Pledgee by its right to deduct such actual costs from the proceeds it acquires from the exercise of the rights and powers.

4.4 The proceeds Pledgee acquires from the exercise of its rights and powers shall be used in the priority order as follows:

- First, to pay any cost incurred in connection with the disposal of the Pledged Property and the exercise by Pledgee of its rights and powers (including remuneration paid to its legal consultant and agents);

- Second, to pay any taxes payable for the disposal of the Pledged Property; and

- Third, to repay Pledgee for the Guaranteed Liabilities.

In case of any balance after payment of the above amounts, Pledgee shall return the same to Pledgor or other persons entitled thereto according to the relevant laws and rules, or submit the same to the local notary institution where Pledgee is domiciled (any fees incurred in relation thereto shall be borne by Pledgor).

4.5 Pledgee shall have the option to exercise, simultaneously or in certain sequence, any of the remedies at breaching it is entitled to; Pledgee is not obliged to exercise other remedies at breaching before its exercise of the right to the auctions or sale-offs of the Pledged Property hereunder.

Article 5 – Fees and Costs

5.1 All actual costs in connection with the establishment of the Equity Pledge hereunder, including but not limited to stamp duties, any other taxes, all legal fees, etc shall be borne by Pledgor and Pledgee respectively.

Article 6 – Continuity and No Waive

6.1 The Equity Pledge hereunder is a continuous guarantee, with its validity to continue until the full performance of the Contractual Obligations or the full repayment of the Guaranteed Liabilities. Neither exemption or grace period granted by Pledgee to Pledgor in respect of the breach, nor delay by Pledgee in exercising any of its rights under the Transaction Agreements and this Agreement shall affect the rights of Pledgee under this Agreement, relevant PRC Law and the Transaction Agreements, the rights of Pledgee to demand at any time thereafter the strict performance of the Transaction Agreements and this Agreement by Pledgors or the rights Pledgee may be entitled to due to subsequent breach by Pledgor of the Transaction Agreements and/or this Agreement.

Article 7 – Representations and Warranties

Each of Pledgors hereby jointly and severally represents and warrants to Pledgee as follows:

7.1 Pledgors are PRC citizens with full capacity, with legal right and capacity to execute this Agreement and to bear legal obligations hereunder.

7.2 All reports, documents and information provided by Pledgors to Pledgee prior to the effectiveness of this Agreement concerning Pledgors and all issues required by this Agreement are true and valid in all material aspects as of the execution hereof.

7.3 All reports, documents and information provided by Pledgors to Pledgee after the effectiveness of this Agreement concerning Pledgors and all issues required by this Agreement are true and valid in all material aspects at the time of their provisions.

7.4 At the time of the effectiveness of this Agreement, Pledgors are the sole legal owner of the Pledged Property, with no existing dispute whatever concerning the ownership of the Pledged Property. Pledgors have the right to dispose of the Pledged Property or any part thereof.

7.5 Except for the encumbrance set on the Pledged Property hereunder and the rights set under the Transaction Agreements, there is no other encumbrance or third party interest on the Pledged Property.

7.6 The Pledged Property is capable of being pledged or transferred according to the laws, and Pledgors have the full right and power to pledge the Pledged Property to Pledgee according to this Agreement.

7.7 This Agreement constitutes the legal, valid and binding obligations on Pledgors when it is duly executed by Pledgors.

7.8 Any consent, permission, waive or authorization by any third person, or any approval, permission or exemption by any government authority, or any registration or filing formalities (if required by laws) with any government authority to be handled or obtained in respect of the execution and performance hereof and the Equity Pledge hereunder have already been handled or obtained (subject to provision 2.2 hereof), and will be fully effective during the valid term of this Agreement.

7.9 The execution and performance by Pledgors of this Agreement are not in violation of or conflict with any laws applicable to them, or any agreement to which they are a party or which has binding effect on their assets, any court judgment, any arbitration award, or any administration authority decision.

7.10 The pledge hereunder constitutes the encumbrance of first order in priority on the Pledged Property.

7.11 All taxes and fees payable in connection with acquisition of the Pledged Property have already been paid in full amount by Pledgors.

7.12 There is no pending or, to the knowledge of Pledgors, threatened litigation, legal process or demand by any court or any arbitral tribunal against Pledgors, or their property, or the Pledged Property, nor is there any pending or, to the knowledge of Pledgors, threatened litigation, legal process or demand by any government authority or any administration authority against Pledgors, or their property, or the Pledged Property, which is of material or detrimental effect on the economic status of Pledgors or their capability to perform the obligations hereunder and the Guaranteed Liabilities.

7.13 Pledgors hereby warrant to Pledgee that the above representations and warranties will remain true and correct at any time and under any circumstance before the Contractual Obligations are fully performed or the Guaranteed Liabilities are fully repaid, and will be fully complied with.

Article 8 – Undertakings by Pledgors

Each of Pledgors hereby jointly and severally undertakes to Pledgee as follows:

8.1 In case that the value of the Pledged Property is detrimentally affected due to any cause not attributable to Pledgee, Pledgors shall at the request of Pledgee provide Pledgee with further guarantee in the way and on the terms acceptable to Pledgee, as to supplement or replace the Pledged Property fully.

8.2 Without the prior written consent by Pledgee, Pledgors shall not establish or permit to establish any new pledge or any other encumbrance on the Pledged Property; pledge or any other encumbrance on the whole or part of the Pledged Property established without the prior written consent by Pledgee shall be null and void.

8.3 Without first giving written notice to Pledgee and having Pledgee’s prior written consent, Pledgors shall not transfer the Pledged Property, and any attempt by Pledgors to transfer the Pledged Property shall be null and void. The proceeds from transfer of the Pledged Property by Pledgors shall be used to repay to Pledgee in advance the Guaranteed Liabilities or submit the same to the third party agreed with Pledgee.

8.4 In case of any litigation, arbitration or other demand which may affect detrimentally the interest of Pledgors or Pledgee under the Transaction Agreements and hereunder or the Pledged Property, Pledgors undertake to notify Pledgee thereof in writing as soon as possible and promptly and shall take, at the reasonable request of Pledgee, all necessary measures to ensure the pledge interest of Pledgee in the Pledged Property.

8.5 Pledgors shall not carry on or permit any act or action which may affect detrimentally the interest of Pledgee under the Transaction Agreements and hereunder or the Pledged Property.

8.6 Pledgors shall provide, during the first month of each calendar quarter, Pledgee with the financial statement of Shanghai The9 Information Technology Co., Ltd. for the preceding calendar quarter, including but not limited to its balance sheet, profit statement and cash flow statement.

8.7 Upon signing this Agreement, Pledgors will do their utmost and take all necessary measures to register Equity Pledge under this Agreement within the relevant administrative departments for Industry and Commerce as soon as possible, besides Pledgors guarantee that they shall, at the reasonable request of Pledgee, take all necessary measures and execute all necessary documents (including but not limited to supplementary agreement hereof) as to ensure the pledge interest of Pledgee in the Pledged Property and the exercise and realization of the rights thereof.

8.8 In case of assignment of any Pledged Property as the result of the exercise of the right to the pledge hereunder, Pledgors guarantee that they will take all necessary measures to realize such assignment.

8.9 The Pledgors shall ensure that the convening procedures, voting methods and contents of the meetings of shareholders and board of directors convened for the purpose of approving this Agreement, pledge right grant and pledge right exercise do not violate laws, administrative regulations or articles of association.

Article 9 – Change of Circumstances

9.1 As supplement and subject to compliance with other terms of the Transaction Agreements and this Agreement, in case that at any time the promulgation or change of any PRC Law, regulations or rules, or change in interpretation or application of such laws, regulations and rules, or the change of the relevant registration procedures enables Pledgee to believe that it will be illegal or in conflict with such laws, regulations or rules to further maintain the effectiveness of this Agreement and/or dispose of the Pledged Property in the way provided herein, Pledgors shall, at the written direction of Pledgee and in accordance with the reasonable request of Pledgee, promptly take actions and/or execute any agreement or other document, in order to:

(1) keep this Agreement remain in effect;
(2) facilitate the disposal of the Pledged Property in the way provided herein; and/or
(3) maintain or realize the guarantee established or intended to establish hereunder.

Article 10 – Effectiveness and Term of This Agreement

10.1 This Agreement shall remain effective unless the satisfaction of all of the following conditions:

(1) this Agreement is duly executed by each of the Parties; and
(2) the Equity Pledge hereunder has been legally recorded in the shareholders' register of the Company.

Pledgors shall provide the registration certification of the Equity Pledge being recorded in the shareholders' register as mentioned above to Pledgee in a way satisfactory to Pledgee.

10.2 This Agreement shall have its valid term until the full performance of the Contractual Obligations or the full repayment of the Guaranteed Liabilities.

Article 11 - Notice

11.1 Any notice, request, demand and other correspondences made as required by or in accordance with this Agreement shall be made in writing and delivered to the relevant Party.

11.2 The abovementioned notice or other correspondences shall be deemed to have been delivered when it is transmitted if transmitted by facsimile or telex; it shall be deemed to have been delivered when it is delivered if delivered in person; it shall be deemed to have been delivered five (5) days after posting the same if posted by mail.

Article 12 - Miscellaneous

12.1 Pledgee may, upon notice to Pledgors but not necessarily with Pledgors' consent, assign Pledgee's rights and/or obligations hereunder to any third party; provided that Pledgors may not, without Pledgee's prior written consent, assign Pledgors' rights, obligations and/or liabilities hereunder to any third party. Successors or permitted assignees (if any) of Pledgors shall continue to perform the obligations of Pledgors under this Agreement.

12.2 The amount of the Guaranteed Liabilities decided by Pledgee at its sole discretion in its exercise of the right of pledge to the Pledged Property according to this Agreement shall be the conclusive evidence of the Guaranteed Liabilities hereunder.

12.3 This Agreement shall be prepared in the Chinese language in four (4) original copies, with each involved Party holding one (1) copy hereof. One (1) original copy shall be given out to administration for industry and commerce for Equity Pledge registration purpose.

12.4 The formation, validity, execution, amendment, interpretation and termination of this Agreement shall be subject to the PRC Laws.

12.5 Any disputes arising hereunder and in connection herewith shall be settled through consultations among the Parties, and if the Parties cannot reach an agreement regarding such disputes within thirty (30) days of their occurrence, such disputes shall be submitted to China International Economic and Trade Arbitration Commission Shanghai Branch for arbitration in Shanghai in accordance with the arbitration rules of such Commission, and the arbitration award shall be final and binding on all Parties.

12.6 Any rights, powers and remedies empowered to any Party by any provisions herein shall not preclude any other rights, powers and remedies enjoyed by such Party in accordance with laws and other provisions under this Agreement, and the exercise of its rights, powers and remedies by a Party shall not preclude its exercise of its other rights, powers and remedies by such Party.

12.7 Any failure or delay by a Party in exercising any of its rights, powers and remedies hereunder or in accordance with laws (hereinafter the "**Party's Rights**") shall not lead to a waiver of such rights, and the waiver of any single or partial exercise of the Party's Rights shall not preclude such Party from exercising such rights in any other way and exercising the remaining part of the Party's Rights.

12.8 The titles of the Articles contained herein shall be for reference only, and in no circumstances shall such titles be used in or affect the interpretation of the provisions hereof.

12.9 Each provision contained herein shall be severable and independent from each of other provisions, and if at any time any one or more articles herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected as a result thereof.

12.10 Any amendments or supplements to this Agreement shall be made in writing. Except for assignment by Pledgee of its rights hereunder according to Article 12.1 of this Agreement, the amendments or supplements to this Agreement shall take effect only when properly signed by the Parties to this Agreement.

12.11 This Agreement shall be binding on the legal successors of the Parties.

12.12 At the time of execution hereof, each of Pledgors shall sign respectively a power of attorney (hereinafter the "**Power of Attorney**") to authorize any person designated by Pledgee to sign on their behalf according to this Agreement any and all legal documents necessary for the exercise by Pledgee of its rights hereunder. Such Power of Attorney shall be delivered to Pledgee to keep in custody and, when necessary, Pledgee may at any time submit the Power of Attorney to the relevant government authority.

[The following is intended to be blank]

IN WITNESS HEREOF, the Parties have caused this Agreement to be executed as of the date and in the place first here above mentioned.

Wei Ji
Signature: /s/ Wei Ji

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd.
(Company chop)

Signature by Authorized Representative: /s/ Authorized Signatory
Name: Authorized Signatory
Position: Authorized Signatory

Appendix I:

Appendix II:

Format of the Power of Attorney

I, Wei Ji, hereby irrevocably entrust ____________, with his/her identity card number ____________, to be my authorized trustee to sign on my behalf all legal documents necessary or desirous for Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd. to exercise its rights under the Equity Pledge Agreement Regarding Shanghai The9 Information Technology Co., Ltd. between it and myself.

Signature:_______________
Date:___________________

Equity Pledge Agreement

This **Equity Pledge Agreement** (hereinafter this "**Agreement**") is entered into in Shanghai, People's Republic of China (hereinafter "**PRC**") as of May 1, 2019 by and between the following Parties:

Zhimin Lin, a PRC citizen, with his identity card number of
* and his domicile address at * (hereinafter "**Pledgor**");

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd., a company with limited liability established upon registration in Shanghai of the PRC with its registered address at * (hereinafter "**Pledgee**").

(Any single Party hereinafter referred to as the "**Party**" and all Parties collectively - the "**Parties**")

Whereas:

(1) Pledgor is the registered shareholder of Shanghai The9 Information Technology Co., Ltd. (a company with limited liability established and validly existing under the PRC Law, hereinafter the "**Company**"), legally holding 36% equity of the Company (hereinafter "**Company Equity**"), all contributions to and equity proportion in the registered capital of the Company as of the date of this Agreement are set out in Appendix I hereto.

(6) Parties to this Agreement entered into the Exclusive Call Option Agreement dated May 1, 2019 (hereinafter the "**Call Option Agreement**"), pursuant to which Pledgor shall, to the extent permitted by the PRC Law, transfer at the request of Pledgee all or part of his equity interests in Company to Pledgee and/or any other entities or persons designated by Pledgee.

(7) Parties to this Agreement entered into Shareholders Voting Proxy Agreement dated May 1, 2019 (hereinafter the "**Proxy Agreement**"), pursuant to which Pledgor shall irrevocably entrust person appointed by the Pledgee in a due course with full power to exercise on this behalf all of his shareholders' voting rights in the Company.

(8) Pursuant to the Loan Agreement (hereinafter the "**Loan Agreement**") dated May 1, 2019 between Pledgee and pledgors (namely, the Pledgor and the other pledger, hereinafter "**Pledgors**"), Pledgee has already provided Pledgor with a loan in aggregate amount of eight million two hundred and eighty thousand Renminbi (RMB8,280,000), which shall be repaid, at the sole discretion of Pledgee, by Pledgor promptly at the written repayment request by Pledgee to Pledgor.

(9) As the guarantee by Pledgor for his performance of the Contractual Obligations (as defined below) and repayment of the Guaranteed Liabilities (as defined below), Pledgor agrees to pledge all of his Company Equity to Pledgee, and grant herewith to Pledgee the right of first priority in the pledging.

The Parties hereby have reached the following agreement upon mutual consultations:

Article 1 - Definition

1.1 Except as otherwise construed in the context, the following terms in this Agreement shall be interpreted to have the following meanings:

"**Contractual Obligations**" shall mean all contractual obligations of Pledgor under this Agreement, the Loan Agreement, Exclusive Call Option Agreement and Proxy Agreement; all contractual obligations of the Company under the Proxy Agreement.

"**Guaranteed Liabilities**" shall mean all direct, indirect and derivative losses and loss of foreseeable profits suffered by Pledgee due to any Breaching Event (as defined below) of Pledgor and/or the Company, the amount of which shall be determined by Pledgee in its absolute sole discretion, to which Pledgor shall be subject; and all fees incurred by Pledgee for its enforcement of the Contractual Obligations of Pledgor and/or the Company.

"**Transaction Agreements**" shall mean the Loan Agreement, Exclusive Option Agreement and Proxy Agreement.

"**Breaching Event**" shall mean any breach by Pledgor of his Contractual Obligations under the Loan Agreement, Exclusive Option Agreement, Proxy Agreement and/or this Agreement, and any breach by the Company of its Contractual Obligations under the Proxy Agreement.

"**Pledged Property**" shall mean all of Pledgor's Company Equity legally owned by Pledgor as of the effectiveness hereof, which Pledgor shall pledge to Pledgee according to provisions hereof as his and the Company's guarantee for the performance of their Contractual Obligations, with the particular pledged equity shares of Pledgor to be seen in Appendix I hereto, and the increased contribution amounts and interests as according to 2.6 and 2.7 hereof.

"**PRC Law**" shall mean the then valid laws, administrative regulations, administrative rules, local regulations, judicial interpretations and other binding regulatory documents of the People's Republic of China.

1.2 The references to any PRC Law herein shall be deemed (1) to include the references to the amendments, changes, supplements and reenactments of such law, irrespective of whether they take effect before or after the formation of this Agreement; and (2) to include the references to other decisions, notices or regulations enacted in accordance therewith or effective as a result thereof.

1.3 Except as otherwise stated in the context herein, all references to an Article, clause, item or paragraph shall refer to the relevant part of this Agreement.

Article 2 – Equity Pledge

2.1 Pledgor hereby agrees to pledge the Pledged Property, which he legally own and have the right to dispose of, to Pledgee according to the provisions hereof as the repayment guarantee for the Guaranteed Liabilities.

2.2 Pledgor hereby undertakes that he will be responsible for, on the date hereof, recording the arrangement of the equity pledge hereunder (hereinafter the "**Equity Pledge**") on the shareholder register of the Company. Both Parties shall make every effort to apply to the company's industrial and commercial registration authority for the registration of Equity Pledge under this Agreement as soon as possible after the signing of this Agreement.

2.3 During the valid term of this Agreement, except for willful intent, gross negligence of Pledgee or negligence as a direct cause/result to the consequence, Pledgee shall not be liable in any way to, nor shall Pledgor has any right to claim in any way or propose any demands on Pledgee, in respect of the reduction in value of the Pledged Property.

2.4 Without prejudice to the provision of 2.3 above, in case of any possibility of obvious reduction in value of the Pledged Property which is sufficient to jeopardize Pledgee's rights, Pledgee may demand Pledgor to provide corresponding guarantee as supplements. Where Pledgor fails to do so, Pledgee may at any time auction or sell off the Pledged Property on behalf of Pledgor, and discuss with Pledgor to use the proceeds from such auction or sale-off as pre-repayment of the Guaranteed Liabilities, or may submit such proceeds to the local notary institution where Pledgee is domiciled (any fees incurred in relation thereto shall be borne by Pledgors).

2.5 In case of any Breaching Event, Pledgee shall have the right to dispose of the Pledged Property in the way set out in Article 4 hereof.

2.6 Only upon prior consent by Pledgee shall Pledgor be able to increase his capital contribution to the Company. Pledgor's increased capital amount in the Company due to increased capital contribution to the Company shall also be part of the Pledged Property.

2.7 Only upon prior consent by Pledgee shall Pledgor be able to receive dividends from the Pledged Property. The dividends received by Pledgor from the Pledged Property shall be deposited into Pledgee's bank account designated by Pledgee, to be under the supervision of Pledgee and used as the Pledged Property to repay in priority the Guaranteed Liabilities.

2.8 Each of Pledgors agrees to bear joint and several liabilities to Pledgee for any Breaching Event caused by the other pledgor. Pledgee shall have the right, upon occurrence of the Breaching Event, dispose of any Pledged Property of any of Pledgors in accordance with the provisions hereof.

Article 3 – Release of Pledge

3.1 Upon full and complete performance by Pledgor and the Company of all Contractual Obligations and cleared all Guaranteed Liabilities, Pledgee shall, at the request of Pledgor, release the pledge hereunder, and shall cooperate with Pledgor to handle the formalities to cancel the record of the Equity Pledge in the shareholder register of the Company, with the reasonable fees to be incurred in connection with the release of the pledge to be borne by Pledgee.

Article 4 – Disposal of the Pledged Property

4.1 Pledgor and Pledgee agree hereby that, in case of any Breaching Event, Pledgee shall have the right to exercise, upon giving written notice to Pledgors, all of its remedies and powers at breaching entitled under the PRC Law, Transaction Agreements and the terms hereof, including but not limited to repayment in priority with proceeds from auctions or sale-offs of the Pledged Property. Pledgee shall not be liable for any loss as the result of its reasonable exercise of such rights and powers.

4.2 Pledgee shall have the right to designate in writing its legal consultant or other agents to exercise on its behalf any and all rights and powers set out above, and Pledgor shall not oppose thereto.

4.3 The reasonable costs incurred by Pledgee in connection with its exercise of any and all rights and powers set out above can be covered by Pledgee by its right to deduct such actual costs from the proceeds it acquires from the exercise of the rights and powers.

4.4 The proceeds Pledgee acquires from the exercise of its rights and powers shall be used in the priority order as follows:

- First, to pay any cost incurred in connection with the disposal of the Pledged Property and the exercise by Pledgee of its rights and powers (including remuneration paid to its legal consultant and agents);

- Second, to pay any taxes payable for the disposal of the Pledged Property; and

- Third, to repay Pledgee for the Guaranteed Liabilities.

In case of any balance after payment of the above amounts, Pledgee shall return the same to Pledgor or other persons entitled thereto according to the relevant laws and rules, or submit the same to the local notary institution where Pledgee is domiciled (any fees incurred in relation thereto shall be borne by Pledgor).

4.5 Pledgee shall have the option to exercise, simultaneously or in certain sequence, any of the remedies at breaching it is entitled to; Pledgee is not obliged to exercise other remedies at breaching before its exercise of the right to the auctions or sale-offs of the Pledged Property hereunder.

Article 5 – Fees and Costs

5.1 All actual costs in connection with the establishment of the Equity Pledge hereunder, including but not limited to stamp duties, any other taxes, all legal fees, etc shall be borne by Pledgor and Pledgee respectively.

Article 6 – Continuity and No Waive

6.1 The Equity Pledge hereunder is a continuous guarantee, with its validity to continue until the full performance of the Contractual Obligations or the full repayment of the Guaranteed Liabilities. Neither exemption or grace period granted by Pledgee to Pledgor in respect of the breach, nor delay by Pledgee in exercising any of its rights under the Transaction Agreements and this Agreement shall affect the rights of Pledgee under this Agreement, relevant PRC Law and the Transaction Agreements, the rights of Pledgee to demand at any time thereafter the strict performance of the Transaction Agreements and this Agreement by Pledgors or the rights Pledgee may be entitled to due to subsequent breach by Pledgor of the Transaction Agreements and/or this Agreement.

Article 7 – Representations and Warranties

Each of Pledgors hereby jointly and severally represents and warrants to Pledgee as follows:

7.1 Pledgors are PRC citizens with full capacity, with legal right and capacity to execute this Agreement and to bear legal obligations hereunder.

7.2 All reports, documents and information provided by Pledgors to Pledgee prior to the effectiveness of this Agreement concerning Pledgors and all issues required by this Agreement are true and valid in all material aspects as of the execution hereof.

7.3 All reports, documents and information provided by Pledgors to Pledgee after the effectiveness of this Agreement concerning Pledgors and all issues required by this Agreement are true and valid in all material aspects at the time of their provisions.

7.4 At the time of the effectiveness of this Agreement, Pledgors are the sole legal owner of the Pledged Property, with no existing dispute whatever concerning the ownership of the Pledged Property. Pledgors have the right to dispose of the Pledged Property or any part thereof.

7.5 Except for the encumbrance set on the Pledged Property hereunder and the rights set under the Transaction Agreements, there is no other encumbrance or third party interest set the Pledged Property.

7.6 The Pledged Property is capable of being pledged or transferred according to the laws, and Pledgors have the full right and power to pledge the Pledged Property to Pledgee according to this Agreement.

7.7 This Agreement constitutes the legal, valid and binding obligations on Pledgors when it is duly executed by Pledgors.

7.8 Any consent, permission, waive or authorization by any third person, or any approval, permission or exemption by any government authority, or any registration or filing formalities (if required by laws) with any government authority to be handled or obtained in respect of the execution and performance hereof and the Equity Pledge hereunder have already been handled or obtained (subject to provision 2.2 hereof), and will be fully effective during the valid term of this Agreement.

7.9 The execution and performance by Pledgors of this Agreement are not in violation of or conflict with any laws applicable to them, or any agreement to which they are a party or which has binding effect on their assets, any court judgment, any arbitration award, or any administration authority decision.

7.10 The pledge hereunder constitutes the encumbrance of first order in priority on the Pledged Property.

7.11 All taxes and fees payable in connection with acquisition of the Pledged Property have already been paid in full amount by Pledgors.

7.12 There is no pending or, to the knowledge of Pledgors, threatened litigation, legal process or demand by any court or any arbitral tribunal against Pledgors, or their property, or the Pledged Property, nor is there any pending or, to the knowledge of Pledgors, threatened litigation, legal process or demand by any government authority or any administration authority against Pledgors, or their property, or the Pledged Property, which is of material or detrimental effect on the economic status of Pledgors or their capability to perform the obligations hereunder and the Guaranteed Liabilities.

7.13 Pledgors hereby warrant to Pledgee that the above representations and warranties will remain true and correct at any time and under any circumstance before the Contractual Obligations are fully performed or the Guaranteed Liabilities are fully repaid, and will be fully complied with.

Article 8 – Undertakings by Pledgors

Each of Pledgors hereby jointly and severally undertakes to Pledgee as follows:

8.1 In case that the value of the Pledged Property is detrimentally affected due to any cause not attributable to Pledgee, Pledgors shall at the request of Pledgee provide Pledgee with further guarantee in the way and on the terms acceptable to Pledgee, as to supplement or replace the Pledged Property fully.

8.2 Without the prior written consent by Pledgee, Pledgors shall not establish or permit to establish any new pledge or any other encumbrance on the Pledged Property; pledge or any other encumbrance on the whole or part of the Pledged Property established without the prior written consent by Pledgee shall be null and void.

8.3 Without first giving written notice to Pledgee and having Pledgee's prior written consent, Pledgors shall not transfer the Pledged Property, and any attempt by Pledgors to transfer the Pledged Property shall be null and void. The proceeds from transfer of the Pledged Property by Pledgors shall be used to repay to Pledgee in advance the Guaranteed Liabilities or submit the same to the third party agreed with Pledgee.

8.4 In case of any litigation, arbitration or other demand which may affect detrimentally the interest of Pledgors or Pledgee under the Transaction Agreements and hereunder or the Pledged Property, Pledgors undertake to notify Pledgee thereof in writing as soon as possible and promptly and shall take, at the reasonable request of Pledgee, all necessary measures to ensure the pledge interest of Pledgee in the Pledged Property.

8.5 Pledgors shall not carry on or permit any act or action which may affect detrimentally the interest of Pledgee under the Transaction Agreements and hereunder or the Pledged Property.

8.6 Pledgors shall provide, during the first month of each calendar quarter, Pledgee with the financial statement of Shanghai The9 Information Technology Co., Ltd. for the preceding calendar quarter, including but not limited to its balance sheet, profit statement and cash flow statement.

8.7 Upon signing this Agreement, Pledgors will do their utmost and take all necessary measures to register Equity Pledge under this Agreement within the relevant administrative departments for Industry and Commerce as soon as possible, besides Pledgors guarantee that they shall, at the reasonable request of Pledgee, take all necessary measures and execute all necessary documents (including but not limited to supplementary agreement hereof) as to ensure the pledge interest of Pledgee in the Pledged Property and the exercise and realization of the rights thereof.

8.8 In case of assignment of any Pledged Property as the result of the exercise of the right to the pledge hereunder, Pledgors guarantee that they will take all necessary measures to realize such assignment.

8.9 The Pledgors shall ensure that the convening procedures, voting methods and contents of the meetings of shareholders and board of directors convened for the purpose of approving this Agreement, pledge right grant and pledge right exercise do not violate laws, administrative regulations or articles of association.

Article 9 – Change of Circumstances

9.1 As supplement and subject to compliance with other terms of the Transaction Agreements and this Agreement, in case that at any time the promulgation or change of any PRC Law, regulations or rules, or change in interpretation or application of such laws, regulations and rules, or the change of the relevant registration procedures enables Pledgee to believe that it will be illegal or in conflict with such laws, regulations or rules to further maintain the effectiveness of this Agreement and/or dispose of the Pledged Property in the way provided herein, Pledgors shall, at the written direction of Pledgee and in accordance with the reasonable request of Pledgee, promptly take actions and/or execute any agreement or other document, in order to:

(1) keep this Agreement remain in effect;
(2) facilitate the disposal of the Pledged Property in the way provided herein; and/or
(3) maintain or realize the guarantee established or intended to establish hereunder.

Article 10 – Effectiveness and Term of This Agreement

10.1 This Agreement shall remain effective unless the satisfaction of all of the following conditions:

(1) this Agreement is duly executed by each of the Parties; and
(2) the Equity Pledge hereunder has been legally recorded in the shareholders' register of the Company.

Pledgors shall provide the registration certification of the Equity Pledge being recorded in the shareholders' register as mentioned above to Pledgee in a way satisfactory to Pledgee.

10.2 This Agreement shall have its valid term until the full performance of the Contractual Obligations or the full repayment of the Guaranteed Liabilities.

Article 11 - Notice

11.1 Any notice, request, demand and other correspondences made as required by or in accordance with this Agreement shall be made in writing and delivered to the relevant Party.

11.2 The abovementioned notice or other correspondences shall be deemed to have been delivered when it is transmitted if transmitted by facsimile or telex; it shall be deemed to have been delivered when it is delivered if delivered in person; it shall be deemed to have been delivered five (5) days after posting the same if posted by mail.

Article 12 - Miscellaneous

12.1 Pledgee may, upon notice to Pledgors but not necessarily with Pledgors' consent, assign Pledgee's rights and/or obligations hereunder to any third party; provided that Pledgors may not, without Pledgee's prior written consent, assign Pledgors' rights, obligations and/or liabilities hereunder to any third party. Successors or permitted assignees (if any) of Pledgors shall continue to perform the obligations of Pledgors under this Agreement.

12.2 The amount of the Guaranteed Liabilities decided by Pledgee at its sole discretion in its exercise of the right of pledge to the Pledged Property according to this Agreement shall be the conclusive evidence of the Guaranteed Liabilities hereunder.

12.3 This Agreement shall be prepared in the Chinese language in four (4) original copies, with each involved Party holding one (1) copy hereof. One (1) original copy shall be given out to administration for industry and commerce for Equity Pledge registration purpose.

12.4 The formation, validity, execution, amendment, interpretation and termination of this Agreement shall be subject to the PRC Laws.

12.5 Any disputes arising hereunder and in connection herewith shall be settled through consultations among the Parties, and if the Parties cannot reach an agreement regarding such disputes within thirty (30) days of their occurrence, such disputes shall be submitted to China International Economic and Trade Arbitration Commission Shanghai Branch for arbitration in Shanghai in accordance with the arbitration rules of such Commission, and the arbitration award shall be final and binding on all Parties.

12.6 Any rights, powers and remedies empowered to any Party by any provisions herein shall not preclude any other rights, powers and remedies enjoyed by such Party in accordance with laws and other provisions under this Agreement, and the exercise of its rights, powers and remedies by a Party shall not preclude its exercise of its other rights, powers and remedies by such Party.

12.7 Any failure or delay by a Party in exercising any of its rights, powers and remedies hereunder or in accordance with laws (hereinafter the "**Party's Rights**") shall not lead to a waiver of such rights, and the waiver of any single or partial exercise of the Party's Rights shall not preclude such Party from exercising such rights in any other way and exercising the remaining part of the Party's Rights.

12.8 The titles of the Articles contained herein shall be for reference only, and in no circumstances shall such titles be used in or affect the interpretation of the provisions hereof.

12.9 Each provision contained herein shall be severable and independent from each of other provisions, and if at any time any one or more articles herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected as a result thereof.

12.10 Any amendments or supplements to this Agreement shall be made in writing. Except for assignment by Pledgee of its rights hereunder according to Article 12.1 of this Agreement, the amendments or supplements to this Agreement shall take effect only when properly signed by the Parties to this Agreement.

12.11 This Agreement shall be binding on the legal successors of the Parties.

12.12 At the time of execution hereof, each of Pledgors shall sign respectively a power of attorney (hereinafter the "**Power of Attorney**") to authorize any person designated by Pledgee to sign on their behalf according to this Agreement any and all legal documents necessary for the exercise by Pledgee of its rights hereunder. Such Power of Attorney shall be delivered to Pledgee to keep in custody and, when necessary, Pledgee may at any time submit the Power of Attorney to the relevant government authority.

[The following is intended to be blank]

IN WITNESS HEREOF, the Parties have caused this Agreement to be executed as of the date and in the place first here above mentioned.

Zhimin Lin
Signature: /s/ Zhimin Lin

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd.
(Company chop)

Signature by Authorized Representative: /s/ Authorized Signatory
Name: Authorized Signatory
Position: Authorized Signatory

Appendix I:

Appendix II:

Format of the Power of Attorney

I, Zhimin Lin, hereby irrevocably entrust ____________, with his/her identity card number ____________, to be my authorized trustee to sign on my behalf all legal documents necessary or desirous for Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd. to exercise its rights under the Equity Pledge Agreement Regarding Shanghai The9 Information Technology Co., Ltd. between it and myself.

Signature:______________
Date:__________________

Exhibit 4.11

Exclusive Call Option Agreement

This **Exclusive Call Option Agreement** (hereinafter this "**Agreement**") is entered into in the People's Republic of China (hereinafter "**PRC**") as of May 1, 2019 by and between the following Parties:

Wei Ji, identity card number:
domicile address:

Zhimin Lin, identity card number:
domicile address:

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd. (hereinafter "**Hui Ling**")
registered address: Block 8, Chuansha Road 1098, Pudong New District, Shanghai, PRC.

(Any single party hereinafter referred to as the "**Party**" and all Parties collectively - the "**Parties**").

Whereas:

(1) Wei Ji and Zhimin Lin are the registered shareholders of Shanghai The9 Information Technology Co., Ltd. (a company with limited liability established and validly existing under the PRC Law, hereinafter the "**Company**"), legally holding all the equity of the Company, and their contributions to and their equity shares in the registered capital of the Company as of the date of this Agreement are as set out in Appendix I hereto (hereinafter the "**Existing Shareholder(s)**").

(2) The Existing Shareholders intend to transfer to Hui Ling or its designated entity or individual and Hui Ling is willing to accept all their respective equity share in the Company, subject to PRC Law.

(3) In order to realize the above equity transfer, the Existing Shareholders agree to jointly grant Hui Ling with an exclusive irrevocable option for equity transfer (hereinafter the "**Transfer Option**"), under which and to the extent as permitted by the PRC Law, the Existing Shareholders shall on demand of Hui Ling transfer the Option Equity (as defined below) to Hui Ling and/or any other entity or individual designated by it in accordance with the provisions contained herein.

The Parties hereby have reached the following agreement upon mutual consultations:

Article 1 - Definition

1.1 Unless otherwise defined in the context, the following terms in this Agreement shall be interpreted to have the following meanings:

"**PRC Law**" shall mean the then valid laws, administrative regulations, administrative rules, local regulations, judicial interpretations and other binding regulatory documents of the People's Republic of China (for the purpose of this Agreement, PRC does not include Hong Kong, Macao special administrative regions or Taiwan).

"Transfer Option" shall mean the option right to purchase Company's equity shares that each of Existing Shareholders grants Hui Ling under terms and conditions of this Agreement.

"**Option Equity**" shall mean, in respect of each of the Existing Shareholders, all its respective equity share in the Company Registered Capital (as defined below); and in respect to both Existing Shareholders, the equity accounting for 100% of the Company Registered Capital.

"**Company Registered Capital**" shall mean the registered capital of the Company on the date of this Agreement, i.e., RMB23,000,000, and shall include any increased registered capital as the result of any capital expansion within the term of this Agreement.

"**Transferred Equity**" shall mean the equity of the Company which Hui Ling has the right to require the Existing Shareholders to transfer to it or its designated entity or individual when Hui Ling exercises its Transfer Option in accordance with Article 3.2 herein, the amount of which may be all or part of the Option Equity and the details of which shall be determined by Hui Ling at its own discretion in accordance with the then valid PRC Law and from its commercial consideration.

"Exercise of Option" shall mean Hui Ling's exercise of the Transfer Option.

"**Transfer Price**" shall mean all the considerations which Hui Ling or its designated entity or individual is required to pay to the Existing Shareholders in order to obtain the Transferred Equity upon each Exercise of Option. .

"**Business Permits**" shall mean any approvals, permits, filings, registrations etc. which Company is required to have for legally and validly operating its internet information services and all such other businesses, including but not limited to the Business License of the Corporate Legal Person, the Tax Registration Certificate, the Permit for Operations of Value-added Telecommunication Businesses in respect of the business operations in internet information services, the filing of internet electronic announcement services, the Network Cultural Business Permit for operating internet cultural products containing network games, the approval document number from internet publication institutions required for operating network games, the filing of the units producing electronic publications required for producing electronic publications, the permit for operations of value-added telecommunication business in respect of the business operations in message services and such other relevant licenses and permits as required then by PRC Laws;

"**Company Assets**" shall mean all the tangible and intangible assets which Company owns or has the right to use during the term of this Agreement, including but not limited to any immoveable and moveable assets, and such intellectual property rights as trademarks, copyrights, patents, proprietary know-hows, domain names, software licenses;

"Material Assets" shall mean assets with the face value of or exceeding RMB100,000 or assets with significant influence on business operations.

"**Material Agreement**" shall mean an agreement to which Company is a party and which has a material impact on its businesses or assets, including but not limited to agreements regarding profit distribution, technical services and information release under network games/main agreements related to Company's operations;

"Exercise Notice" shall have a meaning ascribed to it under provision 3.5 herein.

"Confidential Information" shall have a meaning ascribed to it under provision 7.1 herein.

"**Breaching Party"** shall have a meaning ascribed to it under provision 9.1 herein.

"Breach" shall have a meaning ascribed to it under provision 9.1 herein.

"**Party's Right"** shall have a meaning ascribed to it under provision 10.5 herein.

1.2 The references to any PRC Law herein shall be deemed (1) to include the references to the amendments, changes, supplements and reenactments of such law, irrespective of whether they take effect before or after the formation of this Agreement; and (2) to include the references to other decisions, notices or regulations enacted in accordance therewith or effective as a result thereof.

1.3 Unless otherwise stated in the context herein, all references to an article, clause, item or paragraph shall refer to the relevant part of this Agreement.

Article 2 – Grant of Transfer Option

2.1. The Existing Shareholders, severally and jointly, irrevocably and without any additional conditions, agree to grant Hui Ling with a Transfer Option, under which Hui Ling shall have the right to require the Existing Shareholders to transfer the Option Equity to Hui Ling or its designated entity or individual according to this Agreement and as permitted by the PRC Law. Hui Ling agrees to accept such Transfer Option.

Article 3 – Method for Exercise of Option

3.1 To the extent as permitted by the PRC Law, Hui Ling shall have the absolute discretionary right to determine the specific time, method and number of times of its Exercise of Option.

3.2 If the then PRC Law permits Hui Ling and/or other entity or individual designated by it to hold all the equity of the Company, then Hui Ling shall have the right to elect to exercise all of its Transfer Option at once, where Hui Ling and/or other entity or individual designated by it shall accept all the Option Equity from the Existing Shareholders at once; if the then PRC Law permits Hui Ling and/or other entity or individual designated by it to hold only part of the equity in the Company, Hui Ling shall have the right to determine the amount of the Transferred Equity to the extent not exceeding the upper limit of shareholding ratio set out by the then PRC Law (hereinafter the "**Shareholding Limit**"), where Hui Ling and/or other entity or individual designated by it shall accept such Transferred Equity from the Existing Shareholders. In the latter case, Hui Ling shall have the right to exercise its Transfer Option at multiple times in line with the gradual deregulation of the PRC Law on the permitted Shareholding Limit, with a view to ultimately acquiring all the Option Equity.

3.3 At each Exercise of Option by Hui Ling, each of the Existing Shareholders shall transfer the proportionate part of its equity in the Company to Hui Ling and/or other entity or individual designated by it in accordance with his shareholding ratio in the Company and the amount of the Transferred Equity determined by Hui Ling in such Exercise of Option. Hui Ling and other entity or individual designated by it shall pay the Transfer Price to each of the Existing Shareholders for the Transferred Equity accepted in each Exercise of Option.

3.4 In each Exercise of Option, Hui Ling may accept the Transferred Equity by itself or designate any third party to accept all or part of the Transferred Equity under the terms and conditions of this Agreement and in compliance with the PRC Law.

3.5 On deciding each Exercise of Option, Hui Ling shall issue to both Existing Shareholders a notice for exercising the Transfer Option (hereinafter the "**Exercise Notice**", the form of which is set out as Appendix II hereto). The Existing Shareholders shall, upon receipt of the Exercise Notice, forthwith transfer all the Transferred Equity in a lump sum to Hui Ling and/or other entity or individual designated by Hui Ling in such method as described in Article 3.3 herein.

3.6 The Existing Shareholders hereby jointly and severally undertake and guarantee that once Hui Ling issues the Exercise Notice:

(1) they shall immediately hold a shareholders' meeting and from which adopt a resolution, and take all other necessary actions to approve the transfer of all the Transfer Option to Hui Ling and/or other entity or individual designated by it at the Transfer Price;

(2) they shall immediately enter into an equity transfer agreement with Hui Ling and/or other entity or individual designated by it for transfer of all the Transferred Equity to Hui Ling and/or other entity or individual designated by it at the Transfer Price;

(3) they shall provide Hui Ling with necessary support (including providing and executing all the relevant legal documents, processing all the procedures for government approvals and registrations and bearing all the relevant obligations) in accordance with the requirements of Hui Ling and of the laws and regulations, in order that Hui Ling and/or other entity or individual designated by it may take all the Transferred Equity free from any legal defect, free of any type of encumbrances, third-party claims and other restrictions on shareholding.

3.7 For the purpose of Transfer Option, each time when Hui Ling exercises its option rights, the total transfer price that Hui Ling or its designated entity or individual should pay to each Existing Shareholder shall be nominal value of registered capital corresponding to the transferred equity, but if the minimum price permitted by PRC Law is higher than the nominal value of registered capital at the then current time, transfer price should be the minimum price permitted by PRC Law.

Article 4 – Representations and Warranties

4.1 Each of the Existing Shareholders hereby jointly and severally represent and warrant as follows:

4.1.1 they are PRC citizens with full capacity, with full and independent legal status and legal capacity to execute, deliver and perform this Agreement, and may act independently as a subject of actions.

4.1.2 they have full power to execute and deliver this Agreement and all the other documents to be entered into by them in relation to the transaction referred to herein, and they have full power to complete the transaction referred to herein.

4.1.3 this Agreement shall be executed and delivered by them legally and properly. This Agreement is legal, binding and enforceable to them in accordance with its terms and conditions.

4.1.4 they are the registered shareholder of the Option Equity as of the effective date of this Agreement, and except the pledge under the "Equity Pledge Agreement" entered into by and between Hui Ling and Existing Shareholders as of May 1, 2019, proxy under the "Proxy Agreement" entered into by and between Hui Ling and Existing Shareholders as of May 1, 2019, and rights and obligations under this Agreement, there are no lien, pledge, claim and other encumbrances and third party restrictions on the Option Equity. In accordance with this Agreement, Hui Ling and/or other entity or individual designated by it may, upon the Exercise of Option, obtain the proper title to the Transferred Equity free from any lien, pledge, claim and other encumbrances and third-party restrictions.

4.1.5 Signing, delivery and execution of transaction contemplated in this Agreement do not infringe on PRC Laws and any restrictions imposed by any third-party agreements or arrangements by Existing Shareholders.

4.2 Hui Ling hereby represents and warrants as follows:

4.2.1 Hui Ling is a company with limited liability duly registered and legally existing under the RPC Law, with an independent corporate legal person status. Hui Ling has full and independent legal status and legal capacity to execute, deliver and perform this Agreement and may act independently as a subject of actions.

4.2.2 Hui Ling has the full internal power and authority within its company to execute and deliver this Agreement and all the other documents to be entered into by it in relation to the transaction referred to herein, and it has the full power and authority to complete the transaction referred to herein.

Article 5 – Undertakings by Existing Shareholders

The Existing Shareholders hereby jointly and severally undertake as follows:

5.1 they must take all necessary measures during the term of this Agreement to ensure that the Company is able to obtain all the Business Permits promptly and all the Business Permits to remain in effect at any time.

5.2 Without the prior written consent by Hui Ling during the term of this Agreement,

5.2.1 no Existing Shareholders shall transfer or otherwise dispose of any Option Equity or create any encumbrance or other third-party rights on any Option Equity;

5.2.2 they shall not increase or decrease the Company's Registered Capital and shall not promote or agree to Company's division or merger with other entities;

5.2.3 they shall not dispose of or cause the management of the Company to dispose of any of the Material Company Assets (except as occurs during the arm's length operations) or create any encumbrances and third-party mortgage rights over Material Company Assets;

5.2.4 they shall not terminate or cause the management of Company to terminate any Material Agreements entered into by the Company, or enter into any other Material Agreements in conflict with the existing Material Agreements;

5.2.5 they shall not appoint or cancel or replace any executive director or member of the board (if any), supervisors or any other management personnel of the Company to be appointed or dismissed by the Existing Shareholders;

5.2.6 they shall not announce the distribution of or in practice release any distributable profit, dividend or share profit or capital bonus;

5.2.7 they shall ensure that the Company shall validly exist and prevent it from being terminated, liquidated or dissolved;

5.2.8 they shall not amend the Articles of Association of the Company;

5.2.9 they shall ensure that the Company shall not lend or borrow any money, or provide guarantee or engage in security activities in any other forms, or bear any substantial obligations other than on the arm's length basis.

5.2.10 they shall not, in any way, make or authorize other persons (including, but not limited to, the directors of the Company nominated by them) to make any resolutions, instructions or consent to give orders to urge the Company to engage in any transactions (hereinafter referred to as "Prohibited Transactions") that will or may substantially affect the assets, rights, obligations or business of the Company (including its branches, subsidiaries and affiliated companies); and shall not sign any agreement, contract, memorandum or other form of transaction document (hereinafter referred to as "Prohibited Document") and shall not allow and ratify execution of any Prohibited Transactions and Prohibited Document in the form of inaction; and

5.2.11 It shall not cause the Company or its management to agree to any of the following acts of its subsidiaries or affiliated companies (collectively referred to as the "Subsidiaries"):

(a) to increase or reduce registered capital of Subsidiaries, promote or consent to the division of subsidiaries or merger with any other entity;

(b) to dispose of or cause the management of Subsidiaries to dispose of any Subsidiaries' Material Assets (except those occurring in the normal course of business) or to establish any security interest or other third-party rights in such assets;

(c) to terminate or cause the management of Subsidiaries to terminate any Material Agreements signed by any Subsidiary or to enter into any other agreement in conflict with existing Material Agreements;

(d) to appoint or replace directors, supervisors or other managers of any Subsidiaries who should be appointed or removed by the Company;

(e) to terminate, liquidate or dissolve Subsidiaries or to take any action that impairs or may impair the effective survival of the Subsidiaries;

(f) to amending the articles of association of Subsidiaries; and

(g) to lend or borrow loans, provide guarantees or other forms of guarantees, or assume any substantive obligations outside normal business activities.

5.3 They must make all efforts during the term of this Agreement to develop the business of the Company, and ensure that the operations of the Company are legal and compliant with the regulations and that they shall not engage in any actions or omissions which might harm the Company Assets or its credit standing or affect the validity of the Business Permits of the Company.

5.4 During the validity period of this Agreement, they shall promptly inform Hui Ling of any situation that may have a significant adverse impact on the Company's existing, business operation, financial situation, assets or goodwill, and take all measures approved by Hui Ling to eliminate such adverse conditions or take effective remedial measures against them.

5.5 They will cause the directors nominated by the Company and the managers recommended by them (if any) to strictly abide by the above commitments in the exercise of their duties as directors or managers of the Company and not in any way by action or omission, act in contrary to any of the above commitments.

5.6 If the total Transfer Price obtained by any Existing Shareholder in respect of the Transferred Equity held by him is higher than his contribution to the Company or receives any form of profit distribution, share dividend, dividend interest or bonus, the Existing Shareholder agrees, without violating PRC Law, to discard the proceeds of the premium portion and any profit distribution, dividend, dividend interest or bonus (after deduction of relevant taxes). Hui Ling has the right to obtain this part of the proceeds, otherwise the Existing Shareholders shall compensate Hui Ling and/or other entities or individuals designated by Hui Ling for the losses incurred as a result.

Article 6 - Confidentiality

6.1 Notwithstanding the termination of this Agreement, Parties shall be obliged to keep in confidence commercial secret, proprietary information and customer information received by them for execution and performance of this Agreement (hereinafter collectively the "**Confidential Information**"). Except with the prior written consent of the disclosing party of Confidential Information or in accordance with the relevant laws and regulations or the requirements of the listing venue of an affiliated company, the receiving party shall not disclose any Confidential Information to any other third party; except for the purpose of the performance of this Agreement, the receiving party shall not use any Confidential Information directly or indirectly.

6.2 Without prejudice to the above, the information does not constitute Confidential Information:

a) where there is written evidence that the information was already known to the receiving party by legal approach;
b) if the information entered public domain without the fault of the receiving party; or
c) if the information is legally obtained by the receiving party from other sources after receiving the information from disclosing party.

6.3 The receiving party may disclose Confidential Information to its employees, agents or professionals, but the receiving party shall ensure that the above-mentioned personnel comply with the relevant terms and conditions of this Agreement and bear any liability arising from the violation of the relevant terms and conditions of this Agreement by the above-mentioned personnel.

6.4 Notwithstanding any other provisions herein, the validity of this Article shall not be affected by the suspension or termination of this Agreement.

Article 7 – Term of Agreement

7.1 This Agreement shall take effect as of the date of formal execution by the Parties, and shall terminate when all the Option Equity is legally transferred under the name of Hui Ling and/or other entity or individual designated by it in accordance with the provisions of this Agreement.

Article 8 - Notice

8.1 Any notice, request, demand and other correspondences made as required by or in accordance with this Agreement shall be made in writing and delivered to the relevant Party.

8.2 The abovementioned notice or other correspondences shall be deemed to have been delivered when it is transmitted if transmitted by facsimile or telex; it shall be deemed to have been delivered when it is delivered if delivered in person; it shall be deemed to have been delivered five (5) days after posting if posted by mail.

8.3 Any notice, request, demand and other correspondences made to Hui Ling shall be delivered to the company address first here above listed.

Article 9 – Default Liability

9.1 The Parties agree and confirm that, if any of the Existing Shareholders (hereinafter the "**Defaulting Party**", and other non-defaulting party, the "**Non-Defaulting Party**") breaches substantially any of the provisions herein or omits substantially to perform any of the obligations hereunder, or fails substantially to perform any of the obligations under this Agreement, such a breach or omission shall constitute a default under this Agreement (hereinafter a "**Default**"), then Non-Defaulting Party shall have the right to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period. If the Defaulting Party fails to rectify such Default or take remedial measures within such reasonable period or within ten (10) days after the Defaulting Party notified in writing and required to rectify the Default, then Non-Defaulting Party shall have the right at its own discretion to select any of the following remedial measures:

9.9.1 if Defaulting Party is any of Existing Shareholders, Hui Ling has a right to terminate this Agreement and require the Defaulting Party to indemnify it for all the damages;

9.9.2 if Defaulting Party is Hui Ling, Non-Defaulting Party has a right to require the Defaulting Party to indemnify it for all the damages, however, unless otherwise provided by law, it has no right to terminate or rescind this Agreement in any case.

9.2 The rights and remedies set out herein shall be cumulative, and shall not preclude any other rights or remedies provided by law.

9.3 Notwithstanding any other provisions herein, the validity of this Article shall stand disregarding the suspension or termination of this Agreement.

Article 10 - Miscellaneous

10.1 This Agreement shall be prepared in the Chinese language in three (3) original copies, with each involved Party holding one (1) copy hereof.

10.2 The formation, validity, execution, amendment, interpretation and termination of this Agreement shall be subject to the PRC Laws.

10.3 Any disputes arising hereunder and in connection herewith shall be settled through consultations among the Parties, and if the Parties cannot reach an agreement regarding such disputes within thirty (30) days of their occurrence, such disputes shall be submitted to China International Economic and Trade Arbitration Commission Shanghai Branch for arbitration in Shanghai in accordance with the arbitration rules of such Commission, and the arbitration award shall be final and binding on all Parties.

10.4 Any rights, powers and remedies empowered to any Party by any provisions herein shall not preclude any other rights, powers and remedies enjoyed by such Party in accordance with laws and other provisions under this Agreement, and the exercise of its rights, powers and remedies by a Party shall not preclude its exercise of its other rights, powers and remedies by such Party.

10.5 Any failure or delay by a Party in exercising any of its rights, powers and remedies hereunder or in accordance with laws (hereinafter the "**Party's Rights**") shall not lead to a waiver of such rights, and the waiver of any single or partial exercise of the Party's Rights shall not preclude such Party from exercising such rights in any other way and exercising the remaining part of the Party's Rights.

10.6 The titles of the Articles contained herein shall be for reference only, and in no circumstances shall such titles be used in or affect the interpretation of the provisions hereof.

10.7 Each provision contained herein shall be severable and independent from each of other provisions, and if at any time any one or more articles herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected as a result thereof.

10.8 Upon signature, this Agreement supersedes any other legal documents signed on the same subject before the Parties. Any amendments or supplements to this Agreement shall be made in writing and shall take effect only when properly signed by the Parties to this Agreement.

10.9 No Existing Shareholders shall assign any of its rights and/or obligations hereunder to any third parties without the prior written consent from Hui Ling, and Hui Ling shall have the right to assign any of its rights and/or obligations hereunder to any of its designated third parties upon notice to the Existing Shareholders.

10.10 This Agreement shall be binding on the legal successors of the Parties.

[The following is intended to be blank]

IN WITNESS HEREOF, the Parties have caused this Agreement to be executed as of the date and in the place first here above mentioned.

Wei Ji
Signature: /s/ Wei Ji

Zhimin Lin
Signature: /s/ Zhimin Lin

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd.
(Company chop)

Signature by Authorized Representative: /s/ Authorized Signatory
Name: Authorized Signatory
Position: Authorized Signatory

Appendix I:

Appendix II:

Format of the Option Exercise Notice

To: [Name of the Existing Shareholder(s)]

As this Company and you signed an Exclusive Call Option Agreement as of ____________ 2019 (hereinafter the "**Option Agreement**"), and reached an agreement that you shall transfer the equity you hold in Shanghai IT Technology Co., Ltd. (hereinafter "**Company**") to this Company or any third parties designated by this Company on demand of this Company to the extent as permitted by the PRC Law and regulations,

This Company hereby give this Notice to you as follows:

This Company hereby requires to exercise the Transfer Option under the Option Agreement and [this Company]/[name of company/individual] designated by this Company shall accept the equity you hold accounting for [ ]% of the Company Registered Capital (hereinafter the "**Proposed Accepted Equity**"). You are required to forthwith transfer all the Proposed Accepted Equity to [this Company]/[name of designated company/individual] upon receipt of this Notice in accordance with the agreed terms in the Option Agreement.

Best regards,

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd.
(Company chop)

Authorized Representative: ____________
Date: ____________

Exhibit 4.12

Loan Agreement

This **Loan Agreement** (hereinafter this "**Agreement**") is entered into in Shanghai, People's Republic of China (hereinafter "**PRC**") as of May 1, 2019, by and between the following Parties:

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd. (hereinafter "**Hui Ling**").
Registered address: Block 8, Chuansha Road 1098, Pudong New District, Shanghai, PRC

Wei Ji
Identity card number:
Domicile: ;

Zhimin Lin
Identity card number:
Domicile: ;

(Wei Ji and Zhimin Lin hereinafter are individually referred to as a "**Borrower**" and collectively the "**Borrowers**".)

Whereas:

The Borrowers intend to request a loan from Hui Ling and Hui Ling also agrees to offer a loan of RMB23,000,000 in aggregate to the Borrowers for the purpose of investing into Shanghai The9 Internet Technology Co., Ltd. (hereinafter the "Company") in accordance with the terms and conditions of this Agreement (hereinafter the "**Loan**"); the parties, through amicable consultation and for the purpose of confirming matters related to the provision of Loan, hereby have reached the following agreement:

Article 1 Sum and Interest Rate of Loan

1.1 The total sum of the Loan under this Agreement amounts to RMB23,000,000. Hui Ling agrees to offer to the Borrowers a loan of RMB23,000,000, among which:

The Loan offered by Hui Ling to Wei Ji amounts to RMB14,720,000;

The Loan offered by Hui Ling to Zhimin Lin amounts to RMB8,280,000;

1.2 The interest rate of the Loan under this Agreement is zero, i.e., no interest shall be collected.

1.3 Each Borrower shall in accordance with request of Hui Ling and signed Equity Pledge Agreement pledge all of his equity held in the Company to Hui Ling as a guarantee for the Loan.

Article 2 Use of Loan

2.1 The Borrowers may use the Loan provided under this Agreement for investments into and operations of the Company. Without written consent of Hui Ling Borrowers shall not apply the Loan for any other purpose.

2.2 Within five (5) working days after the signing of this Agreement, each Borrower shall draw all Loan in the amount as contemplated in this Agreement, at once from Hui Ling. Subject to the provisions of this Agreement, the Loan shall be paid by Hui Ling to the account designated by the Borrower.

Article 3 Term of Loan

3.1 The term of the Loan under this Agreement shall expire upon the date when Hui Ling requests the Borrowers to repay the Loan in accordance with Article 3.2 of this Agreement, but cannot exceed the earlier of the expiration of Hui Ling's business period (including non-timely extended business period), or the expiration of the Company's business period (including non-timely extended business period) (hereinafter referred to as the "**Loan Term**"). Upon the expiration of the Loan Term, the Borrower shall repay the outstanding amount of all borrowings in one lump sum (hereinafter referred to as the "**Repayment**") on the day of the expiration of the Loan Term.

Hui Ling may, at any time after the execution of this Agreement and in its absolute discretion, deliver a notice of repayment under Article 4.1 of this Agreement to the Borrowers or any of the Borrowers, requesting the Borrowers to repay all or part of their respective portion of the Loan under this Agreement.

3.2 Upon notice of Loan repayment Borrower shall return Repayment in the form of cash, or in any other form as Hui Ling's board of directors may decide by its resolution. In case of repayment in cash, the Borrowers shall deposit the entire amount of repayment requested by Hui Ling into the bank account designated by Hui Ling within five (5) working days upon the receipt of a notification of repayment under Article 4.1 of this Agreement.

3.3 If Hui Ling issues a repayment notice to the Borrower as stipulated in Article 4.1 of this Agreement, Hui Ling shall have the right to purchase or designate a third party to purchase all the shares of the Company held by the Borrower at that time, without violating applicable laws and regulations, at a transfer price equal to the amount of Repayment to be returned.

3.4 In accordance with the provisions of the Equity Transfer Option Agreement entered into by and between Hui Ling and the Borrowers on May 1, 2019 (hereinafter "**Option Agreement**"), Hui Ling, upon its exercise of relevant equity transfer option (hereinafter "**Transfer Option**"), shall be entitled to, in its absolute discretion, offset its creditor's right to the Borrowers under this Agreement against all or part of the Transfer Price it shall pay to the Borrowers as a result of its exercise of the Transfer Option under the Option Agreement.

3.5 Each Borrower shall not bear joint liabilities with regard to the repayment of the other Borrower under this Agreement.

Article 4 Notification of Repayment

4.1 The notification of repayment sent by Hui Ling to the Borrowers or any party or parties of the Borrowers shall at least contain the following items: name of Borrower, sum of Loan, sum of repayment, time of repayment and bank account for repayment.

Article 5 Representations and Warranties

5.1 Each of the Borrowers hereby jointly and severally represents and warrants as follows:

5.1.1 they are PRC citizens with full capacity, with full and independent legal status and legal capacity to execute, deliver and perform this Agreement, and may act independently as a subject of actions.

5.1.2 they have full power to execute and deliver this Agreement and all the other documents to be entered into by them in relation to the transaction referred to herein, and it has full power to complete the transaction referred to herein. This Agreement shall be executed and delivered by them legally and properly. This Agreement constitutes the legal and binding obligations on them and is enforceable on them in accordance with its terms and conditions.

5.1.3 they have fully disclosed their financial conditions to Hui Ling before the execution of this Agreement. Till the execution of this Agreement, there exist no circumstances that may render them in insolvency, nor is there any material liability that affects their ability to pay debt. In accordance with this Agreement, Hui Ling may demand performance of their obligations under this Agreement.

5.2 Hui Ling hereby represents and warrants as follows:

5.2.1 it is a limited liability company properly registered and legally existing under the PRC Law, with an independent corporate legal person status. it has full and independent legal status and legal capacity to execute, deliver and perform this Agreement and may act independently as a subject of actions.

5.2.2 it has the full power and authority within its company to execute and deliver this Agreement and all the other documents to be entered into by it in relation to the transaction referred to herein, and it has the full power and authority to complete the transaction referred to herein.

Article 6 Term of Agreement

6.1 This Agreement shall take effect as of the date of formal execution by the Parties. This Agreement sets forth matters with regard to the Loan among the Parties and shall terminate when the Borrowers repay in full the Loan under this Agreement.

6.2 If, with the consent of Hui Ling in advance, any of the Borrowers transfers its liabilities under this Agreement, then the successor of such liabilities shall continue to perform the transferor's obligations under this Agreement, and the obligations and commitments of the other Borrower under this Agreement shall not be adversely affected.

Article 7 Taxation

7.1 All taxes related to the Loan shall be borne by Hui Ling.

Article 8 Confidentiality

8.1 Notwithstanding the termination of this Agreement, Borrowers shall be obliged to keep in confidence commercial secret, proprietary information and customer information of Hui Ling received by them as the result of execution and performance of this Agreement (hereinafter collectively the "**Confidential Information**"). Borrowers may use Confidential Information for the purpose of this Agreement. Except with the prior written consent of Hui Ling, Borrowers shall not disclose any Confidential Information to any other third party, otherwise shall bear liability for breach.

8.2 Without prejudice to the above, the information does not constitute Confidential Information:

a) Where there is written evidence that information was already known to the receiving party by obtaining through legal means;

b) if the information entered public domain without the fault of the receiving party; or
c) if the information legally obtained by the receiving party from other sources after receiving the information from disclosing party.

8.3 After the termination of this Agreement, the Borrower shall return, destroy or otherwise dispose of all documents, materials or software containing confidential information at Hui Ling's request, and cease to use such Confidential Information.

8.4 Notwithstanding any other provisions herein, the validity of this Article shall not be affected by the suspension or termination of this Agreement.

Article 9 Representation and Warranties

9.1 The Borrower hereby irrevocably undertakes and warrants that without Hui Ling's prior written consent, the Borrower will not in any way make or authorize other persons (including, but not limited to, the directors of the Company nominated by him) to make any resolutions, instruct, consent or order to enter into any transaction that will or may substantially affect the assets and rights of the Company or any of its branches and/or subsidiaries, obligations or business (hereinafter referred to as "Prohibited Transactions"), including but not limited to:

1. Borrowing or assuming any debts from third parties (except debts of a single amount not exceeding RMB100,000 or of a total accumulative amount not exceeding RMB100,000 for six consecutive months);

2. Providing security for its own debts to third parties or any security for third parties;

3. Transfer any business, major assets, actual or potential business opportunities to third parties;

4. Transfer to a third party any domain name, trademark or other intellectual property rights of which the Company has legal rights;

5. Transfer part or all of its equity in the Company to a third party;

6. Any other major transaction;

Or to sign any agreement, contract, memorandum or other form of transaction documents (hereinafter referred to as "**Prohibited Document**"), nor to allow, by inaction, to enter into any Prohibited Transaction or the signing of any Prohibited Document.

9.2 It will cause directors and managers of the Company to strictly abide by the provisions of this Agreement in exercising their duties as directors or managers of the Company, and not in any way not by action or omission, act in contrary to any of the above commitments.

Article 10 Notification

10.1 Any notification, request, demand and other correspondences made as required by or in accordance with this Agreement shall be made in writing and delivered to the relevant Party.

10.2 The abovementioned notification or other correspondences shall be deemed to have been delivered when it is transmitted if transmitted by facsimile or telex; if delivered in person, it shall be deemed to have been delivered when it is delivered; if posted by mail, it shall be deemed to have been delivered five (5) days after posting the same.

Article 11 Liability for Breach of Contract

11.1 The Parties agree and confirm that, if any Party (hereinafter the "**Defaulting Party**") breaches substantially any of the provisions herein or omits substantially to perform any of the obligations hereunder, or fails substantially to perform any of the obligations under this Agreement, such a breach or omission shall constitute a default under this Agreement (hereinafter a "**Default**"), and any other Party not committing a Default (hereinafter a **"Conforming Party"**) shall have the right to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period. If the Defaulting Party fails to rectify such Default or take remedial measures within such a reasonable period or within ten (10) days since the other Party notifies the Defaulting Party in writing and requires it to rectify the Default, then the Conforming Party shall have the right to terminate this Agreement and/or to demand the Defaulting Party to indemnify it for damage.

11.2 The rights and remedies set out herein shall be cumulative, and shall not preclude any other rights or remedies provided by law.

11.3 Notwithstanding any other provisions herein, the validity of this Article shall not be subject to the suspension or termination of this Agreement.

Article 12 Miscellaneous

12.1 This Agreement shall be prepared in the Chinese language in three (3) original copies, with each Party to this Agreement holding one (1) copy hereof.

12.2 The conclusion, coming into effect, performance, amendment, interpretation and termination of this Agreement shall be all subject to the PRC Laws.

12.3 Any disputes arising hereunder and in connection herewith shall be settled through consultations among the Parties, and if the Parties cannot reach an agreement regarding such disputes within thirty (30) days upon their occurrence, such disputes shall be submitted to China International Economic and Trade Arbitration Commission Shanghai Branch for arbitration in Shanghai in accordance with the arbitration rules of such Commission, and the arbitration award shall be final and binding on all Parties.

12.4 Any rights, powers and remedies empowered to the Parties by any provisions herein shall not preclude any other rights, powers and remedies enjoyed by such Party in accordance with laws and other provisions under this Agreement, and the exercise of its rights, powers and remedies by a Party shall not preclude its exercise of its other rights, powers and remedies by such Party.

12.5 Any failure or delay by a Party in exercising any of its rights, powers and remedies hereunder or in accordance with laws (hereinafter the "**Party's Rights**") shall not lead to a waiver of such Rights, and the waiver of any single or partial Party's Rights shall not preclude such Party from exercising such Rights in any other way and exercising the remaining part of the Party's Rights.

12.6 The titles of the Articles contained herein shall be for index only, and in no circumstances shall such titles be used in or affect the interpretation of the provisions hereof.

12.7 Each provision contained herein shall be severable from and independent of each of other provisions, and if at any time any one or more articles herein become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions herein shall not be affected as a result thereof.

12.8 Any amendments or supplements to this Agreement shall be made in writing and shall take effect only when properly signed by the Parties to this Agreement.

12.9 No Party shall assign any of its rights and/or obligations hereunder to any third parties without the prior written consent of the other Party.

12.10 This Agreement shall be binding on the legal successors of the Parties.

IN WITNESS HEREOF, the Parties have caused this Agreement to be executed as of the date and in the place first here above mentioned.

Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd.
(Company chop)

Signature by: /s/ Authorized Signatory
Name: Authorized Signatory
Position: Authorized Representative

Wei Ji
Signature: /s/ Wei Ji

Zhimin Lin
Signature: /s/ Zhimin Lin

Exhibit 4.13

SECOND AMENDMENT TO DEED OF SETTLEMENT

SECOND AMENDMENT TO DEED OF SETTLEMENT (the "**Second Amendment**"), dated May 22, 2019, by and among the following:

(1) **Splendid Days Limited**, a company with limited liability incorporated under the Laws of the British Virgin Islands (the "**SDL**");

(2) **The9 Limited**, an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the "**Company**");

(3) **China The9 Interactive Limited**, a company incorporated under the laws of the Hong Kong SAR ("**HKCo 1**");

(4) **GameNow.net (Hong Kong) Limited**, a company incorporated under the laws of the Hong Kong SAR ("**HKCo 2**");

(5) **China The9 Interactive (Shanghai) Limited (九城互动信息技术(上海)有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 301, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**WFOE 1**");

(6) **The9 Computer Technology Consulting (Shanghai) Co., Ltd. (第九城市计算机技术咨询(上海)有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 103, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**WFOE 2**"); and

(7) **Shanghai The9 Information Technology Co., Ltd. (上海第九城市信息技术有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 201, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**Operating Company**").

The Company, HKCo 1, HKCo 2, WFOE 1, WFOE 2, and the Operating Company are collectively referred to as the "**Warrantors**" and each of them as a "**Warrantor**."

WHEREAS

A. SDL and the Warrantors entered into a Deed of Settlement dated March 11, 2019 (the "**Deed**"), pursuant to which the Warrantors agree to use the proceeds of the sale of the equity of WFOE 1, WFOE 2 and NewCo 3 (the "**Equity Sale**") to repay the outstanding amount owed to SDL under the convertible note and warrant purchase agreement, dated November 24, 2015.

B. SDL and the Warrantors entered into the Amendment to Deed of Settlement dated April 28, 2019 amending Clause 2.1 of the Deed.

C. In connection with the Equity Sale, the Company proposes to further amend certain Reorganization steps as set forth herein.

D. To induce SDL to agree to such amendments, the Warrantors have agreed to provide, jointly and severally the representations, warranties, indemnities and other agreements as set forth herein.

E. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Deed.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, SDL and the Warrantors hereby agree as follows:

1. **AMENDMENTS**

1.1 Clause 2.2(b)(iv) of the Deed shall be replaced in its entirety by the following: "consummate the transactions contemplated under the Equity Sale Agreements, including procuring payment of the applicable consideration from the third party buyer to SDL in full by July 31, 2019; and"

1.2 Clauses 2.3(a)(iii) and 2.3(a)(iv) of the Deed shall be replaced in its entirety by the following: "Third, to the extent there is any available cash remaining after the payment pursuant to sub-clause (ii) above, the balance of the Sale Proceeds shall, at the Company's option, either (x) be distributed to SDL to repay the interest for the CB Principal pursuant to the CB Agreement and the Notes; or (y) be distributed to SDL and withheld by SDL on behalf of the Company, which amount withheld pursuant to this sub-clause (y) (the "**Deferred Repayment**") shall only be applied to purchase a new office for the Company in accordance with the terms and conditions set forth in Appendix 1 ("**Office Purchase**"); provided that the Deferred Repayment shall not exceed US$6,000,000 (or its equivalent amount in RMB); and provided further that, for the avoidance of doubt, to the extent there is any available cash remaining after withholding the Deferred Repayment, such balance shall be distributed to SDL to repay the interest for the CB Principal pursuant to the CB Agreement and the Notes."

2. **REPRESENTATION, WARRANTY AND INDEMNITY**

2.1 The Warrantors jointly and severally represent and warrant to SDL that neither the amendments made in Clause 1 above nor the consummation of the transactions contemplated thereby will violate or breach or result in a violation or breach of (i) any applicable laws or (ii) any negative tax, accounting and regulatory compliance consequences with respect to SDL, any Warrantor or their respective affiliates as compared to the original Reorganization steps set forth in Clause 2 of the Deed prior to the execution of this Second Amendment.

2.2 The Warrantors shall jointly and severally indemnify and hold harmless SDL against all liabilities, damages, costs and expenses arising from the amendments made in Clause 1 above or the consummation of the transactions contemplated thereby.

3. **CONTINUING OBLIGATIONS**

The provisions of the Deed shall, save as amended by this Second Amendment, continue in full force and effect. For the avoidance of doubt, the representation, warranty and indemnity provided by the Warrantors in Clause 2 above are in addition to, and not in derogation of, the representations, warranties and indemnities as set forth in the Deed.

4. **MISCELLANEOUS**

The provisions under Section 6 (*Miscellaneous*) of the Deed are incorporated in this Agreement by reference *mutatis mutandis*; provided that, references to "**this deed**" in such sections shall mean this Second Amendment and references to "**Party**" or "**Parties**" shall mean the party or parties to this Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Warrantors and SDL have caused this Second Amendment to be duly executed as of the day and year first written above.

The9 Limited

By: /s/ George Lai
Name: George Lai
Title: Director

China The9 Interactive Limited

By: /s/ Yong Wang
Name: Yong Wang
Title: Authorized Signatory

GameNow.net (Hong Kong) Limited

By: /s/ Yong Wang
Name: Yong Wang
Title: Authorized Signatory

China The9 Interactive (Shanghai) Ltd.
九城互动信息技术(上海)有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

The9 Computer Technology Consulting (Shanghai) Co., Ltd.
第九城市计算机技术咨询(上海)有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

Shanghai The9 Information Technology Co., Ltd.
上海第九城市信息技术有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

Splendid Days Limited

By: /s/ Arthur Lau
Name: Arthur Lau
Title: Authorized Signatory

Exhibit 4.14

AMENDMENT TO JOINT VENTURE AGREEMENT

THIS AMENDMENT TO JOINT VENTURE AGREEMENT (this "Amendment") is made and entered into on June 23, 2019 (the "Effective Date") by and between The9 Limited, an exempted company with limited liability incorporated and existing under the laws of the Cayman Islands (together with a direct or indirect wholly-owned Subsidiary to be formed for the sole purpose of directly holding the The9 Shares, "The9") and Faraday&Future Inc., a company incorporated and existing under the laws of California in the U.S. (together with either an indirect wholly-owned Subsidiary of Smart King to be formed for the sole purpose of directly holding the F&F Shares or an existing indirect wholly-owned Subsidiary of Smart King that will directly hold the F&F Shares, "F&F"). Each of The9 and F&F and any Person that becomes a party to the JV Agreement (as defined below) pursuant to a joinder agreement in substantially the form attached to the JV Agreement as Schedule 2 is referred to herein individually as a "Party" and collectively as the "Parties".

WHEREAS, the Parties have entered into a Joint Venture Agreement, dated March 24, 2019 (the "JV Agreement");

WHEREAS, the Parties hereto desire to amend the JV Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 14.07 (Amendments; Waiver) of the JV Agreement, the JV Agreement may be amended only by an agreement in writing executed by the Parties.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to amend and do amend the JV Agreement as follows:

1. Definitions. Capitalized terms used and not defined in this Amendment have the respective meanings assigned to them in the JV Agreement.

2. Amendment to the JV Agreement.

(1) The definition of "License Agreement" in Section 1.01 (Definitions) of the JV Agreement is hereby deleted and replaced in its entity with the following:

""**License Agreement**" means the license agreement to be negotiated in good faith and entered into by F&F and the JV in form and substance reasonably acceptable to the Principal Parties; provided that the License Agreement shall be entered into by no later than July 31, 2019."

(2) Section 2.07 (F&F and The9 Parties) of the JV Agreement is hereby deleted and replaced in its entirety with the following:

"(a) As promptly as reasonably practicable after June 24, 2019, F&F shall deliver a written notice to The9, notifying The9 of the entity, which shall either be a newly formed direct or indirect wholly-owned Subsidiary of Smart King or an existing direct or indirect wholly-owned Subsidiary of Smart King, that will directly hold the F&F Shares.

(b) As promptly as reasonably practicable after June 24, 2019, The9 shall deliver a written notice to F&F, notifying F&F of the entity, which shall be a newly formed direct or indirect wholly-owned Subsidiary of The9 that has been formed for the sole purpose of investing in the JV, that will directly hold the The9 Shares."

(3) Section 3.02(a) (Schedule of Capital Contribution) of the JV Agreement is hereby deleted and replaced in its entirety with the following:

"The first installment in the amount of US$200 million (the "**First Installment**") shall be contributed by The9 to the JV in two payments: (i) a portion of the First Installment at an amount to be reasonably agreed between The9 and F&F shall be contributed by The9 to the JV on or before August 6, 2019, and (ii) the remaining portion of the First Installment shall be contributed by The9 to the JV in accordance with the payment schedule to be specified and reasonably agreed in the License Agreement; provided that the JV shall have been formed pursuant to Section 2.01 before The9 is required to contribute the First Installment; provided further that US$5 million of the First Installment will be deposited by The9 with F&F, by wire transfer of immediately available funds to an account designated by F&F, within seven (7) Business Days (and in any event no later than 5:00 pm on April 2, 2019, Los Angeles time) after the date of this Agreement (the "**Initial Deposit**"), which Initial Deposit shall be non-refundable and shall be converted into Class B ordinary shares of Smart King at the Conversion Price in accordance with Section 4.11 in the event that the First Installment is not contributed by The9 within time frame provided hereunder;"

(4) Section 6.01 (License Agreement) of the JV Agreement is hereby deleted and replaced in its entirety with the following:

"As soon as possible and in any event no later than July 31, 2019 (the "**License Negotiation Period**"), F&F and the JV shall negotiate in good faith and enter into the License Agreement on terms reasonably acceptable to the Principal Parties; provided that the License Agreement shall only take effect as of or after F&F's receipt of the deposit described in the immediately following sentence on or before July 31, 2019. The9 hereby agrees that it will, or will cause the JV to, pay a deposit in cash at an amount of US$5 million to F&F on or before July 31, 2019, which deposit will be credited to any license fee that the JV will be required to pay F&F under the License Agreement."

3. Date of Effectiveness; Limited Effect. This Amendment shall become effective on the Effective Date. Except as expressly provided in this Amendment, all of the terms and provisions of the JV Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. Without limiting the generality of the foregoing, the amendment contained herein will not be construed as an amendment to or waiver of any other provision of the JV Agreement or as a waiver of or consent to any further or future action on the part of any Party that would require the waiver or consent of any other Party. On and after the Effective Date, each reference in the JV Agreement to "this Agreement," "the Agreement," "hereunder," "hereof," "herein," or words of like import will mean and be a reference to the JV Agreement as amended by this Amendment.

4. Miscellaneous. Sections 14.01 (Notices), 14.03 (Governing Law), 14.04 (Arbitration), 14.05 (Counterparts), 14.06 (Severability), 14.10 (No Third Party Beneficiaries) and 14.11 (Entire Agreement) of the JV Agreement shall apply to this Amendment, *mutatis mutandis*.

[*Remainder of Page Intentionally Left Blank***]**

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Amendment on the date and year first above written.

The9:

The9 Limited

By: /s/ George Lai
Name: George Lai
Title: Director and Chief Financial Officer

F&F:

Faraday&Future Inc.

By: /s/ Jiawei Wang
Name: Jiawei Wang
Title: President

[*Signature Page to Amendment to Joint Venture Agreement*]

Exhibit 4.15

SECOND AMENDMENT TO JOINT VENTURE AGREEMENT

THIS SECOND AMENDMENT TO JOINT VENTURE AGREEMENT (this "Amendment") is made and entered into on July 31, 2019 (the "Effective Date") by and between The9 Limited, an exempted company with limited liability incorporated and existing under the laws of the Cayman Islands (together with a direct or indirect wholly-owned Subsidiary to be formed for the sole purpose of directly holding the The9 Shares, "The9") and Faraday&Future Inc., a company incorporated and existing under the laws of California in the U.S. (together with either a direct or indirect wholly-owned Subsidiary of Smart King to be formed for the sole purpose of directly holding the F&F Shares or an existing direct or indirect wholly-owned Subsidiary of Smart King that will directly hold the F&F Shares, "F&F"). Each of The9 and F&F and any Person that becomes a party to the JV Agreement (as defined below) pursuant to a joinder agreement in substantially the form attached to the JV Agreement as Schedule 2 is referred to herein individually as a "Party" and collectively as the "Parties".

WHEREAS, the Parties have entered into a Joint Venture Agreement, dated March 24, 2019 and an Amendment to Joint Venture Agreement on June 23, 2019 (collectively, the "JV Agreement");

WHEREAS, the Parties hereto desire to amend the JV Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 14.07 (Amendments; Waiver) of the JV Agreement, the JV Agreement may be amended only by an agreement in writing executed by the Parties.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to amend and do amend the JV Agreement as follows:

1. Definitions. Capitalized terms used and not defined in this Amendment have the respective meanings assigned to them in the JV Agreement.

2. Amendment to the JV Agreement.

(1) The definition of "License Agreement" in Section 1.01 (Definitions) of the JV Agreement is hereby deleted and replaced in its entity with the following:

""**License Agreement**" means the license agreement to be negotiated in good faith and entered into by F&F and the JV in form and substance reasonably acceptable to the Principal Parties; provided that the License Agreement shall be entered into by no later than August 23, 2019."

(2) Section 3.02(a) (Schedule of Capital Contribution) of the JV Agreement is hereby deleted and replaced in its entirety with the following:

"The first installment in the amount of US$200 million (the "**First Installment**") shall be contributed by The9 to the JV in two payments: (i) a portion of the First Installment at an amount to be reasonably agreed between The9 and F&F shall be contributed by The9 to the JV on or before August 27, 2019, and (ii) the remaining portion of the First Installment shall be contributed by The9 to the JV in accordance with the payment schedule to be specified and reasonably agreed in the License Agreement; provided that the JV shall have been formed pursuant to Section 2.01 before The9 is required to contribute the First Installment; provided further that US$5 million of the First Installment will be deposited by The9 with F&F, by wire transfer of immediately available funds to an account designated by F&F, within seven (7) Business Days (and in any event no later than 5:00 pm on April 2, 2019, Los Angeles time) after the date of this Agreement (the "**Initial Deposit**"), which Initial Deposit shall be non-refundable and shall be converted into Class B ordinary shares of Smart King at the Conversion Price in accordance with Section 4.11 in the event that the First Installment is not contributed by The9 within time frame provided hereunder;"

(3) Section 6.01 (License Agreement) of the JV Agreement is hereby deleted and replaced in its entirety with the following:

"As soon as possible and in any event no later than August 23, 2019 (the "**License Negotiation Period**"), F&F and the JV shall negotiate in good faith and enter into the License Agreement on terms reasonably acceptable to the Principal Parties; provided that the License Agreement shall only take effect as of or after F&F's receipt of the deposit described in the immediately following sentence on or before August 23, 2019. The9 hereby agrees that it will, or will cause the JV to, pay a deposit in cash at an amount of US$5 million to F&F on or before August 23, 2019, which deposit will be credited to any license fee that the JV will be required to pay F&F under the License Agreement."

3. Date of Effectiveness; Limited Effect. This Amendment shall become effective on the Effective Date. Except as expressly provided in this Amendment, all of the terms and provisions of the JV Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. Without limiting the generality of the foregoing, the amendment contained herein will not be construed as an amendment to or waiver of any other provision of the JV Agreement or as a waiver of or consent to any further or future action on the part of any Party that would require the waiver or consent of any other Party. On and after the Effective Date, each reference in the JV Agreement to "this Agreement," "the Agreement," "hereunder," "hereof," "herein," or words of like import will mean and be a reference to the JV Agreement as amended by this Amendment.

4. Miscellaneous. Sections 14.01 (Notices), 14.03 (Governing Law), 14.04 (Arbitration), 14.05 (Counterparts), 14.06 (Severability), 14.10 (No Third Party Beneficiaries) and 14.11 (Entire Agreement) of the JV Agreement shall apply to this Amendment, *mutatis mutandis*.

[*Remainder of Page Intentionally Left Blank***]**

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Amendment on the date and year first above written.

The9:

The9 Limited

By: /s/ George Lai
Name: George Lai
Title: Director and Chief Financial Officer

F&F:

Faraday&Future Inc.

By: /s/ Jiawei Wang
Name: Jiawei Wang
Title: President

[*Signature Page to Second Amendment to Joint Venture Agreement*]

Exhibit 4.16

THIRD AMENDMENT TO DEED OF SETTLEMENT

THIRD AMENDMENT TO DEED OF SETTLEMENT (the "**Third Amendment**"), dated August 9, 2019, by and among the following:

(1) **Splendid Days Limited**, a company with limited liability incorporated under the Laws of the British Virgin Islands (the "**SDL**");

(2) **The9 Limited**, an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the "**Company**");

(3) **China The9 Interactive Limited**, a company incorporated under the laws of the Hong Kong SAR ("**HKCo 1**");

(4) **GameNow.net (Hong Kong) Limited**, a company incorporated under the laws of the Hong Kong SAR ("**HKCo 2**");

(5) **China The9 Interactive (Shanghai) Limited (九城互动信息技术（上海）有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 301, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**WFOE 1**");

(6) **The9 Computer Technology Consulting (Shanghai) Co., Ltd. (第九城市计算机技术咨询（上海）有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 103, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**WFOE 2**"); and

(7) **Shanghai The9 Information Technology Co., Ltd. (上海第九城市信息技术有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 201, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**Operating Company**").

The Company, HKCo 1, HKCo 2, WFOE 1, WFOE 2, and the Operating Company are collectively referred to as the "**Warrantors**" and each of them as a "**Warrantor**."

WHEREAS

A. SDL and the Warrantors entered into a Deed of Settlement dated March 11, 2019 (the "**Deed**"), pursuant to which the Warrantors agree to use the proceeds of the sale of the equity of WFOE 1, WFOE 2 and NewCo 3 (the "**Equity Sale**") to repay the outstanding amount owed to SDL under the convertible note and warrant purchase agreement, dated November 24, 2015.

B. SDL and the Warrantors entered into the Amendment to Deed of Settlement dated April 28, 2019 amending Clause 2.1 of the Deed.

C. SDL and the Warrantors entered into the Second Amendment to Deed of Settlement dated May 22, 2019 amending Clauses 2.2(b)(iv), 2.3(a)(iii) and 2.3(a)(iv) of the Deed.

D. The Company proposes to extend the deadline for consummation of the Equity Sale.

E. To induce SDL to agree to such amendment, the Warrantors have agreed to provide, jointly and severally, the indemnities and other agreements as set forth herein.

F. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Deed.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, SDL and the Warrantors hereby agree as follows:

1. **AMENDMENT**

Clause 2.2(b)(iv) of the Deed shall be replaced in its entirety by the following: "consummate the transactions contemplated under the Equity Sale Agreements, including procuring payment of the applicable consideration from the third party buyer to SDL in full by September 30, 2019; and"

2. **INDEMNITY**

The Warrantors shall jointly and severally indemnify and hold harmless SDL against all liabilities, damages, costs and expenses arising from the amendment made in Clause 1 above or the consummation of the transactions contemplated thereby.

3. **CONTINUING OBLIGATIONS**

The provisions of the Deed shall, save as amended by this Third Amendment, continue in full force and effect. For the avoidance of doubt, the indemnity provided by the Warrantors in Clause 2 above are in addition to, and not in derogation of, the indemnities as set forth in the Deed.

4. **MISCELLANEOUS**

The provisions under Section 6 (*Miscellaneous*) of the Deed are incorporated in this Agreement by reference *mutatis mutandis*; provided that, references to "**this deed**" in such sections shall mean this Third Amendment and references to "**Party**" or "**Parties**" shall mean the party or parties to this Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Warrantors and SDL have caused this Third Amendment to be duly executed as of the day and year first written above.

The9 Limited

By: /s/ George Lai
Name: George Lai
Title: Director

China The9 Interactive Limited

By: /s/ Yong Wang
Name: Yong Wang
Title: Authorized Signatory

GameNow.net (Hong Kong) Limited

By: /s/ Yong Wang
Name: Yong Wang
Title: Authorized Signatory

China The9 Interactive (Shanghai) Ltd.
九城互动信息技术（上海）有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

The9 Computer Technology Consulting (Shanghai) Co., Ltd.
第九城市计算机技术咨询（上海）有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

Shanghai The9 Information Technology Co., Ltd.
上海第九城市信息技术有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

Splendid Days Limited

By: /s/ Arthur Lau
Name: Arthur Lau
Title: Authorized Signatory

Exhibit 4.17

THIRD AMENDMENT TO JOINT VENTURE AGREEMENT

THIS THIRD AMENDMENT TO JOINT VENTURE AGREEMENT (this "Amendment") is made and entered into on September 17, 2019 (the "Effective Date") by and between The9 Limited, an exempted company with limited liability incorporated and existing under the laws of the Cayman Islands (together with a direct or indirect wholly-owned Subsidiary to be formed for the sole purpose of directly holding the The9 Shares, "The9") and Faraday&Future Inc., a company incorporated and existing under the laws of California in the U.S. (together with either a direct or indirect wholly-owned Subsidiary of Smart King to be formed for the sole purpose of directly holding the F&F Shares or an existing direct or indirect wholly-owned Subsidiary of Smart King that will directly hold the F&F Shares, "F&F"). Each of The9 and F&F and any Person that becomes a party to the JV Agreement (as defined below) pursuant to a joinder agreement in substantially the form attached to the JV Agreement as Schedule 2 is referred to herein individually as a "Party" and collectively as the "Parties".

WHEREAS, the Parties have entered into that certain Joint Venture Agreement dated March 24, 2019, that certain Amendment to Joint Venture Agreement dated June 23, 2019 and that certain Second Amendment to Joint Venture Agreement dated July 31, 2019 (collectively, the "JV Agreement");

WHEREAS, the Parties hereto desire to amend the JV Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 14.07 (Amendments; Waiver) of the JV Agreement, the JV Agreement may be amended only by an agreement in writing executed by the Parties.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to amend and do amend the JV Agreement as follows:

1. Definitions. Capitalized terms used and not defined in this Amendment have the respective meanings assigned to them in the JV Agreement.

2. Amendment to the JV Agreement.

(1) The definition of "License Agreement" in Section 1.01 (Definitions) of the JV Agreement is hereby deleted and replaced in its entirety with the following:

"'**License Agreement**' means the license agreement to be negotiated in good faith and entered into by F&F and the JV in form and substance reasonably acceptable to the Principal Parties."

(2) Section 3.02(a) (Schedule of Capital Contribution) of the JV Agreement is hereby deleted and replaced in its entirety with the following:

"The first installment in the amount of US$200 million (the "**First Installment**") shall be contributed by The9 to the JV in accordance with the payment schedule to be specified and reasonably agreed in the License Agreement; provided that the JV shall have been formed pursuant to Section 2.01 before The9 is required to contribute the First Installment; provided further that US$5 million of the First Installment will be deposited by The9 with F&F, by wire transfer of immediately available funds to an account designated by F&F, within seven (7) Business Days (and in any event no later than 5:00 pm on April 2, 2019, Los Angeles time) after the date of this Agreement (the "**Initial Deposit**"), which Initial Deposit shall be non-refundable and shall be converted into Class B ordinary shares of Smart King at the Conversion Price in accordance with Section 4.11 in the event that the First Installment is not contributed by The9 within the time frame provided hereunder;"

(3) Section 6.01 (License Agreement) of the JV Agreement is hereby deleted and replaced in its entirety with the following:

"F&F and JV shall negotiate in good faith and enter into certain development agreement in form and substance reasonably acceptable to the parties thereto (the "Development Agreement"), pursuant to which JV shall pay development fees to F&F according to terms, conditions and schedule specified therein. The payment of development fees pursuant to the Development Agreement shall be credited to any license fee that the JV will be required to pay F&F under the License Agreement. Within thirty (30) days upon complete delivery of Development Fee Fourth Installment Development Deliverables (as defined in that certain development agreement) (the "License Negotiation Period"), which License Negotiation Period will be automatically extended for another fifteen (15) days upon request of F&F or the JV, F&F and the JV shall negotiate in good faith and enter into License Agreement on terms reasonably acceptable to the Principle Parties. In case F&F and the JV have failed to enter into License Agreement within License Negotiation Period and have not agreed in writing otherwise, this Joint Venture Agreement shall be terminated."

(4) The following Section 13.02 (Additional Representations and Warranties of F&F) is hereby added in its entirety to the JV Agreement:

"Section 13.02 Additional Representations and Warranties of F&F. F&F represents and warrants that all design concepts, principles and specifications provided by F&F to The9 or the JV via any written forms, including but not limited to presentation slides and blueprints, in relation to F&F's electric car models are true and accurate in all material respects as of the date delivered by F&F. F&F acknowledges that The9 may rely on the design concepts, principles and/or specifications provided by F&F to prepare marketing material and offering documents and communicate with the public based on such information."

3. Date of Effectiveness; Limited Effect. This Amendment shall become effective on the Effective Date. Except as expressly provided in this Amendment, all of the terms and provisions of the JV Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. Without limiting the generality of the foregoing, the amendment contained herein will not be construed as an amendment to or waiver of any other provision of the JV Agreement or as a waiver of or consent to any further or future action on the part of any Party that would require the waiver or consent of any other Party. On and after the Effective Date, each reference in the JV Agreement to "this Agreement," "the Agreement," "hereunder," "hereof," "herein," or words of like import will mean and be a reference to the JV Agreement as amended by this Amendment.

4. Miscellaneous. Sections 14.01 (Notices), 14.03 (Governing Law), 14.04 (Arbitration), 14.05 (Counterparts), 14.06 (Severability), 14.10 (No Third Party Beneficiaries) and 14.11 (Entire Agreement) of the JV Agreement shall apply to this Amendment, *mutatis mutandis*.

[*Remainder of Page Intentionally Left Blank***]**

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Amendment on the date and year first above written.

The9:

The9 Limited

By: /s/ George Lai
Name: George Lai
Title: Director and Chief Financial Officer

F&F:

Faraday&Future Inc.

By: /s/ Jiawei Wang
Name: Jiawei Wang
Title: President

Exhibit 4.18

English Summary of Equity Transfer Agreement

Shanghai The9 Information Technology Co., Ltd. and CHINA THE9 INTERACTIVE LIMITED (as the "**Sellers**") and KAPLER PTE. Ltd (as the "**Buyer**") entered into an equity transfer agreement dated September 26, 2019 including six supplementary agreements which are integral part thereof (the "**Agreement**") regarding The9 Interactive Information Technology (Shanghai) Co., Ltd, The9 Computer Technology Consulting (Shanghai) Co., Ltd and Shanghai Kaie Information Technology Co., Ltd. (as the "**Target Companies**").

The following is an English summary of material terms and conditions of the Agreement in accordance with Rule 12b-12(d) under the Securities Exchange Act of 1934, as amended (17 CFR 240.12b-12(d)). In addition to the material terms and conditions that have been summarized herein, the Agreement also includes other customary provisions with respect to subjects such as target equity, equity transfer price, payment schedule, transaction procedures, closing conditions, Sellers' obligations at closing and undertakings of the Sellers' before closing.

Parties	**Shanghai The9 Information Technology Co., Ltd.** ("**The9**"), a limited liability company established under the laws of China, with legal address at Room 201, Building 3, 690 Bibo Road, China (Shanghai) Pilot Free Trade Zone, and its legal representative is Ji Wei.
	CHINA THE9 INTERACTIVE LIMITED ("**C91**"), a limited liability company established under the laws of Hong Kong, China, with legal address at F/23, the One Island East Centre, 18 Westlands Road, Quarry Bay, Hong Kong.
	("The9" and "C91" are hereinafter collectively referred to as "**Sellers**". The **Sellers** agrees that they shall assume the obligations and enjoy the rights hereunder jointly with each other.)
	KAPLER PTE. Ltd (the "**Buyer**"), a limited liability company established under the laws of Singapore, with legal address at 1 HARBOURFRONT AVENUE, #18-01 KEPPEL BAY TOWER, SINGAPORE (098632).
	(The "**Sellers"** and the "**Buyer"** are hereinafter individually referred to as a "**Party**" and collectively as the "**Parties**".)

WHEREAS:	C91 holds 100% of the equity in The9 Interactive Information Technology (Shanghai) Co., Ltd (“**The9 Interactive**”) and the The9 holds 100% of the equity in The9 Computer Technology Consulting (Shanghai) Co., Ltd (“**The9 Computer**”) and Shanghai Kaie Information Technology Co., Ltd (“**Shanghai Kaie**”**,** these three companies are hereinafter collectively referred to as the “**Target Companies**”**)**. The main assets of the Target Companies is the property located at Building No. 3, Zhangjiang Microelectronics Port, 690 Bibo Road, Pudong New Area, Shanghai (details of which are listed in Exhibit 2 hereto, hereinafter referred to as the “**Target Property**”); The Sellers intend to transfer 100% of the equity they hold in the Target Companies to the Buyer, and the Buyer intends to purchase 100% of the equity the Sellers hold in the Target Companies, both in accordance with the Agreement ("**Equity Transfer**"). Both Parties agreed to effect the Equity Transfer on an "as is" basis of the Target Companies in accordance with the following terms and conditions.
Equity Transfer	The Sellers shall transfer 100% of the equity they hold in the Target Companies (the "**Target Equity**") to the Buyer, and the Buyer shall acquire the Target Equity, both in accordance with the Agreement.
Equity Transfer Price	As stipulated in the Agreement, the transfer price of the Target Equity is RMB Four Hundred and Ninety-three Million (in figures: RMB 493,000,000) (the "**Equity Transfer Price**"). The aforesaid Equity Transfer Price covers the total amount for the Buyer’s acquisition of the Target Equity held by the Sellers as well as all the rights and interests related to the Target Companies and the Target Property. The Equity Transfer Price is the taxable price of this Equity Transfer, and both Parties shall pay taxes in full based on the amount of the Equity Transfer Price.
Transaction Procedures	**Internal Restructuring** On the signing date of this Agreement, the original of all business licenses and other certificates, official seals, department seals, online banking USBkey, reserved seals at bank of the Target Companies and the immovable property certificate of the Target Property shall be successfully co-managed by the Sellers and the Buyer. Both Parties agree that, within 10 Business Days after the co-management of the aforesaid seals and certificates of the Target Companies, the Sellers shall complete the restructuring of the Target Companies (the "**Internal Restructuring**") and the registration of changes and pay taxes in accordance with law.

First Instalment	Within five Business Days after the satisfaction of interim conditions, including completion of internal restructuring, the Buyer shall pay RMB 49,300,000.
Internal Debt Restructuring	Both Parties agree to perform certain procedural matters and registrations within the registration and tax authorities in respect to the Target Companies.
Second Instalment	Both Parties agree that, when the Buyer obtains the *Notice of Approval of Registration of Change* or the receipt of SAMR Registration issued by the SAMR or the receipt for the registration of industry and commerce, the Buyer shall pay 65% of the Equity Transfer Price, totalling RMB 320,450,000.
Release of the Mortgage of the Target Property	Within five Business Days after the repayment of the entrusted loan owed by the Target Companies to the Shanghai Nanxi Branch of China Merchants Bank Co., Ltd, both Parties shall handle the release of the mortgage of the Target Property.
Third Instalment and Last Instalment	Within four Business Days after the Closing Date the Buyer shall pay the amount of 15% of the Equity Transfer Price after withholding applicable tax (the "**Third Instalment**"). Within 2 months after the Closing Date the Buyer shall pay the amount of 10% of the Equity Transfer Price after deducting the part of domestic tax clearance ("**Last Instalment**").

Closing Conditions	The Closing of the Target Company and the Target Property (the "**Closing**") shall take place immediately after the satisfaction of all of the following conditions, before February 29, 2020: (1) The preparatory work for Closing has been completed; (2) The SAMR Registration has been completed and new business licenses have been obtained; (3) The mortgage of the Target Property has been released, and the certificate for mortgage release has been obtained. (4) The Target Companies has no external liabilities; (5) All of the MOFCOM Filing, the Registration of Tax Changes and the Registration of Foreign Exchange Information have been completed. (6) Before Closing, both Parties have issued to the other Party a letter of confirmation stating that all representations and warranties made by them hereunder are true, accurate, complete and not misleading as at the Closing Date; (7) The Second Instalment has been paid; (8) The pending issues regarding Target Property conditions have been settled in an appropriate manner.
Sellers' Obligations at Closing	The Sellers shall provide, and cause the Target Companies to provide, to the Buyer all items listed in the hand-over list set forth in the "Hand-over List" and among other things, all new documents, materials and objects arising out of the daily operation of the Target Companies from the date of the Agreement to the Closing Date. In addition, the Sellers shall deliver the Target Companies and the Target Property to the Buyer on an "as is" basis at the Closing Date. The date on which the Sellers complete the matters referred to in this article is hereafter referred to as the "Closing Date". The Sellers and the Buyer shall jointly go through the procedures for cancelling the official seals, contract seals, financial seals and other seals of the Target Companies no later than the Closing Date. Both Parties will reserve the cancelled official seals, contract seals (if any) and financial seals of the Target Companies for future reference. The cancellation of the original official seals, contract seals, financial seals and other seals shall be deemed to be the completion of the seals handover procedures.

Both Parties agree that, the Buyer shall release the co-management of the Co-management Account of Equity Transfer Price on the Closing Date and both Parties shall release the Co-management Account of Internal Debt Restructuring on the Closing Date.

Since the Closing Date, all rights, obligations and risks of the Target Companies and the Target Property shall be borne by the Buyer as a whole, and have nothing to do with the Sellers, for which the Buyer shall go through relevant procedures as soon as possible. The Sellers shall be liable to the Buyer for any defect found in the Target Companies or the Target Property, whether before or after the Closing, due to the Sellers' failure to provide relevant materials or refusal to provide statements on the contents disclosed in Appendix to the Agreement.

Effectiveness — The Agreement shall enter into force immediately after it is signed and sealed by the legal representatives or authorized representatives of both Parties.

Governing Law — The Agreement shall be governed by, and construed in accordance with the laws of China.

Dispute Resolution — Any disputes arising out of or in relation to the Agreement shall be first settled through consultation. If such disputes cannot be settled through consultation within twenty (20) Business Days after it was brought up by one Party in writing, either Party has the right to submit such dispute to the People's Court in the jurisdiction where the Agreement was signed.

Language — The Agreement is written in Chinese.

Exhibit 4.19

FOURTH AMENDMENT TO DEED OF SETTLEMENT

FOURTH AMENDMENT TO DEED OF SETTLEMENT (the "**Fourth Amendment**"), dated October 22, 2019, by and among the following:

(1) **Splendid Days Limited**, a company with limited liability incorporated under the Laws of the British Virgin Islands (the "**SDL**");

(2) **The9 Limited**, an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the "**Company**");

(3) **China The9 Interactive Limited**, a company incorporated under the laws of the Hong Kong SAR ("**HKCo 1**");

(4) **GameNow.net (Hong Kong) Limited**, a company incorporated under the laws of the Hong Kong SAR ("**HKCo 2**");

(5) **China The9 Interactive (Shanghai) Limited (九城互动信息技术（上海）有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 301, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**WFOE 1**");

(6) **The9 Computer Technology Consulting (Shanghai) Co., Ltd. (第九城市计算机技术咨询（上海）有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 103, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**WFOE 2**"); and

(7) **Shanghai The9 Information Technology Co., Ltd. (上海第九城市信息技术有限公司)**, a company incorporated under the laws of the PRC, with its registered address at Room 201, No. 3 Building, No. 690 Bibo Road, Pudong New District, Shanghai, the PRC ("**Operating Company**").

The Company, HKCo 1, HKCo 2, WFOE 1, WFOE 2, and the Operating Company are collectively referred to as the "**Warrantors**" and each of them as a "**Warrantor**."

WHEREAS

A. SDL and the Warrantors entered into a Deed of Settlement dated March 11, 2019 (the "**Deed**"), pursuant to which the Warrantors agree to use the proceeds of the sale of the equity of WFOE 1, WFOE 2 and NewCo 3 (the "**Equity Sale**") to repay the outstanding amount owed to SDL under the convertible note and warrant purchase agreement, dated November 24, 2015.

B. SDL and the Warrantors entered into the Amendment to Deed of Settlement dated April 28, 2019 amending Clause 2.1 of the Deed.

C. SDL and the Warrantors entered into the Second Amendment to Deed of Settlement dated May 22, 2019 amending Clauses 2.2(b)(iv), 2.3(a)(iii) and 2.3(a)(iv) of the Deed.

D. SDL and the Warrantors entered into the Third Amendment to Deed of Settlement dated August 9, 2019 extending the deadline for consummation of the Equity Sale to September 30, 2019.

E. The Company proposes (i) to further extend the deadline for consummation of the Equity Sale; (ii) to grant SDL custody of the corporate chops or seals, bank mandates, books and records of each of WFOE 1, WFOE 2 and NewCo 3 and the right to replace their respective legal representative; and (iii) to reflect the repayment of the Onshore Loan in the distribution waterfall.

F. To induce SDL to agree to such amendment, the Warrantors have agreed to provide, jointly and severally, the indemnities and other agreements as set forth herein.

G. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Deed.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, SDL and the Warrantors hereby agree as follows:

1. **AMENDMENT**

1.1 Clause 2.2(b)(iv) of the Deed shall be replaced in its entirety by the following: "consummate the transactions contemplated under the Equity Sale Agreements, including procuring payment of the applicable consideration from the third party buyer to SDL in full by October 31, 2019 or such later date as agreed to by SDL in writing; and"

1.2 The following shall be added as a new Clause 2.2(d) of the Deed: "If any of the Equity Sale Agreements is terminated for any reason or the transactions contemplated thereunder do no close by December 31, 2019, upon SDL's request, each of WFOE 1, WFOE 2 and NewCo 3 shall promptly (x) remove its then legal representative from such office and appoint the person designated by SDL as the new legal representative, and (y) enter into any custody arrangement with respect to its corporate chops or seals, bank mandates, books and records as requested by SDL."

1.3 Clause 2.3(a) of the Deed shall be replaced in its entirety by the following:

"Upon receipt by SDL or any other designated entities of any sale proceeds from the Sale in Clause 2.2 above, after having deducted the principal under the Onshore Loan Agreement and the interest accrued thereon as of December 10, 2018 pursuant to the Equity Sale Agreements (the balance being referred to as the "**Sale Proceeds**"), any such proceeds shall be distributed in the following order of priority (the "**Distribution Waterfall**") in US Dollars, or in the sole discretion of SDL, in its equivalent amount in RMB:

i. First, up to US$10,000,000 (or its equivalent amount in RMB) or another amount as approved by SDL in writing to the Company as reserve for tax liability and fees in connection with the Reorganization, the Sale, and the distribution of Sale Proceeds in accordance with the Distribution Waterfall; provided that, (x) the actual amount of the portion reserved for tax liability shall be verified by Ernst & Young or another tax advisor approved by SDL, and approved by SDL, and (y) the actual amount of the portion reserved for fees shall be approved by SDL;

ii. Second, to the extent there is any available cash remaining after the payment pursuant to sub-clause (i) above, US$40,050,000 (or its equivalent amount in RMB) to SDL as repayment of the CB Principal (the date on which the Company fully repays the CB Principal shall be referred to as the "**CB Principal Repayment Date**");

iii. Third, to the extent there is any available cash remaining after the payment pursuant to sub-clause (ii) above, up to US$6,000,000 (or its equivalent amount in RMB) to SDL to withhold on behalf of the Company (the "**Deferred Repayment**"), which payment shall only be applied to purchase a new office for the Company in accordance with the terms and conditions set forth in Appendix 1 ("**Office Purchase**");and

iv. Fourth, to the extent there is any available cash remaining after the payment pursuant to sub-clause (iii) above, the balance of the Sale Proceeds shall be distributed to SDL to repay the interest for the CB Principal pursuant to the CB Agreement and the Notes and any accrued but unpaid interest and any other unpaid amount (including the default interest thereon) pursuant to the Onshore Loan Agreement."

1.4 Clause 2.3(b) of the Deed shall be replaced in its entirety by the following:

"After the full distribution of Sale Proceeds pursuant to Clause 2.3(a)(i), if the balance of the Sale Proceeds is insufficient to complete the distributions pursuant to Clauses 2.3(a)(ii), 2.3(a)(iii) and 2.3(a)(iv), the amount of any such outstanding payment ("**Outstanding Amount**") will remain payable and carry interest at a rate equal to fourteen percent (14%) per annum, and shall be computed on the basis of a 360-day year and actual days elapsed, notwithstanding the default provisions in the CB Agreement and the Onshore Loan Agreement. Interest on any Outstanding Amount will start to accrue on the CB Principal Repayment Date."

2. **INDEMNITY**

The Warrantors shall jointly and severally indemnify and hold harmless SDL against all liabilities, damages, costs and expenses arising from the amendment made in Clause 1 above or the consummation of the transactions contemplated thereby.

3. **CONTINUING OBLIGATIONS**

The provisions of the Deed shall, save as amended by this Fourth Amendment, continue in full force and effect. For the avoidance of doubt, the indemnity provided by the Warrantors in Clause 2 above are in addition to, and not in derogation of, the indemnities as set forth in the Deed.

4. **MISCELLANEOUS**

The provisions under Section 6 (*Miscellaneous*) of the Deed are incorporated in this Agreement by reference *mutatis mutandis*; provided that, references to "**this deed**" in such sections shall mean this Fourth Amendment and references to "**Party**" or "**Parties**" shall mean the party or parties to this Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Warrantors and SDL have caused this Fourth Amendment to be duly executed as of the day and year first written above.

The9 Limited

By: /s/ George Lai
Name: George Lai
Title: Chief Financial Officer

China The9 Interactive Limited

By: Yong Wang
Name: Yong Wang
Title: Director

GameNow.net (Hong Kong) Limited

By: /s/ Yong Wang
Name: Yong Wang
Title: Director

China The9 Interactive (Shanghai) Ltd.
九城互动信息技术（上海）有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

The9 Computer Technology Consulting (Shanghai) Co., Ltd.
第九城市计算机技术咨询（上海）有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

Shanghai The9 Information Technology Co., Ltd.
上海第九城市信息技术有限公司

By: /s/ Wei Ji
Name: Wei Ji
Title: Authorized Signatory

Splendid Days Limited

By: /s/ Authorized Signatory

Name: Authorized Signatory

Title: Authorized Signatory

Exhibit 8.1

Principal Subsidiaries and Affiliated Entity of The9 Limited

Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation
GameNow.net (Hong Kong) Limited	Hong Kong
China The9 Interactive Limited	Hong Kong
New Star International Development Limited	Hong Kong
Red 5 Studios, Inc.	Delaware, USA
China Crown Technology Limited	Hong Kong
The9 EV Limited	Hong Kong
FF The9 China Joint Venture Limited	Hong Kong
Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd	China
Jiu Tuo (Shanghai) Information Technology Ltd.	China
Shanghai Jiugang Electronic Technology Co., Ltd.	China

Consolidated affiliated entity

Name of Consolidated Affiliated Entity	Jurisdiction of Incorporation
Shanghai The9 Information Technology Co., Ltd.	China

EXHIBIT 12.1

Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jun Zhu, certify that:

1. I have reviewed this annual report on Form 20-F of The9 Limited. (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 30, 2020

By: /s/ Jun Zhu
Name: Jun Zhu
Title: Chief Executive Officer

EXHIBIT 12.2

Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, George Lai, certify that:

1. I have reviewed this annual report on Form 20-F of The9 Limited (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2020

By: /s/ George Lai
Name: George Lai
Title: Chief Financial Officer

EXHIBIT 13.1

Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of The9 Limited (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jun Zhu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: April 30, 2020

By: /s/ Jun Zhu
Name: Jun Zhu
Title: Chief Executive Officer

EXHIBIT 13.2

Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of The9 Limited (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George Lai, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: April 30, 2020

By: /s/ George Lai
Name: George Lai
Title: Chief Financial Officer

Exhibit 15.1

The9 Limited
17 Floor, No. 130 Wu Song Road
Hong Kou District, Shanghai 201203
People's Republic of China

30 April 2020

Dear Sirs and/or Madams,

The9 Limited (the "Company")

We consent to the reference to our firm under the heading "Item 10.E. Additional Information — Taxation — Cayman Islands Taxation" in the Company's Annual Report on Form 20-F for the year ended December 31, 2019 (the "**Annual Report**"), which will be filed with the Securities and Exchange Commission (the "**SEC**") in the month of April 2020, and further consent to the incorporation by reference of our opinions under these headings into the Registration Statements on Form S-8 (No. 333-127700, No. 333-156306, No. 333-168780, No. 333-210693, No. 333-217190 and No. 231105) of the Company.

We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP
Maples and Calder (Hong Kong) LLP

Exhibit 15.2

[Grandall Letterhead]

April 30, 2020

The9 Limited
17 Floor, No. 130 Wu Song Road
Hong Kou District, Shanghai 201203
People's Republic of China

Dear Sir/Madam:

We consent to the reference to our firm under the headings of "Item 4. Information on the Company—B. Business Overview—Government Regulations" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Arrangements with Affiliated PRC Entities" in The9 Limited's Annual Report on Form 20-F for year ended December 31, 2019 (the "Annual Report"), which will be filed with the Securities and Exchange Commission in the month of April 2019, and further consent to the incorporation by reference of our opinions under these headings into the Registration Statements on Form S-8 (No. 333-127700, No. 333-156306, No. 333-168780, No. 333-210693, No. 333-217190 and No. 231105) of The9 Limited.

In giving such consent, we do not hereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Grandall Law Firm (Shanghai)

Grandall Law Firm (Shanghai)

Exhibit 15.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated April 30, 2020, with respect to the consolidated financial statements of The9 Limited, its subsidiaries and its variable interest entities included in the annual report of The9 Limited on Form 20-F for the year ended December 31, 2019. We consent to the incorporation by reference of our report dated April 30, 2020 in the Registration Statements of The9 Limited on Form S-8 (No. 333-127700, No. 333-156306, No. 333-168780, No. 333-210693, No. 333-217190 and No. 333-231105).

/s/ Grant Thornton

Shanghai, the People’s Republic of China

April 30, 2020