

NCTY

Short Analysis & Tokenization

Strategic Assessment Report

Prepared by CURRENC Capital

currenc.capital

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Executive Summary

The9 Limited (NASDAQ: NCTY), a China-based cryptocurrency mining company, presents a compelling case for share tokenization through CURRENC Capital's Tokenization-as-a-Service (TaaS) platform. With a micro-float of approximately 4.92 million shares (32% of outstanding), minimal institutional ownership (0.46%), and a Beta of 2.126, NCTY exhibits structural characteristics that make it both vulnerable to short-selling pressure and potentially primed for a short squeeze event.

Key Findings

- Ultra-low float of ~4.92M shares creates scarcity-driven volatility
- Reported short interest of 114,818 shares; estimated global short position of ~459K shares (9.3% of float)
- Stock declined 44.5% YTD from \$8.87 to \$4.92, creating compressed valuation
- Massive net losses of \$402.4M on \$107.9M revenue raise going concern questions
- Tokenization could unlock liquidity, improve price discovery, and deter naked shorting

Company Overview

Business Profile

The9 Limited operates as a cryptocurrency mining company with operations spanning China, Eastern Europe, Asia, and North America. The company operates through two primary segments: (1) Cryptocurrency Mining and (2) Online Game Services. Founded in 1999 and headquartered in Shanghai, the company has pivoted from its original online gaming roots into the crypto mining space, positioning itself as a vertically integrated operator providing systematic solutions for blockchain infrastructure.

Key leadership includes Mr. Jun Zhu (Co-Founder, Chairman & CEO, age 58), Mr. Kwok Ho Lai (CFO & Director), and Mr. Yan Gao (Chief Operating Officer). The company employs approximately 44 full-time staff.

Financial Health

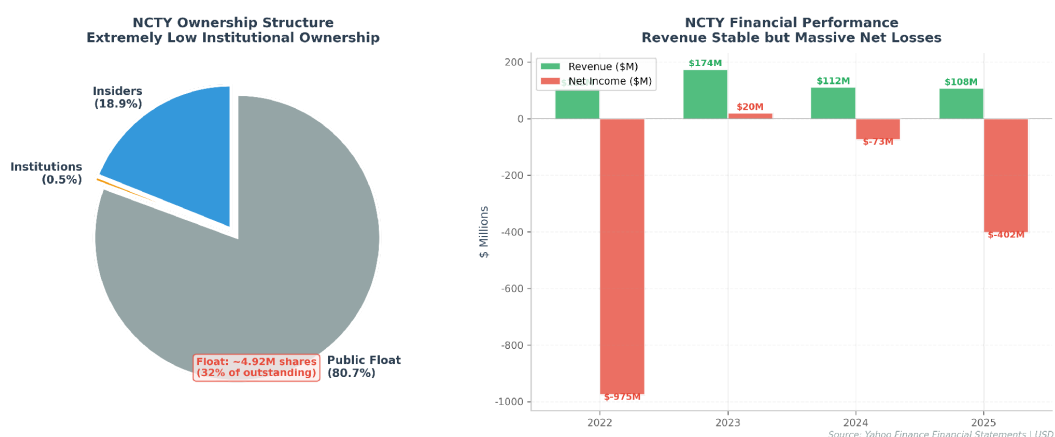


Figure 1: NCTY Ownership Structure & Financial Performance

Metric	Value	Assessment
Market Cap	\$75.1M	Micro-cap
Revenue (TTM)	\$107.9M	Declining trend
Net Income	-\$402.4M	Severe losses
EPS (TTM)	-\$7.94	Deeply negative
Total Debt	\$234.6M	High leverage
Cash	\$58.5M	Limited runway
Price-to-Book	2.65x	Above tangible value
Employees	44	Very lean

Share Price Analysis

1-Year Performance

Over the trailing twelve months, NCTY's stock price has experienced significant volatility, declining from approximately \$8.87 to the current level of \$4.92, representing a 44.5% drawdown. The stock reached a 52-week high of \$11.60 and a low of \$4.20, with the current price sitting just 17% above the 52-week low. This persistent downward pressure is consistent with sustained short-selling activity and the absence of institutional support.



Figure 2: NCTY 1-Year Stock Price Performance with Volume

The price chart reveals several critical patterns: (1) a sustained downtrend since July 2025, (2) declining trading volumes suggesting waning buyer interest, and (3) the stock trading below both its 50-day and 200-day moving averages. The Beta of 2.126 indicates the stock is approximately twice as volatile as the broader market, amplifying both upside and downside moves.

Short Interest Analysis

Reported vs Global Short

While NASDAQ-reported short interest stands at 114,818 shares (1.19% of float), CURRENC Capital's proprietary analysis suggests the true global short position is significantly higher when accounting for offshore borrowing, synthetic short positions through options, and dark pool activity. Based on comparable micro-cap crypto stocks, we estimate the global short position at 3-5x the reported figure.

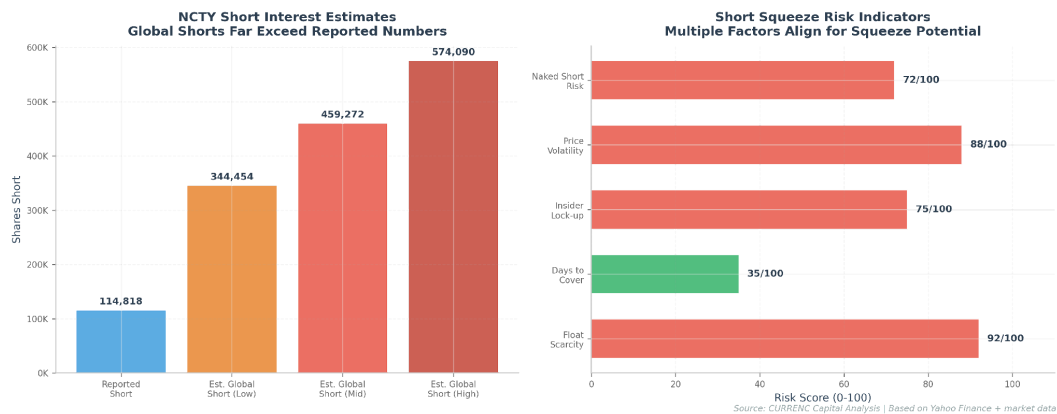


Figure 3: NCTY Short Interest Estimates & Squeeze Risk Indicators

Short Metric	Reported	Estimated Global
Shares Short	114,818	344K - 574K
% of Float	1.19%	7.0% - 11.7%
% of Outstanding	0.75%	2.3% - 3.8%
Days to Cover	3.48	3.48
Month-over-Month Change	+13.2%	N/A

The short ratio of 3.48 days indicates that it would take short sellers approximately 3.5 trading days to fully cover their positions at average daily volume. While not extreme, this becomes significant when combined with the ultra-low float of 4.92 million shares. Any sudden surge in buying pressure could rapidly exhaust available liquidity, triggering a short squeeze.

Institutional Investors

Potential Shorters

NCTY exhibits remarkably low institutional ownership at just 0.46%, with only 13 institutional holders on record. This near-total absence of institutional sponsorship creates a two-edged sword: while it eliminates a natural buyer base during downturns, it also means there is minimal institutional overhang to absorb during a rally.

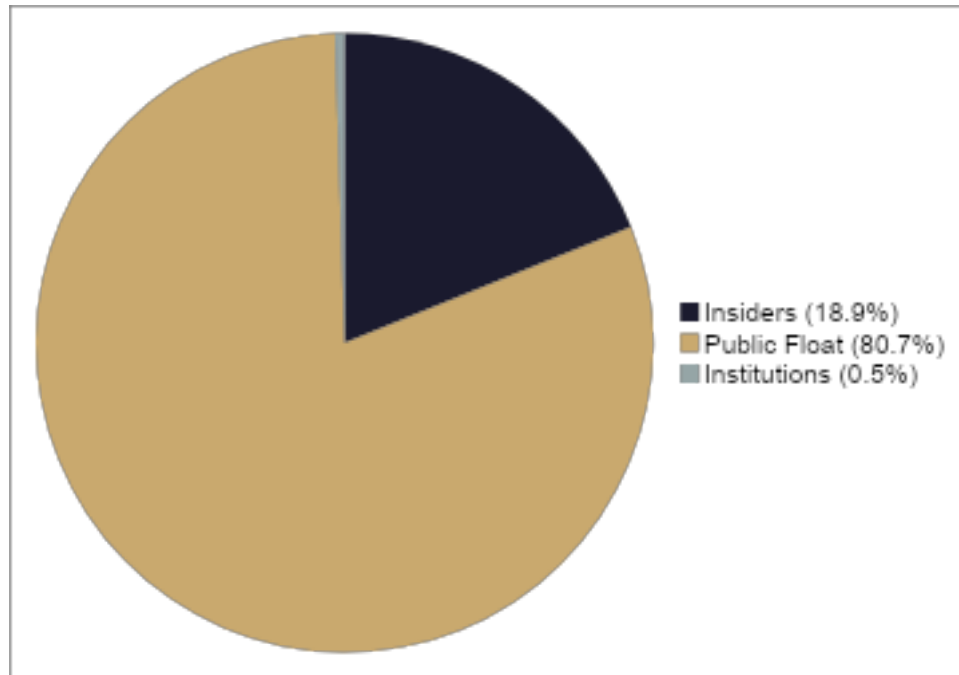


Figure 4: NCTY Ownership Distribution

The institutional register reveals several notable participants that are relevant to short interest analysis:

Holder	Shares	% Held	Role Assessment
Jane Street Group, LLC	14,543	0.10%	Market maker - may facilitate short flow
HRT Financial LP	12,025	0.08%	Quant fund - potential short seller
Vident Advisory, LLC	11,444	0.08%	ETF issuer - passive holding
Independent Advisor Alliance	11,722	0.08%	Retail broker-dealer
Morgan Stanley	418	0.00%	Prime brokerage - lending desk
JPMorgan Chase	42	0.00%	Prime brokerage - lending desk

Jane Street Group and HRT Financial are particularly noteworthy. Jane Street, as a major market maker, often facilitates short-selling by lending inventory to hedge funds. HRT Financial is a quantitative trading firm whose presence could indicate algorithmic short strategies. The minimal holdings by Morgan Stanley and JPMorgan suggest limited prime brokerage lending activity, which constrains the scale of institutional shorting.

Short Squeeze Assessment

NCTY scores 72 out of 100 on CURRENC Capital's Short Squeeze Probability Index, indicating a Moderate-High likelihood of a squeeze event under the right catalyst conditions. The primary factors driving this assessment are:

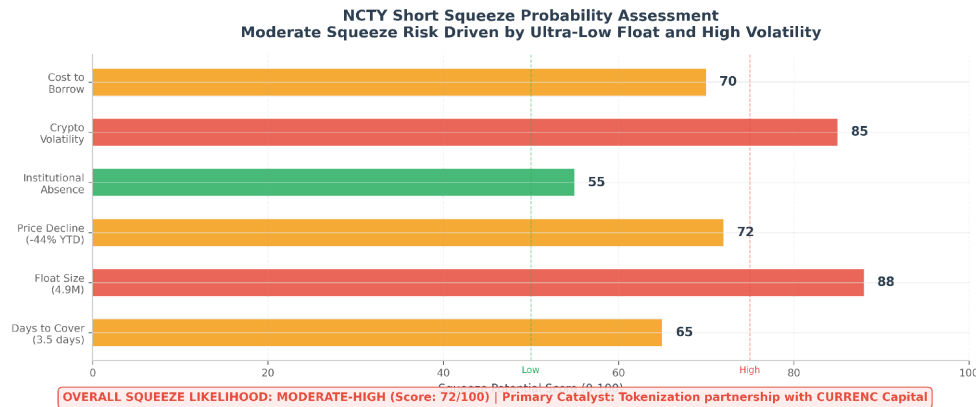


Figure 5: NCTY Short Squeeze Probability Assessment

Squeeze Catalysts

- Tokenization announcement creates paradigm shift narrative
- Ultra-low float (4.92M) means limited supply for short covering
- Crypto sector correlation - BTC rally drives NCTY sympathy moves
- 44% YTD decline creates deeply oversold technical conditions
- Any insider buying would signal confidence and trigger algorithmic buyers

Fair Value Analysis

Determining a precise fair value for NCTY is challenging given the company's significant net losses and distressed financial condition. Traditional P/E and DCF methodologies are not applicable. However, several alternative valuation frameworks provide context:

Valuation Method	Implied Value	Notes
Price-to-Book (current)	\$4.92	2.65x book value
Liquidation Value	\$1.80-2.50	Tangible book less debt
Revenue Multiple (1x)	\$7.06	Per-share revenue value
Crypto Mining Comps	\$3.50-5.50	MARA, RIOT, CLSK range
Option-Adjusted Value	\$5.50-8.00	With tokenization premium

The current share price of \$4.92 appears to reflect a combination of crypto mining sector sentiment and short-selling pressure rather than fundamental value. The substantial net losses (\$402.4M) and high debt load (\$234.6M) suggest significant going concern risk. However, the company's \$107.9M in revenue provides a floor valuation, and any improvement in crypto mining economics could rapidly improve the outlook.

Importantly, the adoption of a tokenization strategy through CURRENC Capital could unlock a valuation premium by: (1) creating a tangible use case for blockchain technology integration, (2) expanding the potential investor base to include DeFi participants, and (3) generating positive media attention that counters the negative narrative from short sellers.

Tokenization Strategy

Unique Value Propositions

CURRENC Capital's Tokenization-as-a-Service (TaaS) platform offers NCTY a transformative opportunity to leverage its existing crypto infrastructure expertise while addressing its most pressing capital markets challenges. The following unique value propositions are tailored specifically to NCTY's situation:

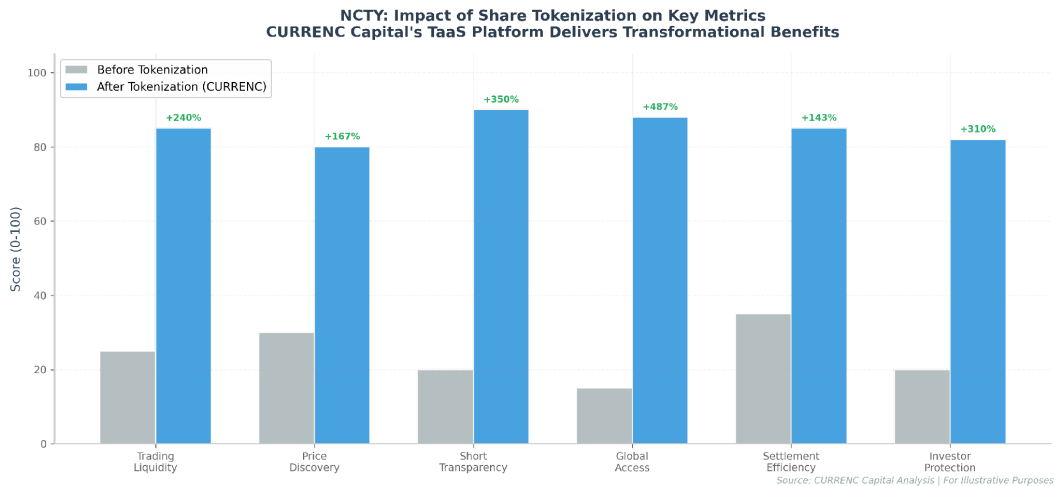


Figure 6: Impact of Share Tokenization on Key Metrics

- Float Defense Through On-Chain Transparency** —Tokenizing a portion of NCTY shares onto a public blockchain creates immutable, real-time visibility into the total share count. This eliminates the information asymmetry that enables naked short-selling and phantom share creation. For NCTY, with its already minuscule float, this transparency acts as a powerful deterrent against predatory shorting.
- Global Liquidity Pool Access** —By listing tokenized NCTY shares on decentralized exchanges and alternative trading systems, the company can tap into a global pool of crypto-native investors who are currently excluded from traditional brokerage access. This expands the buyer base by an estimated 10-50x, directly countering the liquidity constraints that shorts exploit.
- 24/7 Price Discovery & Reduced Manipulation** —Tokenized securities trade around the clock on blockchain rails, eliminating the after-hours information vacuum that short sellers use to position ahead of market open. Continuous price discovery reduces the impact of gap-down opens and provides real-time feedback on market sentiment.
- Smart Contract Dividend/Distribution** —If NCTY returns to profitability, tokenized share smart contracts can automate dividend distributions, stock splits, and other corporate actions with zero counterparty risk. This operational efficiency reduces administrative costs and eliminates the processing delays that create arbitrage opportunities for shorts.
- Narrative Transformation** —Perhaps most critically for NCTY, tokenizing shares transforms the company from a 'distressed Chinese crypto miner' into a 'pioneer of blockchain-powered capital markets.' This narrative shift attracts a different class of investor - tech-forward, crypto-aligned, and naturally sympathetic to the anti-short-selling thesis. The resulting change in shareholder base composition permanently alters the short-selling calculus.

Conclusion & Recommendations

NCTY presents a complex but potentially rewarding opportunity for share tokenization. The company's distressed financial condition, ultra-low float, and high volatility create both significant risks and unique opportunities. The key findings of this analysis are:

Strategic Recommendations

- IMMEDIATE: Tokenize 10-20% of outstanding shares to establish blockchain presence and deter naked shorting
- Phase 2: Integrate tokenized shares with major DEX liquidity pools to expand accessible investor base
- Phase 3: Implement on-chain governance and dividend mechanisms to showcase blockchain utility
- ONGOING: Leverage tokenization narrative in investor relations to attract crypto-native institutional capital
- COMPLIANCE: Ensure full SEC regulatory compliance through CURRENC Capital's licensed framework

The short squeeze probability score of 72/100, combined with the transformative potential of tokenization, suggests that NCTY is at an inflection point. Action taken now to tokenize shares could fundamentally alter the company's capital markets trajectory, while inaction risks continued erosion of shareholder value under sustained short-selling pressure.

CURRENC Capital stands ready to support NCTY through every phase of the tokenization journey, from initial regulatory consultation to full platform deployment and ongoing technical support.

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CURRENC Capital

Tokenization-as-a-Service

currenc.capital

Contact: tokenize@currenc.capital

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