

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

In re Bit Digital, Inc. Securities Litigation

Lead Case No. 1:21-cv-00515-ALC

This document relates to:

All Actions

**CONSOLIDATED CLASS ACTION
COMPLAINT FOR VIOLATION OF
THE FEDERAL SECURITIES LAWS**

JURY TRIAL DEMANDED

Lead Plaintiff Joseph Franklin Monkam Nitcheu (“Lead Plaintiff” or “Plaintiff”), individually and on behalf of all others similarly situated, by and through his attorneys, upon personal knowledge as to his own acts, and upon information and belief as to all other matters, based upon the investigation conducted by and through his attorneys, which included, among other things, a review of documents filed by Defendants (as defined below) with the United States Securities and Exchange Commission (the “SEC”), news reports, press releases issued by Defendants, research reports compiled by third parties, and other publicly available documents. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

INTRODUCTION

1. This is a federal securities class action brought on behalf of all investors who purchased or otherwise acquired Bit Digital, Inc. (“Bit Digital” or “BTBT” or the “Company”) common stock between December 21, 2020 and January 11, 2021, inclusive (the “Class Period”), seeking to recover damages caused by Defendants’ violations of the federal securities laws and to pursue remedies under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

2. Bit Digital is a Cayman Islands holding company that purports to engage in a bitcoin mining business.¹

3. In fact, Bit Digital appears to be nothing more than the newest of a long line of fraudulent businesses operated by the Company and its predecessor entities.

4. In violation of the Exchange Act, Bit Digital misled investors as to its bitcoin mining operations, including, among other things, circumstances under which the Company entered the industry, the legality of its operations, and the extent of its operations.

5. Bit Digital has a checkered past. Prior to entering the bitcoin mining business, the Company (then operating under the name Golden Bull Ltd.) claimed to operate a peer-to-peer (“P2P”) lending business and had planned to operate a car rental business. Chinese authorities shut down the Company’s P2P lending business for illegal fundraising and criminally charged 17 members of the Company’s top management, including its former CEO and Chairman. By the end of 2019, the Company had essentially no operations.

6. Seeking to capitalize on the significant increase in the value of bitcoin, the Company rebranded itself as a bitcoin mining operation, and by the end of 2020, Bit Digital went from having virtually no value to a market capitalization of well over \$1 billion.

7. Bit Digital’s new-found success, however, was short lived. At approximately 2:00 p.m. Eastern on January 11, 2021,² analyst J Capital Research (“J Capital”) published a 25-page report based on its own independent analysis and research, alleging, among other things, that Bit

¹ Bitcoin mining is a capital-intensive enterprise which requires specially designed computer hardware that consumes significant electricity. Bitcoin miners use their mining equipment (specially designed computers consuming massive amounts of power) to help solve complicated mathematical equations, which in turn entitles the miners to obtain a share of the Bitcoin generated through the process. During the Class Period, one Bitcoin was worth between approximately \$23,000 and \$42,000.

² See, e.g., https://twitter.com/JCap_Research/status/1348634405749870605 (“Publishing on a crypto scam today at 2 pm. Watch this space.”) (last visited on March 10, 2021).

Digital had operated fraudulent P2P lending and rental car businesses prior to its reincarnation as a bitcoin miner, that its bitcoin mining business was fraudulent, and was designed to steal funds from investors. The J Capital report alleged, among other things:

With key executives in jail or on the lam for having bilked Chinese investors out of \$42 [million] in a fraudulent P2P business, Bit Digital (BTBT) has moved on to a fake crypto currency business. We will show that the assets probably do not exist, and the business is designed to steal funds from investors.

* * *

BTBT is now on to its third scheme since [its] IPO for stealing money from investors. There was P2P lending, car rental, and now “bitcoin mining.” The company reported at end Q3 2020 that it was operating 22,869 bitcoin miners in China. That is simply not possible. With no subsidiary in China, that would be illegal and the machines subject to confiscation. What’s more, we verified with local governments supposedly hosting the BTBT mining operations that there are no bitcoin miners there. We also believe that BTBT has not bought new miners—two of the companies it says sold them the machines were surprised to hear they did business with BTBT, and the third refused to confirm that BTBT is a customer. We suspect that the company has simply stolen the \$18.8 mln it claims to have spend [sic] on miners in the first nine months of 2020.³

8. On the news of J Capital’s report, Bit Digital’s stock plummeted from its January 8, 2021 closing price of \$25.03 per share to a January 11, 2021 closing price of \$18.76 per share, a one day drop of \$6.27 or 25%.

9. Following the publication of the J Capital report, on February 3, 2021, the Company reported that its Chairwoman of the Board, Ping Liu, and its Chief Strategy Officer, Hong Yu, had resigned, and that its Chief Executive Officer had been “removed” by the Board.

10. Furthermore, the Company has had three independent auditors resign over the course of fifteen months, including two who resigned because they stated that they could not audit the Company’s purported Bitcoin business.

³ See J Capital Research, *Bit Digital (BTBT US)*, (January 11, 2021), attached hereto as Ex. 1.

11. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

12. The federal law claims asserted herein arise under §§ 10(b) and 20(a) of the Exchange Act, 15 U.S.C. § 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

13. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §1331 and § 27 of the Exchange Act, 15 U.S.C. § 78aa.

14. This Court has jurisdiction over each Defendant named herein because each Defendant is an individual or corporation who has sufficient minimum contacts with this District so as to render the exercise of jurisdiction by the District Court permissible under traditional notions of fair play and substantial justice.

15. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1931(b), as the Company's principal executive offices are located within this District. Moreover, Bit Digital's securities trade on the NASDAQ stock exchange, which is located within this District, and the Company conducts substantial business here. Furthermore, Bit Digital's agent for service of process is Corporation Service Company, 19 West 44th Street, Suite 201, New York, NY 10036.

16. In connection with the acts, omissions, conduct and other wrongs in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

17. Lead Plaintiff Joseph Franklin Monkam Nitcheu, a resident of Switzerland, acquired shares of Bit Digital common stock at artificially inflated prices during the Class Period, and has been damaged by the revelation of the Company's material misrepresentations and material omissions. Mr. Nitcheu's trading in Bit Digital common stock is reflected in Plaintiff's certification (ECF No. 15-3).

18. Defendant Bit Digital is a holding company that purports to engage in a bitcoin mining business. Bit Digital securities trade on the NASDAQ stock exchange under the ticker "BTBT." The Company's headquarters are located at 33 Irving Place, New York, NY 10003, a WeWork co-working facility. Bit Digital is incorporated under the laws of the Cayman Islands. The Company was previously known as Golden Bull Ltd.

19. Defendant Erke Huang has served as Bit Digital's Chief Financial Officer since October 18, 2019, and as a member of the Company's Board of Directors since October 30, 2019. Huang also served as the Company's Interim Chief Executive Officer from February 3, 2021 until March 31, 2021.

20. Huang, because of his position at the Company, possessed the power and authority to control the content and form of the Company's annual reports, quarterly reports, press releases, investor presentations, and other materials provided to the SEC, securities analysts, money and portfolio managers and investors, *i.e.*, the market. Huang authorized the publication of the documents, presentations, and materials alleged herein to be misleading prior to its issuance and had the ability and opportunity to prevent the issuance of these false statements or to cause them to be corrected. Because of his position with the Company and access to material non-public information available to him but not to the public, Huang knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive

representations being made were false and misleading. Huang is liable for the false statements plead herein.

PRE-CLASS PERIOD ALLEGATIONS

21. Bit Digital is a Cayman Islands holding company that purports to engage in a bitcoin mining business.

22. Since its inception, the Company has jumped from one fraud to another. Prior to the bitcoin mining fraud alleged herein, the Company conducted fraudulent schemes relating to peer-to-peer (“P2P”) lending and, later, rental car operations.

The Company’s Origins and P2P Lending Business

23. Founded in November 2015, Bit Digital’s predecessor, Golden Bull Ltd. (“Golden Bull”), initially operated as an online P2P lending company, and was first listed on the NASDAQ stock exchange in March of 2018 under the symbol “DNJR.”

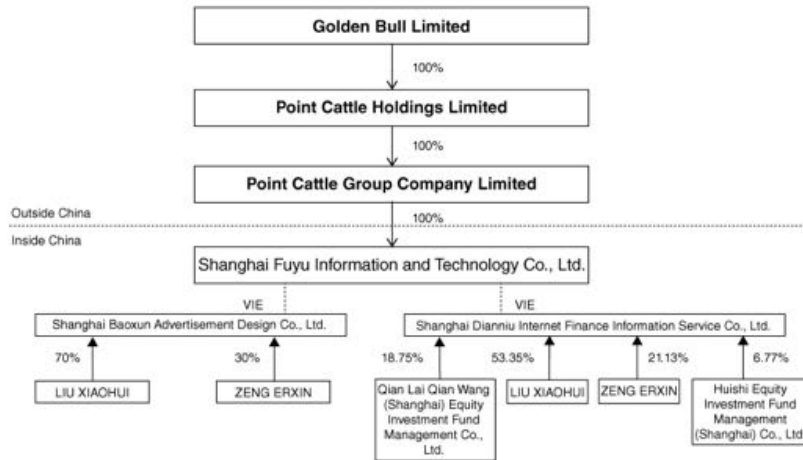
24. On March 21, 2018, the Company filed a Prospectus in connection with its initial public offering. The Company explained, “We currently conduct our business through Shanghai Dianniu Internet Finance Information Service Co. Ltd. (“Dianniu”), our operating entity in China” and listed the Company’s website as “www.dianniu98.com”.

25. Under the heading “Corporate History and Structure,” the Company explained how its operations were conducted through contractual arrangements with its wholly foreign-owned enterprise (“WFOE”) and other subsidiaries and variable interest entities (“VIEs”):

We began our operations in China through Shanghai Dianniu Internet Finance Information Service Co. Ltd., which was formed in November 2015. In early 2017, we incorporated Golden Bull Limited under the laws of the Cayman Islands as our offshore holding company under our former name Point Cattle International Limited. In March 2017, we established our wholly owned Hong Kong subsidiary, Point Cattle Group Company Limited, which formed Shanghai Fuyu Information and Technology Co., Ltd., its wholly owned subsidiary in PRC (the “WFOE”). Through the contractual arrangements between the WFOE, Dianniu and the majority shareholders of Dianniu, we control 93.2% of Dianniu. These contractual

arrangements allow us to effectively control and derive 93.2% of the economic interest from Dianniu.

26. The Company also provided the following diagram illustrating its corporate structure as of the date of the Prospectus:



27. The Company further explained its use of VIE arrangements in order to operate in China and to enable the Company to “exercise effective control over Dianniu and hence consolidate its financial results as our VIE.”

28. Under the heading “Our Business,” the Company explained:

We are an online finance marketplace, or “peer-to-peer” lending company, in China that provides borrowers access to short-term loans. The loans that we are currently arranging generally range from 30 days to 90 days, and are secured by borrowers’ automobiles. Through our online marketplace, we connect individual lenders with individual and small business borrowers. We currently conduct our business operations exclusively in China.

* * *

We attract borrowers to our platform through relationships with traditional lending or guarantee institutions. In addition, we attract borrowers through referrals from existing borrowers and through online sources, including search engine marketing, search engine optimization, mobile application downloads through major application stores, partnering with online channels through application programming interfaces, as well as various marketing campaigns. The lending and guarantee institutions we work with are compensated directly by the borrowers, and not by us or the lenders we introduce.

* * *

As an intermediary, we do not use our own capital to invest in loans facilitated through our marketplace nor do we manage our borrowers and lenders' account portfolios. We facilitate loans by connecting borrowers and lenders, preparing all necessary paperwork related to borrowers' applications and assisting with securing collateral. However, ***we do not take control of funds that pass between such lenders and borrowers.*** Instead, payments are made through third party payment systems....

29. Under the heading "Regulations on Illegal Fund-Raising," the Company explained that "[r]aising funds by entities or individuals from the general public must be conducted in strict compliance with applicable PRC laws and regulations to avoid administrative and criminal liabilities." The Company then provided details on the Chinese laws and regulations that criminalize the unauthorized "soliciting [of] deposits from the public." The Company assured investors, however, that: "We have taken measures to avoid conducting any activities that are prohibited under the illegal-funding related laws and regulations."

30. On October 1, 2018, the Company issued a press release attached to Form 6-K filed with the SEC in which it announced the Company's financial results for the six months ended June 30, 2018. The press release contained information concerning the Company's compliance with recently implemented Chinese regulations on lending and assured investors that: "Because we have a very low rate of overdue debt and have not engaged in any illegal collections, the [new regulation] has no material impact on the Company's business."

31. On April 30, 2019, the Company filed its 2018 Annual Report on Form 20-F with the SEC (the "2018 20-F") which stated the Company's management performed an evaluation of the effectiveness of its disclosure controls and procedures as required by Rule 13a-15(b) under the Exchange Act, and that:

Based upon that evaluation, our management has concluded that, as of December 31, 2018, our disclosure controls and procedures were effective in

ensuring that the information required to be disclosed by us in the reports that we file and furnish 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, as appropriate, to allow timely decisions regarding required disclosure.

32. While reporting that the Company's disclosure controls and procedures were effective, the 2018 20-F also paradoxically disclosed that the Company did *not* maintain effective internal control over financial reporting and identified the following significant deficiencies and material weaknesses:

- Lack of a functional internal audit department that monitors the prescribed internal control procedures;
- Lack of adequate policies and procedures in internal audit function to ensure that the Company's policies and procedures have been carried out as planned;
- Lack of reviewed documentation for management's approval on aging analysis;
- Lack of proper CEO's approval records of the Employee Resignation report;
- Lack of well-structured IT general control policies and procedures for documentation of program changes, periodic transaction log reviews, control quality evaluations, back up restoration tests and centralized anti-virus detections.

33. On June 17, 2019, the Company received a letter from the SEC requesting information concerning the 2018 20-F. Among other items, the SEC questioned the Company's purported effective disclosure controls and procedures despite its reported lack of effective internal controls. Specifically, the SEC wrote:

Please tell us how you concluded that your disclosure controls and procedures were effective as of December 31, 2018, considering that your internal control over financial reporting was not effective as of this date due to the significant deficiencies and material weaknesses identified. . . . If appropriate, please amend your Form 20-F to revise your conclusion regarding your disclosure controls and procedures.

34. The Company responded to the SEC on July 12, 2019, stating in relevant part, “Management believes our disclosure controls and procedures were not effective as of December 31, 2018 since our internal control over financial reporting was not effective as of that date. We will file an amendment to the Form 20-F to indicate such conclusion.”

35. On August 13, 2019, the Company filed a report on Form 6-K with the SEC in which it disclosed that “[s]ince May 2019, there have been a number of borrowers who borrowed funds via our online finance marketplace platform that maliciously defaulted on their debt repayment obligations (the “Defaulted Loans”).” The Company also disclosed that, as of the date of the report, the amount of Defaulted Loans was approximately \$13.5 million. The Company further explained that “[d]ue to the delays in collecting the Defaulted Loans, a number of lenders have been visiting the Company’s offices with threats and have caused disruptions to the Company’s business operations. In order to avoid further disruption of the Company’s operations . . . the Company decided to move its offices in late July.”

36. The Company’s August 13, 2019 story was false. As discussed below, by the time of the August 13, 2019 Form 6-K, the P2P business had already been shut down by Chinese officials and many of the Company’s management, including the then-CEO and CFO had been criminally charged.

37. On September 23, 2019, the Company filed a report on Form 6-K with the SEC in which it announced the resignation of its independent registered public accounting firm, Friedman LLP.

38. On October 31, 2019, the Company filed a report on Form 6-K with the SEC in which it disclosed major developments at the Company, including that: (1) the Shanghai Public Security Bureau had completed a criminal investigation into the Dianniu—the Company’s VIE;

(2) that seventeen of the Company's executives and management were suspects, that six had already been detained and that Erxin Zeng, who had been removed as CEO and as a Director the previous day, was a fugitive; (3) that the Company planned to exit its P2P lending business as a result of the investigation; and (4) the departure of certain executives and directors.

39. Concerning the investigation, the Form 6-K stated:

On October 24, 2019, the Pudong Branch of the Shanghai Public Security Bureau (the "Public Security Bureau") announced on its website that it has completed its investigations against Shanghai Dianniu Finance Information Service Co., Ltd. ("Dianniu"), Golden Bull Limited's (the "Company") variable interest entity for suspected illegal collection of public deposits (the "Investigation"). The Public Security Bureau has taken criminal enforcement measures against 17 suspects in this case, and have thus far detained 6 suspects. The Company's management believes that the Company's Chief Financial Officer, Jing Leng, and Director Xiaohui Liu, as well as several members of Dianniu's management may have been the subject of such criminal enforcement measures. The Public Security Bureau also has initiated online hunting for Mr. Erxin Zeng, CEO of the Company.

Due to the Investigation, the Chengdu office of Dianniu has been shut down by government authorities and the bank accounts of Dianniu and all related personnel have been frozen for investigation. Dianniu's office in Shanghai continues in assisting lenders in making collections from the defaulted borrowers, and cooperating with the Public Security Bureau and all other government authorities to provide documents as requested.

40. As discussed below, the criminal charges and arrests disclosed in the Form 6-K occurred months earlier, in July. Contrary to the Company's statements that it did not collect funds, the Company was, in fact, engaged in illegal fundraising and theft of funds from investors.

41. The Form 6-K also disclosed that "The Company expects to discontinue its P2P business in the near future and to start a new business with the proceeds expected to be raised from equity and debt financing" and that multiple lenders on the Company's P2P platform had filed lawsuits against the Company in order to recover loans defaulted on by certain borrowers.

42. The October 31, 2019 Form 6-K disclosed that the Company's Board had removed Zeng as CEO and as a director, and had removed Leng as CFO. Additionally, the Company

“removed Mr. Xiaohui Liu, from the Board effective immediately, since the Company was not able to reach Mr. Liu for an extended period of time.” This was misleading : as the J Capital report later revealed, he could not be reached because he was in jail.

43. On December 5, 2019, the Company filed a report on Form 6-K with the SEC in which it disclosed, among other things, that “Nasdaq Regulation” had requested information relating to a suspension of trading in the Company’s securities. The Company stated that the “request and suspension” resulted from the Company’s October 31, 2019 disclosure of the criminal investigation into the P2P business.

44. In an attempt to distance itself from the P2P fraud, the Company sold all of its Chinese subsidiaries and VIEs by disposing of Point Cattle Holdings Limited. As disclosed in a report filed on Form 6-K with the SEC on September 14, 2020:

On September 8, 2020, the Board decided to sell the Company’s subsidiary Point Cattle Holdings Limited registered in the British Virgin Islands. Point Cattle Holdings Limited with its subsidiaries and VIEs represents the operations of our peer to peer lending business and the car rental business in PRC. The price for the sale of all of the shares was US\$10 and other good and valuable consideration.

45. As J Capital would later report, and as described below, the fraudulent activities carried out by the Company’s executives were far more serious and wide-reaching than the vague description provided by the Company at the time.

The Company shifts its focus to bitcoin mining.

46. As explained above, on October 31, 2019, the Company disclosed the completion of the criminal investigation into its P2P business and the removal of, among others, Erxin, Liu, and Leng. The October 31, 2019 disclosure also announced several new appointments.

47. The Company announced that the Board appointed Ping Liu as a director and as chairwoman of the Board.

48. To replace Erxin, the Company announced the appointment of Hu as CEO and as a director.

49. The Company provided the following bio for Hu:

Mr. Hu has served as the Business Manager of Weilhua Liquor Company since 2011. From 2009 to 2011, Mr. Hu served as the General Manager of Xuejiawan Huafeng Wholesale Market Company. Mr. Hu served as a Manager of Eastern Hair Growth Center Company from 2002 to 2009. Mr. Hu received his bachelor's degree in Law from Qingdao Qiushi College of Arts and Sciences in 2000.

50. To fill the void left by Leng, the Company announced the appointment of Defendant Huang as CFO and as a director.

51. The Company provided the following bio for Huang:

Mr. Huang has served as the Co-Founder of Long Soar Technology Limited since August 2019 and as the Founder/CEO of Bitotem Investment Management Limited since May 2018. From June 2016 to May 2018, Mr. Huang served as the Investment Manager of Guojin Capital. From August 2015 to May 2016, Mr. Huang served as an Analyst for Zhengshi Capital. Mr. Huang served as a Program Officer of Southwest Jiaotong University from February 2015 to August 2015. From March 2013 to November 2014, Mr. Huang served as the Engineering Analyst Team Leader of Crowncastle International. Mr. Huang received his bachelor's degree in Environmental Engineering from Southwest Jiaotong University in 2011, and received his master's degree in Civil & Environmental engineering from Carnegie Mellon University in 2012.

52. The December 5, 2019 Form 6-K, discussed in paragraph 43 above, also disclosed the Company's intention to enter the bitcoin mining business. The report stated in relevant part:

The Company's expertise in bitcoin business

Mr. Erke Huang, a member of the Board of Directors and CFO of the Company, is very experienced in bitcoin and bitcoin mining industry. Prior to joining the Company, he served as investment director in a venture capital fund in Shenzhen and invested in well-known blockchain technology projects. Mr. Erke Huang brings the resources from miner supply to mining "farm" hosting to execute the Company's bitcoin mining business plan. The Company believes that the expertise Mr. Erke Huang has will support our planned operations and goals set for the bitcoin mining business.

Due to the wide adoption of blockchain technology and bitcoin in the world, bitcoin is called the “digital gold” and mining bitcoin is the production of bitcoin. All the miners are rewarded by providing network support for the bitcoin blockchain network. The Company has investigated this business since August 2019 and believes that bitcoin mining is profitable and the business model is very clear. In October 2019, the Company decided to enter this business and conducted a concrete business plan. The competitive advantage the Company has is that a discount can be achieved by bulk purchase, and also the Company has sourced stable and cheap electricity supply. Thirdly, an experienced operation team has been built to manage and maintain the daily operations of miners for stable and expectable bitcoin production.

The Company is planning to purchase the most efficient mining computers to conduct the bitcoin mining business. The Company has established the bitcoin mining business unit hiring employees in this field. Mr. Erke Huang joined the Company and started the preparation of the business and operation team. The Company is planning to purchase bitcoin mining computers in December 2019 when funds are available.

53. Notably, the Company made no mention of Huang’s purported expertise in the bitcoin mining industry when it announced his appointment in October 2019.

54. On January 9, 2020, the Company filed a report on Form 6-K with the SEC in which it announced the resignation of its independent registered public accounting firm, Wei, Wei & Co., LLP (“WWC”). The report stated, in part:

On December 19, 2019, Wei, Wei & Co., LLP (“WWC”) resigned as the independent registered public accounting firm of Golden Bull Limited (the “Company”). WWC was appointed by the Audit Committee of the Company’s Board of Directors on September 23, 2019 to audit the Company’s consolidated financial statements as of and for the fiscal year ending December 31, 2019 (“Fiscal 2019”). However, on December 5, 2019, the Company announced on its Form 6-K filed with the Securities and Exchange Commission (“SEC”) that it had shut down the peer-to-peer lending business with an ensuing investigation by the Pudong Branch of the Shanghai Public Security Bureau as a result of a policy change of the Chinese government. The Company also announced that it was entering the car rental business and bitcoin mining business. ***WWC stated that after substantial deliberation, it was not familiar with bitcoin mining and resigned.***

55. WWC’s departure marked the second independent registered public accounting firm to resign in just a two-month period.

56. On April 24, 2020, the Company filed a report on Form 6-K with the SEC in which it announced, among other things, that the Board appointed Hong Yu as an executive director and Chief Strategy Officer on April 19, 2020. The Company provided the following bio for Yu:

From 1999 to 2001, Mr. Yu studied at Changzhou Technology and Normal College. In 2008, Mr. Yu founded Qyou Gaming which was one of the largest Web Gaming Platforms in China. For more than the last five years Mr. Yu has been involved in founding gaming and start-up companies. In 2013, Mr. Yu worked as Senior VP of 360 Group when Qyou Gaming was acquired by 360 Group, In 2015, Mr. Yu founded Beijing Qingyum Interactive Technology Limited. In 2018, Mr. Yu initiated KFUND a crypto fund focusing on investments opportunities in blockchain and innovation. At 3 am February 11, 2018, Mr. Yu initiated “3AM” community which is very influential in the Chinese blockchain community.

57. The Company also stated that there “have been no transactions in the past two years to which the Company or any of its subsidiaries was or is to be a party, in which Mr. Yu had, or will have, a direct or indirect material interest.”

58. On July 29, 2020, the Company obtained approval from the Board to change its name from Golden Bull to Bit Digital, Inc., and to change the Company’s ticker on the Nasdaq from “DNJR” to “BTBT” – effective August 7, 2020.

59. Also on July 29, 2020, the Company filed its Annual Report for the year-ended December 31, 2019 on Form 20-F with the SEC (amended August 6, 2020) (the “2019 20-F”). In the Notes to the Consolidated Financial Statements, “Note 12 – Subsequent Event,” the Company disclosed that it acquired XMAX Chain Limited (“XMAX”) in order to enter the bitcoin mining business:

(3) Acquisition of XMAX Chain Limited for Bitcoin Mining Business

On April 8, 2020, Golden Bull Limited entered into an Instrument of Transfer with Mr. Ching Yeh to acquire his 100% of the ownership interest (10,000) shares in XMAX Chain Limited for HKD 10,000 (HKD 1.00 per one share). After the acquisition, XMAX became a wholly owned subsidiary of Golden Bull Limited. This office is for our Bitcoin Mining business operations in Asia.

60. As discussed below, J Capital's investigation revealed that Hong Yu was an original investor in XMAX and appeared to maintain control of the company. Despite the fact that the XMAX acquisition occurred two weeks prior to the announcement of Yu's appointment as executive director and Chief Strategy Officer, the 2019 20-F marked the first mention of XMAX. Even then, Defendants never disclosed Yu's relationship to XMAX.

61. Under the heading "Recent Developments," the 2019 20-F discussed the Company's purported bitcoin mining operations:

The Company operates a recently updated bitcoin mining facility for the sole purpose of mining bitcoin. Our facility and mining platform are operating with the primary intent of accumulating bitcoin which we may sell for fiat currency from time to time depending on market conditions and management's determination of our cash flow needs. Our mining operations are in Wuhai, Zhundong, Xinlinhot and Sichuan China hosting about 21,800 Application Specific Integrated Circuits ("ASIC") miners since May 2020 which have access to approximately 74.5 megawatts of power supplied to our facilities. During the second quarter of 2020, the Company purchased 16,817 units next generation MicroBT M21S miner, 2,696 units MicroBT M20S miner, 2,000 units MicroBT M10 Miner, 800 units Innosilicon T3 miner and 256 units Bitmain T17+ miner, Most of them have now been installed and are currently operating in our Wuhai site, Zhundong site and Xilinhot site while some are still in transit. The Company is currently evaluating plans to make more purchases to increase the total mining hash, conditioned upon our raising required funds.

The Company operates mining hardware which performs computational operations in support of the blockchain measured in "hash rate" or "hashes per second." A "hash" is the computation run by mining hardware in support of the blockchain; therefore, a miner's "hash rate" refers to the rate at which it is capable of solving such computations. The original equipment used for mining bitcoin utilized the Central Processing Unit (CPU) of a computer to mine various forms of bitcoin. Due to performance limitations, CPU mining was rapidly replaced by the Graphics Processing Unit (GPU), which offers significant performance advantages over CPUs. General purpose chipsets like CPUs and GPUs have since been replaced in the mining industry by Application Specific Integrated Circuits (ASIC) chips like those found in the MicroBT M21S miner currently utilized by the Company at its mining facility. These ASIC chips are designed specifically to maximize the rate of hashing operations.

62. The 2019 20-F also disclosed that, like fiscal 2018, the Company's disclosure controls and procedures were not effective and the Company did not maintain effective internal

control over financial reporting.

63. On August 6, 2020, the Company filed a Proxy Statement on Form 6-K with the SEC in which the Company stated that “the Company operates a recently updated bitcoin mining facility for the sole purpose of mining bitcoin. Our facility and mining platform are operating with the primary intent of accumulating bitcoin which we may sell for fiat currency from time to time . . . Our mining operations are in Wuhai, Zhundong, Xinlinhot and Sichuan, China.”

64. As discussed in paragraph 44, On September 8, 2020, Bit Digital sold its subsidiary, Point Cattle Holdings Limited, along with its subsidiaries and VIEs for “US\$10 and other good and valuable consideration.” The Company explained, “[b]y selling Point Cattle Holdings Limited, the Board has decided to fully exit the peer to peer lending business and focus more on bitcoin mining business.” After the sale, the Company no longer had any mainland Chinese entities.

65. On October 19, 2020, Bit Digital issued a press release attached to Form 6-K filed with the SEC in which the Company announced its first half of fiscal 2020 financial results. The press release provided, in part:

New York, October 19, 2020 /PRNEWSWIRE/ Bit Digital, Inc. (Nasdaq: BTBT) (the “Company”), an emerging bitcoin mining company headquartered in New York, U.S. today announced its unaudited financial results for the six months ended June 30, 2020.

“We commenced our bitcoin mining business in February 2020. By now, our hash rate capacity reached 1,250 Peta-hash per second (“Ph/s”), and the management has determined that the Company, in terms of the operating hash rate capacity, is the first among NASDAQ listed companies in bitcoin mining industry.” said Mr. Hong Yu, the Chief Strategy Officer of the Company. “We are and we will make continuous investments in improving our hash rate capacity to keep our competitiveness in the industry.”

“The bitcoin mining business is a challenge and an opportunity to the Company. We performed comprehensive evaluation, planning and design on the new business before we got started.” said Mr. Erke Huang, the Chief Financial Officer of the Company. “For the first half 2020, we had revenue of \$0.69 million from our bitcoin mining business with hash rate capacity of 310 Ph/s. With the deployment

of additional miners, we expect to make a dramatic increase in revenues in the second half 2020 with our continuous investments in miners and hash rate.”

Financial Highlights for the First Half 2020

- Revenue from bitcoin mining business was \$0.69 million.
- The number of bitcoins earned from bitcoin mining business was 74.72.
- The number of miners was 6,004 MicroBT M21S, of which 3,429 and 2,575 miners were acquired in May and June 2020, respectively.
- The net loss from continuing operations of \$0.37 million was all from bitcoin mining business, compared to \$nil for the first half 2019.
- The net loss from discontinued operations was \$3.73 million for the first half 2020, as we provided full impairment on assets for our discontinued peer-to-peer and car rental business in the PRC, compared with the net loss from discontinued operations of \$6.46 million for the first half 2019.
- The net loss was \$4.10 million and the loss per share was \$0.24 for the first half 2020, compared with \$6.46 million and \$0.43 for the same period last year.

66. Under the heading “Business developments,” the Company stated, “On April 8, 2020, we acquired XMAX Chain Limited, a wholly owned subsidiary based in Hong Kong. In the third quarter 2020, we launched additional 16,765 units of miners in Xinjiang, Inner Mongolia and Sichuan Provinces, all in the PRC.”

67. Bit Digital further informed investors that:

As of the date of this report, we had a total of 22,869 miners under operations. As of September 30, 2020, our hash rate reached 1,250 Ph/s. At full deployment of our 22,869 miners, our hash rate capacity reached 1,250 Ph/s, with the aggregate mining efficiency of 61.88 joules per terahash (J/TH), consuming 76 MW of power. By the report date, we have earned an aggregation of 949.51 bitcoins and recognized unaudited revenues of approximately \$10.8 million.

68. On December 16, 2020, Bit Digital filed a report on Form 6-K with the SEC in which it disclosed the resignation of its independent registered accounting firm, JLKZ CPA LLP (“JLKZ”), stating:

On December 15, 2020, JLKZ CPA LLP (the “Former Auditor”) resigned as the independent registered accounting firm of Bit Digital, Inc. (the “Company”). The Former Auditor was appointed by the Audit Committee of the Company’s Board of Directors on January 3, 2020 to audit the Company’s consolidated financial statements as of and for the fiscal year ending December 31, 2019 (“Fiscal 2019”). The Former Auditor conducted the audit of the Company’s financial statements for Fiscal 2019. The Company commenced operations in the bitcoin mining business in February 2020. These operations are growing rapidly and the Former Auditor stated that after substantial deliberation, due to the COVID-19 situation which severally [*sic*] affected the scheduling and resources, *it was unable to continue to audit the operations of the bitcoin mining business and they resigned.*

69. A letter from JLKZ was attached as an exhibit to the Form 6-K which stated: “We have read the statements in the Form 6-K dated December 16, 2020, of Bit Digital, Inc. to be filed with the Securities and Exchange Commission and we agree with such statements therein as related to our firm. We have no basis to and, therefore, do not agree or disagree with the other statements made by the Company in the Form 6-K.”

70. JLKZ was the third independent registered accounting firm to resign from the Company in less than a fifteen-month period. Both JLKZ and WWC (which resigned in December 2019), attributed their resignations to their inability to audit Defendants’ bitcoin mining operations.

DEFENDANTS’ CLASS PERIOD STATEMENTS

71. The Class Period begins on the morning of December 21, 2020, prior to the open of trading, when Bit Digital issued a press release attached to Form 6-K/A with the SEC in which it announced the Company’s revised third quarter 2020 financial results (the “3Q20 Press Release”). The Form 6-K/A was signed by Defendant Erke Huang. The 3Q20 Press Release provided the following financial highlights:

Financial Highlights for the Third Quarter 2020

- Revenue from bitcoin mining business was \$7.91 million.
- The number of bitcoins earned from bitcoin mining business was 739.51.

- The number of miners was 22,869, with 16,865 miners acquired in the third quarter 2020.
- The net income from continuing operations of \$0.10 million was all from bitcoin mining business, compared to the net loss of \$1.79 million for the third quarter 2019.
- The net loss from discontinued operations was \$0.10 million for the third quarter 2020, as we disposed of peer-to-peer and car rental business in the PRC, compared with the net loss from discontinued operations of \$1.22 million for the third quarter 2019.
- The net income was \$54 and the earnings per share was \$0.00 for the third quarter 2020, compared with the net loss of \$3.0 million and loss per share of \$0.20 for the same period last year.

Financial Highlights for the Nine Months 2020

- Revenue from bitcoin mining business was \$8.60 million.
- The number of bitcoins earned from bitcoin mining business was 814.23.
- The number of miners was 22,869, all miners acquired in the nine months 2020.
- The net loss from continuing operations of \$0.73 million was all from bitcoin mining business, compared to \$1.79 million for the nine months 2019.
- The net loss from discontinued operations was \$3.83 million for the nine months 2020, as we provided full impairment on assets for our discontinued peer-to-peer and car rental business in the PRC, compared with the net loss from discontinued operations of \$7.68 million for the nine months 2019.
- The net loss was \$4.56 million and the loss per share was \$0.18 for the nine months 2020, compared with \$9.47 million and \$0.63 for the same period last year.

72. The 3Q20 Press Release provided the following concerning the Company's bitcoin miners:

As of September 30, 2020, our hash rate reached 1,250 Ph/s. In December 2020, we closed an asset acquisition of 17,996 bitcoin miners with total hash rate of 1,003.5 Ph/s, worth of \$13,902,742, at a consideration of issuance of an aggregate of 4,344,711 common shares, par value \$0.01 per share, at a per share price of

\$3.20. The closing of the acquisition increased the Company's total hash rate by approximately 1,003.5 Ph/s, from 1,250 Ph/s to 2,253.5 Ph/s. The average energy efficiency of these miners is 47.45 (+/-5%) joules per terahash (J/TH). With these miners being fully deployed, the total energy efficiency is expected to be decreased from 61.88 (+/-5%) J/TH to 55.33 (+/-5%) by 10.59%, consuming 124 megawatts of power. The total 17,996 miners acquired in December 2020 were comprised of 7,025 Antminer S17+, 9,110 Antminer T17, 195 Antminer S17E, 32 Antminer S17Pro, 105 Antminer S19Pro, 1,429 Whatsminer M20S and 100 Whatsminer M31S.

73. The 3Q20 Press Release further stated that “[a]s of the date of this Report, we had a total of 40,865 miners, including 7,025 Antminer S17+, 195 Antminer S17E, 32 Antminer S17Pro, 105 Antminer S19Pro, 800 Antminer T3, 9,110 Antminer T17, 256 Antminer T17+, 2,200 Whatsminer M10, 4,125 Whatsminer M20S, 16,917 Whatsminer M21S and 100 Whatsminer M31S, spreading over Xinjiang, Inner Mongolia and Sichuan Provinces, PRC and Texas and Nebraska in the United States.”

74. Under the heading “Revenues” the 3Q20 Press Release described Bit Digital’s purported bitcoin mining operations:

We commenced our bitcoin mining business in February 2020. We generated revenues from provision of computing power to the digital asset mining pool, and the consideration was in the form of cryptocurrencies, the value of which is determined using the market price of the related cryptocurrency at the time of receipt. Providing computing powers to successfully add a block to the blockchain, the Company is entitled to a fractional share of the fixed cryptocurrency from the mining pool operator, which is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

For the three months ended September 30, 2020, we received 739.51 bitcoins from one mining pool operator by providing computing power in our 22,869 miners (including 800 units Innosilicon T3 miners, 256 Bitmain T17+ miners, 2,200 MicroBT M10 Miners, 2,696 MicroBT M20S miners and 16,817 MicroBT M21S miners) and as of September 30, 2020, our hash rate was 1,250 Peta-has per second (Ph/s). For the three months ended September 30, 2020, we recognized revenue of \$7,909,528. For the three months ended September 30, 2019, we did not generate revenues from continuing operations.

We will continue to invest in the miners to increase the hash rate capacity, as a percentage of total computing power contributed by all mining pool participants. Our mining operations are distributed in Xinjiang, Inner Mongolia and Sichuan Provinces PRC, and in Nebraska and Texas, United States which was newly launched in September 2020.

In December 2020, we closed an asset acquisition of 17,996 bitcoin miners with total hash rate of 1,003.5 Ph/s, worth of \$13,902,742, at a consideration of issuance of an aggregate of 4,344,603 ordinary shares, par value \$0.01 per share, at a per share price of \$3.20. The closing of the acquisition increased the Company's total hash rate by approximately 1,003.5 Ph/s, from 1,250 Ph/s to 2,253.5 Ph/s. The acquired miners were comprised of 7,025 Antminer S17+, 9,110 Antminer T17, 195 Antminer S17E, 32 Antminer S17Pro, 105 Antminer S19Pro, 1,429 Whatsminer M20S, 100 Whatsminer M31S. The average energy efficiency of these miners is 47.45 (+/-5%) joules per terahash (J/TH). With these miners being deployed, the total energy efficiency will be decreased from 61.88 (+/-5%) J/TH to 55.33 (+/-5%) by 10.59%.

As a result, we expect a continued significant increase in revenue for the fourth quarter of fiscal 2020. Also, with more miners operating in the United States, we expect our energy cost to decrease on an overall basis.

75. In the "Notes to Unaudited Condensed Consolidated Financial Statements," the 3Q20 Press Release stated:

On April 8, 2020, the Company entered into an Instrument of Transfer with Mr. Ching Yeh to acquire his 100% of the ownership interest (10,000 shares) in XMAX Chain Limited ("XMAX") for HKD 10,000 (approximately \$1,290). After the acquisition, XMAX became a wholly owned subsidiary of the Company. XMAX is a Hong Kong company, engaged in bitcoin mining business and was incorporated on March 21, 2018. On the acquisition date, XMAX had a negative net asset of \$674, and the Company recorded a loss of \$1,964 from the acquisition of XMAX.

76. The 3Q20 Press Release also contained the following chart of the Company's entities, showing that Bit Digital had no mainland Chinese entity:

Name	Background	Ownership
Golden Bull USA	<ul style="list-style-type: none"> • A United States company • Incorporated on June 3, 2019 • Engaged in bitcoin mining business 	100% owned by Bit Digital, Inc.
XMAX CHAIN LIMITED	<ul style="list-style-type: none"> • A Hong Kong company • Acquired on April 8, 2020 • Engaged in bitcoin mining business 	100% owned by Bit Digital, Inc.
BIT DIGITAL USA, INC.	<ul style="list-style-type: none"> • A United States company • Incorporated on September 1, 2020 • Engaged in bitcoin mining business 	100% owned by Bit Digital, Inc.

77. Under the heading “Property and Equipment, Net,” Bit Digital listed \$18,906,938, all classified as “Miners” without any further explanation:

	September 30, 2020	December 31, 2019
Miners	\$ 18,906,938	\$ -
Less: accumulated depreciation	(1,241,652)	-
Property and equipment, net	\$ 17,665,286	\$ -

THE TRUTH EMERGES

78. J Capital Research (“J Capital”) is a U.S.-based company that focuses on uncovering over-valued companies with a noted expertise in the Chinese market. As described on its website, <https://www.jcapitalresearch.com>, J Capital:

publishes highly diligenced research reports on publicly traded companies, relying on deep, on-the-ground primary research. Company founders are Anne Stevenson-Yang and Tim Murray. Anne lived in China for 25 years and Tim for 18, working principally in media and tech. They founded J Capital in 2010. J Capital has particular expertise in the Chinese market, but we look at over-valued companies throughout the world. When we form a clear view, we publish free, public reports to inform the investing public and never disguise our identity. We believe the internet has afforded an opportunity to small, unaffiliated investors to leapfrog the big banks, with their conflicts of interest, and obtain unbiased information on traded companies. We pride ourselves on our independence and the quality of our work.

79. A profile published by *Barron’s* on December 6, 2014, highlighted that “[f]ew

foreigners know China as intimately as Anne Stevenson-Yang does.”⁴

80. During the trading day on January 11, 2021, at approximately 2:00 pm EST, J Capital published a 25-page report based on an in-depth investigation of Bit Digital and detailing the grounds for J Capital’s belief that the Company operated “a fake crypto currency business” “designed to steal funds from investors.”

81. In the “Terms of Service” section preceding the report, J Capital attested:

Our research and reports express our opinions, which we have based upon generally available information, field research, inferences and deductions through our due diligence and analytical process. To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer.

82. The J Capital report introduced Bit Digital as a company that has leapfrogged from one fraud to another:

With key executives in jail or on the lam for having bilked Chinese investors out of \$42 mln in a fraudulent P2P business, Bit Digital (BTBT) has moved on to a fake crypto currency business. We will show that the assets probably do not exist, and the business is designed to steal funds from investors.

BTBT tried to downplay the criminality. It disclosed that it had to replace Director Liu Xiaohui in September 2020 because “the Company was not able to reach Mr. Liu.” That is because, as BTBT knew, Liu was in jail. It reported that the then-CFO, Leng Jing, also in jail, was “the subject of such criminal enforcement measures.” The VIE bank accounts were frozen by a Shanghai court and remain frozen to this day.

83. The J Capital report explained that the Company is now onto its third scheme since its initial public offering: “There was P2P lending, car rental, and now ‘bitcoin mining.’” Refuting Bit Digital’s claim that it was “operating 22,869 bitcoin miners in China” at the end of Q3 2020, J Capital stated: “That is simply not possible. With no subsidiary in China, that would be illegal and

⁴ <https://www.barrons.com/articles/anne-stevenson-yang-why-xi-jinpings-troubles-and-chinas-could-get-worse-1417846773>.

the machines subject to confiscation. What's more, we verified with local governments supposedly hosting the BTBT mining operation that there are no bitcoin miners there.”

84. J Capital's report continued: “We also believe that BTBT has not bought new miners—two of the companies it says sold them the machines were surprised to hear they did business with BTBT, and the third refused to confirm that BTBT is a customer. We suspect that the company has simply stolen the \$18.8 mln it claims to have spent on miners in the first nine months of 2020.”

85. The J Capital report further observed that Bit Digital “has had three strip-mall auditors resign in three years. One of them, Wei & Wei, stayed for just nine months and did not sign any of the statements. Now this New York-based company has an auditor based in Singapore.”

86. The J Capital report also asserted that Hu and Defendant Huang were nothing more than proxies for the Company's former executives:

The executives who still secretly control the company are in jail or are fugitives from the law. We will show that the people appointed to replace the jailed executives—a CEO with a junior-high education who managed a wholesale market and a hair-growth clinic and a CFO with no accounting background—are mere proxies for the jailed owners. In fact, the company disclosed that the jailed CEO and fugitive chairman “have, and will continue to have, substantial influence over our business.”

This team diverted cash from Chinese investors into their personal bank accounts. Chinese legal cases against them allege that they directed at least ¥2.5 mln into personal bank accounts.

And yet these are the executives U.S. investors are being asked to believe run the biggest pure-play bitcoin mining operation now listed on a public market.

87. On the release of the J Capital report, Bit Digital's stock price plummeted by 25% in one day, from a January 8, 2021 close of \$25.03 per share to a January 11, 2021 close of \$18.76 per share.

88. As a result of Defendants' wrongful acts and omissions, and the precipitous decline

in the market value of Bit Digital's common stock, Plaintiff and other members of the Class have suffered significant losses and damages.

J Capital's report revealed that Bit Digital's entry into the crypto business was steeped in fraud.

89. J Capital's report stated that to operate the fraudulent bitcoin mining business, Bit Digital "acquired a Hong Kong company called XMAX and employed one of its founders, Yu Hong, without disclosing Yu's relationship."⁵

90. J Capital cited Bit Digital's April 24, 2020 press release in which it announced that on April 19, 2020, the Company appointed Yu as an executive director and Chief Strategy Officer. Noting that Yu was "one of XMAX's original investors and the person who appears to control XMAX," J Capital's report stated, "[i]n its press release, the Company did not mention that Yu was founder of XMAX, the fraudy crypto platform BTBT had acquired two weeks earlier."

91. In fact, the Company did not disclose the XMAX acquisition until July 29, 2020, months after the acquisition and appointment of Yu. In that filing, the Company disclosed, for the first time, that "In April 2020, we acquired another entity XMAX Chain Limited in Hong Kong as wholly-owned subsidiary, operating in the bitcoin mining business and we expect a significant amount of business will be executed under this wholly-owned subsidiary in the future."

92. J Capital's investigation uncovered "seven lawsuits against Yu Hong in China by disgruntled investors in his various other companies."

93. J Capital's report stated that "[m]ultiple stories in the Hong Kong and U.S. press indicate that XMAX is a fraud, as is its crypto currency, XMX." J Capital further stated that "XMAX's crypto-currency, XMX, has been flagged as a fraud by numerous analysts. It was pegged as the top 'fraud coin' for the first half of 2020 by the publication Blocking." Another

⁵ Yu Hong is referred to as Hong Yu in the Company's SEC filings and elsewhere in the Complaint.

publication, SY Caijing, “called XMAX ‘malicious[,]’” and called XMAX’s white paper on XMX “fraudulent.”

94. Most notable, J Capital reported that:

XMAX was reported to have halted its mining operations last May and had its miners confiscated in China. A November 23, 2020 article in The Paper reads: “***In May 2020, Yu Hong announced that***, due to the impact of the macro economy and the halving of Bitcoin production, ***all mining machines were suspended*** and the repurchase plan [of XMAX’s crypto currency, XMX] was suspended. ***Yu Hong revealed on Weibo on June 1 that the mining was suspended because the XMX mining machines in Lanzhou mine were confiscated and a lawsuit was being filed.***

(emphasis added).

95. J Capital also found that “XMAX does not mention BTBT anywhere on its website” and that the “Hong Kong corporate documents for XMAX do not show ownership by BTBT.”

J Capital’s report presents evidence that Bit Digital’s mining operations are fraudulent.

96. J Capital’s investigation scrutinized Bit Digital’s disclosures and spoke with government officials who confirmed the falsity of the Company’s claims concerning its mining operations in China. Specifically, the J Capital report stated:

In September 2020, BTBT changed its company name from Golden Bull Limited to Bit Digital, Inc. and its ticker from DNJR to BTBT. ***It announced it would be going into bitcoin mining. But without a Chinese-registered entity, that would not be legal.*** Companies are required to show a registration document from a domestic legal entity before they can sign a lease or a hosting contract. Yet the company clearly claims that it both operates and leases mining facilities in China[.]

(emphasis added).

97. The J Capital report highlights language from the Company’s 2019 20-F in support of its assertion that Bit Digital claims to both operate and lease mining facilities in China, including: “The Company operates a recently updated bitcoin facility for the sole purpose of mining bitcoin[,]” as well as a reference to electrical power supplied “to our leased facilities.”

98. The J Capital report pointed out that the Company disposed of its Chinese entities in September 2020, quoting the Company's disclosure that:

On September 8, 2020, the Board approved the disposal of Point Cattle Holdings Limited, a former wholly owned subsidiary of the Company in the British Virgin Islands, and its subsidiaries and VIEs, through which the Company previously operated its peer-to-peer lending business and the car rental business in the PRC ("discontinued operations"). . . .

99. As a result, the Company had no ownership of any PRC subsidiaries within mainland China. Even before disposing of Point Cattle Holdings, the Company did not purport to operate any bitcoin mining operations through any of its Chinese subsidiaries. Rather, the bitcoin mining operation ran through XMAX, a Hong Kong entity.

100. The J Capital report stated, "BTBT disclosed that, until September 2020, all its bitcoin mining operations were in China[,]" and quotes from the Company's August 6, 2020 Form 6-K, which stated, in part, "Our mining operations are in Wuhai, Zhundong, Xinlinhot and Sichuan China."

101. Based on its investigation, J Capital concluded that Bit Digital's claims were simply false:

In China, you have to register with the government to have a data center, and local governments have records of all data centers and bitcoin mining operations. But J Capital contacted the governments of Wuhai, Inner Mongolia, Zhundong, Xinjiang, and Xilinhot, Inner Mongolia. In telephone calls, local government officials of each locality told us they had no bitcoin mining operations and had not heard of Bit Digital.

"Big data, crypto currency, cloud computing parks or data centers—none of these have registered here," said an official of Zhundong.

"There is no bitcoin center here," said an official of Xilinhot.

"There's no bitcoin center here," said an official of Wuhai. "I've never heard of Bit Digital."

Sichuan, being a province with a population of 82 million, is too large to identify

all bitcoin mining operations. The company has anonymized the other operations as well. Lest anyone go looking for the miners, the location of the company's mining operations changed from Wuhai, Zhundong, Xinlinhot, and Sichuan in the company's earlier filings to Xinjian, Inner Mongolia, and Sichuan Provinces. Naming huge provinces instead of towns makes it tough to verify the miners.

(emphasis added).

102. Scrutinizing Bit Digital's disclosures, the J Capital report observed that "BTBT provides no disclosure within the property and equipment itemization (or anywhere else) in its most recent filings, for leased assets, leasehold improvements, basic furniture or even everyday non-mining IT equipment—it's just mining equipment. We are sure mining machines do not operate by themselves in thin air, especially in remote and very difficult-to-audit locations."

103. The J Capital report highlighted Bit Digital's vague description of its mining equipment in the Company's press release announcing its third quarter 2020 financial results:

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net was comprised of the following:

	September 30, 2020	December 31, 2019
Miners	\$ 18,906,938	\$ -
Less: accumulated depreciation	(1,241,652)	-
Property and equipment, net	\$ 17,665,286	\$ -

104. J Capital stated, "[f]rom these ghost facilities, BTBT claims it is supplying computer power to bitcoin miners[.]"

J Capital's investigation reveals that Bit Digital reported false purchases of mining equipment.

105. After speaking with all major bitcoin mining equipment manufacturers in China, J Capital concluded the Company's purported purchases were made up:

Fake Purchases?

The company says it has been investing in bitcoin miners and uses these miners to mine on behalf of customers: "We will continue to invest in the miners to increase the hash rate capacity, as a percentage of total computing power contributed by all mining pool participants. Our mining operations are distributed in Xinjiang, Inner Mongolia and Sichuan Provinces PRC, and in Nebraska and Texas, United States which was newly launched in September 2020." But how can auditors determine

whether mining activity is being conducted?

We spoke with all the major manufacturers in China of bitcoin mining equipment. None had heard of BTBT.

One employee of MicroBT, A Shenzhen-based company from which BTBT reported buying 21,713 machines in 2020, told J Capital that BTBT had not purchased equipment from them. “I have never heard of Bit Digital,” he said. ***We provided the name of the company’s former VIE with no better result.*** Three other MicroBT employees said they were not permitted to discuss customers.

Bitmain, from which BTBT said it bought 256 miners in the first nine months of 2020, drew a blank when we inquired about BTBT. Bitmain supplies roughly 65% of the world market for miners and is unlikely not to know of a company that has purchased more than 41,000 machines in one year—even if the machines were bought second-hand.

(emphasis added).

106. The J Capital report included the following photo of a server rack from Bit Digital’s website, noting that the “miners are very sparse compared with the 41,000 machines the company claims”:



107. With no manufacturers that had ever even heard of Bit Digital, the J Capital report

stated: “We suspect that the capex spent in the first nine months of 2020--\$18.8 mln—was simply stolen.”

J Capital’s investigation reveals the extent of the P2P fraud.

108. As set forth in paragraph 38, above, the Company’s first disclosure regarding the investigation into Dianniu came in the October 31, 2019 Form 6-K, in which the Company stated that the Pudong Branch of the Shanghai Public Security Bureau completed its investigation into suspected illegal collection of public deposits on October 24, 2019. The Company disclosed that it had removed the former CEO and CFO, appointed Hu and Huang, and that it “expects to discontinue its P2P business in the near future . . .” The Company never provided additional details beyond the vague statements in the October 31, 2019 Form 6-K.

109. J Capital’s investigation, however, revealed that Chinese courts have made available documents relating to at least four legal cases against Bit Digital’s former subsidiary, Dianniu. The J Capital report states that the “cases show that the former CEO and chairman is a fugitive from Chinese police” and that “Chinese authorities have asked for international assistance in bringing him to justice.” The J Capital report further stated that seventeen of the Company’s executives were arrested in July of 2019 and that five were still in jail as of January 2021. Additionally, the subsidiary itself, Dianniu has been formally charged with illegal fundraising and had its bank accounts frozen.

110. Chinese legal documents show that not only did the Company conduct illegal fundraising, it also stole funds from investors and transferred the money to private bank accounts.

The J Capital report translates one of the Shanghai indictments, which states, in part:

Since December 2016, the defendants [employees of BTBT’s VIE company] themselves released loan targets through the Dianniu Finance online platform to raise funds from the general public then directed the funds into personal bank accounts under their control. Some of the funds were used as loans and some used

by the company. An audit determined that the personal account controlled by the defendant Peng XX raised a total of more than ¥6.23 million yuan, and he personally withdrew more than ¥2.5 million yuan.

111. Translating a Shanghai Public Security Bureau press release from October 24, 2019, the J Capital report revealed that:

On July 31, 2019, the Pudong Branch of the Shanghai Public Security Bureau filed an investigation into the suspected illegal taking of cash deposits from the public by Shanghai Dianniu Internet Financial Information Service Co., Ltd.

The Public Security Bureau has initiated action against 17 suspects in this case. Shanghai Dianniu Financial Information Service Co., Ltd. Vice President Yang XXhua [Yang Ronghua], Director Zeng XXqin [Zeng Erqin] and 6 other suspects have been arrested by the Public Security Bureau by court order. The controller of the company [CEO], Zeng XXxin [Zeng Erxin], is being pursued by police and the case is under further investigation.

112. Translating another indictment issued June 2, 2020, the J Capital report revealed that former-CEO, Erxin, established Dianniu and then proceeded to cooperate with others to “develop an online financing platform.” And, without approval, the Company “publicly promoted wealth management products online, by word of mouth, etc., promised a fixed return, and illegally aggregated funds from the general public.” The indictment also stated that an “audit showed that Dianniu Finance raised more than ¥2.44 billion (in the below currencies) and has not repaid ¥270 million[,]” or approximately \$41.7 million.

J Capital’s investigation reveals that Bit Digital provided misleading information about the qualifications of the directors and officers who joined after the P2P business was shuttered.

113. In the wake of the arrests related to the P2P fraud, the Company announced numerous new directors and officers. The J Capital report revealed that the qualifications of these new members were vastly overstated and omitted key facts.

114. In October 2019, the Company announced that it had replaced Erxin with Hu as CEO and as a director, stating that Hu had served as the “Business Manager of Weihua Liquor

Company,” “General Manager of Xuejiawan Huafeng Wholesale Market Company,” “Manager of Eastern Hair Growth Center Company” and that he received a law degree from Qingdao Qiushi College of Arts and Sciences.

115. The J Capital report found that Qingdao Qiushi College “targets 14- to 15-year-olds who cannot pass an entrance exam for high school[,]” and that the institution “does not offer studies in law.” J Capital wrote, “[i]f Hu received any diploma at all, it could only have been a vocational certificate for teenagers.”

116. As to Defendant Huang, who was appointed as CFO and a director in October 2019, J Capital wrote that he “has zero accounting qualifications or experience[.]”

117. As discussed in paragraphs 89-95 above, the April 2020 announcement of Hong Yu’s appointment as executive director and Chief Strategy Officer omitted to disclose Yu’s relationship to XMAX and the related fraud.

118. In August 2020, the Company named Ichi Shih and Chaohui Deng as directors. J Capital wrote that “Shih, who handled ‘due diligence’ for fraud promoter firm Brean Murray from 2007, was CFO of China Valves Technology (CVVT) during the period for which the SEC identified serious fraud at the company.”

119. J Capital further stated that Deng “claims to have earned an accounting degree, but the institution named in his biography, . . ., like CEO Hu[’s] institution, is a high-school level institution whose matriculating students are young teenagers.”

120. Based on the woefully underqualified directors and officers, and the Company’s disclosure that Liu and Erxin “have, and will continue to have, substantial influence over our business[,]” J Capital concluded that Hu and Defendant Huang are merely shadow directors “operating the company on behalf of the criminal and fugitive” Liu and Erxin.

**DEFENDANTS' MATERIALLY FALSE AND
MISLEADING STATEMENTS AND OMISSIONS**

121. The Class Period begins on the morning of December 21, 2020, prior to the market open. On that day, the Company issued a press release announcing its revised third quarter 2020 financial results (the "3Q20 Press Release") and filed the same press release with the SEC on Form 6-K/A. The Form 6-K/A was signed by Defendant Erke Huang.

122. The 3Q20 Press Release stated the following:

Financial Highlights for the Third Quarter 2020

- *Revenue from bitcoin mining business was \$7.91 million.*
- The number of bitcoins earned from bitcoin mining business was 739.51.
- *The number of miners was 22,869, with 16,865 miners acquired in the third quarter 2020.*
- The net income from continuing operations of \$0.10 million was all from bitcoin mining business, compared to the net loss of \$1.79 million for the third quarter 2019.
- The net loss from discontinued operations was \$0.10 million for the third quarter 2020, as we disposed of peer-to-peer and car rental business in the PRC, compared with the net loss from discontinued operations of \$1.22 million for the third quarter 2019.
- The net income was \$54 and the earnings per share was \$0.00 for the third quarter 2020, compared with the net loss of \$3.0 million and loss per share of \$0.20 for the same period last year.

Financial Highlights for the Nine Months 2020

- *Revenue from bitcoin mining business was \$8.60 million.*
- The number of bitcoins earned from bitcoin mining business was 814.23.
- *The number of miners was 22,869, all miners acquired in the nine months 2020.*
- The net loss from continuing operations of \$0.73 million was all from bitcoin mining business, compared to \$1.79 million for the nine months

2019.

- The net loss from discontinued operations was \$3.83 million for the nine months 2020, as we provided full impairment on assets for our discontinued peer-to-peer and car rental business in the PRC, compared with the net loss from discontinued operations of \$7.68 million for the nine months 2019.
- The net loss was \$4.56 million and the loss per share was \$0.18 for the nine months 2020, compared with \$9.47 million and \$0.63 for the same period last year.

123. The 3Q20 Press Release further stated that “*[a]s of the date of this Report, we had a total of 40,865 miners, including 7,025 Antminer S17+, 195 Antminer S17E, 32 Antminer S17Pro, 105 Antminer S19Pro, 800 Antminer T3, 9,110 Antminer T17, 256 Antminer T17+, 2,200 Whatsminer M10, 4,125 Whatsminer M20S, 16,917 Whatsminer M21S and 100 Whatsminer M31S, spreading over Xinjiang, Inner Mongolia and Sichuan Provinces, PRC and Texas and Nebraska in the United States.*”

124. Under the heading “Revenues” the 3Q20 Press Release described Bit Digital’s purported bitcoin mining operations:

We commenced our bitcoin mining business in February 2020. We generated revenues from provision of computing power to the digital asset mining pool, and the consideration was in the form of cryptocurrencies, the value of which is determined using the market price of the related cryptocurrency at the time of receipt. Providing computing powers to successfully add a block to the blockchain, the Company is entitled to a fractional share of the fixed cryptocurrency from the mining pool operator, which is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

For the three months ended September 30, 2020, we received 739.51 bitcoins from one mining pool operator by providing computing power in our 22,869 miners (including 800 units Innosilicon T3 miners, 256 Bitmain T17+ miners, 2,200 MicroBT M10 Miners, 2,696 MicroBT M20S miners and 16,817 MicroBT M21S miners) and as of September 30, 2020, our hash rate was 1,250 Peta-has per second (Ph/s). For the three months ended September 30, 2020, we recognized revenue of \$7,909,528. For the three months ended September 30, 2019, we did not generate revenues from continuing operations.

We will continue to invest in the miners to increase the hash rate capacity, as a percentage of total computing power contributed by all mining pool participants. ***Our mining operations are distributed in Xinjiang, Inner Mongolia and Sichuan Provinces PRC***, and in Nebraska and Texas, United States which was newly launched in September 2020.

In December 2020, we closed an asset acquisition of 17,996 bitcoin miners with total hash rate of 1,003.5 Ph/s, worth of \$13,902,742, at a consideration of issuance of an aggregate of 4,344,603 ordinary shares, par value \$0.01 per share, at a per share price of \$3.20. The closing of the acquisition increased the Company's total hash rate by approximately 1,003.5 Ph/s, from 1,250 Ph/s to 2,253.5 Ph/s. The acquired miners were comprised of 7,025 Antminer S17+, 9,110 Antminer T17, 195 Antminer S17E, 32 Antminer S17Pro, 105 Antminer S19Pro, 1,429 Whatsminer M20S, 100 Whatsminer M31S. The average energy efficiency of these miners is 47.45 (+/-5%) joules per terahash (J/TH). With these miners being deployed, the total energy efficiency will be decreased from 61.88 (+/-5%) J/TH to 55.33 (+/-5%) by 10.59%.

As a result, we expect a continued significant increase in revenue for the fourth quarter of fiscal 2020. Also, with more miners operating in the United States, we expect our energy cost to decrease on an overall basis.

125. The 3Q20 Press Release was materially false and misleading, and omitted to disclose material facts necessary to make the statements made not materially false and misleading in at least three ways:

126. ***First***, Defendants' statements about Bit Digital's operations in China, including the statement that "Our mining operations are distributed in Xinjiang, Inner Mongolia and Sichuan Provinces PRC," were materially false and misleading. As revealed by the J Capital report, as discussed in ¶¶ 96-104 above, Chinese law requires companies to register with the government in order to maintain a data center or bitcoin mining operations. Government officials from the locations described by Defendants as hosting Bit Digital's mining operations stated that there were no operations registered in their locales and that they had never heard of Bit Digital. Furthermore, Bit Digital had disposed of all of its Chinese business interests. Thus, Bit Digital could not have been legally conducting bitcoin mining operations in China. At best, the statements omitted to

disclose material information, namely that Bit Digital's operations in China, if any existed at all, were illegal and the Company's equipment was subject to confiscation by Chinese authorities, as the J. Capital report revealed.

127. **Second**, Defendants' statements about Bit Digital's bitcoin mining operations, including:

- "The number of miners [in the Third Quarter 2020] was 22,869, with 16,865 miners acquired in the third quarter 2020,"
- "The number of miners [for the first Nine Months of 2020] was 22,869, all miners acquired in the nine months of 2020," and
- "As of the date of this Report, we had a total of 40,865 miners"

were materially false and misleading. As revealed by the J. Capital report, as discussed in ¶¶ 105-107 above, none of the major bitcoin mining equipment manufacturers in China that Bit Digital claims to have purchased bitcoin mining machines from had ever heard of Bit Digital, or the name of its former VIE. Furthermore, as discussed above, the Company purported to operate a large portion of this mining equipment in China, but, local Chinese government agencies were not aware of any Bit Digital operations in their jurisdiction.

128. **Third**, in the "Notes to Unaudited Condensed Consolidated Financial Statements," the 3Q20 Press Release stated:

On April 8, 2020, the Company entered into an Instrument of Transfer with Mr. Ching Yeh to acquire his 100% of the ownership interest (10,000 shares) in XMAX Chain Limited ("XMAX") for HKD 10,000 (approximately \$1,290). ***After the acquisition, XMAX became a wholly owned subsidiary of the Company. XMAX is a Hong Kong company, engaged in bitcoin mining business*** and was incorporated on March 21, 2018. On the acquisition date, XMAX had a negative net asset of \$674, and the Company recorded a loss of \$1,964 from the acquisition of XMAX.

The statements concerning the acquisition of XMAX were materially false and misleading when made. As set out in greater detail in ¶¶ 89-95, Bit Digital failed to disclose: (1) that Hong Yu, who

the Company appointed as executive director and Chief Strategy Officer just two weeks after the acquisition, was an original investor in XMAX and continued to control the entity; (2) that Yu and XMAX were the subject of numerous fraud allegations, including seven lawsuits against Yu by disgruntled investors in China; and (3) that Yu had stated that he discontinued XMAX's crypto currency, XMX's, mining operations because the mining machines were confiscated and that a lawsuit was being filed as a result.

ADDITIONAL SCIENTER ALLEGATIONS

129. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws.

130. As set forth elsewhere herein in detail, Huang, by virtue of his receipt of information reflecting the true facts regarding Bit Digital, his control over, and/or receipt and/or modification of Bit Digital's allegedly materially misleading misstatements and/or their associations with the Company which made him privy to confidential proprietary information concerning Bit Digital, participated in the fraudulent scheme alleged herein.

131. As set forth in greater detail in ¶¶ 113-120, Bit Digital vastly overstated the qualifications of its officers and directors and omitted to disclose material adverse information.

132. Additionally, as set forth in greater detail in ¶¶ 37, 54-55, 68-70, Bit Digital had three independent registered accounting firms resign in just a fifteen-month period – the last two

of which attributed their resignations to their inability to audit the Company's new bitcoin mining business.

133. Plus, despite acknowledging since its 2018 20-F that the Company's disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by the Company in the reports that the Company filed with the SEC, and that that the Company did not maintain effective internal control over financial reporting due to the existence of material weaknesses, Defendants failed to rectify these material issues prior to the issuance of the misleading statements alleged herein.

134. A strong inference of scienter is also supported by the fact that the Company and its former executives engaged in fraudulent schemes involving P2P lending immediately before the transition to bitcoin mining. As the Company admitted, Liu and Erxin, who were both criminally charged by officials in China, "have, and will continue to have, substantial influence over our business."

135. Furthermore, in the wake of the J Capital report, on February 3, 2021, Bit Digital issued a press release on Form 6-K filed with the SEC in which the Company announced the resignation and removal of numerous members of Bit Digital's top-level management, the timing of which support a strong inference of scienter.

136. First, Bit Digital announced that the Board "accepted the resignation of Ping Liu as Chairwoman of the Board, as she resigned for personal health reasons." The Board appointed director Deng as Chairman in Liu's place. As J Capital previously reported, the Company claimed Deng has an accounting degree, but the institution he purportedly attended "is a high school-level institution whose matriculating students are young teenagers."

137. Next, Bit Digital announced that the “Board removed Min Hu as Chief Executive Officer, as he was not participating in the Company’s bitcoin mining operations.” The Company stated that Hu would remain an independent director of the Company. In addition to continuing his role as CFO, Defendant Huang was named interim CEO while the Company searched for Hu’s replacement. It is difficult to envision exactly what Hu was doing if he was not “participating in the Company’s bitcoin mining operations,” as the Company had no other operations. If Hu was not participating in the Company’s bitcoin mining operations, it is reasonable to infer that he abandoned his duties and did not verify the Company’s statements in the 3Q20 Press Release concerning bitcoin mining operations – statements that were already unaudited.

138. Finally, Bit Digital announced that the Board had “accepted the resignation of Hong Yu as Chief Strategy Officer and a director.” The Company explained that “Mr. Yu decided it was in the Company’s best interests for him to pursue his other opportunities.” It is reasonable to infer that Yu’s sudden departure less than one-month after the J Capital report was due to the fact that the report revealed his role in and relationship to XMAX.

CLASS ACTION ALLEGATIONS

139. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of a class of all persons and entities who purchased or otherwise acquired Bit Digital securities between December 21, 2020 and January 11, 2021, inclusive. Excluded from the Class are Defendants, directors and officers of the Company, as well as their families and affiliates.

140. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Throughout the Class Period, Bit Digital’s shares actively traded on the NASDAQ stock exchange. There are 48.3 million outstanding shares of Bit Digital common stock

with approximately 38.5 million shares available for trading by the public. Although the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least thousands of members in the proposed Class. Millions of Bit Digital shares were publicly traded during the Class Period on the NASDAQ stock exchange. Record owners and other members of the Class may be identified from records maintained by Bit Digital or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

141. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- a. Whether Defendants violated the Exchange Act;
- b. Whether Defendants omitted and/or misrepresented material facts;
- c. Whether Defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- d. Whether Defendants knew or recklessly disregarded that their statements were false and misleading;
- e. Whether the price of the Company's securities was artificially inflated; and
- f. The extent of damage sustained by Class members and the appropriate measure of damages.

142. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from Defendants' wrongful conduct alleged herein.

143. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests that conflict with those of the Class.

144. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

FRAUD ON THE MARKET

145. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine that, among other things:

- a. Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- b. The omissions and misrepresentations were material;
- c. The Company's securities traded in efficient markets;
- d. The misrepresentations alleged herein would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- e. Plaintiff and other members of the class purchased the Company's securities between the time Defendants misrepresented or failed to disclose material facts and the time that the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

146. At all relevant times, the markets for the Company's securities were efficient for the following reasons, among others: (i) the Company filed periodic public reports with the SEC; and (ii) the Company regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures such as communications with the financial press, securities analysts, and other similar reporting services. Plaintiff and the Class relied on the price of the Company's securities, which reflected all information in the market, including the misstatements by Defendants.

NO SAFE HARBOR

147. The statutory safe harbor provided for forward-looking statements under certain conditions does not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein were not identified as forward-looking statements when made.

148. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

LOSS CAUSATION

149. During the trading day on January 11, 2021, J Capital published the report alleged herein. On this news, the price of Bit Digital shares fell \$6.27 per share, or 25%, to close at \$18.76 per share on January 11, 2021, on unusually heavy trading volume.

150. These revelations contradicted statements made by Defendants during the Class Period and were a causal element of the concurrent decline in the Company's share price.

CAUSES OF ACTION

COUNT ONE

Violations of § 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against All Defendants)

151. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

152. During the Class Period, Defendant Bit Digital and Huang disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

153. Defendant Bit Digital and Huang violated § 10(b) of the Exchange Act and Rule 10b-5 in that they (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon those who purchased or otherwise acquired the Company's securities during the class period.

154. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for the Company's securities. Plaintiff and the Class would not have purchased the Company's securities at the price paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

COUNT TWO
Violation of § 20(a) of the Exchange Act
(Against Huang)

155. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

156. Huang acted as a controlling person of the Company within the meaning of § 20(a) of the Exchange Act as alleged herein. By virtue of his high-level position at the Company, Huang had the power and authority to cause or prevent the Company from engaging in the wrongful conduct complained of herein. Huang was provided with or had unlimited access to the documents described above that contained statements alleged by Plaintiff to be false or misleading both prior to and immediately after their publication, and had the ability to prevent the issuance of those materials or to cause them to be corrected so as not to be misleading.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) declaring that this action is a proper class action and certifying Lead Plaintiff as Class Representative under Rule 23 of the Federal Rules of Civil Procedure and appointment of Lead Plaintiff's counsel as Class Counsel;

(b) awarding compensatory and punitive damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including pre-judgment and post-judgment interest thereon;

(c) awarding Plaintiff and other members of the Class their costs and expenses in this litigation, including reasonable attorneys' fees and experts' fees and other costs and disbursements; and

(d) awarding Plaintiff and the other Class members such other relief as this Court may deem just and proper.

DEMAND FOR JURY TRIAL

Plaintiff hereby demands a trial by jury in this action of all issues so triable.

July 6, 2021

Respectfully submitted,

/s/ Jeffrey C. Block

Jeffrey C. Block

Jacob A. Walker, *pro hac vice forthcoming*

Nathaniel Silver, *pro hac vice forthcoming*

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Lead Counsel for Lead Plaintiff and the Class

Exhibit 1



January 11, 2020

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Bit Digital (BTBT US)

“The Company was not able to reach Mr. Liu.” BTBT euphemism to describe the jailing of their board member and controlling shareholder.



Zeng Erxin, former company CEO, now being sought by Chinese police.

Anne Stevenson-Yang

With key executives in jail or on the lam for having bilked Chinese investors out of \$42 mln in a fraudulent P2P business, Bit Digital (BTBT) has moved on to a fake crypto currency business. We will show that the assets probably do not exist, and the business is designed to steal funds from investors.

BTBT tried to downplay the criminality. It disclosed that it had to replace Director Liu Xiaohui

January 11, 2020

in September 2020 because “the Company was not able to reach Mr. Liu.”¹ That is because, as BTBT knew, Liu was in jail. It reported that the then-CFO, Leng Jing, also in jail, was “the subject of such criminal enforcement measures.” The VIE bank accounts were frozen by a Shanghai court and remain frozen to this day.

Once police had shut down its business, BTBT tried to distance itself by selling the China operations, for \$10 plus “other good and valuable consideration.” Actually, even after divesting, BTBT may have liability for the \$42 mln lost through fraud.

BTBT is now onto its third scheme since IPO for stealing money from investors. There was P2P lending, car rental, and now “bitcoin mining.” The company reported at end Q3 2020 that it was operating 22,869 bitcoin miners in China. That is simply not possible. With no subsidiary in China, that would be illegal and the machines subject to confiscation. What’s more, we verified with local governments supposedly hosting the BTBT mining operation that there are no bitcoin miners there. We also believe that BTBT has not bought new miners—two of the companies it says sold them the machines were surprised to hear they did business with BTBT, and the third refused to confirm that BTBT is a customer. We suspect the company has simply stolen the \$18.8 mln it claims to have spent on miners in the first nine months of 2020.

To operate this sham bitcoin business, BTBT acquired a Hong Kong company called XMAX and employed one of its founders, Yu Hong, without disclosing Yu’s relationship. We found seven lawsuits against Yu Hong in China by disgruntled investors in his various other companies.²

Multiple stories in the Hong Kong and U.S. press indicate that XMAX is a fraud, as is its crypto currency, XMX.

XMAX was reported to have halted its mining operations last May and had its miners confiscated in China. A November 23, 2020 article in The Paper reads: “In May 2020, Yu Hong announced that, due to the impact of the macro economy and the halving of Bitcoin production, all mining machines were suspended and the repurchase plan [of XMAX’s crypto currency, XMX] was suspended. Yu Hong revealed on Weibo on June 1 that the mining was suspended because the XMX mining machines in Lanzhou mine were confiscated and a lawsuit was being filed.”³

1 Company 6K Oct 31, 2019

2 The lawsuits can be accessed via one of China’s credit information services, such as Qixin: <https://www.qixin.com/lawsuit/8379182d-2d37-4a08-94b4-c493ee346de1/5f852f8d79112e8320004cf1>

3 https://www.thepaper.cn/newsDetail_forward_10101207

January 11, 2020

2019年XMX从公链转型为算力币，玉红也是这时开始主打挖矿概念，用户持有一定比例的XMX相当于“云挖矿”。然而在2020年5月，玉红宣布受宏观经济及比特币产量减半影响，暂停所有矿机运行，并暂停执行回购计划。玉红在6月1日的微博上透露，矿机关停是因为XMX在兰州矿场的矿机被扣，还在打官司。目前XMX又开始转型DeFi概念。

Before the P2P business, BTBT claimed it was in car rentals. But all it did was book deposits of cash for cars then write them off, magically making cash disappear.

The BTBT gatekeepers are the lowest of the low, starting with the underwriter, Viewtrade, whose underwriting clients have seen their share prices drop by at least 75% on average--when they haven't been delisted.

Performance of Viewtrade underwriting clients

Name	Ticker	Performance Since IPO
EV Biologics	YECO	-83%
TDH Holdings	PETZ	-73%
Newater Technology Inc.	NEWA	-60%
Farmmi, Inc.	FAMI	-85%
Senmiao Technology Ltd.	AIHS	-79%
AzurRx BioPharma	AZRX	-81%
China Customer Relations Corp.	CCRC	-64%
Tantech Holdings	TANH	-81%

Source: S&P Global

The company has had three strip-mall auditors resign in three years. One of them, Wei & Wei, stayed for just nine months and did not sign any of the statements. Now this New York-based company has an auditor based in Singapore.

The executives who still secretly control the company are in jail or are fugitives from the law. We will show that the people appointed to replace the jailed executives—a CEO with a junior-high education who managed a wholesale market and a hair-growth clinic and a CFO with no accounting background—are mere proxies for the jailed owners. In fact, the company disclosed that the jailed CEO and fugitive chairman “have, and will continue to have, substantial influence over our business.”⁴

4 BTBT 20F/A March 27, 2020

January 11, 2020

This team diverted cash from Chinese investors into their personal bank accounts. Chinese legal cases against them allege that they directed at least ¥2.5 mln into personal bank accounts.

And yet these are the executives U.S. investors are being asked to believe run the biggest pure-play bitcoin mining operation now listed on a public market.

Fraudulent “mining” operations

We think the bitcoin business BTBT discloses is completely fraudulent.

In September 2020, BTBT changed its company name from Golden Bull Limited to Bit Digital, Inc. and its ticker from DNJR to BTBT. It announced it would be going into bitcoin mining. But without a Chinese-registered entity, that would not be legal. Companies are required to show a registration document from a domestic legal entity before they can sign a lease or a hosting contract. Yet the company clearly claims that it both operates and leases mining facilities in China:

The Company operates a recently updated bitcoin mining facility for the sole purpose of mining bitcoin. Our facility and mining platform are operating with the primary intent of accumulating bitcoin which we may sell for fiat currency from time to time depending on market conditions and management’s determination of our cash flow needs. Our mining operations are in Wuhai, Zhundong, Xinlinhot and Sichuan China hosting about 21,800 Application Specific Integrated Circuits (“ASIC”) miners since May 2020 which have access to approximately 74.5 megawatts of power supplied to our leased facilities. During the second quarter of 2020, the Company purchased 16,817 units next generation MicroBT M21S miner, 2,696 units MicroBT M20S miner, 2,000 units MicroBT M10 Miner, 800 units Innosilicon T3 miner and 256 unites Bitmain T17+ miner. Most of them have now been installed and are currently operating at Wuhai site, Zhundong site, Xilinhot site and Sichuan Site while some are still in transit. The Company is currently evaluating plans to make more purchases to increase the total mining hash, conditioned upon our raising required funds.

BTBT 6K August 6, 2020

BTBT disclosed that, until September 2020, all its bitcoin mining operations were in China.

“Our mining operations are in Wuhai, Zhundong, Xinlinhot and Sichuan, China.”⁵

In China, you have to register with the government to have a data center, and local governments have records of all data centers and bitcoin mining operations. But J Capital contacted the governments of Wuhai, Inner Mongolia, Zhundong, Xinjiang, and Xilinhot, Inner Mongolia. In telephone calls, local government officials of each locality told us they had no bitcoin mining operations and had not heard of Bit Digital.

“Big data, crypto currency, cloud computing parks or data centers—none of these have registered here,” said an official of Zhundong.

“There is no bitcoin center here,” said an official of Xilinhot.

“There’s no bitcoin center here,” said an official of Wuhai. “I’ve never heard of Bit Digital.”

Sichuan, being a province with a population of 82 million, is too large to identify all bitcoin mining operations. The company has anonymized the other operations as well. Lest anyone go looking for the miners, the location of the company’s mining operations changed from Wuhai, Zhun-

⁵ BTBT 6K August 6, 2020

January 11, 2020

dong, Xinlinhot, and Sichuan in the company’s earlier filings to Xinjiang, Inner Mongolia, and Sichuan Provinces. Naming huge provinces instead of towns makes it tough to verify the miners.

We will continue to invest in the miners to increase the hash rate capacity, as a percentage of total computing power contributed by all mining pool participants. Our mining operations are distributed in Xinjiang, Inner Mongolia and Sichuan Provinces PRC, and in Nebraska and Texas, United States which was newly launched in September 2020.

BTBT provides no disclosure within the property and equipment itemization (or anywhere else) in its most recent filings, for leased assets, leasehold improvements, basic furniture or even everyday non-mining IT equipment—it’s just mining equipment. We are sure mining machines do not operate by themselves in thin air, especially in remote and very difficult-to-audit locations.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net was comprised of the following:

	September 30, 2020	December 31, 2019
Miners	\$ 18,906,938	\$ -
Less: accumulated depreciation	(1,241,652)	-
Property and equipment, net	<u>\$ 17,665,286</u>	<u>\$ -</u>

From these ghost facilities, BTBT claims it is supplying computer power to bitcoin miners (mining pool operators). The following disclosure on page 17 of the 2019 20F is worth reading in its entirety:

The Company’s reliance on a third-party mining pool service provider for our mining revenue payouts may have a negative impact on the Company operations.

We use third-party mining pools to receive our mining rewards from the network. Mining pools allow miners to combine their processing power, increasing their chances of solving a block and getting paid by the network. ***The rewards are distributed by the pool operator, proportionally to our contribution to the pool’s overall mining power, used to generate each block.*** Should the pool operator’s system suffer downtime due to a cyber-attack, software malfunction or other similar issues, it will negatively impact our ability to mine and receive revenue. Furthermore, we are dependent on the accuracy of the mining pool operator’s record keeping to accurately record the total processing power provided to the pool for a given bitcoin mining application in order to assess the proportion of that total processing power we provided. While we have internal methods of tracking both our power provided and the total used by the pool, ***the mining pool operator uses its own record-keeping to determine our proportion of a given reward.*** We have little means of recourse against the mining pool operator if we determine the proportion of the reward paid out to us by the mining pool operator is incorrect, other than leaving the pool. If we are unable to consistently obtain accurate proportionate rewards from our mining pool operators, we may experience reduced reward for our efforts, which would have an adverse effect on our business and operations.⁶

6 <https://www.sec.gov/Archives/edgar/data/1710350/000121390020020552/0001213900-20-020552.txt>

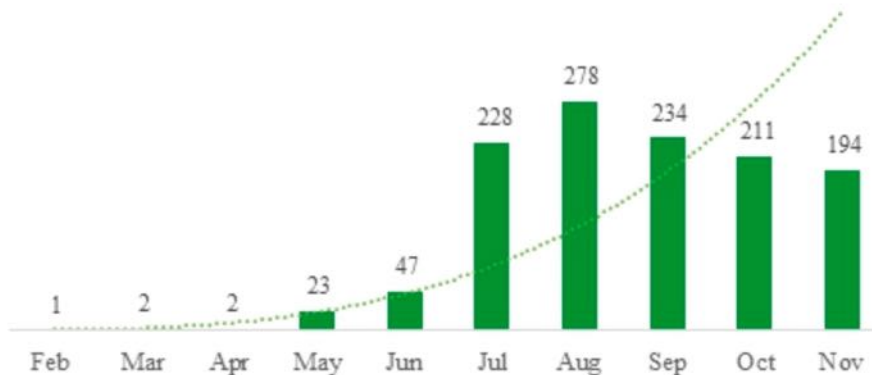
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BTBT makes very little money from this activity. The payment is in bitcoin but is adjusted for the value of bitcoin at the time of the transaction, so if bitcoin value goes up, the company receives less bitcoin.

The Q3 2020 disclosure shows that bitcoin received per month from mining operations FELL from 278 in August 2020 to only 194 in November 2020. Between that time, on average the bitcoin price increased by very roughly 40%, while BTBT's August-to-November drop in bitcoin received per month was about 30%. The higher the bitcoin price, the fewer bitcoins the company receives.

For the first 18 days of December 2020, the number of bitcoins received was only 112.2, a run rate far below previous months despite having supposedly added miners.

Number of Bitcoins Received



At any rate, at the end of 2019, the company had only three IT employees - and it wanted to start a bitcoin business?

Fake purchases?

The company says it has been investing in bitcoin miners and uses these miners to mine on behalf of customers: "We will continue to invest in the miners to increase the hash rate capacity, as a percentage of total computing power contributed by all mining pool participants. Our mining operations are distributed in Xinjiang, Inner Mongolia and Sichuan Provinces PRC, and in Nebraska and Texas, United States which was newly launched in September 2020." But how can auditors determine whether mining activity is being conducted?



BTBT provides this photo of a server rack on its website. The miners are very sparse compared with the 41,000 machines the company claims.

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We spoke with all the major manufacturers in China of bitcoin mining equipment. None had heard of BTBT.

One employee of MicroBT, a Shenzhen-based company from which BTBT reported buying 21,713 machines in 2020, told J Capital that BTBT had not purchased equipment from them. “I have never heard of Bit Digital,” he said. We provided the name of the company’s former VIE with no better result. Three other MicroBT employees said they were not permitted to discuss customers.

Bitmain, from which BTBT said it bought 256 miners in the first nine months of 2020, drew a blank when we inquired about BTBT. Bitmain supplies roughly 65% of the world market for miners and is unlikely not to know of a company that has purchased more than 41,000 machines in one year—even if the machines were bought second-hand.

We suspect that the capex spent in the first nine months of 2020--\$18.8 mln—was simply stolen.

The XMAX fraud

The company’s entry into the crypto business was via an acquisition called XMAX.:

In April 2020, we acquired another entity XMAX Chain Limited in Hong Kong as wholly owned subsidiary, operating the bitcoin mining business and we expect a significant amount of business will be executed under this wholly-owned subsidiary in the future.

XMAX’s crypto-currency, XMX, has been flagged as a fraud by numerous analysts.⁷ It was pegged as the top “fraud coin” for the first half of 2020 by the publication Blocking.⁸ SY Caijing called XMAX “malicious.”⁹ SY Caijing pointed out that XMX was issued at around ¥0.02 and suddenly went to ¥30 on one exchange before plummeting back to ¥0.02 24 hours later. It now trades at around ¥0.001.¹⁰



Tencent ran a picture purporting to represent the business of XMAX.

⁷ <https://blocking.net/10950/the-top-5-fraud-coins-in-the-first-half-of-the-year-the-lowest-increase-of-1400/>

⁸ *ibid*

⁹ <http://www.sycaijing.com/news/details?id=39193>

¹⁰ https://www.thepaper.cn/newsDetail_forward_10101207

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The same article called XMAX's white paper on XMX "fraudulent."¹¹

But XMAX does not mention BTBT anywhere on its website. The Hong Kong corporate documents for XMAX do not show ownership by BTBT.

BTBT "acquired" XMAX at the same time as it appointed as its "chief strategy officer" one of XMAX's original investors and the person who appears to control XMAX, Yu Hong.

The law breaking

Chinese courts have made available at least four legal cases against Shanghai Dianniu, the former subsidiary of BTBT. The cases show that the former CEO and chairman is a fugitive from the Chinese police. Chinese-language media say the company's customer service department claims he is in the U.S. raising money.¹² Seventeen BTBT executives, including the then-CFO, were arrested in Shanghai in July 2019. Five are still in jail. The VIE has been formally charged with illegal fundraising and its bank accounts frozen. The VIE is on the hook for about \$42 mln in unpaid debts to consumers. The listed company's liability is unclear, but BTBT could be implicated.

Not only did BTBT conduct an illegal investment business, it actually stole funds from the investors and transferred the money to private bank accounts, according to Chinese legal documents.

11 <https://new.qq.com/omn/20180512/20180512A0ZKVL.html>

12 See this October 26, 2019 article in East Money, which quotes company Customer Service saying that "CEO Zeng (Dianniu CEO and Chairman Zeng Erxin) is busy in America raising money." <http://stock.eastmoney.com/a/201910261272809096.html>

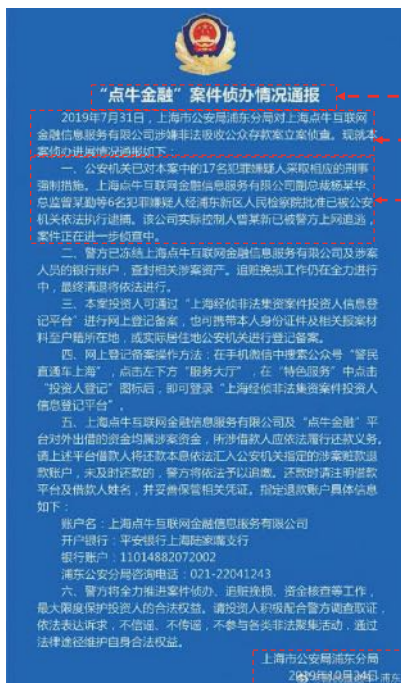
January 11, 2020

点牛金融 2020.6.2.....点牛金融借款人彭某某起诉书.....
 2016年12月起，被告人彭某某明知上述事实，仍以其本人及张某某、杨某某等人作为借款人，通过点牛金融线上平台发布借款标的，向不特定社会公众募集资金，所得资金进入其所控制的个人银行账户，一部分其提现后放贷使用，一部分点牛金融使用。经审计，被告人彭某某控制的个人账户共募集资金623万余元，其提现共计250万余元

“Since December 2016, the defendants [employees of BTBT’s VIE company] themselves released loan targets through the Dianniu Finance online platform to raise funds from the general public then directed the funds into personal bank accounts under their control. Some of the funds were used as loans and some used by the company. An audit determined that the personal account controlled by the defendant Peng XX raised a total of more than ¥6.23 million yuan, and he personally withdrew more than ¥2.5 million yuan.”

BTBT disclosed that they matched lenders with borrowers and took commissions on small loans without bearing any balance sheet responsibility. That activity is legal in China. But court cases in China plainly show that BTBT itself was collecting capital from investors—not legal. It would take this capital and invest it in a pool of loans held by banks but for which BTBT had responsibility.

Source: <https://www.bozhua.cn/76785/>



Dianniu Finance Investigation Case

Shanghai Public Security Bureau Pudong Branch
 October 24, 2019

On July 31, 2019, the Pudong Branch of the Shanghai Public Security Bureau filed an investigation into the suspected illegal taking of cash deposits from the public by Shanghai Dianniu Internet Financial Information Service Co., Ltd.

The Public Security Bureau has initiated criminal action against 17 suspects in this case. Shanghai Dianniu Internet Financial Information Service Co., Ltd. Vice President Yang XXhua [Yang Ronghua], Director Zeng XXqin [Zeng Erqin] and 6 other suspects have been arrested by the Public Security Bureau by court order. The controller of the company [CEO], Zeng XXin [Zeng Erxin], is being pursued by police, and the case is under further investigation.

Source: <https://www.bozhua.cn/76785/>

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Case Against Dianniu

People's Procuratorate of Pudong New District of Shanghai

Indictment: Shanghai Pudong Criminal Prosecution [2020] No. 2540

Issued: June 2, 2020

曾某某（另案处理）设立上海**互联网金融信息服务有限公司（以下简称“**金融”），后伙同他人开发线上融资平台在上海市浦东新区等地实际经营，在未经国家有关部门批准的情况下，通过网站推广、口口相传等方式公开宣传推介理财产品，承诺固定年化收益，向社会不特定公众非法吸收资金。经审计，点牛金融累计募集资金人民币24.4亿余元（以下币种同），未兑付金额为2.7亿余元。

Zeng XX [former CEO and Chairman Zeng Erxin] (subject in a separate case) established Shanghai ** Internet Financial Information Service Co., Ltd. (hereinafter referred to as "** Finance") [Shanghai Dianniu Internet Finance Information Service Co. Ltd.], and then cooperated with others to develop an online financing platform to operate in Shanghai Pudong New Area and other places. Without approval by relevant agencies, the company publicly promoted wealth management products online, by word of mouth, etc., promised a fixed return, and illegally aggregated funds from the general public. An audit showed that Dianniu Finance has raised more than ¥2.44 billion (in the below currencies) and has not repaid ¥270 million.

Source: <https://www.bozhua.cn/76785/>

BTBT claimed that none of the loans ever defaulted. But the company issued a notice on its website in May 2019 admonishing borrowers for failing to pay their debts.

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Dianniu Public Notice to Clients Delaying Payments Due to Rumors



**Notice
May 13, 2019**

Lately, because the internet has published inaccurate information about this platform, a few borrowers—channels and individuals—have maliciously delayed, so that payments are not made. This platform is officially informing these malicious borrowers: baseless internet sources are not credible, and those maliciously evading legitimate debt will be prosecuted. The platform is currently exchanging data with the Internet Trust Center and presenting information. At the same time, we are preparing information for lawsuits. In a society built on trust, those maliciously evading debt will ultimately face legal consequences. Shanghai Dianniu Internet Finance Service Co. Ltd.

A public notice that appeared on <https://www.dianniu98.com/>, Shanghai Dianniu's website. | Accessed via the Wayback Machine.

According to an August 11, 2019 article in the Chinese publication “Eye on Internet Loans,”¹³ up until that date, BTBT collected ¥2.5 bln in investment.

When the loan platform was closed down by government authorities in July 2019, ¥270 mln (\$41.7 mln) in investment products were outstanding, according to a lawsuit in Shanghai.¹⁴ BTBT’s Shanghai VIE is on the hook to repay the money. The Shanghai police froze that company’s accounts when they made the arrests, but the accounts reportedly held just ¥400,000 (\$61,900).

In September 2020, BTBT exited the P2P business by selling its BVI, Point Cattle Holding Limited, for \$10 plus “other good and valuable consideration.”

On the same date, the Company entered into a certain share purchase agreement (the “Disposition SPA”) by and among a BVI company, Sharp Whale Limited (the “Purchaser”), Point Cattle Holding Limited (the “Subsidiary”) and the Company (the “Seller”). Pursuant to the Disposition SPA, the Purchaser purchased the Subsidiary in exchange for nominal consideration of \$10.00 and other good and valuable consideration.

BTBT 6K December 18, 2020 page 59

Investors believe that BTBT is a Chinese miner. In reality, following its disposal of Point Cattle Holdings, BTBT no longer owns a mainland China business. The disclosure was as follows:

On September 8, 2020, the Board approved the disposal of Point Cattle Holdings Lim-

13 <https://news.p2peye.com/article-547983-1.html>

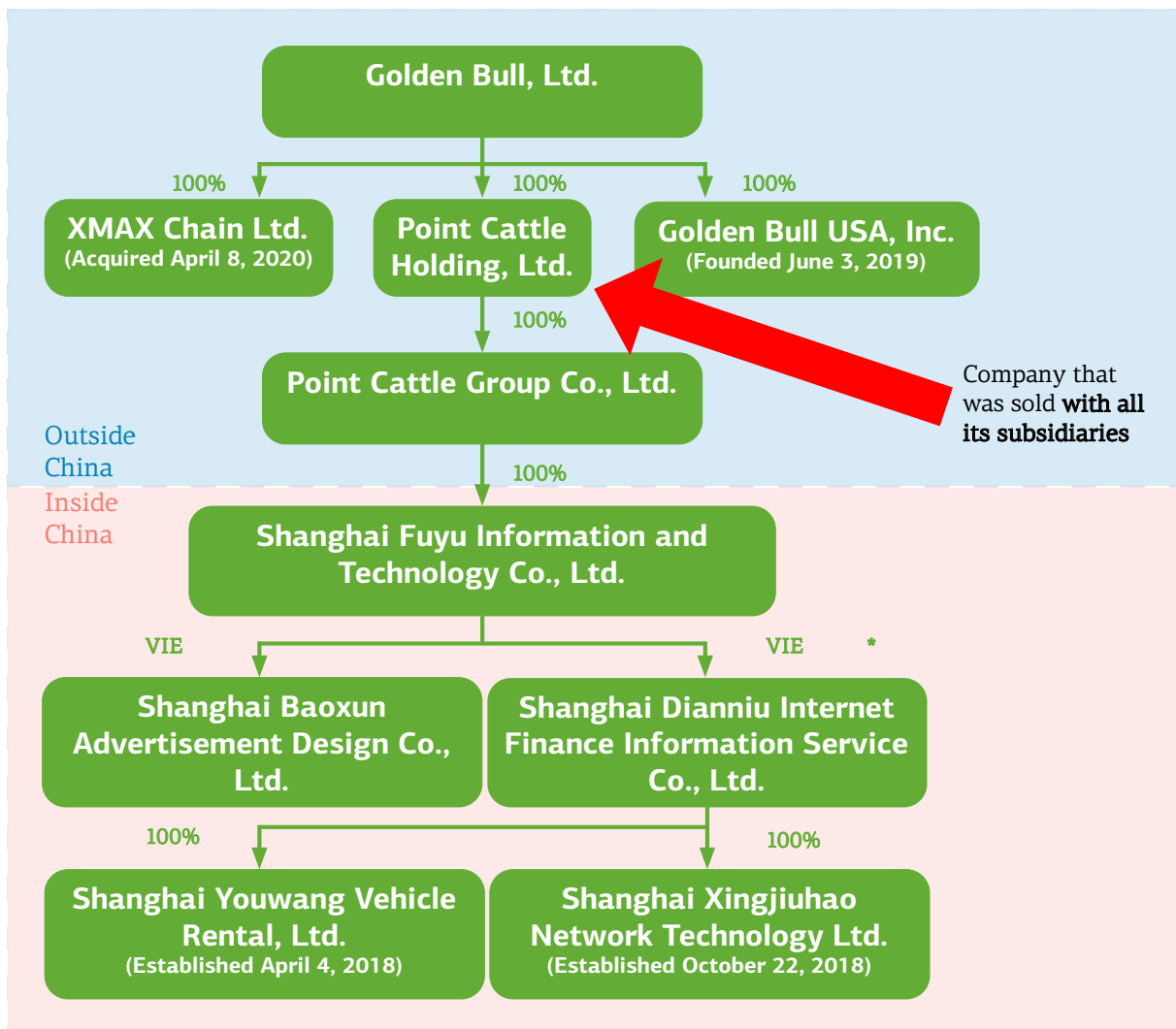
14 Full text: <https://www.bozhua.cn/76785/>

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ited, a former wholly owned subsidiary of the Company in the British Virgin Islands, and its subsidiaries and VIEs, through which the Company previously operated its peer-to-peer lending business and the car rental business in PRC. Upon the sale, we discontinued our peer-to-peer lending business and the car rental business in the PRC (“discontinued operations”). In addition to our bitcoin mining business, we expect to operate our car rental business through Golden Bull USA, Inc., a wholly owned subsidiary based in the United States once the Coronavirus pandemic is curtailed.

BTBT 6K December 18, 2020 page 3

Company Organization Chart



Company that was sold **with all its subsidiaries**

Company organization chart, from 2019 20F, https://www.sec.gov/Archives/edgar/data/1710350/000121390020018934/f20f2019_goldenbull.htm

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The Q3 2020 company filings clearly show no ownership in any PRC subsidiaries within mainland China.

The accompanying consolidated financial statements reflect the activities of the Company and each of the following entities:

Name	Background	Ownership
Golden Bull USA	<ul style="list-style-type: none"> A United States company Incorporated on June 3, 2019 Engaged in bitcoin mining business 	100% owned by Bit Digital, Inc.
XMAX CHAIN LIMITED	<ul style="list-style-type: none"> A Hong Kong company Acquired on April 8, 2020 Engaged in bitcoin mining business 	100% owned by Bit Digital, Inc.
BIT DIGITAL USA, INC.	<ul style="list-style-type: none"> A United States company Incorporated on September 1, 2020 Engaged in bitcoin mining business 	100% owned by Bit Digital, Inc.

So, when a listed company’s VIE engages in an illegal business, embezzles funds from consumers, and racks up unpaid debts, does the listco bear liability? Possibly. If the VIE is aided and abetted by the listed company, the listco would be liable, according to an attorney who specializes in Chinese corporate law whom we reached by phone. The Shanghai Dianniu financing platform advertised itself as part of a NASDAQ-listed company. That creates liability for BTBT (formerly DJNR).



Screenshot from <https://www.dianniu98.com/> January 22, 2019

Direct theft

According to a court case filed in June 2020,¹⁵ BTBT posed as borrowers on the P2P platform and raised money, that they directed to personal accounts. One case identifies ¥6.23 mln in fake loans, of which ¥2.5 mln was embezzled.

15 See the full text of the case here: <https://www.bozhua.cn/76785/>

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Not only was the VIE company embezzling, BTBT the listco appears to have been stealing from its investors via mysterious “consulting fees” paid to a party in the Caymans.¹⁶

There is no revenue but only expenses occurred in another three subsidiaries in China, Baoxun, Youwang and Fuyu. As a result, the Company forecast there won't be profit in the future in these three subsidiaries, so expenses occurred in these three subsidiaries is non-deductible.

Note 2	Cayman consulting fee	1,301,668
	China income tax rate	25%
	Net income (loss) before taxes	-3,998,297
		-8.1%
Note 3	Foreign-external service fee	584,886
	China income tax rate	25%
	Net income (loss) before taxes	-3,998,297
		-3.7%
Note 4	IPO costs	-389,635
	China income tax rate	25%
	Net income (loss) before taxes	-1,268,366
		7.7%
Note 5	PRC – non-deductible expense	-37,729
	PRC – expense-Baoxun	-
	PRC – US GAAP adjustment	123,978
	China income tax rate	25%
	Net income (loss) before taxes	-1,268,366
		-1.7%
Note 6	Cayman consulting fee	488,334
	China income tax rate	25%
	Net income (loss) before taxes	-1,268,366

August 30, 2019 correspondence with the SEC¹⁸

The company explains that substantial “business consulting” fees of \$3.76 mln for “professional teams to monitor and provide business advice on our business in the area of human resource strategic management and business strategic management”

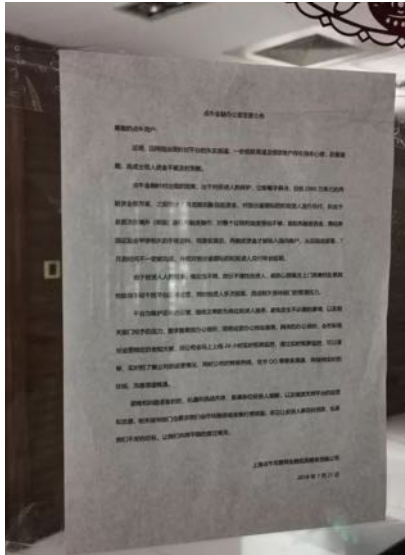
16 See SEC correspondence here: <https://www.sec.gov/Archives/edgar/data/1710350/000121390019017005/filename1.htm>

17 <https://www.sec.gov/Archives/edgar/data/1710350/000121390019017005/filename1.htm>

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AWOL

After the arrests, BTBT went AWOL. A sign on the door of the old office said “Sorry, the office location is secret,” according to the Chinese press. Apart from the VIE, other Chinese subsidiaries registered at empty locations on the desolate Chongming Island in Shanghai.



Left: Photo from *The Paper*, July 27, 2019 https://www.thepaper.cn/newsDetail_forward_4021668
Right: BTBT office location on Chongming Island in Shanghai. | Photo by J Capital researcher

Customer service lines went dead.



Can't reach customer service, and no one calls back.

Screenshot of one of many posts on a thread on Baidu entitled “Bit Digital runs away.”¹⁹

18 <https://tieba.baidu.com/p/6201693938>

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They're still in charge

We believe the key shareholders who founded and operated the company until the Chinese authorities shut down the P2P business remain in control of the company today. They are no longer named executives or directors, but they control the voting power and operations via the puppet CEO and CFO they had appointed. The criminals responsible for the P2P and the fake car leasing business are driving the repositioned “bitcoin mining” concept.

At the time of the arrest in July 2019 BTBT had six directors.¹⁹ CEO Zeng Erxin was chairman of the board and owned 16.6%, and Liu Xiaohui was a director, with 42% of the company.²⁰ Liu Xiaohui was arrested, and Zeng Erxin escaped arrest and is in the U.S. Chinese authorities have asked for international assistance in bringing him to justice.²¹



Liu Xiaohui is second from right.

The remaining directors not under arrest or subject to a warrant removed Liu Xiaohui and Zeng Erxin from the board in October 2019.²²

¹⁹ 2018 20F

²⁰ 2018 20F

²¹ PSB update on the case in March 2020 [\[insert URL link\]](#)

²² Company 6K Oct 31, 2019

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The board then appointed Hu Min as CEO and a director and Huang Erke as CFO and a director. Both lacked experience requisite for the roles. Hu Min’s bio says he graduated from Qingdao Qiushi College. This institution targets 14- to 15-year-olds who cannot pass an entrance exam for high school.²³ His bio says he has a law degree from this institution, but Qingdao Qiushi does not offer studies in law.²⁴ If Hu received any diploma at all, it could only have been a vocational certificate for teenagers. According to his official bio, Hu’s work experience was as manager of a small liquor company, manager of a wholesale market, and manager of a hair-growth center. We could not identify the hair-growth center based on the English provided. Possibly the company has closed down.

Ad for a hair-repair clinic near Hu’s home in Hohhot, Inner Mongolia. | Source: Tangfa Center: http://www.tangfc.com/2016/huhehaotedian_0121/1786.html

Liu now owns 18% and Zeng 5.2% having been diluted by the new shares issued in 2020. We believe the Hu Min and Huang Erke are shadow directors operating the company on behalf of the criminal and fugitive Liu Xiaohui and Zeng Erxin.

The new directors are foxes in the chicken coop. In August 2020, the company named the two: Ichi Shih and Chaohui Deng. Shih, who handled “due diligence” for fraud promoter firm Brean Murray from 2007, was CFO of China Valves Technology (CVVT) during the period for which the SEC identified serious fraud at the company.²⁵ Deng claims to have earned an accounting degree, but the institution named in his biography, Hengyang Industrial College, like CEO Hu Min’s institution, is a high school-level institution whose matriculating students are young teenagers.²⁶ The institution, whose name is better translated Henyang Industrial Institute, ap-

23 <http://www.dailuopan.com/MParticle/detail?aid=23897>

24 http://www.cnsdjxw.com/school_brows.asp?id=4600

25 <https://www.sec.gov/litigation/litreleases/2015/lr23266.htm>

26 <https://baike.baidu.com/item/%E8%A1%A1%E9%98%B3%E5%B7%A5%E4%B8%9A%E5%AD%A6%E9%99%A2/8210972?fr=aladdin>

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pears to have been shut down after administrators refused to acknowledge the death of a student.²⁷

The newly appointed CFO, Huang Erke, 31, has zero accounting qualifications or experience, according to his profile. Huang is head of two investment firms.

Yu Hong became an executive director and the chief strategy officer of BTBT on April 19, 2020.²⁸ In its release, the company did not mention that Yu was founder of XMAX, the fraudulent crypto platform BTBT had acquired two weeks earlier.

Liu Xiaohui and Zeng Erxin were not forced to sell their shares and remained in control of the company. We believe the Hu Min and Huang Erke are shadow director operating the company on behalf of the criminal and fugitive Liu Xiaohui and Zeng Erxin.

Rental business?

The company represented itself as conducting car rentals and had a rental app in China. “When the Company was first listed on Nasdaq in 2018, the Company had entered the car rental business,” BTBT reported in a December 5, 2019 6K.

The company signed contracts in 2018 to purchase 145 cars and announced plans to open 12 offices to rent them out. Financial statements showed \$3.2 mln in deposits for rental vehicles at end 2019.

However, we cannot find any evidence that BTBT ever rented autos. We interviewed three former employees of the company in Shanghai, who confirmed that BTBT never did auto rentals. Several articles in the Chinese press show that “leasing” was simply a cover for the P2P business.²⁹

衡阳工业专修学院是不是倒闭了？知道的说一下，谢谢！



1个回答 #热议# 30+的人生是不是总是忙忙碌碌?



嗯倒了



Blog post: “Hasn’t Hengyang Industrial Institute gone bankrupt? If you know, please say! Thank you.”

27 <https://ts.voc.com.cn/question/view/11594.html>

28 BTBT 6K April 24, 2020

29 See this Chinese-language article from Sohu September 12, 2018 on the “Billion Dollar Strategic Pact Between Dianniu and Qinjia Group” https://www.sohu.com/a/253361343_632083

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Nevertheless, BTBT managed to write off **deposits containing cash** made for this business, something we can only conclude amounts to theft.

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 30,650	\$ 2,334,425
Other receivables	529,606	142,255
Prepaid costs and expenses	-	3,187,052
Total current assets	560,256	5,663,732
PROPERTY AND EQUIPMENT, NET	-	723,777
OTHER ASSETS		
Restricted cash	600,000	600,000
Deposits for rental vehicles	3,246,277	2,482,592
Deposits for property and equipment	110,000	-
Prepaid expenses	-	2,200,506
Deferred tax assets	-	810,863
Total other assets	3,956,277	6,093,961
Total assets	\$ 4,516,533	\$ 12,481,470

	June 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,911,226	\$ 15,988
Restricted cash	600,000	-
Cryptocurrencies	153,478	-
Other current assets	12,801	12,501
Assets of discontinued operations	-	531,767
Total Current Assets	2,677,505	560,256
Restricted cash, noncurrent	-	600,000
Deposits for equipment	6,864,320	110,000
Property and equipment, net	4,419,939	-
Assets of discontinued operations, noncurrent	-	3,246,277
Total Assets	\$ 13,961,764	\$ 4,516,533

The company put down significant deposits to buy cars for rent in 2018-19 but explained that delivery had been delayed due to changes in Chinese emissions standards--and due to Covid19. This sounds like complete nonsense.

Note 5 – Deposits for rental vehicles

Deposits for rental vehicles consist of the following:

	December 31, 2019	December 31, 2018
Deposits for rental vehicles	3,246,277	2,482,592
Total	\$ 3,246,277	\$ 2,482,592

The delivery of the vehicles was delayed due to the policy change in PRC regarding vehicle emission standard change. The deposits for rental vehicles are for developing the Company's car rental business expected to occur in fiscal 2020.

In August 2019, the company released a 6K in which was buried a statement about delivery of cars:

“In April 2018, we established Shanghai Youwang Vehicle Rental Limited (“Shanghai Youwang”), a subsidiary wholly owned by Shanghai Dianniu Internet Finance Informa-

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tion Service Co., Ltd. (“Dianniu”), an entity we control via contractual arrangement, in order to start our car leasing business. Based on the vehicle procurement contract we entered with the vehicle supplier, the first batch of vehicles should be delivered to us beginning in September 2019. **On July 1, 2019, the Chinese government implemented a new emission standard which requires vehicles to have better filtering systems. As such, our supplier may not be able to deliver the vehicles we purchased as previously scheduled. Management expects to launch the car leasing operations in the first quarter of 2020.** As of the date of this report, Shanghai Youwang has no substantive operations.”

For 2019, the China Association of Automobile Manufacturers disclosed that some 21.4 mln passenger vehicles were sold in China. Over 21 mln purchases of passenger cars in China had no problem at all with the updated emission standards, which manufacturers would have prepared for in advance anyway.³⁰ Yet BTBT with millions of dollars’ worth of cash deposits already made in both 2018 and 2019 could not buy one single car.

What’s more, BTBT did manage to buy cars for its own staff. In 2018, the company purchased about \$0.7 mln worth of motor vehicles for its own staff’s use. Naturally, these company cars for staff, which were probably around 1.5 years old, were 100% written down during 2020.

Investing Activities

Net cash used in investing activities was approximately \$0.9 million for year ended December 31, 2019, which was attributable primarily to an approximate \$0.1 million paid for deposit for property and equipment. and an approximate \$0.8 million paid for deposit for the rental vehicles.

Net cash used in investing activities was approximately \$3.3 million for year ended December 31, 2018, which was attributable primarily to purchases of motor vehicles for daily use and an approximate \$2.5 million paid for purchasing automobiles for the new line of business.

There were no Q1 2020 results published to see what happened, only a Q2 2020 report, by which time the bait-and-switch had already taken place. It appears a full impairment was taken against the car rental business in the first half of 2020. In other words, no idea what happened to those deposits to buy cars for the rental business. The company did not disclose these deposits were returned, and in a typical accounting trick maneuver, the deposits were written down as a non-cash item, because the asset was classified as the deposit and not the cash within it.

30 https://www.marklines.com/en/statistics/flash_sales/salesfig_china_2019#:~:text=ln%202019%2C%20passenger%20car%20production,9.6%25%20y%2Fy%20decline

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Sham Cooperation to Boost Car Rental Business Credibility

In 2018, BTBT conducted a splashy promotional event to project an image that it was active in car leasing. Dianniu announced a ¥10 bln cooperation with Qinjia Group on September 10, 2018 to promote the credibility of its vehicle-leasing business.³¹ The press release is breathless in how this cooperation would get the partners a chunk of the trillion Renminbi car-finance market. But it was just an empty announcement.

[Qinjia Group](#) appears to be a consultancy that promotes businesses deploying the latest buzz words. Qinjia was never a player in car leasing or car finance. [The video](#) produced to promote the cooperation is a master class in fake cooperation announcements replete with empty statements.



On the left, the one who looks like Kim Jung Un, is Song Junwei, chairman of Qinjia Group. On the right, with the silly glasses, is Zeng Erxin, former CEO and chairman of Dianniu | Source: https://www.sohu.com/a/253361343_632083. For nonsensical business speak, listen to the two on video (Chinese language): <https://v.qq.com/x/page/a0703980o5l.html>.

More embezzling

Including the written down cash, which was the main asset of the PRC car rental business that had not even started, the company wrote off a total of \$3.74 mln of net assets:

“ Net loss from discontinued operations

For the nine months ended September 30, 2020, we provided full impairment of \$3,734,498 on the net assets of our discontinued operations, and recorded a net loss from discontinued operations of \$100,185 from classification of accumulated translation adjustments, both resulting in a net loss of \$3,834,683 million from discontinued operations”

The cash deposits for the company’s rental business were fully written down during the first half of 2020 as a discontinued business, although it was not really even a business because it had not started operating. Writing down cash is quite a trick.

BTBT reports that it is “exploring” a business in auto rental in the US. We expect it’s exploring more channels for stealing cash. From page 43 of the most recent 20F:

On June 3, 2019, Golden Bull USA, Inc. (“Golden Bull USA”) was incorporated in the State of New York, which is a wholly owned subsidiary of Golden Bull Limited .Golden Bull USA is our principal office and we plan to develop car rental business through

31 https://www.sohu.com/a/253361343_632083

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Golden Bull USA. We've been actively seeking car rental business opportunities in both the State of New York as well as the State of Florida. . . . Starting in the second quarter of 2020, the Golden Bull USA office has established some leads towards Car Rental Business possibly in the State of Florida, United States. Although it is still in the investigation and due diligence process, we may be able to commence Car Rental Operations in the United States in the third quarter of 2020."

Dodgy professionals

BTBT uses third-tier accounting firms, and yet even these cannot bring themselves to sign the accounts. The company has had three auditors resign in three years.

Friedman LLP: 2015-September 2019 Friedman resigned on September 23, 2019.

Wei Wei & Co. This auditor had a tenure of just nine months, September to December 2019, and resigned 12 days before the end of BTBT's fiscal year. According to the 6K January 9, 2020: "On December 19, 2019, Wei, Wei & Co., LLP ("WWC") resigned as the independent registered public accounting firm of Golden Bull Limited (the "Company"). WWC was appointed by the Audit Committee of the Company's Board of Directors on September 23, 2019 to audit the Company's consolidated financial statements as of and for the fiscal year ending December 31, 2019 ("Fiscal 2019"). However, on December 5, 2019, the Company announced on its Form 6-K filed with the Securities and Exchange Commission ("SEC") that it had shut down the peer-to-peer lending business with an ensuing investigation by the Pudong Branch of the Shanghai Public Security Bureau as a result of a policy change of the Chinese government. The Company also announced that it was entering the car rental business and bitcoin mining business. WWC stated that after substantial deliberation, it was not familiar with bitcoin mining and resigned.

WWC did not start the audit for Fiscal 2019. With the previously announced change in management of the Company, the Company inadvertently failed to file this Form 6-K. Through the date of resignation, December 19, 2019, (i) there were no "disagreements" (as described in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between the Company and WWC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to WWC's satisfaction, would have caused WWC to make reference in connection with an opinion (none were issued) to the subject matter of the disagreement; and (ii) there were no "reportable events" as the term is described in Item 304(a)(1)(v) of Regulation S-K."

JLKZ LLP took over from Wei Wei but resigned on December 15, 2020, again, just two weeks before the end of the fiscal year. JLKZ audits such dubious companies as AGMH and American Education Center (OTB: AMTC).

Audit Alliance LLP, a Singapore firm, was appointed on December 16, 2020.

It is little wonder that BTBT cannot hold onto an auditor, given the material weaknesses in

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internal controls.

“We did not maintain effective internal control over financial reporting due to the existence of the following significant deficiencies and material weaknesses:

- Lack of sufficient full-time personnel with appropriate levels of accounting knowledge and experience to monitor the daily recording of transactions, address complex United States Generally Accepted Accounting Principles (“U.S. GAAP”) accounting issues, and prepare and review financial statements and related disclosures under U.S. GAAP and, as a result, the Company may not be able to identify and monitor significant accounting issues appropriately on a timely basis;

- Lack of a functional internal audit department or personnel that monitors the consistencies of the preventive internal control procedures and, as a result, the Company may not be able to discover the existence of problems and prevent the problematic behavior in internal control;

- Lack of adequate policies and procedures in internal audit function to ensure that the Company’s policies and procedures have been carried out as planned;

- Lack of reviewed documentation for management’s approval on aging analysis and as a result, the Company may not be able to accrue provision for bad debt appropriately on a timely basis;

- Lack of sufficient monitoring of the employee resignation procedure, which may result in an inaccurate number of employees in the annual report;

- Lack of well-structured IT general control policies and procedures for documentation of program changes, periodic transaction log reviews; control quality evaluations, back-up restoration tests and centralized anti-virus detections, which may result in failure to accurately collect operational data to prepare the financial statements;

- Lack of proper segregation of duties within accounting functions;

- Significant deficiencies were also detected at Dianniu, one of our VIEs, which in the aggregate, constitute a material weakness and create a reasonable likelihood that a material misstatement of our annual and interim financial statements will not be prevented or detected on a timely basis. Such deficiencies include: (i) lack of reviewed documentation for management’s approval on aging analysis and, as a result, the Company may not be able to accrue provision for bad debt appropriately on a timely basis; and (ii) lack of sufficient monitoring of the employee resignation procedure, which may result in an inaccurate number of employees on the annual report.”

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Meanwhile, BTBT failed to file its 2019 interim or annual reports by the SEC deadline.

Underwriter: The company underwriter was Viewtrade, underwriter of such companies as Yulong Eco-Materials, ReTo Eco-Solutions, TDH Holdings, Farmmi, Senmiao Technology, AZURRX Biopharma, CCRC, NEWA, Tantech. Basically, only frauds need apply.

Burning

At the end of Q3 2020, the company had \$522K in unrestricted cash and had burned \$8.6 mln in operating cash flows in nine months. Unless it raises money soon, BTBT will be out of business. The desperation is showing. In December 2020, BTBT issued \$1.65 mln debt principal to receive just \$1.28 mln in proceeds.³² The convertible debt matures this April 2021. That suggests to us a death spiral.

³² https://www.sec.gov/Archives/edgar/data/1710350/000121390020045790/ea132499-6k_bitdigital.htm

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