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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2020

OR

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

OR

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

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36664

**Roan Holdings Group Co., Ltd.**

(Exact name of the Registrant as specified in its charter)

**British Virgin Islands**

(Jurisdiction of incorporation or organization)

**147 Ganshui Lane, Yuhuangshannan Fund Town**

**Shangcheng District**

**Hangzhou, Zhejiang, China**

(Address of principal executive offices)

Junfeng Wang, Chief Executive Officer

Telephone: +86-571-8662-1775

Email: Junfeng.Wang@roanholdingsgroup.com

(Name, Telephone, E-mail of Company Contact Person)

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

**None**

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

Title of each class	Symbol	Name of the principal U.S. market
Ordinary Shares, no par value	RAHGF	OTCMKTS
Warrants	RONWF	OTCMKTS

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 25,287,851 ordinary shares.

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging Growth Company

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

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

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

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

US GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of the securities under a plan confirmed by a court.

Yes  No

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## CERTAIN INFORMATION

In this Annual Report on Form 20-F, or the “Annual Report”, unless the context indicates otherwise, all references to the terms the “Company,” “we,” “us” and “our” refer to Roan Holdings Group Co., Ltd., giving effect to the Lixin Acquisition (as defined below), and all references to “China” or “PRC” and the “Chinese government” refer to the People’s Republic of China and its government. In this Annual Report, all references to “Renminbi,” or “RMB” are to the legal currency of China and all references to “USD” “U.S. dollars,” “dollars,” “\$” or “US\$” are to the legal currency of the United States.

The Company’s functional currency is USD. The functional currency of its PRC operating subsidiaries is Chinese Yuan, or RMB. For financial reporting purposes, the financial statements of the Company’s PRC operating subsidiaries were prepared using RMB, are translated into the Company’s functional currency, USD at the exchange rates quoted by [www.oanda.com](http://www.oanda.com). Assets and liabilities are translated using the exchange rate at each balance sheet date. Revenue and expenses are translated using average rates prevailing during each reporting period, and owners’ equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive income in shareholders’ equity.

The audited financial statements for the years ended December 31, 2020, 2019 and 2018 in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States, or “U.S. GAAP.”

## FORWARD-LOOKING STATEMENTS

This Annual Report contains statements that may be deemed to be “forward-looking statements” within the meaning of the federal securities laws. These statements relate to anticipated future events, future results of operations and/or future financial performance. In some cases, you can identify forward-looking statements by their use of terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “future,” “intend,” “may,” “ought to,” “plan,” “possible,” “potentially,” “predicts,” “project,” “should,” “will,” “would,” negatives of such terms or other similar terms. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The forward-looking statements in this Annual Report include, without limitation, statements relating to:

- our goals and strategies;
- our future business development, results of operations and financial condition;
- our estimates regarding expenses, future revenues, capital requirements and our need for additional financing;
- our estimates regarding the market opportunity for our services;
- the impact of government laws and regulations;
- our ability to recruit and retain qualified personnel;
- our failure to comply with regulatory guidelines;
- uncertainty in industry demand;
- general economic conditions and market conditions in the finance industry;
- future sales of large blocks of our securities, which may adversely impact our share price; and
- depth of the trading market in our securities.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties, including those described in Item 3D “Key Information - Risk Factors.”

You should not unduly rely on any forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report, to conform these statements to actual results or to changes in our expectations.



## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

#### A. Directors and Senior Management

Not required.

#### B. Advisers

Not required.

#### C. Auditors

Not required.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

### ITEM 3. KEY INFORMATION

#### A. Selected financial data

[RESERVED]

#### B. Capitalization and Indebtedness

Not required.

#### C. Reasons for the Offer and Use of Proceeds

Not required.

#### D. Risk factors

In conducting our business, we face many risks that may interfere with our business objectives. Some of these risks could materially and adversely affect our business, financial condition and results of operations. In particular, we are subject to various risks resulting from changing economic, political, industry, business and financial conditions. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business operations.

You should carefully consider the following factors and other information in this Annual Report before you decide to invest in our ordinary shares. If any of the risks referred to below occur, our business, financial condition and results of operations could suffer. In any such case, the trading price of our ordinary shares could decline, and you may lose all or part of your investment.

#### Risks Factors Relating to the Company's Business and Operations

*COVID-19 pandemic has had an adverse effect on our business, and public health epidemics such as COVID-19 could adversely impact our future operating results.*

The COVID-19 pandemic has negatively impacted the global economy, disrupted business operations of various industries, and created significant volatility and disruption of financial markets. In compliance with the government mandates, our offices closed and our operations temporarily halted in the spring 2020. During the closure, employees had only limited access to our facilities and delayed our project timeline, which affected our operating results and financial condition. While the spread of the disease has gradually been controlled in China, COVID-19 could adversely affect our business and financial results in 2021 if any virus resurges cause significant disruptions to our operations or the business of our customers, logistics and service providers, and negative impact to the pricing of our products. We cannot predict the severity and duration of the impact from such resurgence, if any.

COVID-19 or any new pandemics could have an adverse effect on our future business and financial performance. If any new outbreak of COVID-19 is not effectively and timely controlled, or if government responses to outbreaks or potential outbreaks are severe or long-lasting, our business operations and financial condition may be materially and adversely affected as a result of the deteriorating market outlook, the slowdown in regional and national economic growth, weakened liquidity and financial condition of our customers or other factors that we cannot foresee. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, and could materially and adversely impact our business, financial condition and results of operations.

***The Company has had substantial changes in its business models and we cannot guarantee our future results of operations***

Since 2019, we have had substantial changes with our organizational structure and business models, including the completion of Lixin Acquisition in December 2019 as discussed elsewhere in this report and disposition of Feng Hui Ding Xin (Beijing) Financial Consulting Co., Limited and its direct loan business in September 2020. In addition, we have substantially expanded our health management and other health related services. As we have limited operating history in the business lines in which we are currently operating, it is difficult to evaluate our prospects, and we may not have sufficient experience in managing the changes and addressing the risks to which companies operating in new and rapidly evolving markets such as the financial guarantee, insurance, and health industries may be exposed. The Company will continue to encounter risks and difficulties that companies at a similar stage of development frequently experience, including the potential failure to:

- obtain sufficient working capital and increase its registered capital to support expansion of its financial guarantee business, asset management, supply chain financing and business factoring;
- comply with any changes in the laws and regulations of the PRC or local province that may affect its operations;
- expand its customer base;
- maintain adequate control of default risks and expenses allowing it to realize anticipated revenue growth;
- implement its customer development, risk management of national growth and acquisition strategies and plans and adapt and modify them as needed;
- integrate any future acquisitions; and
- anticipate and adapt to changing conditions in the Chinese financing industry resulting from changes in government regulations, mergers and acquisitions involving its competitors, and other significant competitive and market dynamics.

If the Company is unable to address any or all of the foregoing risks, its business may be materially and adversely affected.

***Our limited operating history makes it difficult to evaluate their business and prospects.***

In general we have a limited operating history. For example, the income from Zhiyuan Commercial Factoring (Guangzhou) Co., Limited (“Zhiyuan”) and Hangzhou Zeshi Investment Partners (“Zeshi”) constituted the majority of the revenue of the Company in fiscal 2020. However, they were incorporated at the end of 2018 and have a limited operating history. Their results of operations in prior years may not be indicative of future performance.

Yifu Health Industry (Ningbo) Co., Ltd., formerly Ningbo Ding Tai Financial Leasing Co., Limited, was formed in December 2016 but only commenced its health industry operations in 2020. While Zeshi’s business was launched in 2019, Zeshi (Hangzhou) Health Management Co., Ltd. (“Zeshi Health”) and Nibo Zeshi Insurance Technology Co., Ltd. (“Zeshi Insurance”) only began their operations in 2020.

The operating subsidiaries under Lixin Cayman also have a limited operating history. While Zhejiang Jing Yu Xin Financing Guarantee Co., Ltd. (“Zhejiang Jingyuxin”) was incorporated in 2013 and Zhejiang Lixin Enterprise Management Holding Group Co., Ltd. (“Zhejiang Lixin”) was incorporated in 2015, Lixin (Hangzhou) Asset Management Co., Ltd. (“LAM”) and Lixin Supply Chain Management (Tianjin) Co., Ltd. (“Lixin Supply Chain”) were incorporated in 2017.



***The Company's current operations in China are geographically limited to certain areas.***

Our business focuses on Yangtze River Delta region and Pearl River Delta region. The Company's future growth opportunities will depend on the growth and stability of the economy in these areas. A downturn in the economy of these areas or the implementation of provincial or local policies unfavorable to middle-sized and micro enterprises ("MSMEs") may cause a decrease in the demand for the Company's loan guaranty services and may negatively affect borrowers' ability to repay their loans on a timely basis, both of which could have a negative impact on the Company's profitability and business. Although it is open to and are trying to develop business in more areas, the Company still needs more time to expand its business geographically.

***Regarding its financial guarantee services to MSMEs, the Company is subject to greater credit risks than larger guarantee providers, which could adversely affect its results of operations.***

There are inherent risks associated with our financial guarantee activities, including credit risk, which is the risk that our customers may not repay us after we make payments for them according to our contracts. We provide financial guarantee services to MSMEs. These customers generally have fewer financial resources in terms of capital or borrowing capacity than larger entities and may have fewer financial resources to weather a downturn in the economy. Such customers may expose the Company to greater credit risks than guaranty providers guaranteeing for larger, better-capitalized state-owned businesses with longer operating histories. Conditions such as inflation, economic downturn, local policy change, adjustment of industrial structure and other factors beyond our control may increase our credit risk more than such events would affect larger guaranty providers. In addition, since we are still focusing on Yangtze River Delta region and Pearl River Delta region, our ability to geographically diversify the economic risks is currently limited by the local markets and economies. Also, decreases in local real estate value could adversely affect the values of the real property used as collateral in the financial guarantee business. Such adverse changes in the local economies may have a negative impact on the ability of customers to repay their loans and the value of their collateral and in turn our results of operations and financial condition may be adversely affected.

***Competition in the financial industry is growing and could cause the Company to lose market share and revenues in the future.***

We believe that the financial industry is an emerging market in China. We may face growing competition in the financial industry, and the Company believes that financial industry is becoming more competitive as this industry matures and begins to consolidate. The Company will compete with other financial companies and some cash-rich state-owned companies or individuals that provide financial services to MSMEs. Some of these competitors have larger and more established customer bases and substantially greater financial, marketing and other resources than we have. As a result, the Company could lose market share and its revenues could decline, thereby adversely affecting our earnings and potential for growth.

***The Company's businesses will require highly qualified personnel, and if it is unable to hire or retain qualified personnel, then it may not be able to grow effectively.***

The Company's future success depends upon its ability to attract and retain highly qualified personnel. Establishment of Zeshi Insurance and Zeshi Health in the first quarter of 2020 with healthcare business and expansion of the businesses of each operating company will require additional managers and employees with relevant industry experience, and its success will be highly dependent on its ability to attract and retain skilled management personnel and other employees. These operating companies may not be able to attract or retain highly qualified personnel. In addition, competition for skilled personnel is significant in China. This competition may make it more difficult and expensive to attract, hire and retain qualified managers and employees. The Company may incur additional expenses to recruit and retain qualified replacements and its businesses may be disrupted and its financial condition and results of operations may be materially and adversely affected. In addition, key managers may join a competitor or form a competing company. An operating company may not be able to successfully enforce any contractual rights with its management team, in particular in China, where all of these individuals reside or will reside.

***The Company's business continuity plans could prove to be inadequate, resulting in a material interruption in or disruption to, its business and a negative impact on the Company's results of operations.***

The Company relies on communications and information systems to conduct its business to some extent, and in general its ability to protect its systems against damage from fire, power loss, telecommunication failure, severe weather, natural disasters, terrorism or other factors is important to its operations. The computer systems and network infrastructure the Company uses could be vulnerable to unforeseen problems. While the Company has a business continuity plan and other policies and procedures designed to prevent or limit the effect of a failure or interruption of our information systems, there can be no assurance that any such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions of our information systems could, among other things, damage the Company's reputation or result in a loss of clients, which could have a material adverse effect on the Company's results of operations.

***The Company has no material insurance coverage, which could expose it to significant costs and business disruption.***

Risks associated with the Company's business and operations include, but are not limited to, clients' failure to repay the outstanding principal and interest after we make the payments for them and loss reserves are not sufficient cover such failure, losses of key personnel, business interruption due to power loss or network failure, and risks posed by natural disasters including storms, floods and earthquakes, any of which may result in significant costs or business disruption. The Company does not maintain any credit insurance, business interruption insurance, general third-party liability insurance, nor does it maintain key-man life insurance or any other insurance coverage except the mandatory social insurance for employees. If the Company incurs any loss that is not covered by reserves, its business, financial condition and results of operations could be materially and adversely affected.

The Company maintains cash deposits with various banks. These cash accounts are not sufficiently insured or otherwise protected. Should any bank holding these cash deposits become insolvent, or if the Company is otherwise unable to withdraw funds, it could lose the cash on deposit with that particular bank or trust company.

***The Company uses credit reports issued by the Credit Reference Center of the People's Bank of China for credit records, which may not cover all accurate credit activities of guarantee customers.***

The Company generally uses credit reports issued by the Credit Reference Center of the People's Bank of China ("CCRC") for guarantee customers' credit records. According to the information from CCRC's official website (<http://www.pbccrc.org.cn/crc/>), CCRC is a professional credit information service institution directly under the People's Bank of China ("PBOC") which collects comprehensive credit information about both enterprises and individuals throughout China. The 2,100 credit reports query points of the PBOC's branches have covered almost all rural areas in China, and CCRC has 300,000 information query ports in financial institutions and networks around the country, and the credit information service network is used throughout China. As of the end of April 2015, CCRC's database had collected credit information of over 860 million individuals and over 20 million enterprises and institutions, mainly from commercial banks as well as other financial institutions. However, the CCRC's credit reports do not cover all credit and financing activities with all trust companies, leasing companies, asset management companies, direct lending companies, insurance companies, and other financial companies. Moreover, the PBOC had not established a credit reporting system until 1997 when it established the Bank Credit Registration System which upgraded to the CCRC in 2006. Therefore, CCRC's credit reports may not be able to cover credit and financing activities that occurred before 1997. In addition, the accuracy of credit reports provided by CCRC may be mainly adversely affected: (1) reliability of information source; (2) victimized by criminals forging identity of the customers; (3) mistakes made by data entry operators; and (4) technical stability of CCRC's computer system. Furthermore, despite using credit reports issued by the CCRC, privately-owned guarantors may be more susceptible to default than state-owned or public guarantors due to financial difficulties or fraud and therefore, the Company may have more difficulty enforcing guarantees from privately-owned guarantors than from state-owned or public guarantors. Finally, having clean credit history in the past does not preclude a guarantee customer from defaulting in the future.

## **Risks Related to the Company's Corporate Structure**

***The failure to comply with PRC regulations relating to mergers and acquisitions of domestic enterprises by offshore special purpose vehicles may subject the Company to severe fines or penalties and create other regulatory uncertainties regarding the Company's corporate structure.***

On August 8, 2006, the Ministry of Commerce (“MOFCOM”), joined by the China Securities Regulatory Commission (“CSRC”), the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation (“SAT”), the State Administration for Industry and Commerce (the “SAIC”), and the State Administration of Foreign Exchange (“SAFE”), jointly promulgated regulations entitled the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), which took effect as of September 8, 2006, and as amended on June 22, 2009. This regulation, among other things, has certain provisions that require offshore companies formed for the purpose of acquiring PRC domestic companies and controlled directly or indirectly by PRC individuals and companies which are the related parties with the PRC domestic companies, to obtain the approval of MOFCOM prior to engaging in such acquisitions and to obtain the approval of the CSRC prior to publicly listing special purpose vehicles' securities on an overseas stock market. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval.

The application of the M&A Rules with respect to the Company's corporate structure remains unclear, with no current consensus existing among leading PRC law firms regarding the scope and applicability of the M&A Rules. We believe that the MOFCOM and CSRC approvals under the M&A Rules were not required in the context of the Business Combination and the Lixin Acquisition because we did not acquire Feng Hui's equity or assets and Jing Kai and Ding Xin and Lixin Group were already foreign owned. However, we cannot be certain that the relevant PRC government agencies, including the CSRC and MOFCOM, would reach the same conclusion, and we cannot be certain that MOFCOM or the CSRC will not deem that the Business Combination or the Lixin Acquisition circumvented the M&A Rules, and other rules and notices, or that prior MOFCOM or CSRC approval was required for overseas financing.

If prior CSRC approval for overseas financings is required and not obtained, the Company may face severe regulatory actions or other sanctions from MOFCOM, the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines or other penalties on the Company's operations in the PRC, limit the Company's operating privileges in the PRC, delay or restrict the repatriation of the proceeds from overseas financings into the PRC, restrict or prohibit payment or remittance of dividends to us or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ordinary shares. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to delay or cancel overseas financings, to restructure the Company's corporate structure, or to seek regulatory approvals that may be difficult or costly to obtain.

The M&A Rules, along with certain foreign exchange regulations discussed below, will be interpreted or implemented by the relevant government authorities in connection with our future offshore financings or acquisitions, and we cannot predict how they will affect our acquisition strategy.

***PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries' ability to increase their registered capital or distribute profits.***

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as “SAFE Circular 75” promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle.” SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC resident holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

SAFE promulgated the Notice of SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment, or SAFE Circular 13, on February 13, 2015, which was effective on June 1, 2015. SAFE Circular 13 cancels two administrative approval items which are foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment. Instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and SAFE and its branch shall indirectly regulate the foreign exchange registration of direct investment through banks.

We have notified substantial beneficial owners of ordinary shares who we know are PRC residents of their filing obligations in accordance with SAFE Circular 37 and SAFE Circular 13. However, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and cannot assure you that all of our PRC-resident beneficial owners will comply with SAFE Circular 37, SAFE Circular 13 and subsequent implementation rules. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular 37, SAFE Circular 13 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37, SAFE Circular 13 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Furthermore, since SAFE Circular 37 and SAFE Circular 13 was recently promulgated and it is unclear how this regulation, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant PRC government authorities, we cannot predict how these regulations will affect our business operations or future strategy. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

***If any of our subsidiaries fails to maintain the requisite registered capital, licenses and approvals required under PRC law, our business, financial condition and results of operations may be materially and adversely affected.***

Numerous regulatory authorities of the central PRC government, provincial and local authorities are empowered to issue and implement regulations governing various aspects of the financial industry. Each of our subsidiaries may be required to obtain and maintain certain assets relevant to its business as well as applicable licenses or approvals from different regulatory authorities in order to provide its current services. These registered capitals, licenses and approvals will be essential to the operation of the Company's business. If any of our subsidiaries fails to obtain or maintain any of the required registered capital, licenses or approvals for its business, it may be subject to various penalties, such as confiscation of illegal net revenue, fines and the discontinuation or restriction of its operations. Any such disruption in its business operations could materially and adversely affect our business, financial condition and results of operations.

***The business overlap of our subsidiaries could result in inefficiencies to the Company's business.***

We completed the Lixin Acquisition in December 2019. Most of our subsidiaries are in the financial industry and may conduct the same business. On one hand they may share resources and expand their own businesses. On the other hand, they may target the same clients and compete with each other. This could reduce the efficiency of the Company as a whole. For example, Zeshi has commenced operations of asset management from 2019. Lixin (Hangzhou) Asset Management Co., Ltd. ("LAM") started its asset management business in 2017. They both focus on Zhejiang province. Zeshi is staffed entirely by new hires and in some measure may compete with LAM for customers. As a result, Zeshi may initially struggle to establish its business after the Lixin Acquisition and some of its success it has may come at the expense of LAM. Furthermore, because of PRC limitations, even though the economic benefit of Zeshi and LAM will inure to us, each will need to have its own segregated capital and client base. As a result, Zeshi and LAM will not be able to cross-collateralize or combine operations at the working level. Although the Company plans to allocate the resources from a strategic level, this structure may not allow the Company to allocate resources to their most efficient use and may require redundant or additional expenses.

***The Company may not be able to timely and effectively implement controls and procedures required by Section 404 of the Sarbanes-Oxley Act of 2002.***

The Company is required to establish and maintain internal controls over financial reporting and disclosure controls and procedures and to comply with other requirements of the Sarbanes-Oxley Act and the rules promulgated by the SEC. The Company is required to provide management's attestation on internal controls. The standards required for a public company under Section 404 of the Sarbanes-Oxley Act of 2002 are significantly more stringent than those required of a privately-held company. Management may not be able to effectively and timely implement controls and procedures that adequately respond to the regulatory compliance and reporting requirements, especially considering the new corporate structure after the Lixin Acquisition. If we are not able to implement the additional requirements of Section 404 in a timely manner or with adequate compliance, we may not be able to assess whether our internal controls over financial reporting are effective, which may subject us to adverse regulatory consequences and could harm investor confidence and the market price of our ordinary shares.

***If the Company fails to establish and maintain an effective system of internal controls, we may not be able to report our financial results accurately. Any inability to report and file our financial results accurately and timely could harm our business and adversely affect the trading price of our ordinary shares.***

We are required to establish and maintain internal controls over financial reporting and disclosure controls and procedures and to comply with other requirements of the Sarbanes-Oxley Act and the rules promulgated by the Securities and Exchange Commission (the "SEC"). At present, we have instituted internal controls, but, we are in the process of correcting certain material weaknesses in our internal controls. Our management cannot guarantee that our internal controls and disclosure controls and procedures will prevent all possible errors. Because of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the possibility that judgments in decision-making can be faulty and subject to simple error or mistake. Furthermore, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or the degree of compliance with policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

***There is no guarantee that our warrants will ever be in the money, and they may expire worthless and the terms of our warrants may be amended.***

In addition to the warrants issued before January 1, 2018, at an exercise price of \$6.00 per one-half of one share (\$12.00 per whole share), the Company issued in July 2018 Series A Warrants at an exercise price of \$2.6 per one share which was adjusted to \$1.18 per share on January 19, 2019. All warrants are subject to adjustments. Warrants may be exercised only for a whole number of the Company's ordinary shares. No fractional shares will be issued upon exercise of the warrants. There is no guarantee that the warrants will ever be in the money prior to their expiration, and they may expire worthless.

***A market for the Company's securities may not continue, which would adversely affect the liquidity and price of our securities.***

The price of the Company's securities may fluctuate significantly due to the market's reaction and general market and economic conditions. An active trading market for our securities may never develop or, if developed, it may not be sustained. In addition, the price of the Company's securities can vary due to general economic conditions and forecasts, our general business condition and the release of our financial reports. Additionally, because the Company's ordinary shares were delisted from the Nasdaq Capital Market in September 2019, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our securities are more limited than when we were listed on the Nasdaq Capital Market. You may be unable to sell your securities unless a market can be established or sustained.

Because the Nasdaq Capital Market delisted the Company's ordinary shares from trading on its exchange due to our failure to meet the Nasdaq Capital Market's initial and/or continued listing standards, we and our security holders face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- a determination that our ordinary shares are a "penny stock," which requires brokers trading in our ordinary shares to adhere to more stringent rules, resulting in a reduced level of trading activity in the secondary trading market for our ordinary shares;
- a limited amount of analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

***Although we are making all the efforts to help our ordinary shares be listed on Nasdaq again, there can be no assurance that we will succeed or, if listed, that we will be able to comply with the continued listing standards of Nasdaq.***

Our ordinary shares were delisted from the Nasdaq Capital Market in September 2019. To list the Company's securities on the Nasdaq Capital Market again, among other conditions, we will be required to demonstrate compliance with Nasdaq's initial listing standards, which are more rigorous than Nasdaq's continued listing requirements. For instance, the Company must maintain a minimum number of holders (300 round-lot holders). While we are working hard and spending significant resources on applying for listing on Nasdaq again, we cannot assure you that we will be able to meet those initial listing standards and/or any other conditions.

***If the Lixin Acquisition's benefits do not meet the expectations of investors, shareholders or financial analysts, the market price of the Company's securities may decline.***

If benefits of the Lixin Acquisition do not meet the expectations of investors or securities analysts, the market price of the Company's securities may decline. In addition, following the Lixin Acquisition, fluctuations in the price of the Company's securities could contribute to the loss of all or part of your investment. The valuation ascribed to the Company's ordinary shares in the Lixin Acquisition may not be indicative of the price that will prevail in the trading market. If an active market for the Company's securities develops and continues, the trading price of our securities could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on your investment in the Company's securities which may trade at prices significantly below the price you paid for them. In such circumstances, the trading price of our securities may not recover and may experience a further decline.

Factors affecting the trading price of the Company's securities may include:

- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in the market's expectations about our operating results;
- success of competitors;
- our operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning the Company or the lending market in general;
- operating and stock price performance of other companies that investors deem comparable to the Company;
- our ability to market new and enhanced services on a timely basis;

- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving the Company;
- the Company's ability to access the capital markets as needed;
- changes in the Company's capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of ordinary shares available for public sale;
- any major change in our board or management;
- sales of substantial amounts of ordinary shares by our directors, executive officers or significant shareholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may materially harm the market price of the Company's securities irrespective of our operating performance. The stock market in general, has experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to the Company could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

***The Company's business and share and warrant prices may suffer as a result of the Company's insufficient public company operating experience and if securities or industry analysts do not publish or cease publishing research or reports about the Company, its business, or its market, or if they change their recommendations regarding our ordinary shares adversely, the price and trading volume of our ordinary shares and warrants could decline.***

The Company has been a public company for a limited number of years. The Company's insufficient public company operating experience may make it difficult to forecast and evaluate its future prospects. If the Company is unable to execute its business strategy, either as a result of its inability to manage effectively its business in a public company environment or for any other reason, the Company's business, prospects, financial condition and operating results may be harmed.

The trading market for our ordinary shares and warrants will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. Securities and industry analysts do not currently, and may never, publish research on the Company. If no securities or industry analysts commence coverage of the Company, our Ordinary Share and warrant prices and trading volume would likely be negatively impacted. If any of the analysts who may cover the Company change their recommendation regarding our shares adversely, or provide more favorable relative recommendations about our competitors, the price of our ordinary shares and warrants would likely decline. If any analyst who may cover the Company were to cease coverage of the Company or fail to regularly publish reports on it, we could lose visibility in the financial markets, which could cause our share and warrant prices or trading volume to decline.

***The Company has only registered a small number of our ordinary shares issuable upon exercise of our warrants, and has not registered any of our ordinary shares underlying the preferred shares under the Securities Act of 1933, as amended (the "Securities Act") or state securities laws at this time, and such registration may not be in place when an investor desires to exercise such warrants.***

The Company has only registered a small number of the ordinary shares issuable upon exercise of our warrants, and has not registered any of our ordinary shares underlying the preferred shares under the Securities Act or any state securities laws at this time. We have agreed to use our best efforts to file with the SEC a registration statement for the registration, under the Securities Act, covering these securities as soon as practicable after the closing of the Business Combination and cause the same to become effective and to maintain the effectiveness of such registration statement, and a current prospectus relating thereto.

***Warrants we sold will become exercisable for the Company's ordinary shares, which would increase the number of shares eligible for future resale in the public market and result in dilution to our shareholders.***

In addition to the warrants issued before January 1, 2018, at an exercise price of \$6.00 per one-half of one share (\$12.00 per whole share), the Company issued in July 2018 Series A Warrants at an exercise price of \$2.6 per one share and adjusted to \$1.18 on January 19, 2019. All warrants are subject to adjustments. Warrants may be exercised only for a whole number of the Company's ordinary shares. No fractional shares will be issued upon exercise of warrants. To the extent such warrants are exercised, additional ordinary shares will be issued, which will result in dilution to the then existing holders of ordinary shares of the Company and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our ordinary shares.

***The Company's charter permits the Board by resolution to amend our charter, including to create additional classes of securities, including shares with rights, preferences, designations and limitations as they determine which may have an anti-takeover effect.***

The Company's charter permits the Board by resolution to amend the charter including designating rights, preferences, designations and limitations attaching to the preferred shares as they determine in their discretion, without shareholder approval with respect to the terms or the issuance. When issued, the rights, preferences, designations and limitations of the preferred shares are set by the Board and can operate to the disadvantage of the outstanding ordinary shares the holders of which would not have any pre-emption rights in respect of such an issue of preferred shares. Such terms could include, among others, preferences as to dividends and distributions on liquidation, or can be used to prevent possible corporate takeovers.

***The Company may redeem certain warrants prior to their exercise at a time that is disadvantageous to warrant holders, thereby making their warrants worthless.***

The Company has the ability to redeem certain warrants prior to their expiration at a price of \$0.01 per warrant, provided that (i) the last reported sale price of our ordinary shares equals or exceeds \$18.00 per share for any 20 trading days within the 30 trading-day period ending on the third business day before we send the notice of such redemption and (ii) on the date we give notice of redemption and during the entire period thereafter until the time the warrants are redeemed, there is an effective registration statement under the Securities Act covering the ordinary shares issuable upon exercise of the warrants and a current prospectus relating to them is available unless warrants are exercised on a cashless basis. Redemption of such warrants could force holders of the warrants:

- to exercise their warrants and pay the exercise price therefor at a time when it may be disadvantageous for them to do so;
- to sell their warrants at the then-current market price when they might otherwise wish to hold their warrants; or
- to accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of their warrants.

***The Company is no longer a Nasdaq listed company and, as a result, the Company may not be required to, and may choose not to, obey certain corporate governance requirements of Nasdaq.***

The Company's ordinary shares have not been listed on the Nasdaq since September 2019. As a result, the Company is no longer subject to Nasdaq rules. While the Company plans to continue following certain corporate governance requirements of Nasdaq, it has the discretion not to and may elect to not obey any Nasdaq rules. Its shareholders will not be afforded the same protections generally as shareholders of Nasdaq-listed companies for so long as the Company is not a Nasdaq listed company.



## **Risks Related to Doing Business in China**

***PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from making loans or additional capital contributions to our PRC operating subsidiaries and thereby prevent us from funding our business.***

As an offshore holding company with PRC subsidiaries, we may transfer funds to our PRC subsidiaries by means of loans or capital contributions. Any loans to these PRC subsidiaries, which are foreign-invested enterprises, cannot exceed statutory limits based on the difference between the amount of our investments and registered capital in such subsidiaries, and shall be registered with SAFE, or its local counterparts. Furthermore, any capital increase contributions we make to our PRC subsidiaries, which are foreign-invested enterprises, shall be approved by MOFCOM, or its local counterparts. We may not be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to provide loans or capital to increase contributions to our PRC subsidiaries may be negatively affected, which could adversely affect their liquidity and our ability to fund and expand their business.

***A slowdown of the Chinese economy or adverse changes in economic and political policies of the PRC government could negatively impact China's overall economic growth, which could materially adversely affect our business.***

All of the Company's operations are entirely conducted in the PRC. Although the PRC economy has grown in recent years, the pace of growth has slowed, and even that rate of growth may not continue. The annual rate of growth in the PRC declined from 7.3% in 2014 to 6.9% in 2015 to 6.7% in 2016, to 6.9% in 2017, to 6.6% in 2018, and to 6.1% in 2019. Due to the COVID-19, China's economic growth rate in 2020 has slowed to 2.3%, its lowest since 1990. A slowdown in overall economic growth, an economic downturn or recession or other adverse economic developments in the PRC may materially reduce the demand for the Company's services and may have a materially adverse effect on its business.

China's economy differs from the economies of most other countries in many respects, including the amount of government involvement in the economy, the general level of economic development, growth rates and government control of foreign exchange and the allocation of resources. While the PRC economy has grown significantly over the past few decades, this growth has remained uneven across different periods, regions and economic sectors.

The PRC government also exercises significant control over China's economic growth by allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Any actions and policies adopted by the PRC government could negatively impact the Chinese economy or the economy of the region the Company serves, which could materially adversely affect the Company's business.

***Substantial uncertainties and restrictions with respect to the political and economic policies of the PRC government and PRC laws and regulations could have a significant impact upon the business the Company may be able to conduct in the PRC and accordingly on the results of its operations and financial condition.***

The Company's business operations may be adversely affected by the current and future political environment in the PRC. The Chinese government exerts substantial influence and control over the manner in which the Company must conduct its business activities. The Company's ability to operate in China may be adversely affected by changes in Chinese laws and regulations. Under the current government leadership, the government of the PRC has been pursuing economic reform policies that encourage private economic activities and greater economic decentralization. However, the government of the PRC may not continue to pursue these policies, or may significantly alter these policies from time to time without notice.

There are certain uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing the Company's business, or the enforcement and performance of the Company's arrangements with clients. Only after 1979 did the Chinese government begin to promulgate a comprehensive system of laws that regulate economic affairs in general, deal with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, as well as encourage foreign investment in China. Although the influence of the law has been increasing, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Also, because these laws and regulations are relatively new, and because of the limited volume of published cases and their lack of force as precedents, interpretation and enforcement of these laws and regulations involve significant uncertainties. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. In addition, there have been constant changes and amendments of laws and regulations over the past 30 years in order to keep up with the rapidly changing society and economy in China. Because government agencies and courts provide interpretations of laws and regulations and decide contractual disputes and issues, their inexperience in adjudicating new business and new policies or regulations in certain less developed areas causes uncertainty and may affect the Company's business. Consequently, we cannot predict the future direction of Chinese legislative activities with respect to either businesses with foreign investment or the effectiveness on enforcement of laws and regulations in China. The uncertainties, including new laws and regulations and changes of existing laws, as well as judicial interpretation by inexperienced officials in the agencies and courts in certain areas, may cause possible problems to foreign investors.

***The Company's business is subject to extensive regulation and supervision by state, provincial and local government authorities, which may interfere with the way the Company conducts its business and may negatively impact its financial results.***

The Company conducts its business in the financial industry which is highly regulated. It is subject to extensive and complex state, provincial and local laws, rules and regulations with regard to its financing guaranties, capital structure, and asset management, among other things. These laws, rules and regulations are issued by different central government ministries and departments, provincial and local governments and are enforced by different local authorities. Therefore, the interpretation and implementation of such laws, rules and regulations may not be clear and occasionally the Company has to depend on oral inquiries with local government authorities. As a result of the complexity, uncertainties and constant changes in these laws, rules and regulation, including changes in interpretation and implementation of such, the Company's business activities and growth may be adversely affected if they do not respond to the changes in a timely manner or are found to be in violation of the applicable laws, regulations and policies as a result of a different position from theirs taken by the competent authority in the interpretation of such applicable laws, regulations and policies. If the Company is found to be not in compliance with these laws and regulations, they may be subject to sanctions by regulatory authorities, monetary penalties and/or reputation damage, which could have a material adverse effect on the Company's business operations and profitability.

***You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions against us or our management, in China, based upon United States laws, including the U.S. federal securities laws, or other foreign laws.***

We are a company organized under the laws of the British Virgin Islands. Substantially all of our operations are conducted in China, and substantially all of our assets are located in China. All of our directors and officers reside in China, and substantially all of the assets of those persons are located outside of the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce judgments against us which are obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

Furthermore, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other form of reciprocity with the United States providing for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors or officers if they decide that the judgment violates the basic principles of PRC laws, national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

Lastly, in the event shareholders originate an action against a company without domicile in China for disputes related to contracts or other property interests, the PRC courts may accept a cause of action if (a) the disputed contract is concluded or performed in the PRC or the disputed subject matter is located in the PRC, (b) the company (as defendant) has properties that can be seized within the PRC, (c) the company has a representative organization within the PRC, or (d) the parties chose to submit to the jurisdiction of the PRC courts in the contract on the condition that such submission does not violate the requirements of jurisdiction under the PRC Civil Procedures Law. The action may be initiated by the shareholder by filing a complaint with the PRC courts. The PRC courts would determine whether to accept the complaint in accordance with the PRC Civil Procedures Law. The shareholder may participate in the action by itself or entrust any other person or PRC legal counsel to participate on behalf of such shareholder. Foreign citizens and companies will have the same rights as PRC citizens and companies in such an action unless such foreign country restricts the rights of PRC citizens and companies.

***Our Chinese subsidiaries' ability to pay dividends to us may be restricted due to foreign exchange control and other regulations of China.***

As an offshore holding company, we will rely principally on dividends from our subsidiaries in China, for our cash requirements. Under the applicable PRC laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a foreign-invested enterprise in China is required to set aside a portion of its after-tax profit to fund specific reserve funds prior to payment of dividends. In particular, at least 10% of its after-tax profits based on PRC accounting standards each year is required to be set aside towards its general reserves until the accumulative amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends.

Furthermore, our Chinese subsidiaries' ability to pay dividends may be restricted due to foreign exchange control policies and the availability of its cash balance. Substantially all of the Company's operations are conducted in China and all of the revenue we recognize will be denominated in RMB. RMB is subject to exchange control regulation in China, and, as a result, our Chinese subsidiaries may be unable to distribute any dividends outside of China due to PRC exchange control regulations that restrict our ability to convert RMB into U.S. dollars.

The lack of dividends or other payments from our Chinese subsidiaries may limit our ability to make investments or acquisitions that could be beneficial to our business, pay dividends or otherwise fund, and conduct our business. Our funds may not be readily available to us to satisfy obligations which have been incurred outside the PRC, which could adversely affect our business and prospects or our ability to meet our cash obligations. Accordingly, if we do not receive dividends from our Chinese subsidiaries, our liquidity and financial condition will be materially and adversely affected.

***Dividends payable to our foreign investors and gains on the sale of our ordinary shares by our foreign investors may become subject to tax by the PRC.***

Under the Enterprise Income Tax Law and its implementation regulations issued by the State Council of the PRC, a 10% PRC withholding tax is applicable to dividends payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to PRC tax at a current rate of 10%, subject to any reduction or exemption set forth in relevant tax treaties, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our shares, and any gain realized from the transfer of our shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer shares by such investors may be subject to PRC tax at a current rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties. It is unclear whether we or any of our subsidiaries established outside of China are considered a PRC resident enterprise, holders of shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends payable to our non-PRC investors or gains from the transfer of our shares by such investors are subject to PRC tax, the value of your investment in our shares may decline significantly.

***Our global income may be subject to PRC taxes under the PRC Enterprise Income Tax Law, which could have a material adverse effect on our results of operations.***

Under the PRC Enterprise Income Tax Law, or the New EIT Law, and its implementation rules, which became effective in January 2008, an enterprise established outside of the PRC with a “de facto management body” located within the PRC is considered a PRC resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel and human resources, finance and treasury, and acquisition and disposition of properties and other assets of an enterprise.” On April 22, 2009, the State Administration of Taxation (the “SAT”), issued a circular, or SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although the SAT Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the determining criteria set forth in the SAT Circular 82 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the resident status of all offshore enterprises for the purpose of PRC tax, regardless of whether they are controlled by PRC enterprises or individuals. Although we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises, it is possible that the PRC tax authorities could reach a different conclusion. In such case, we may be considered a PRC resident enterprise and may therefore be subject to the 25% enterprise income tax on our global income, which could significantly increase our tax burden and materially and adversely affect our cash flow and profitability. In addition to the uncertainty regarding how the new PRC resident enterprise classification for tax purposes may apply, it is also possible that the rules may change in the future, possibly with retroactive effect.

***We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.***

On February 3, 2015, the State Administration of Taxation issued an Announcement on Several Issues Concerning Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-PRC Resident Enterprises, or Announcement 7, with the same effective date. Under Announcement 7, an “indirect transfer” refers to a transaction where a non-resident enterprise transfers its equity interest and other similar interest in an offshore holding company, which directly or indirectly holds Chinese taxable assets (the assets of an “establishment or place” situated in China; real property situated in China and equity interest in Chinese resident enterprises) and any indirect transfer without reasonable commercial purposes are subject to the PRC taxation. In addition, Announcement 7 specifies the conditions under which an indirect transfer is deemed to lack a reasonable commercial purpose which include: (1) 75% or more of the value of the offshore holding company’s equity is derived from Chinese taxable assets, (2) anytime in the year prior to the occurrence of the indirect transfer of Chinese taxable assets, 90% or more of the total assets (excluding cash) of the offshore holding company are direct or indirect investment in China, or 90% or more of the revenue of the offshore holding company was sourced from China; (3) the functions performed and risks assumed by the offshore holding company(ies), although incorporated in an offshore jurisdiction to conform to the corporate law requirements there, are insufficient to substantiate their corporate existence and (4) the foreign income tax payable in respect of the indirect transfer is lower than the Chinese tax which would otherwise be payable in respect of the direct transfer if such transfer were treated as a direct transfer. As a result, gains derived from such indirect transfer will be subject to PRC enterprise income tax, currently at a rate of 10%.

Announcement 7 grants a safe harbor under certain qualifying circumstances, including transfers in the public securities market and certain intragroup restricting transactions, however, there is uncertainty as to the implementation of Announcement 7. For example, Announcement 7 requires the buyer to withhold the applicable taxes without specifying how to obtain the information necessary to calculate taxes and when the applicable tax shall be submitted. Announcement 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved. Though Announcement 7 does not impose a mandatory obligation of filing the report of taxable events, the transferring party shall be subject to PRC withholding tax if the certain tax filing conditions are met. Non-filing may result in an administrative penalty varying from 50% to 300% of unpaid taxes. As a result, we and our non-resident enterprises in such transactions may become at risk of being subject to taxation under Announcement 7, and may be required to expend valuable resources to comply with Announcement 7 or to establish that we and our non-resident enterprises should not be taxed under Announcement 7, for any restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

***Restrictions on currency exchange may limit our ability to utilize our revenue effectively.***

Substantially all of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans. Currently, our PRC subsidiaries, which are wholly-foreign owned enterprises, may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a significant amount of our future revenue will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE or banks and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

***Fluctuations in the foreign currency exchange rate between U.S. Dollars and Renminbi could adversely affect our financial condition.***

The value of the RMB against the U.S. dollar and other currencies may fluctuate. Exchange rates are affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under this policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of foreign currencies. Following the removal of the U.S. dollar peg, the RMB appreciated more than 20% against the U.S. dollar over three years. From July 2008 until June 2010, however, the RMB traded stably within a narrow range against the U.S. dollar. On June 20, 2010, the PBOC announced that the PRC government would reform the RMB exchange rate regime and increase the flexibility of the exchange rate. Since June 2010, the RMB has appreciated more than 10% against the U.S. dollar. In April 2012, the PRC government announced it would allow greater RMB exchange rate fluctuation. On August 11, 12 and 13, 2015, the PRC government successively set the central parity rate for the RMB more than 3% lower in the aggregate than that of August 10, 2015 and announced that it will begin taking into account previous day’s trading in setting the central parity rate. In 2015, the yuan experienced a 4.88% drop in value, and on January 4, 2016 the PRC government set the U.S. dollar-Chinese yuan currency pair to a reference rate of 6.5%, the lowest rate in 4.5 years. The average desperation rate of RMB exchange rate is 4.1% in 2019. (Source: website of National Bureau of Statistics Annual Statistic Report, dated February 28, 2020). However, it is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. As significant international pressure remains on the PRC government to adopt a more flexible currency policy, greater fluctuation of the RMB against the U.S. dollar could result.

Our revenues and costs are mostly denominated in RMB, and a significant portion of our financial assets are also denominated in RMB. Any significant fluctuations in the exchange rate between the RMB and the U.S. dollar may materially adversely affect our cash flows, revenues, earnings and financial position, and the amount of and any dividends we may pay on our shares in U.S. dollars. Fluctuations in the exchange rate between the RMB and the U.S. dollar could also result in foreign currency translation losses for financial reporting purposes.

***If any dividend is declared in the future and paid in a foreign currency, you may be taxed on a larger amount in U.S. dollars than the U.S. dollar amount that you will actually ultimately receive.***

If you are a U.S. holder of our ordinary shares, you will be taxed on the U.S. dollar value of your dividends, if any, at the time you receive them, even if you actually receive a smaller amount of U.S. dollars when the payment is in fact converted into U.S. dollars. Specifically, if a dividend is declared and paid in a foreign currency such as the RMB, the amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the payments made in the foreign currency, determined at the spot rate of the foreign currency to the U.S. dollar on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Thus, if the value of the foreign currency decreases before you actually convert the currency into U.S. dollars, you will be taxed on a larger amount in U.S. dollars than the U.S. dollar amount that you will actually ultimately receive.

***Future inflation in China may inhibit economic activity and adversely affect the Company's operations.***

The Chinese economy has experienced periods of rapid expansion in recent years which can lead to high rates of inflation or deflation. This has caused the PRC government to, from time to time, enact various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may in the future cause the PRC government to once again impose controls on credit and/or prices, or to take other action, which could inhibit economic activity in China. Any action on the part of the PRC government that seeks to control credit and/or prices may adversely affect the Company's business operations.

***PRC laws and regulations have established more complex procedures for certain acquisitions of Chinese companies by foreign investors, which could make it more difficult for the Company to pursue growth through acquisitions in China.***

Further to the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rules, the Anti-monopoly Law of the PRC, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM or the MOFCOM Security Review Rules, was issued in August 2011, which established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC enterprise, or that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review and or security review.

The MOFCOM Security Review Rules, effective from September 1, 2011, which implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on February 3, 2011, further provide that, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review by MOFCOM, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through agreements control or offshore transactions.

Further, if the business of any target company that the Company seeks to acquire falls into the scope of security review, the Company may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or through any VIE Agreement. The Company may grow its business in part by acquiring other companies operating in its industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit its ability to complete such transactions, which could affect its ability to maintain or expand its market share.

In addition, SAFE promulgated the Circular on the Settlement of Foreign Currency Capital of Foreign-invested Enterprises, or Circular 19, on June 1, 2015. Under Circular 19, registered capital of a foreign-invested company settled in RMB converted from foreign currencies may only be used within the business scope approved by the applicable governmental authority and the equity investments in the PRC made by the foreign-invested company shall be subject to the relevant laws and regulations about the foreign-invested company's reinvestment in the PRC. In addition, foreign-invested companies cannot use such capital to make the investments on securities, and cannot use such capital to issue the entrusted RMB loans (except approved in its business scope), repay the RMB loans between the enterprises and the ones which have been transferred to the third party. Circular 19 may significantly limit our ability to effectively use the proceeds from future financing activities as the Chinese subsidiaries may not convert the funds received from us in foreign currencies into RMB, which may adversely affect their liquidity and our ability to fund and expand our business in the PRC.

***Failure to comply with the United States Foreign Corrupt Practices Act and Chinese anti-corruption laws could subject us to penalties and other adverse consequences.***

As our shares are quoted on OTC, we are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Non-U.S. companies, including some that may compete with us, may not be subject to these prohibitions. In addition, in 2012, the central government of the PRC commenced a far-reaching campaign against corruption. That ongoing campaign involves aggressive enforcement of existing Chinese anti-corruption laws. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur from time-to-time in the PRC. Our employees or other agents may engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

***Our management may have to expend time and resources becoming familiar with United States securities laws, which could lead to various regulatory issues.***

Management of the Company has limited familiarity with United States securities laws. They may have to expend time and resources becoming more familiar with such laws. This could be expensive and time-consuming and could lead to various regulatory issues, which may adversely affect our operations.

***If we become directly subject to the recent scrutiny, criticism and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business operations and our reputation and could result in a loss of your investment in our shares, especially if such matter cannot be addressed and resolved favorably.***

U.S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered around financial and accounting irregularities, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result of the scrutiny, criticism and negative publicity, the publicly traded stock of many U.S. listed Chinese companies has sharply decreased in value and, in some cases, has become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. It is not clear what effect this sector-wide scrutiny, criticism and negative publicity will have on our company and our business. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and/or defend the Company. This situation may be a major distraction to our management. If such allegations are not proven to be groundless, our Company and business operations will be severely hampered and your investment in our stock could be rendered worthless.

***The disclosures in our reports and other filings with the SEC and our other public pronouncements are not subject to the scrutiny of any regulatory bodies in the PRC.***

Our reports and other filings with the SEC are subject to SEC review in accordance with the rules and regulations promulgated by the SEC under the Securities Act and the Exchange Act. Our SEC filings and other disclosure and public pronouncements are not subject to the review or scrutiny of any PRC regulatory authority. For example, the disclosure in our SEC reports and other filings are not subject to the review by CSRC, a PRC regulator that is tasked with oversight of the capital markets in China. Accordingly, you should review our SEC reports, filings and our other public pronouncements with the understanding that no local regulator has done any review of our Company, our SEC reports, other filings or any of our other public pronouncements.

***There are uncertainties under the PRC laws relating to the procedures for U.S. regulators to investigate and collect evidence from companies located in the PRC.***

Shareholder claims that are common in the U.S., including securities law class actions and fraud claims, among other matters, generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the local authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such regulatory cooperation with the securities regulatory authorities in the United States have not been efficient in the absence of mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law, which became effective in March 2020, or Article 177, the securities regulatory authority of the State Council may collaborate with securities regulatory authorities of other countries or regions in order to monitor and oversee cross border securities activities. Article 177 further provides that overseas securities regulatory authorities are not permitted to carry out investigation and evidence collection directly within the territory of the PRC, and that any Chinese entities and individuals are not allowed to provide documents or materials related to securities business activities to overseas agencies without prior consent of the securities regulatory authority of the State Council and the competent departments of the State Council.

Our principal business operations are conducted in the PRC. In the event that any U.S. regulators carry out investigations with respect to our business and need to conduct investigation or collect evidence within the territory of the PRC, the U.S. regulators may not be able to carry out such investigation or evidence collection directly in the PRC under the PRC laws. U.S. regulators may consider cross-border cooperation with securities regulatory authority of the PRC by way of judicial assistance, diplomatic channels or regulatory cooperation mechanism established with the securities regulatory authority of the PRC. However, there can be no assurance that the U.S. regulators could succeed in establishing such cross-border cooperation in a specific case or could establish the cooperation in a timely manner. If U.S. regulators are unable to conduct such investigations, they may determine to suspend the quotation of our securities on the OTC markets or choose to suspend or de-register our SEC registration.

***Newly enacted Holding Foreign Companies Accountable Act, recent regulatory actions taken by the SEC and the Public Company Accounting Oversight Board, or the PCAOB, and proposed rule changes submitted by U.S. stock exchanges calling for additional and more stringent criteria to be applied to China-based public companies could add uncertainties to our capital raising activities and compliance costs.***

In April 2020, the SEC then-Chairman, Jay Clayton, and PCAOB Chairman, William D. Duhnke III, along with other senior SEC staff, released a joint statement highlighting the risks associated with investing in companies based in or have substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets.

In May 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act (“HFCAA” or the “Act”) requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a national exchange.

In August 2020, the President’s Working Group on Financial Markets (“PWG”) issued a Report on Protecting United States Investors from Significant Risks from Chinese Companies. The Report made five recommendations designed to address risks to investors in U.S. financial markets posed by the Chinese government’s failure to allow audit firms that are registered with the PCAOB to comply with U.S. securities laws and investor protection requirements. Among the recommendations was advice to enhance the listing standards of U.S. exchanges to require, as a condition of initial and continued exchange listing, PCAOB access to main auditor work papers either directly or through co-audits.



On December 2, 2020, the U.S. House of Representatives passed the HFCAA. On December 18, the HFCAA was signed into law. Among other things, the HFCAA amends the Sarbanes-Oxley Act of 2002 to require the SEC to prohibit the securities of foreign companies from being traded on U.S. securities markets, if the company retains a foreign accounting firm that cannot be inspected or investigated completely by the PCAOB for three consecutive years, beginning in 2021. The Act also requires foreign companies to make certain disclosures about their ownership by governmental entities.

On March 24, 2021, the SEC adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the HFCA Act. The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report on Form 20-F and other forms with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction. The SEC will implement a process for identifying such a registrant and any such identified registrant will be required to submit documentation to the SEC establishing that it is not owned or controlled by a governmental entity in that foreign jurisdiction, and will also require disclosure in a company's annual report regarding the audit arrangements of, and governmental influence on, such a registrant.

The lack of access to the audit work paper or other inspections prevents the PCAOB from fully evaluating audits and quality control procedures of the auditors based in China. As a result, investors may be deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of those accounting firms' audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections.

Our independent registered public accounting firm that issued the audit report for our financial statements for 2020, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess our auditor's compliance with the applicable professional standards. Our auditor is based on the U.S. and has been inspected by the PCAOB on a regular basis. However, the recent U.S. legislative and regulatory developments as related to PRC companies listing or seeking to list stock on U.S. exchanges would add uncertainties to the trading and price volatility of our common shares. We cannot be certain whether SEC or other U.S. regulatory authorities would apply additional and more stringent criteria to Chinese issuers including us as related to the audit of our financial statements.

***Additional factors outside of our control related to doing business in China could negatively affect our business.***

Additional factors that could negatively affect our business include a potential significant revaluation of the Renminbi, which may result in an increase in the cost of commodity or products in the PRC supply chain industry, labor shortages and increases in labor costs in China as well as difficulties in moving products manufactured in China out of the country, whether due to infrastructure inadequacy, labor disputes, slowdowns, PRC regulations and/or other factors. Prolonged disputes or slowdowns can negatively impact both the time and cost of goods. Natural disasters or health pandemics impacting China can also have a significant negative impact on our business. Further, the imposition of trade sanctions or other regulations against products supplied or sold in the supply chain industry transactions for which we provide solutions or the loss of "normal trade relations" status with China could significantly affect our operating results and harm our business.

## ITEM 4. INFORMATION ON THE COMPANY

### A. History and Development of the Company

#### Corporate History and Structure of our PRC Operation

Roan Holdings Group Co., Ltd. (formerly DT Asia Investments Limited, or “DT Asia,” and subsequently China Lending Corporation) (the “Company,” “Roan,” “we,” “us” or “our”) is a British Virgin Islands company limited by shares. The Company was established on April 8, 2014 under the laws of the British Virgin Islands (“BVI”) as a shell company with the purpose of acquiring, engaging in share exchange, share reconstruction and amalgamation, purchasing all or substantially all of the assets of, entering into contractual arrangements, or engaging in any other similar business combination with one or more businesses or entities.

On July 6, 2016, the Company consummated a business combination (the “First Business Combination”) with Adrie Global Holdings Limited (“Adrie”) and its subsidiaries and variable interest entity (“VIE”) by acquiring from the shareholders of Adrie all of outstanding equity interests of Adrie in exchange for 20 million ordinary shares of DT Asia and a purchase price of \$200.0 million. Adrie, through its subsidiaries and VIE, was engaged in the business of providing loan facilities to micro, small and medium sized enterprises (“MSMEs”) and sole proprietors in Xinjiang Uyghur Autonomous Region (“Xinjiang Province”) of the People’s Republic of China (“PRC”). As a result of the business combination, shareholders of Adrie became the controlling shareholders of the Company, and Adrie became a subsidiary of the Company. For financial reporting purpose, the consolidated assets, liabilities and results of operations of Adrie became the historical financial statements of the Company, and the Company’s assets, liabilities and results of operations were consolidated with that of Adrie beginning on the acquisition date. Immediately following the First Business Combination, the Company’s name was changed from DT Asia to China Lending Corporation (“CLDC”).

In June through December 2019, the Company consummated a second business combination with Lixin Financial Holdings Group Limited (“Lixin Cayman”) and its subsidiaries, pursuant to which the Company acquired a majority interest in Lixin Cayman (the “Second Business Combination” or “Lixin Acquisition”) (discussed below). In connection with the Second Business Combination, the Company was renamed Roan Holdings Group Co., Ltd. (“Roan”) in November 2019. Roan is a holding company and conducts business operations through its direct and indirect subsidiaries.

ADRIE Global Holding Limited (“Adrie”) was established under the laws of the BVI as a company limited by shares on November 19, 2014 and became a wholly-owned subsidiary of the Company after the First Business Combination. Adrie is a holding company that has no substantial operations and has no assets other than its ownership of a wholly-owned subsidiary.

China Roan Industrial-Financial Holdings Group Co., Limited (中国融安产融控股集团有限公司) (“Roan HK or RAHK”) (formerly China Feng Hui Financial Holding Group Co., Ltd, and subsequently, China Fenghui Industrial-Financial Holding Group Co. Limited) is a wholly-owned subsidiary of Adrie. It was established on February 11, 2015 under the laws of the Hong Kong Special Administrative Region (“Hong Kong”) of the PRC. It is a holding company and conducts business through its direct and indirect subsidiaries.

Fortis Health Industrial Group Limited (富通健康产业集团有限公司) (“Fortis Health” or “FHIG”) was established on December 30, 2019 under the laws of Hong Kong. It is an indirect wholly owned subsidiary of Adrie. It is a holding company and conducts business through its direct and indirect subsidiaries.

Xinjiang Feng Hui Jing Kai Direct Lending Limited (新疆丰汇经开小额贷款有限公司) (“Jing Kai”) is a wholly-owned subsidiary of Roan HK. It was established on May 14, 2015 under the laws of the PRC with the stated purpose of providing direct loans to the MSMEs and sole-proprietors in Xinjiang Province. Jing Kai has not had substantial operations since its inception and is currently in the process of being dissolved pursuant to our plan of reorganization implemented in 2019.

Yifu Health Industry (Ningbo) Co., Ltd. (怡福健康产业(宁波)有限公司) (“Yi Fu”) is a wholly-owned subsidiary of Roan HK and is engaged in healthcare related professional services business. Prior to August 7, 2020, Yi Fu conducted financial leasing business under its prior corporate name of Ningbo Ding Tai Financial Leasing Co., Ltd. (宁波鼎泰融资租赁有限公司) (“Ding Tai”). Ding Tai was established in December 19, 2016 under the laws of the PRC for the purpose of engaging in financial leasing business.

Hangzhou Zeshi Investment Partnership (Limited Partnership) (杭州泽时投资合伙企业(有限合伙)) (“Hangzhou Zeshi”) was formed on November 29, 2018 under the laws of the PRC. It is a limited partnership with 98.04% of its interest owned by Yi Fu, its general partner, and the remaining 1.96% is owned by Zeshi Insurance. It is primarily engaged in asset management business.

Through Zeshi, we provide new supply chain financing services, including a business factoring program, financing products design, related corporate financing solutions, investments and asset management, as part of our restructuring plan implemented in 2019.

Ningbo Zeshi Insurance Technology Co., Ltd. (宁波泽时保险科技有限公司) (“Zeshi Insurance”) was incorporated on February 28, 2020 under the laws of the PRC. Yi Fu owns 99% of Zeshi Insurance equity interest with the remaining 1% owned by Hangzhou Zeshi. Its principal business is providing insurance technology services and related services.

Zeshi (Hangzhou) Health Management Co., Ltd. (泽时(杭州)健康管理有限公司) (“Zeshi Health”) was incorporated on March 3, 2020 under the laws of the PRC. Hangzhou Zeshi and Yi Fu own 99% and 1%, respectively, of its interest. Zeshi Health provides services in health management, health big data management and blockchain technology-based health information management.

#### **Dispositions of Feng Hui Ding Xin (Beijing) Financial Consulting Co., Limited and subsidiaries**

Prior to September 30, 2020, Feng Hui Ding Xin (Beijing) Financial Consulting Co., Limited (“Ding Xin”) was a wholly-owned subsidiary of Roan HK licensed to provide financial advisory services, and its Urumqi branch office primarily provided financial services to third-party direct lending companies in Xingjiang. Zhiyuan Commercial Factoring (Guangzhou) Co., Limited (“Zhiyuan”) was a 99%-owned subsidiary of Ding Xin which had engaged in business factoring program, financing products design, related corporate financing solutions, investments and asset management.

On September 30, 2020, Roan HK entered into an agreement (the “Agreement”) with Urumqi Fengxunhui Management Consulting Co.,Ltd. (“Fengxunhui” or the “Purchaser”), pursuant to which Roan HK transferred 100% of the equity of Ding Xin, including Ding Xin’s interests in its Urumqi branch office and Zhiyuan, in exchange for a total consideration of approximately \$15,326 (RMB 100,000). As of the date of this report, the purchase price has not been paid and is expect to be paid in fiscal year 2021. As a result of the disposition, the Company no longer conducted financial advisory and other related financial services.

Xinjiang Xin Quan Financial Leasing Co., Ltd. (“Xin Quan”) was a 60%-owned subsidiary of Roan HK engaged in financial leasing service before its dissolution on April 28, 2021. During the 2020 fiscal year, Xin Quan ceased its operations.

#### **Lixin Financial Holdings Group Limited and Subsidiaries**

Lixin Financial Holdings Group Limited (“Lixin Cayman”) was established on October 25, 2017 under the laws of the Cayman Islands as an exempt company. It is a holding company and does not have substantial operations. It conducts its business through its direct and indirect subsidiaries.

In January 2019, the Company acquired 1% of the equity interest in Zhejiang Lixin (defined below) for RMB 2,858,600. On June 14, 2019, the Company entered into a Share Purchase Agreement (the “SPA”) with Lixin Cayman and certain shareholders of Lixin Cayman to acquire a controlling interest in Lixin Cayman. Pursuant to the SPA, the Company acquired a 65.0177% interest in Lixin Cayman from its selling shareholders in exchange for ordinary shares of the Company to be issued to the selling shareholders for a total value of RMB 276.00 million (later adjusted to \$31.09 million (RMB 217.88 million) (“Lixin Acquisition”). On August 23, 2019, the parties entered into a supplementary agreement to amend the form of payment of the purchase price. Pursuant to the supplementary agreement, Lixin shareholders agreed to receive non-voting preferred shares that will have the right to be converted into common shares after two years from the closing date of the acquisition. The transaction was closed on December 20, 2019 upon the Company’s issuance of 291,795,150 Class B convertible preferred shares to the selling shareholders. These convertible preferred shares are embedded with liquidation preference and dividend preference but with no voting rights. Following the second anniversary of the closing date, preferred shares may be convertible to the equal number of ordinary shares or can be redeemed at a conversion price calculated at the average closing price per share for ninety consecutive trading days before the conversion date.

Lixin Cayman, through its subsidiaries, provides a wide range of financing solutions and related peripheral services, including financial leasing, commercial factoring, private funding, guarantee and supply chain management, to individuals and MSMEs in the Yangtze River Delta Region of China. Lixin Cayman conducts its business through the following direct and indirect subsidiaries.

Lixin Financial Holdings (BVI) Limited (“Lixin BVI”) is a wholly-owned subsidiary of Lixin Cayman. It was established on November 29, 2017 under the laws of the BVI as a company limited by shares. It is a holding company and does not have business operations.

Lixin Financial Holdings Group Limited (励信金融控股集团有限公司) (“Lixin HK”) was established on January 15, 2018 under the laws of Hong Kong as a wholly-owned subsidiary of Lixin BVI. It is a holding company and does not have business operations.

Zhejiang Lixin Enterprise Management Holding Group Co., Ltd. (浙江励信企业管理集团有限公司) (“Zhejiang Lixin”) was incorporated on July 3, 2015 under the laws of the PRC. Lixin HK owns 99% of Zhejiang Lixin equity interest and FIHG owns the remaining 1%. Following its reorganization completed in 2018, it became the controlling shareholder of Zhejiang Jingyuxin (discussed below). It is a financial service company providing comprehensive financial solutions and services including guarantee services and related assessment and management services.

Zhejiang Jing Yu Xin Financing Guarantee Co., Ltd. (浙江京虞信融资担保有限公司) (“Zhejiang Jingyuxin”) was incorporated on January 5, 2013 under the laws of the PRC. Zhejiang Lixin owns 93.4% of Zhejiang Jingyuxin equity interest, with the remaining 6.6% interest owned by an unrelated third party individual. It provides guarantee services and related assessment and management services.

Lixin (Hangzhou) Asset Management Co., Ltd. (励信(杭州)资产管理有限公司) (“LAM”) is a wholly-owned subsidiary of Zhejiang Jingyuxin. It was incorporated on March 21, 2017 under the laws of the PRC. LAM provides consulting and assessment services to customers and facilitates financial guarantee services between customers and guarantors.

Lixin Supply Chain Management (Tianjin) Co., Ltd. (励信供应链管理(天津)有限公司) (“Lixin Supply Chain”) is a wholly-owned subsidiary of LAM. It was incorporated on December 19, 2017 under the laws of the PRC and its principal business is providing supply chain management services.

On December 31, 2019, the Company changed its address of principal executive office to 147 Ganshui Lane, Yuhuangshannan Fund Town, Shangcheng District, Hangzhou, Zhejiang, China. The Company also changed its phone number to +86 571 8662 1775.

## B. Business Overview

### Our Business

We are a financial, insurance and healthcare related solutions company serving individuals and micro-, small- and medium-sized enterprises (“MSMEs”) in China. We also provide health management, asset management, insurance services, healthcare and consumer financing services to the employees of large institutions.

Our business has experienced substantial changes in the recent years. Following our business combination with Adrie, the original China Lending Group was a PRC-based group of companies specializing in providing loan facilities to MSMEs and sole proprietors in Xinjiang. Since 2018, we have adjusted our business models and substantially reduced direct loan business starting in 2018 and didn’t renew any pre-existing loans in 2019. In September 2020, we disposed of direct lending business from the company.

For the year ended December 31, 2020, the Company conducted management and assessment services, financial guarantee and financial consulting business. After the Lixin Acquisition closed in December 2019, our customers were MSMEs and individual proprietors located in Zhejiang Province and Guangdong Province. Those customers were involved in the commerce and service, real estate, technology promotion and application services, construction, finance, wholesale and retail and other industries.

As of December 31, 2020, the Company had cash balance of \$4,932,048 and a positive working capital of \$48,670,165. In addition to the cash balance, the working capital was mainly comprised of restricted cash of \$25,875,556, accounts receivable of \$6,939,352, loan receivable due from third parties of \$17,670,652 and other receivables of 3,545,753. The balances of these assets are expected to be repaid on maturity dates and will also be used for working capital.

### COVID-19 Impact Update

In December 2019, a novel strain of coronavirus (COVID-19) was first identified in China and has since spread rapidly globally. The outbreak of COVID-19 has resulted in quarantines, travel restrictions, and the temporary closure of offices and business facilities globally. In March 2020, the World Health Organization declared the COVID-19 a pandemic. In 2020, COVID-19 had a material impact on our business, financial condition, and results of operations, including, but not limited to, the following:

- We temporarily closed our offices from late January to March 2020, as required by relevant PRC regulatory authorities. Our offices were subsequently reopened pursuant to local guidelines. In the first half of 2020, the pandemic caused disruptions in our operations, which resulted in delays in our services to certain of our customers.
- Our customers were negatively impacted by the pandemic, which reduced the demand for our services. As a result, our revenue and income were negatively impacted in the first half of 2020.

After the second quarter of 2020, the COVID outbreak in China has gradually been controlled. Our business has also returned to normal operations, although management assessed that our results of operations had been negatively impacted for the year. COVID-19 could adversely affect our business and results of operations in 2021 if any COVID resurgence causes significant disruptions to our operations or the business of our customers, logistics and service providers. If any new outbreak of COVID-19 is not effectively and timely controlled, or if government responses to outbreaks or potential outbreaks are severe or long-lasting, our business operations and financial condition may be materially and adversely affected as a result of the deteriorating market outlook, the slowdown in regional and national economic growth, weakened liquidity and financial condition of our customers or other factors that we cannot foresee.

### Our Major Services

#### *1. Asset management & financing facilitation and factoring services -Adrie Subsidiaries*

In 2020, Zeshi and Zhiyuan (prior to September 30, 2020), subsidiaries of Adrie provided the following management and assessment services and factoring business:

- 1) Asset management services focused on providing account receivable collection plans, debt collection, due diligence investigation for guaranty, litigation mitigation, and asset preservation and management consultation.

Among the asset management services, Zeshi provided debt collection consulting services to factoring companies. It assists customers in recovering outstanding debts from their debtors for the payment they made on behalf of the debtors pursuant to the factoring agreements. It recognizes revenues in stages after fulfilling contractual obligations.

- 2) Financing related services focus on financing plan design and consultation, supply chain transaction participant selection consultation, and financing project due diligence.



- 3) Factoring business focuses on financing invoices from businesses that have cash flow problems due to slow-paying customers. The client gets immediate funds for the receivable from us. We hold the invoice and make certain profit when the invoice is paid by the clients' customers. In this process, we also provide related services such as assessing the buyers' credit risks.

During the year ended December 31, 2020, Zhiyuan generated interest income from factoring business of \$nil and Zeshi generated asset management and assessment service income of \$nil.

Affected by COVID-19 pandemic in 2020, our services provided for factoring customers were delayed and some onsite visits were cancelled. Most of our customers took a cautious and measured approach in their financing decisions and as a result, there were fewer new business generated by our financing and factoring services subsidiaries. Meanwhile, the Company evaluated the impacts of COVID-19 of customers and decided to further control and reduced the operating risk.

## *2. Guarantee and consulting services-Lixin Cayman Subsidiaries*

### *(1) Guarantee services: financial and non-financial*

These services are mainly conducted by Zhejiang Jingyuxin. Zhejiang Jingyuxin received the commissions from guarantee services either in full at inception or in instalments during the guarantee period. Its guarantee services are divided into financial guarantee and non-financial guarantee. There were \$22,969 non-financial guarantee revenues contributed by Lixin Cayman subsidiaries in 2020.

Financial guarantee service contracts provide guarantees which protect the holder of a debt obligation against default in the financing process. Pursuant to such guarantee, the Company makes payments if the obligor responsible for making payments fails to do so as scheduled. The contract amounts reflect the extent of involvement Zhejiang Jingyuxin has in the guarantee transaction and also represent the Company's maximum exposure to credit loss in its guarantee business.

To mitigate the potential credit risks exposure to the financial guarantee services, Zhejiang Jingyuxin requires the guarantee service customers to make a deposit to Zhejiang Jingyuxin of the same amount as the deposit Zhejiang Jingyuxin pledged to the banks for their loans if the customer does not pledge or collateralize other assets with Zhejiang Jingyuxin. The deposit is returned to the customer after the customer repays the bank loan and the Zhejiang Jingyuxin's guarantee obligation expires.

In addition, Zhejiang Jingyuxin also provides non-financial guarantee services to clients by giving credit guarantee. It is used to improve the contract enforcement. This business includes litigation preservation guarantee, bid guarantee, project performance guarantee and other contract performance business. This is not its key business and it does not take the core resources. It has lower risks.

### *(2) Consulting services*

#### *a. Consulting services for financial guarantee customers*

Lixin Cayman subsidiaries provided financial consulting services to financial guarantee customers. Pursuant to the contracts with customers, Lixin Cayman subsidiaries facilitated financial guarantee services between customers and financial guarantors, and charged referral fees at a fixed amount. The performance obligations are completed and control of the service is transferred at the inception of financial guarantee period. Transaction prices are generally paid upon successful facilitation.

#### *b. Consulting services relating to debt collection*

For the year ended December 31, 2020, Lixin Cayman subsidiaries also provided consulting services relating to debt collection with certain factoring companies. The debt collection services involved commitments of 1) assisting the customers to obtain court judgments on outstanding debt, and the Company recognized revenue over period towards completion of the performance by using input method based on the staff cost incurred, and 2) assisting the customers to receive repayment on outstanding debt, the Company recognized revenues upon collection of outstanding debts. The transaction price is allocated to each performance obligation based on the relative standalone selling prices of the services being provided to the customer.

In fiscal year 2020, our consulting services, especially deb collection related operations, were affected by the pandemic. As a result of the quarantines, office closings and travel restrictions, asset auctions and the enforcement process presided by the courts, asset valuations by valuation companies, and debt collections were disrupted and delayed for some of our customers. Our services to those customers and operating results were adversely impacted by the pandemic related delays.

The company will continuously develop management& assessment services and factoring business in 2021. Subsidiaries of both Adrie and Lixin Cayman cooperate closely to expand business territories, share business resources of each other and strengthen the Company's competitiveness.

### *3. Health management, health insurance and other health related services*

In line with our 2020 innovative insurance service and healthcare program growth strategy, in 2020 we began and expanded the provision of health management, innovation insurance, healthcare and consumer financing services to the employees of large institutions.

On December 30, 2019, we incorporated Fortis Health Industrial Group Limited ("Fortis Health" or "FHIG") in Hong Kong. On February 28, 2020, we incorporated Zeshi Insurance to conduct insurance technology business. On March 3, 2020, we incorporated Zeshi Health to conduct health management, health big data management, and health information management based on blockchain technology.

In April 2020, we officially launched a one-stop internet insurance and health care service platform after nearly eight months of preparation and systems development. The platform aims to provide modern households with one-stop systematic "customized insurance + health management + family doctor + home medical testing" health management service solutions. This platform will enable households and employees of medium to large-sized enterprises to access highly cost-effective, customized health care and insurance solutions, customized insurance products, as well as data management and operational services.

In July 2020, we changed the principal business operations of Ningbo Ding Tai Financial Leasing Co., Ltd. in order to expand and enhance our services in the health industry in Zhejiang Province and renamed it Yifu Health Industry (Ningbo) Co., Ltd.

In 2020, our healthcare services programs were affected by COVID-19 pandemic. We had initially planned to officially launch our newborn deformity diagnosis and treatment insurance project at the end of 2020 or early 2021. Due to an unexpected new COVID outbreak in Hebei province in early 2021, our project was temporarily suspended. We expect the project to resume in the summer of 2021.

We have established long-term partnerships for innovative insurance services, smart health medical services, data mining, and operations with a variety of insurance service partners, medical service partners, and technology and big data partners, including Kunlun Health Insurance Co., Ltd. (Zhejiang Branch) ("Kunlun Health Insurance Zhejiang Branch"), Qidi Blockchain Technology Development Corporation ("Qidi Blockchain Corporation"), Ruixin Insurance Technology (Ningbo) Co., Ltd ("Ruixin Insurance Technology"), and Yunxin Internet Hospital (Yinchuan) Co., Ltd ("Yunxin Internet Hospital").

The following sections outline the various partnerships that we are currently engaged in.

- Jointly-Established Special Public Welfare Fund for Fetal and Neonatal Diseases and Teamed Up With Top Medical Expert Team for Children's Diseases and Local Hospitals in China to Promote the Establishment of a Nationwide Diagnostic and Treatment Service Network for Children's Diseases

In January 2020, Zhejiang Lixin and Zeshi entered into a cooperation agreement with five other companies including Qidi Blockchain Corporation and Kunlun Health Insurance Zhejiang Branch to work with Beijing Sunshine Health Foundation to jointly establish a special public welfare fund named Women and Children's Health Care for fetal and neonatal diseases. This fund aims to support the screening, diagnosis, and treatment of fetal and newborn birth defects in China as well as the development of related medical institutions service networks, treatments of children's diseases, as well as other scientific work and research.

- Partnership to Promote the Application of Blockchain and Artificial Intelligence Technology in Health Care and Insurance Finance

In February 2020, Zhejiang Lixin and Fuyi Digital Technology (Hangzhou) Co., Limited ("Fuyi Digital Technology") entered into a strategic cooperation agreement with Qidi Blockchain Corporation to cooperate in the areas of data management and operations, data transformation, and data service platform development. The partnership will pair Qidi Blockchain Corporation's capabilities in AI medical technology, application development, data mining, operations, and management with Zhejiang Lixin's market resources, product development experience, and marketing proficiency to drive the development of blockchain and artificial intelligence applications within both the health care and insurance industries.



- Partnership to Build a Closed-Loop “Financial Insurance + Health Care + Technology” Service System

In March 2020, each of Zhejiang Lixin and Zeshi Health entered into separate agreements with Yunxin Internet Hospital, a provider of online and offline medical consultation and health management services to individuals, banks, insurance brokerages, and employees of large-sized institutions. In addition to its physical facilities, Yunin Internet Hospital is licensed to provide telemedicine services in China. Under these two agreements, each of Zhejiang Lixin and Zeshi Health will cooperate closely with Yunxin Internet Hospital in such areas as financial insurance and internet medical services while establishing a closed-loop “Financial Insurance + Health Care + Technology” service system.

- Agreement to Establish Special Newborn Congenital Insurance Cooperation Program

In April 2020, Zhejiang Lixin and Ruixin Insurance Technology agreed upon the terms of cooperation for developing a special program in support of newborn congenital insurance projects. As part of the agreement, Ruixin Insurance Technology will provide customer service support and insurance products that have been jointly designed with Kunlun Health Insurance Zhejiang Branch. Zhejiang Lixin will be responsible for product marketing channel exploration and management, marketing and promotion services, as well as customer relationship services.

- Agreement to Build an Online Platform for Home Medical Testing

On March 12, 2020, Zeshi Health and Guangzhou Jingke Biotech Co., Ltd. (“Jingke Biotech”) reached a strategic cooperation agreement to jointly build an online medical testing service platform to meet the home medical testing demands of households. According to the agreement, Zeshi Health will provide support for platform operations, market development, marketing channel management, and early-stage customer services. In addition, Jingke Medical Testing will provide testing service products and prioritize the delivery of supplies and services to customers on Zeshi Health’s service platform.

- In October 2020, the Prenatal and Postnatal One-Stop Health Project for the Prevention and Treatment of Congenital Heart Disease was officially launched in Hebei. Roan participated in the launching ceremony as a founder and a partner of the “Healthy China - Women and Children Health Care Special Charity Fund.”
- In October 2020, Zeshi Health and Ping An Health Insurance Co., Ltd. Beijing Branch signed the Group Health Insurance Entrusted Management Agreement to further expand and enhance the Company’s health related services platform and products
- In November 2020, Zeshi Health signed a cooperation agreement with China Pacific Insurance Co., Ltd. Beijing Branch and Beijing Dingli Insurance Brokers Co., Ltd. to jointly develop health insurance products and markets for fetal and neonatal congenital heart diseases, middle-aged and older adult cardiovascular and cerebrovascular diseases, stroke and other diseases.
- In January 2021, Zeshi Health and Sunshine Property Insurance Co., Ltd. signed a Strategic Cooperation Agreement in the project development and customer service cooperation in the newborn deformity insurance and related areas (hereinafter referred to as “deformity insurance”).

## **Business Strategies**

We closed the Lixin Acquisition in December 2019. We plan to take advantage of the strength of Lixin Cayman and its subsidiaries in market and channels, and apply latest technology related to healthcare big data, artificial intelligence and blockchain to the combination of medical and healthcare management and insurance. We intend to implement the following three strategies to expand and grow the size of our businesses:

(i) Explore the business scope of guarantee and financing services

We plan to add categories of guarantee business, mainly consumption financial guarantee, but also contract performance guarantee for medical testing service, health management service and insurance-related service. We also would like to expand the geographic areas of our financial guarantee business to more areas in China.

In the future, Zhejiang Jinyuxin will be the major entity to conduct financial guarantee, and Zeshi and LAM will be the major entities to conduct financing services.

(ii) Initiate insurance service and healthcare program growth strategy

We plan to develop insurance service and healthcare program and explore our business in this area because of the following reasons:

a. We have built the insurance technology and health management platform.

In April 2020, we officially launched a one-stop internet insurance and health care service platform. This platform will enable households and employees of medium to large-sized enterprises to access highly cost-effective, customized health care and insurance solutions, customized insurance products, as well as data management and operational services.

b. We have established strategic cooperation relationship with other companies.

We have established long-term partnerships for innovative insurance services, smart health medical services, data mining, and operations with a variety of insurance service partners, medical service partners, and technology and big data partners.

c. The macro policy benefits our business development.

On October 25, 2016, China formally passed the blueprint of “Healthy China 2030,” working towards the national goal of reaching a health standard on par with developed countries by 2030. The five specific targets of Healthy China 2030 are to improve the level of health, control major risk factors, increase health service capacity, expand health industry scale, and perfect the health service system. The demand of fair, efficient, good, reasonable healthcare service by Chinese people will keep increasing.

In the recent years, Chinese government has issued a series of Internet + Healthcare development polices. The outbreak of COVID-19 at the beginning of 2020 reveals some shortcomings of Chinese medical system, and has promoted the diagnose service of internet hospital.




d. We start from Zhejiang Province.

Zhejiang Province is the frontline of internet development in China and an economically active area. It has a relatively stable market of internet healthcare. We are based in Hangzhou, the capital city of Zhejiang and are developing the new business in Zhejiang. We plan to promote the our successful experience in Zhejiang to Beijing, Tianjin, Hebei Province, Ningxia Province, Guizhou Province and Xinjiang and other regions, cooperate with our clients, industry organizations and partners and facilitate the deep infusion of insurance, medical healthcare and artificial intelligence.

## Intellectual Property

We own and have the right to use the domain name “www.roanholdingsgroup.com”.

We have registered the following trademarks:

Owner	Trademark	Issuance Entity	Term
Lixin Cayman		Trademark Office of PRC State Administration for Industry and Commerce	March 7, 2019 – March 6, 2029
Lixin HK		HK Trade Marks Registry Intellectual Property Department	February 2, 2018 – February 1, 2028
Zhejiang Jingyuxin		Trademark Office of PRC State Administration for Industry and Commerce	July 28, 2016 – July 27, 2026

## Certificates

Our subsidiary Zhejiang Jingyuxin was issued a PRC Financing Guarantee Organization Operation Permit by Zhejiang Commission of Economy and Informatization on May 17, 2016 with a term of five years. We plan to renew it before it expires. The permit authorizes Zhejiang Jingyuxin to operate the guarantee business, and related financial consulting and consulting agent business in China.

## Competition

The Company faces competition in the financial industry. We believe that the financial industry is becoming more competitive as this industry matures and begins to consolidate, especially under the heavy regulation by policies and macroeconomic downturn. The Company competes with other financial guarantee companies, other financial consulting companies, and some cash-rich state-owned companies or individuals that provide financial services to MSMEs. Some of these competitors have larger and more established customer bases and substantially greater financial, marketing and other resources than we have. As a result, we could lose market share and our revenues could decline, thereby adversely affecting our earnings and potential for growth.

While we plan to achieve a competitive advantage by adopting various business strategies including exploring business in the Internet + Healthcare area, we face the competition from the companies much bigger than us and with a longer history. For example, Ping'an good doctor focuses on online diagnosis, consumption diagnosis, health mall, health management and health interaction. Ali Health started from online medicine, and is building a big health closed loop by developing internet diagnosis, intelligent treatment, consumption diagnosis and source tracking service. Huarun Medicine, as a top medicine enterprise, has strong supply chain and rich client resources and is developing its platform by applying internet technology.

## Seasonality

Our main business does not have significant seasonality.

## Government Regulation

The Company's operations are subject to extensive and complex state, provincial and local laws, rules and regulations. We are supervised by a variety of provincial and local government authorities, including CBRC, PBOC, local tax bureaus, local Administration of Industry and Commerce, local Bureau of Finance, local Administration of Foreign Exchange and local employment departments. The areas include Zhejiang Province, Guangdong Province, Tianjin City and Xinjiang Uyghur Autonomous Region.

### *Summaries of Certain Key PRC Laws*

Below are summaries of the material terms of PRC laws applicable to our businesses.

No.	Regulation name	Main regulatory content
1	<i>Regulations on the supervision and administration of financial guarantee companies</i>	<p>Article 15 The balance of guarantee responsibility of a financial guarantee company shall not exceed 10 times its net assets.</p> <p>Article 16 The ratio of the balance of guarantee liabilities of the financial guarantee company to the same guaranteed person and the net assets of the financial guarantee company shall not exceed 10%, and the ratio of the balance of guarantee liabilities of the same guaranteed person and its related parties to the net assets of the financial guarantee company shall not exceed 15%.</p> <p>Article 17 A financial guarantee company shall not provide financial guarantees for its controlling shareholders and actual controllers, and the conditions for providing financial guarantees for other related parties shall not be better than the conditions for providing similar guarantees for non-related parties.</p>
2	<i>Measures for the administration of financial guarantee business license</i>	<p>Article 7 The establishment, merger, division or reduction of registered capital of a financial guarantee company shall issue and renew a business license for financial guarantee business after approval by the supervision and management department.</p>
3	<i>Measures for measuring the Balance of Financial Guarantee Liability</i>	<p>Article 11 The balance of loan guarantee liability = loan guarantee balance of small and micro enterprises for a single under guaranteed balance of RMB 5 million <math>\times</math> 75% + loan guarantee balance of farmers for a single under guaranteed balance of RMB 2 million <math>\times</math> 75% + other loan guarantee balance <math>\times</math> 100%.</p> <p>Article 15 The balance of the financial guarantee company's financial guarantee liability shall not exceed 10 times its net assets.</p> <p>Article 16 The balance of the financial guarantee company's financial guarantee liability for the same guaranteed person shall not exceed 10% of its net assets, and the balance of financial guarantee liability for the same guaranteed person and its related parties shall not exceed 15% of its net assets.</p>
4	<i>Measures for the Management of Asset Ratio of Financial Guarantee Companies</i>	<p>Chapter 2 Asset Classification</p> <p>Article 4 The main assets of the financial guarantee company are classified into grades I, II, and III according to the form.</p> <p>Chapter 3 Asset Proportion Management</p> <p>Article 8 The sum of the net assets, the unexpired liability reserve and guarantee compensation reserve of the financial guarantee company shall not be less than 60% of the total assets.</p> <p>Article 9 The sum of the level I assets and level II assets of the financial guarantee company shall not be less than 70% of the total assets after deducting the receivables; the level I assets shall not be less than 20% of the total assets after deducting the receivables; Level III assets shall not be higher than 30% of the total assets after deducting the receivables.</p>



5	Guidelines for Business Cooperation between Banking Financial Institutions and Financial Guarantee Companies	<p>Article 9 both parties of banks and financial guarantee companies may agree to carry out business cooperation within the following scope:</p> <p>(1) Financial guarantee business: including loan guarantee, bill acceptance guarantee, letter of credit guarantee and other financial guarantee business;</p> <p>(2) Non-financial guarantee business: including bid guarantee, project performance guarantee, litigation preservation guarantee and other non-financial guarantee business;</p> <p>(3) Other legal compliance business.</p>
6	China Banking Insurance Regulatory Commission, <i>Notice on Strengthening the Supervision and Management of Commercial Factoring Enterprises (ybjf [2019] No. 205)</i>	<p>(4) Commercial factoring enterprises shall not have the following behaviors or operating the following businesses:</p> <ol style="list-style-type: none"> <li>1. Absorbing or absorbing public deposits in disguised form;</li> <li>2. Financing through Internet lending information intermediaries, local trading places, asset management agencies, and private investment funds institutions;</li> <li>3. Lending or borrowing funds in disguised form with other commercial factoring enterprises;</li> <li>4. Making loans or entrusted loans;</li> <li>5. Specially engaged in or entrusted to carry out collection business and debt collection business unrelated to commercial factoring;</li> <li>6. Carrying out factoring financial business based on illegal basic transaction contract, consignment contract, accounts receivable with unclear ownership, payment claim arising from bills or other securities, etc;</li> <li>7. Other activities not allowed by the state.</li> </ol> <p>(7) Commercial factoring companies should comply with the following regulatory requirements:</p> <ol style="list-style-type: none"> <li>1. The receivables of the same debtor shall not exceed 50% of the total risk assets;</li> <li>2. The receivables of which the affiliated enterprise is the debtor shall not exceed 40% of the total risk assets;</li> <li>3. Incorporate factoring Financial funds not recovered or unrealized that are overdue for 90 days into non-performing asset management;</li> <li>4. The withdrawn risk reserve shall not be less than 1% of the closing balance of the financial factoring business;</li> <li>5. Risk assets shall not exceed 10 times the net assets.</li> </ol> <p>(11) Commercial factoring enterprises shall report to the Financial Supervision Bureau within 10 working days after the occurrence of the following matters:</p> <ol style="list-style-type: none"> <li>1. Major related party transactions with a single amount exceeding 5% of net assets;</li> <li>2. Major debts with a single amount exceeding 10% of net assets;</li> <li>3. Contingent liabilities with a single amount exceeding 20% of net assets;</li> <li>4. Major loss or liability for compensation exceeding 10% of net assets;</li> <li>5. Major pending litigation and Arbitration.</li> </ol>
7	Regulations on the Supervision and Administration of Medical Devices	<p>Article 29. To engage in medical device business activities, there should be business premises and storage conditions commensurate with the business scale and scope, and a quality management system and personnel.</p> <p>Article 30. For Class II medical device business, the business enterprise shall file with the food and drug regulatory department of the municipal people's government at the districted level and submit the certification materials that it meets the conditions specified in Article 29 of these regulations.</p> <p>Article 32. When purchasing medical devices, the medical device business enterprises and users shall check the qualification of suppliers and the qualification certificates of medical devices, and establish a record system for purchase inspection. The enterprises engaged in wholesale business of class II and class III medical devices and retail business of class III medical devices shall also establish a sales record system. The record items include: (1) name, model, specification and quantity of medical devices, (2) the production batch number, validity period and sales date of medical devices, (3) the name of the production enterprise, (4) the name, address and contact information of the supplier or the buyer, (5) relevant license document number, etc. Purchase inspection records and sales records shall be true and shall be kept within the time limit specified by the Food and Drug administration under the State Council. The State encourages the use of advanced technical means for recording.</p> <p>Article 33. The transportation and storage of medical devices shall meet the requirements of the instructions and labels of medical devices. If there are special requirements for temperature, humidity</p>

and other environmental conditions, corresponding measures shall be taken to ensure the safety and effectiveness of medical devices.

Article 40. The medical device business enterprises and users shall not operate or use medical devices that have not been registered in accordance with the law, have no qualification certificates, and have expired, invalid or eliminated.

Article 45 The medical device advertisements shall be true and legal, and shall not contain false, exaggerated or misleading contents.

The medical device advertisement shall be examined and approved by the Food and Drug Administration Department of the People's Government of the province, autonomous region or municipality directly under the central government where the medical device manufacturer or the imported medical device agent is located and the approval document for the medical device advertisement shall be obtained. When the advertisement publisher publishes advertisement for medical device, it shall check the approval document and its authenticity in advance. It shall not publish advertisement for medical device that has not been approved, the authenticity of the approval document has not been verified, or the content of the advertisement is inconsistent with the approval document. The Food and Drug Administration Departments of the People's Governments of provinces, autonomous regions and municipalities directly under the central government shall publish and timely update the approved medical device advertisement catalogue and the approved advertisement content.

The Food and Drug Administration Department of the People's Government at or above the provincial level shall order to suspend the production, sale, import and use of medical devices, and shall not publish advertisements involving the medical devices during the period of suspension.

The measures for the examination of medical device advertisements shall be formulated by the Food and Drug Administration Department of the State Council and Administration Department for Industry and Commerce of the State Council.

Article 47. Medical device manufacturers and users shall monitor the adverse events of the medical devices they produce, operate or use. If any adverse event or suspicious adverse event of medical devices is found, it shall be reported to the technical institution for monitoring adverse events of medical devices in accordance with the provisions of the Food and Drug Administration Department of the State Council.

Article 63. Under any of the following circumstances, the Food and Drug Administration Department of the People's Government at or above the county level shall confiscate the illegal income, the medical devices illegally produced and operated, and the tools, equipment, raw materials and other goods used for illegal production and operation. If the value of medical devices illegally produced and operated is less than RMB 10,000, a fine of not less than RMB 50,000 but not more than RMB 100,000 shall be imposed. If the value of the goods is more than 10,000 yuan, a fine of not less than 10 times but not more than 20 times the value of the goods shall be imposed. If the circumstances are serious, the medical device license applications submitted by relevant responsible persons and enterprises will not be accepted within 5 years: (1) Producing or operating class II or class III medical devices without medical device registration certificate, (2) Engaging in the production of class II or class III medical devices without permission, and (3) Engaging in the business activities of class III medical devices without permission. In case of serious circumstances mentioned in the first item of the preceding paragraph, the original license issuing department shall revoke the medical device production license or the medical device operation license.

Article 65 If the record is not filed in accordance with these regulations, the Food and Drug Administration Department of the People's Government at or above the county level shall request the enterprise to make corrections within a time limit. If the enterprise fails to make corrections within the time limit, it shall announce to the public that the enterprise name and product name that has not been filed on record, and the enterprise may be fined less than RMB 10,000.

If false information is provided during the filing, the Food and Drug Administration Department of the People's Government at or above the county level shall announce to the public that the enterprise name and product name. If the circumstances are serious, the person directly responsible shall not engage in the production and operation of medical devices within five years.



Article 66. Under any of the following circumstances, the Food and Drug Administration Department of the People's Government at or above the county level shall order the enterprise to make corrections and confiscate the medical devices illegally produced, operated and used. If the value of medical devices illegally produced and operated is less than RMB 10,000, a fine of not less than RMB 20,000 but not more than RMB 50,000 shall be imposed. If the value of the goods is more than RMB 10,000, a fine of not less than 5 times but not more than 10 times the value of the goods shall be imposed. If the circumstances are serious, it shall be ordered to suspend production until the original license issuing department revokes the registration certificate, production license and operation license of medical devices: (1) Producing, operating or using medical devices that do not meet the mandatory standards or the registered or filed product technical requirements; and (3) Operating or using medical devices without qualification certificate, expired, invalid or eliminated, or using medical devices not registered according to law.

Article 68. Under any of the following circumstances, the Food and Drug Administration Department and the Health and Family Planning Department of the People's Government at or above the county level shall order correction and give a warning according to their respective duties. The enterprise refuse to make corrections shall be fined not less than RMB 5,000 but not more than RMB 20,000. If the circumstances are serious, it shall be ordered to suspend production until the original license issuing department revokes the registration certificate, production license and operation license of medical devices: (3) The enterprise engaged in the wholesale business of the class II or class III of medical devices and the retail business of the class III medical devices fails to establish and implement the sales record system in accordance with the regulations.

Article 71. In violation of the regulations, the enterprise which published advertisements for medical devices without obtaining approval documents, verifying the authenticity of the approval documents in advance, or the contents were inconsistent with the approval documents, shall be punished by the Administration Department for Industry and Commerce in accordance with the relevant laws and administrative regulations on advertising management.

If the enterprise tampers with the approved advertising content of the medical device, the original license issuing department shall cancel the advertising approval document of the medical device, and the application for advertising approval shall not be accepted within two years.

If the enterprise publishes a false advertisement for medical devices, the Food and Drug Administration Department of the People's Government at or above the provincial level shall decide to suspend the sale of the medical devices and announce to the public. If the enterprise still sells the medical device, the Food and Drug Administration of the People's Government at or above the county level shall confiscate the medical device illegally sold and impose a fine of not less than RMB 20,000 but not more than RMB 50,000.

Article 4. According to the risk degree of medical devices, the operation of medical devices is managed by classification. The operation of class I medical devices does not need making a license and filing. The operation of class II medical devices is subject to filing management, and the operation of class III medical devices is subject to licensing management.

Article 7. The enterprise engaging in the business of medical devices shall meet the following conditions: (1) it shall have a quality management organization or quality management personnel suitable for the business scope and scale. And the quality management personnel shall have relevant professional qualifications or professional titles recognized by the state. It shall have business and storage sites suitable for its business scope and scale. (2) It shall have business and storage place suitable for the business scope and scale. (3) It shall have the storage conditions suitable for the business scope and scale. If all the medical devices are entrusted to other medical device business enterprises for storage, the storage room may not be set up. (4) It shall have a quality management system suitable for the medical devices. (5) It shall have the ability of professional guidance, technical training and after-sales service corresponding to the medical devices operation, or agree to provide technical support by relevant institutions. The enterprise engaged in the operation of class III medical devices shall also have a computer information management system that meets the quality management requirements for the operation of medical devices, so as to ensure the traceability of products. Enterprises engaged in the operation of class I and class II medical devices are encouraged to establish computer information management systems that meet the quality management requirements of medical device business.

Article 8. For those engaged in the operation of class III medical devices, the enterprise shall apply to the Food and Drug Administration Department of the city divided into districts where it is located, and submit the following materials: (1) Copies of business license. (2) Copies of identification certificate, education or title certificate of legal representative, leading cadres and quality director. (3) Organization and department setting up description. (4) Description of Operation scope and Operation mode. (5) Copies of the geographical location map, plan and house property certificate or lease agreement (with the certificate of the property right of the house attached) of the business place and warehouse. (6) Catalogue of business facilities and equipment. (7) Catalogue of business quality management system, working procedures and other documents. (8) Introduction and function description of computer information management system. (9) Authorization certificate of the operator. and (10) Other supporting materials.

Article 12. The enterprises engaged in the business of class II medical devices shall file with the Food and Drug Administration Department of the city divided into districts where it is located, and fill in the business record form of class II medical devices. Meanwhile, it shall submit the materials specified in Article 8 of these measures (except item 8).

Article 23. If the enterprise name, legal representative, leading cadres, residence, business place, business mode, business scope, warehouse address and other record items change in the business record certificate of medical devices, the record shall be changed in time.

Article 30. Medical device business enterprises shall establish an operation and management system covering the whole process of quality management in accordance with the requirements of medical device operation quality management standards, and make relevant records to ensure that the operation conditions and operation behaviors continue to meet the requirements.

Article 31. The medical device business enterprise shall bear legal responsibility for the purchase and sale of medical devices undertaken by its offices or sales personnel in the name of the enterprise. Sales personnel of medical device business enterprises selling medical devices shall provide an authorization letter with the official seal of the enterprise. The authorization letter shall specify the type, region, and time limit for authorized sales, and indicate the ID number of the sales personnel.

Article 32. The medical device business enterprise shall establish and implement a record system for purchase inspection. The enterprise engaged in the wholesale business of the class II or class III of medical devices and the retail business of the class III medical devices shall establish the sales record system. Purchase inspection records and sales records shall be true, accurate and complete. For the enterprise engaged in the wholesale business of medical devices, its purchase, storage, and sales records shall meet the traceability requirements. The purchase inspection record and sales record shall be kept for 2 years after the validity period of medical devices. If there is no validity period, it shall not be less than 5 years. Purchase inspection records and sales records of implantable medical devices shall be kept permanently. Other medical device enterprises shall be encouraged to establish a sales record system.

Article 33. The medical device business enterprises shall purchase medical devices from qualified manufacturing enterprises or trading enterprises. The medical device business enterprise shall agree on the quality responsibility and after-sales service responsibility with the supplier to ensure the safe use of the medical device after-sales. The medical device business enterprise that has agreed with the supplier or the corresponding organization to be responsible for product installation, maintenance, and technical training services may not have a department for technical training and after-sales service, but shall have corresponding management personnel.

Article 34. The medical device business enterprise shall take effective measures to ensure that the transportation and storage of medical devices meet the requirements of medical device instructions or labels, and make corresponding records to ensure the quality and safety of medical devices. If the instructions and labels require low temperature and cold storage, it shall be transported and stored with low temperature and cold storage facilities and equipment in accordance with relevant regulations.

Article 35. If the medical device business enterprise entrusts other carriers to transport the medical devices, it shall conduct an assessment of the carrier's quality assurance ability to transport medical devices, clarify the quality responsibility in the process of transportation, and ensure the quality and safety in the process of transportation.

Article 36. If the medical device business enterprise provides storage and distribution services for other medical device production and business enterprises, it shall sign a written agreement with the entrusting party to clarify the rights and obligations of both parties, It shall also have equipment and facilities suitable for the conditions and scale of product storage and distribution, and a computer information management platform and technical means to carry out real-time electronic data exchange with the entrusting party and realize the traceability of the whole process of product operation.

Article 37. The business enterprise engaged in wholesale business of medical devices shall sell them to qualified business enterprises or users.

Article 38. The medical device business enterprise shall be equipped with full-time or part-time personnel responsible for after-sales management. The quality problems of the customer complaints shall be identified. And it shall be take effective measures to deal with and feedback in time, and make records. If necessary, the supplier and medical device manufacturer shall be informed.

Article 53. Under any of the following circumstances, the Food and Drug Administration Department at or above the county level shall order the enterprise to make corrections within a time limit and give a warning. If the enterprise refuses to make corrections, it shall be fined not less than RMB 5,000 but not more than RMB 20,000: (1)The medical device business enterprise fails to change the registration items in accordance with the measures. (2) The medical device business enterprise sends sales personnel to sell medical devices, but fails to provide authorization letters in accordance with the requirements of the measures. (3) The class III medical device business enterprise fails to submit the annual self-inspection report to the Food and Drug Administration Department before the end of each year.



Article 54. Under any of the following circumstances, the Food and Drug Administration Department at or above the county level shall order the enterprise to make corrections. And the enterprise shall be fined not less than RMB 10,000 but not more than RMB 30,000: (1) The operating conditions of the medical device business enterprise have changed, no longer meet the requirements of the medical device business quality management standards, and the rectification has not been carried out in accordance with the provisions. (2) The medical device business enterprise changes the business site or warehouse address, expands the business scope or establishes the warehouse without authorization. (3) The business enterprise engaged in the wholesale business of medical devices sells product to an unqualified business enterprise or user. (4) The medical device business enterprise purchases medical devices from an unqualified production or business enterprise.

Article 55. If the enterprise engages in the business activities of medical devices without permission, or fails to renew the medical device operating license and continue to engage in medical device business after the expiry of the validity period, it shall be punished in accordance with Article 63 of the regulations on the supervision and administration of medical devices.

Article 58. If the enterprise fails to file or provides false information in accordance with the measures, it shall be punished in accordance with Article 65 of the regulations on the supervision and administration of medical devices.

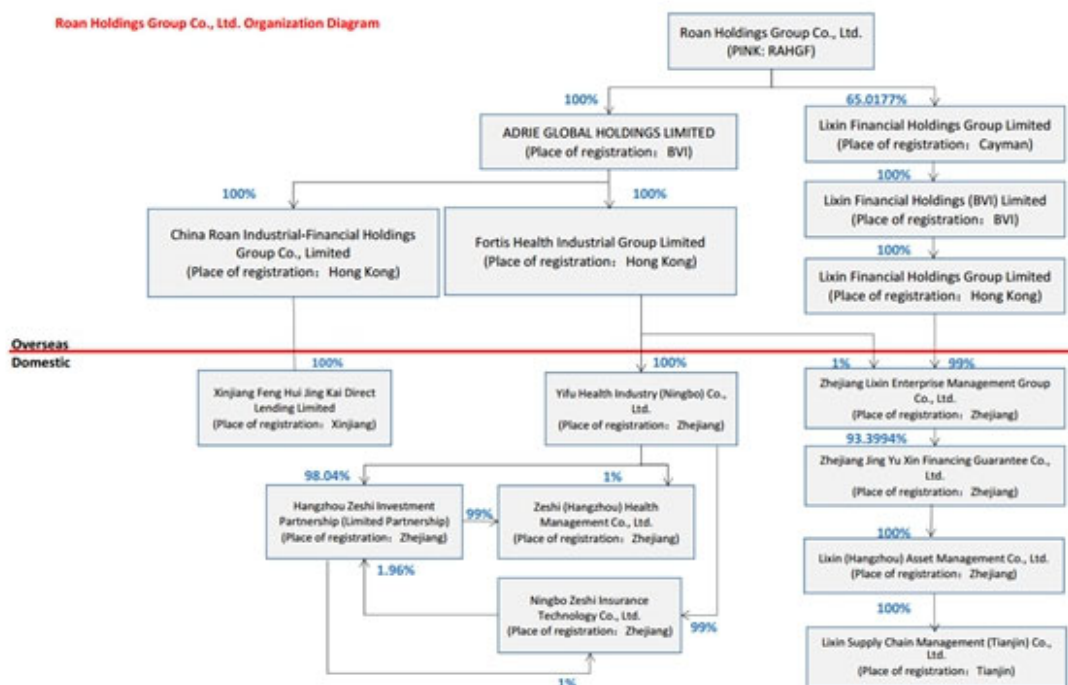
Article 59. Under any of the following circumstances, the Food and Drug Administration Department at or above the county level shall order the enterprise to make corrections within a time limit, and punish the enterprise in accordance with Article 66 of the regulations on the supervision and administration of medical devices: (1) The enterprise operates medical devices that do not meet the mandatory standards or meet the technical requirements of the products registered or filed. (2) The enterprise operates medical devices that are qualified, expired, invalid or eliminated. (3) The enterprise still refuses to stop the operation of medical devices after being ordered to stop operation by the Food and Drug Administration Department.

Article 60. Under any of the following circumstances, the Food and Drug Administration Department at or above the county level shall order the enterprise to make corrections, and punish the enterprise in accordance with Article 67 of the regulations on the supervision and administration of medical devices: (1) The instructions and labels of the medical devices are not in conformity with the relevant provisions. (2) Failing to transport and store the medical device according to the requirements of the instructions and labels of the medical device.

Article 61. Under any of the following circumstances, the Food and Drug Administration Department at or above the county level shall order the enterprise to make corrections, and punish the enterprise in accordance with Article 68 of the regulations on the supervision and administration of medical devices: (1) The business enterprise fails to establish and implement the record system for the purchase inspection of medical devices in accordance with the provisions of the measures. (2) The business enterprise engages in the wholesale business of the class II or class III of medical devices and the retail business of the class III medical devices fail to establish and implement the sales record system in accordance with the measures.

## C. Organizational Structure

The following is an organizational chart setting forth our corporate structure as of December 31, 2020 and as of the date of this report:



The following table lists the major holders of our Ordinary Shares:

Record Holder	Ownership Percentage	Beneficial Owner*	Beneficial Ownership in Record Holder
1 Ruiheng Global Limited	24.7590%	Yuan Shen	40.637%
2 Yangwei Global Limited	13.7746%	Qian Li	87.291%
3 Jiye Global Investments Limited	8.0453%	Qian Li	75.05%
4 Zhan Zhao Limited	5.0927%		

\* Beneficial owners of 30% or more of applicable record holders, where record holder is not an individual.

#### D. Property, Plants and Equipment

A summary of our leased properties as of the date of this report is shown below:

<b>Subsidiary Name</b>	<b>City</b>	<b>Address</b>	<b>Size (m<sup>2</sup>)</b>	<b>Term</b>
LAM	Hangzhou, Zhejiang	First floor of No. 147 Ganshui lane, Shangcheng District	277.14	October 18, 2020-August 17, 2021
Zhejiang Lixin	Hangzhou, Zhejiang	Room 401-410, No. 88-1, Marshal Temple Rear, Shangcheng District	399	July 6, 2018-July 5, 2023
LAM	Hangzhou, Zhejiang	Room 802-1, Unit 1, Building 5, Puyuewan, Binjiang District	44.30	July 15, 2020-July 14, 2021
LAM	Hangzhou, Zhejiang	Room 364, Building 2, Yinglan business center, Jianggan District	42.26	June 14, 2020-June 13, 2021
LAM	Hangzhou, Zhejiang	Room 2501, Unit 1, Building 2, Shuian Fengting, Shangcheng District	88.47	September 15, 2020-September 14, 2021
Zhejiang Jingyuxin	Shaoxing, Zhejiang	48th floor of Baiguan Square, Baiguan Street	1,700	May 1, 2020-April 30, 2022
Zheshi Health	Hangzhou, Zhejiang	First floor of No. 147 Ganshui Lane, Shangcheng District	166.29	October 18, 2020-August 17, 2021
Zhe Shi	Hangzhou, Zhejiang	Room 8012-2, Unit 1, Building 5, Puyuewan, Binjiang District	44.29	July 15, 2020-July 14, 2021

The Company does not have any plants, but has office equipment in each office.

We believe that the facilities that we currently lease are adequate to meet our needs for the foreseeable future and we will be able to obtain adequate facilities, principally through leasing of additional properties, to accommodate our future expansions when needed.

## ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

## Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” or in other parts of this annual report on Form 20-F.*

### A. Operating results

#### Overview

Roan Holdings Group Co., Ltd. (formerly known as China Lending Corporation or DT Asia Investments Limited) (“Roan”, or the “Company”) is a holding company incorporated on April 8, 2014, under the laws of the British Virgin Islands. The Company is primarily engaged in the following businesses during the years ended December 30, 2020, 2019 and 2018.

#### Management & assessment services and factoring business

We commenced our management & assessment services and factoring business to customers in December 2018. For the years ended December 31, 2020, 2019 and 2018, we provided management and assessment services to four customers, generating revenues of \$19,676, \$135,938, and \$71,568, respectively.

- 1) Asset management services focus on providing account receivable collection plans, collection, investigation on assets such as guaranty, assisting litigation mitigation, process assets and asset supervision;
- 2) Financing services focus on designing financing plans, recommending fund sources and assisting funds to arrange project due diligence; and
- 3) Factoring business focuses on financing invoices from businesses that have cash flow problems due to slow-paying customers. The client gets immediate funds for the receivable. We hold the invoice and make certain profit when the invoice is paid by the clients’ customers. In this process, we also provide related services such as assessing the buyers’ credit risks.

#### Financial guarantee and consulting services

In order to diversify the Company’s business and generate additional revenue, on December 20, 2019, the Company completed acquiring 65.0177% equity interest in Lixin Cayman and its subsidiaries (collectively “Lixin”), which were engaged in guarantee and consulting services.

##### *Financial guarantee services*

We received financial guarantee commission by providing financial guarantee services to customers. Pursuant to financial guarantee service contracts, the Company is obligated to make payments if the customers fail to make payments to financial institutions as scheduled. Accordingly, the financial institutions providing capital to customers would claim defaulted amount against Lixin if any potential defaults incurred by customers. The contract amounts reflect the extent of credit losses to which the Company is exposed.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures including due-diligence visits and post-lending visits to the clients. The Company manages credit risk through in-house research and analysis of the Chinese economy and the underlying obligors and transaction structures. To minimize credit risk, the Company requires collateral in the form of rights to cash, securities or property and equipment.

The Company has been providing the financial guarantees of loans. The customer’s deposits or other assets are held as collateral for the repayment of each loan. As of December 31, 2020, the amount of outstanding loans and related interests that the Company has guaranteed is approximately \$51.3 million.

For the year ended December 31, 2020, the Company generated financial guarantee commission of \$375,471. For the period from acquisition of Lixin on December 20, 2019 to December 31, 2019, the Company generated financial guarantee commission of \$8,797.





### *Consulting services for financial guarantee customers*

The Company provided financial consulting services to financial guarantee customers. Pursuant to the contracts with customers, the Company facilitated financial guarantee services between customers and financial guarantors, and charged referral fees at a fixed amount. The performance obligations are completed and control of the service is transferred upon successful facilitation of guarantee service, which is at the inception of financial guarantee period. Transaction prices are generally paid upon successful facilitation. The Company recognizes the revenue at the inception of guarantee period.

For the year ended December 31, 2020 and for the period from acquisition of Lixin on December 20, 2019 to December 31, 2019, the Company generated minimal consulting services for financial guarantee customers.

### *Consulting services relating to debt collection*

The Company also provides consulting services relating to debt collection with certain factoring companies. The debt collection services involved commitments of 1) assisting the customers to obtain court judgments on outstanding debt, and 2) assisting the customers to receive repayment on outstanding debt. The Company recognized revenues upon completion of each commitment.

For the year ended December 31, 2020, the Company generated consulting services relating to debt collections of \$2,108,477. For the period from the closing of Lixin Acquisition on December 20, 2019 to December 31, 2019, the Company generated consulting services relating to debt collections of \$176,984 through Lixin.

In addition, the Company's another subsidiary, Hangzhou Zeshi Investment ("Zeshi") was involved in consulting service relating to debt collection with one factoring company. The debt collection service involved one performance obligation which is to assist the customer to receive repayment on outstanding debt, and the Company recognized revenues upon completion of the performance obligation. For the year ended December 31, 2020 and 2019, Zeshi recognized revenue of \$nil and \$316,795 respectively.

### **Interest and fees earned from factoring business**

We also entered into financing arrangements with our customers through Zhiyuan Commercial Factoring (Guangzhou) Co., Limited ("Zhiyuan"), which is engaged in business factoring program. We earned interest income from these financing arrangements. For the years ended December 31, 2020, 2019 and 2018, we earned interest income from factoring programs of \$nil, \$2,782,332 and \$35,229, respectively.

### **Recent developments**

#### **Disposition of Feng Hui Ding Xin (Beijing) Financial Consulting Co., Limited ("Ding Xin")**

On September 30, 2020, the Company entered into an agreement (the "Agreement") with Urumqi Fengxunhui Management Consulting Co., Ltd ("Fengxunhui") pursuant to which Fengxunhui acquired a 100% equity interest in Ding Xin, including Ding Xin's fully owned subsidiary Zhiyuan, with a consideration of \$15,325 (RMB100,000). Upon closing of the disposition, the Company released all equity interests to Fengxunhui's shareholders.

### **Key Factors Affecting Our Results of Operation**

We have a limited operating history of our current businesses. We commenced management and assessment consulting services in December 2018, and acquired financial guarantee and consulting business in late December 2019. We believe our future success depends on our ability to significantly expand financial market and channels, and apply latest technology related to healthcare big data, artificial intelligence and block chain to the combination of medical and healthcare management and insurance. Our limited operating history makes it difficult to evaluate our business and future prospects. You should consider our future prospects in light of the risks and challenges encountered by a company with a limited operating history in an emerging and rapidly evolving industry. These risks and challenges include, among other things,

- our ability to integrate financial guarantee and financial consulting business;
- our ability to expand financial market and channels, especially in individual financial area services: insurance + consumption finance; and
- our ability to build the insurance technology and health management platform.

In addition, our business requires a significant amount of capital in large part due to needing to continuously grow financial guarantee services, and expand our business in existing markets and to additional markets where we currently do not have operations. We do not know if we will receive the amount of capital needed for our business growth and expansion.



## Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of our future trends.

	For the Years Ended December 31,		
	2020	2019	2018
Revenues from services	\$ 2,128,153	\$ 639,220	\$ 71,568
Revenues from healthcare service package	55,301	-	-
Cost of revenues	(50,774)	(8,080)	-
<b>Net revenues of services</b>	<b>2,132,680</b>	<b>631,140</b>	<b>71,568</b>
Commissions and fees on financial guarantee services	375,471	8,797	-
Provision for financial guarantee services	(89,865)	(5,008)	-
<b>Commission and fee income on guarantee services, net</b>	<b>285,606</b>	<b>3,789</b>	<b>-</b>
<b>Interest and fees income</b>			
Interest and fees on direct loans	-	1,153	15,035
Interest income on loans due from third parties	2,131,447	34,707	-
Interest income from factoring business	-	2,782,332	35,229
Interest income on deposits with banks	348,389	64,636	418
<b>Total interest and fee income</b>	<b>2,479,836</b>	<b>2,882,828</b>	<b>50,682</b>
<b>Interest expense</b>			
Interest expenses and fees on secured loans	-	(2,218,815)	(25,118)
<b>Net interest income</b>	<b>2,479,836</b>	<b>664,013</b>	<b>25,564</b>
Provision for loan losses	-	(2,244,601)	(2,176,216)
<b>Net interest (loss) income after provision for loan losses</b>	<b>2,479,836</b>	<b>(1,580,588)</b>	<b>(2,150,652)</b>
<b>Operating (loss) income</b>	<b>4,898,122</b>	<b>(945,659)</b>	<b>(2,079,084)</b>
<b>Total operating expenses</b>			
Salaries and employee surcharge	(1,116,482)	(512,314)	(572,117)
Other operating expenses	(2,995,098)	(1,385,259)	(1,469,452)
Changes in fair value of warrant liabilities	5,961	530,863	748,346
<b>Total operating expenses</b>	<b>(4,105,619)</b>	<b>(1,366,710)</b>	<b>(1,293,223)</b>
<b>Other income (expenses)</b>			
Deconsolidation loss	(1,953,248)	-	-
Other income (expense)	76,406	-	-
<b>Total other expenses</b>	<b>(1,876,842)</b>	<b>-</b>	<b>-</b>
<b>Loss before income taxes</b>	<b>(1,084,339)</b>	<b>(2,312,369)</b>	<b>(3,372,307)</b>
<b>Total income tax recovery (expenses)</b>	<b>229,733</b>	<b>(244,741)</b>	<b>(17,635)</b>
<b>Net loss from continuing operations</b>	<b>(854,606)</b>	<b>(2,557,110)</b>	<b>(3,389,942)</b>
Net income (loss) from discontinued operations, net of income tax	-	26,846,018	(90,736,365)
<b>Net income (loss)</b>	<b>\$ (854,606)</b>	<b>\$ 24,288,908</b>	<b>\$ (94,126,307)</b>



*Year ended December 31, 2020 compared to year ended December 31, 2019*

*Revenues*

Our revenues from services increased by \$1,488,933 or 233%, from \$639,220 for the year ended December 31, 2019, to \$2,128,153 for the year ended December 31, 2020. The following table sets forth a breakdown of our revenue by services offered for the years ended December 31, 2020 and 2019:

	For the years ended December 31,		Variance	
	2020	2019	Amount	%
Management and assessment services	\$ 19,676	\$ 135,938	\$ (116,262)	-86%
Consulting services relating to debt collection	2,108,477	493,779	1,614,698	327%
Consulting services relating to financial guarantee services	-	9,503	(9,503)	-100%
<b>Revenues from services</b>	<b>\$ 2,128,153</b>	<b>\$ 639,220</b>	<b>\$ 1,488,933</b>	<b>233%</b>

*Management and assessment services*

Revenues from management and assessment services decreased by \$116,262 or 86%. The primary reason of the decrease was due to a majority of revenues from the contracts obtained in 2018 were recognized in the year ended December 31, 2019. In the year ended December 31, 2020, we did not engage in much management and assessment services due to the change of our business focus. Therefore, there was minimal revenue from Management and assessment services.

*Consulting services relating to debt collection*

The Company provides consulting services relating to debt collection with certain factoring companies, through Lixin group which were acquired in late December 2019. The debt collection services involved two performance obligations, and the service fee for each performance obligation are fixed and reflected the stand-alone selling price. In addition, a collected-amount based incentive is rewarded to the Company upon collection of outstanding debt.

- 1) assisting the customers to get court judgements on outstanding debt, and the Company recognized revenues over the period towards the completion of the performance obligation; and
- 2) assisting the customers to receive repayment on outstanding debt, and the Company recognized revenues upon completion of the performance obligation.

The significant increase of \$1,614,698 or 327% was due to we consolidated a full year of Lixin's operations in 2020, whereas in 2019, we only consolidated Lixi's operation from December 20, 2019 to December 31, 2019.

*Commissions and fees on financial guarantee services*

Commissions and fees on financial guarantee services increased by \$366,674 or 4168% for the year ended December 31, 2020 compared to the same period of 2019. This was due to we consolidated a full year of Lixin's operations in 2020, whereas in 2019, we only consolidated Lixin's operation from December 20, 2019 to December 31, 2019.

### *Interest and fees income*

Interest and fee income primarily consisted of interest and fee income generated from factoring business and from loans due from third parties. Interest and fee income decreased by \$402,992 or 14% for the year ended December 31, 2020 compared to the same period of 2019. The decrease was mainly due to our subsidiary, Zhiyuan, which provided our only factoring business did not conduct any factoring business due to the Company's change of business plan. Zhiyuan was later disposed of in September 2020. As a result, interest income and fee from factoring business decreased by \$2,782,332. The decrease in interest income from factoring business was offset by the increase of \$2,131,447 in interest income from loans advanced to third parties through our Lixin's operations after our acquisition of Lixin in December 2019.

### *Interest expenses and fees on secured loans*

Interest expenses and fees on secured loans decreased by \$2,218,815, or 100% from \$2,218,815 for the year ended December 31, 2019 to \$Nil for the year ended December 31, 2020.

The significant decrease of interest expenses and fees on secured loans was due to all secured loans were repaid during the year ended December 31, 2019. Our secured loans were issued through Zhiyuan in previous years. There were no new secured loans issued in fiscal 2020 and we later disposed of Zhiyuan in September 2020.

### *Provision for loan losses*

The provisions for loan losses related to our direct loan and secured loan lending business conducted through Ding Xin before 2020. There were no new direct loans and secured loans issued in fiscal 2020 and we disposed of Ding Xing in September 30, 2020. Therefore, provisions for loan losses decreased by \$2,244,601, or 100%, from \$2,244,601 for the year ended December 31, 2019 to \$Nil for the year ended December 31, 2020.

### *Operating expenses*

Operating expense mainly consisted of salary and employee surcharges, office expenses, travel costs, entertainment expenses, depreciation of equipment, current expected credit losses, write-off of receivables, professional fees and office supplies. Operating expenses in total increased by \$2,738,909, or 200% for year ended December 31, 2020 compared to \$1,366,710 for the year ended December 31, 2019. The increase was primarily attributable by an increase of \$604,168 in salaries and employee surcharges and an increase of 1,609,839 in other operating expenses. The increases in both of these expenses were primarily due to the consolidation of Lixin's operating expenses for the full year in 2020, whereas the consolidation Lixin's operating expenses was only from December 20, 2019 to December 31, 2019. Operating expenses also include change in fair value of warrant liabilities. There was a minimal change in fair value in 2020 compared to 2019, resulting in a decrease of \$524,902 in gain from fair value change in warrant liabilities.

### *Income tax expenses*

We had income tax recovery of \$229,733 for the year ended December 31, 2020, as compared with income tax expense of \$244,741 for the year ended December 31, 2019.

Current income tax expenses increased by \$526,898 from \$187,067 for the year ended December 31, 2019 to \$771,639 for the year ended December 31, 2020. The increase was primarily caused by the full year consolidation of Lixin's operations in 2020 compared to the consolidation of Lixin's operations for only a small stub period in 2019.

Deferred income tax expenses changed from deferred tax expense of \$57,674, for the year ended December 31, 2019 to deferred tax recovery of \$1,001,372 for the ended December 31, 2020. The change was mainly due to the reversal of deferred income tax liabilities in connection with the changes in temporary differences.

### *Net income (loss) from discontinued operations, net of income tax*

During the year ended December 31, 2020, the net income from discontinued corporation, net of income tax is \$Nil. The Company, however, recorded a derecognition loss of \$1,953,248 from the disposition of Ding Xin in September 2020.

During the year ended December 31, 2019, the net income was comprised of a net loss of \$27,904,790 from discontinued operations of Feng Hui and a gain of \$54,750,808 from disposal of the discontinued operations of Feng Hui.

### *Net income*

As a result of the foregoing, we had a net loss of \$854,606 for the year ended December 31, 2020, as compared to a net income of \$24,288,908 for the year ended December 31, 2019.





***Year ended December 31, 2019 compared to year ended December 31, 2018***

*Revenues*

Our revenues from services increased by \$567,652 or 793%, from \$71,568 for the year ended December 31, 2018, to \$639,220 for the year ended December 31, 2019. The following table sets forth a breakdown of our revenue by services offered for the years ended December 31, 2019 and 2018:

	For the years ended December 31,		Variance	
	2019	2018	Amount	%
Management and assessment services	\$ 135,938	\$ 71,568	\$ 64,370	90%
Consulting services relating to debt collection	493,779	-	493,779	100%
Consulting services relating to financial guarantee services	9,503	-	9,503	100%
<b>Revenues from services</b>	<b>\$ 639,220</b>	<b>\$ 71,568</b>	<b>\$ 567,652</b>	<b>793%</b>

*Management and assessment services*

We commenced our management and assessment services in December 2018, which primarily involved factoring services, asset management services and financing services.

Revenues from management and assessment services increased by \$64,370, or 90% from \$71,568 for the year ended December 31, 2018 to \$135,938 for the year ended December 31, 2019. The primary reason of the increase was as we launched the services in December 31, 2018 and we recognized management and assessment services using a time-based measure of progress, a majority of revenues from the contracts obtained in 2018 were recognized in the year ended December 31, 2019.

*Consulting services relating to debt collection*

The Company provides consulting services relating to debt collection with certain factoring companies, through Lixin Cayman and its subsidiaries which were acquired in late December 2019. The debt collection services involved two performance obligations, and the service fee for each performance obligation are fixed and reflected the stand-alone selling price. In addition, a collected-amount based incentive is rewarded to the Company upon collection of outstanding debt.

- 1) assisting the customers to get court judgements on outstanding debt, and the Company recognized revenues over the period towards the completion of the performance obligation; and
- 2) assisting the customers to receive repayment on outstanding debt, and the Company recognized revenues upon completion of the performance obligation.

For the period from acquisition of Lixin Cayman and its subsidiaries on December 20, 2019 to December 31, 2019, the Company assisted four customers to get court judgments on outstanding debts and recognized revenue of \$176,984 through Lixin Cayman and its subsidiaries.

In addition, Zeshi was involved in consulting service relating to debt collection with one factoring company. The debt collection service involved one performance obligation which is to assist the customer to receive repayment on outstanding debt, and the Company recognized revenues upon completion of the performance obligation. For the year ended December 31, 2019, Zeshi assisted the customer to collect the debt and recognized revenue of \$316,795.

Because we were just engaged in consulting services relating to debt collection in December 2019, we did not generate any revenues for the year ended December 31, 2018.

### *Consulting services relating to financial guarantee services*

The Company provided financial consulting services to financial guarantee customers. Pursuant to the contracts with customers, the Company facilitated financial guarantee services between customers and financial guarantors, and charged referral fees at a fixed amount. The performance obligation is completed and control of the service is transferred at the inception of financial guarantee period. Transaction prices are generally paid upon successful facilitation. The Company recognizes the revenue at the inception of guarantee period.

From the acquisition date from December 20, 2019 to December 31, 2019, the Company generated minimal revenue from consulting services relating to financial guarantee services.

We were just engaged in consulting services relating to financial guarantee services in December 2019 and we did not generate any revenues for the year ended December 31, 2018.

### *Interest and fees income*

Interest and fee income consisted of interest and fee income generated from factoring business and from direct loans. For the year ended December 31, 2019, the interest and fee income was \$2,882,828, representing an increase of \$2,832,146, or 5,588% from \$50,682 for the year ended December 31, 2018. The increase was mainly attributable to an increase of \$2,747,103 in interest and fee income generated from factoring business, as we launched our factoring business in December 2018.

### *Interest expenses and fees on secured loans*

Interest expenses and fees on secured loans increased by \$2,193,697, or 8,734% from \$25,118 for the year ended December 31, 2018 to \$2,218,815 for the year ended December 31, 2019.

The significant increase of interest expenses and fees on secured loans was primarily driven by borrowings of secured loans of \$67,258,135 in December 2018 and borrowings of \$43,422,881 during the year ended December 31, 2019, leading to a one-month interest expense was recognized for the year ended December 31, 2018, while remaining interest expenses recognized for the year ended December 31, 2019.

All secured loans were repaid during the year ended December 31, 2019.

### *Provision for loan losses*

The provision for loan losses was determined by comparing the beginning and ending balance of allowance for loan losses for business and personal loans. If the ending balance of the allowance of loan losses after any charge offs (net of recoveries) is less than the beginning balance, it will be recorded as a "reversal"; if it is larger, it will be recorded as a "provision" in the allowance for loan loss. The netting amount of "reversal" and "provision" is presented in "provision for loan losses" in the condensed consolidated statements of operations and comprehensive loss.

Provision for loan losses increased by \$68,385, or 3%, from \$2,176,216 for the year ended December 31, 2018 to \$2,244,601 for the year ended December 31, 2019. The increase was caused by additional "doubtful" loans rolled to "loss" loans during the year ended December 31, 2019 as compared to that for the same period ended December 31, 2018. The provision for loan losses is maintained at a level believed to be reasonable by management to absorb probable losses inherent in the portfolio as of each balance sheet date. The provision is based on factors such as the size and current risk characteristics of the portfolio, an assessment of individual loans and actual loss, delinquency, and/or risk rating record within the portfolio.

### *Operating expenses*

Operating expense mainly consisted of salary and employee surcharges, business tax and surcharges, office expenses, travel costs, entertainment expenses, depreciation of equipment, investment impairment, professional fees and office supplies. Non-interest expenses increased by \$73,487, or 6% from \$1,293,223 for the year ended December 31, 2018 to \$1,366,710 for the year ended December 31, 2019. The increase was primarily attributable by a decrease of \$217,483 in changes of fair value of warrant liabilities because the Company was delisted from NASDAQ in September 2019, offset against a decrease of \$59,803 in salaries and employee surcharges due to resignation of employees as a result of downsized direct loan business, and a decrease of \$83,831 in other operating expenses due to the decrease in expenses related to direct loan business.

### *Income tax expenses*

We had income tax expenses of \$244,741 for the year ended December 31, 2019, as compared with \$17,635 for the year ended December 31, 2018.

Current income tax expenses increased by \$169,432 from \$17,635 for the year ended December 31, 2018 to \$187,067 for the year ended December 31, 2019. The increase was primarily caused by increase of \$168,127 in current income tax expenses incurred by Zeshi and Zhiyuan as a result of increasing taxable income generated during the year ended December 31, 2019.

Deferred income tax expenses changed from deferred tax expenses of \$nil for the year ended December 31, 2018 to deferred tax expenses of \$57,674 for the ended December 31, 2019. The change was mainly caused by the deferred tax expenses of \$64,468 generated by Lixin, against deferred tax benefits of \$6,794 arising from recognition of intangible assets from the Lixin Acquisition.

### *Net income (loss) from discontinued operations, net of income tax*

During the year ended December 31, 2019, the net income was comprised of a net loss of \$27,904,790 from discontinued operations of Feng Hui and a gain of \$54,750,808 from disposal of the discontinued operations of Feng Hui.

During the year ended December 31, 2018, the net loss of \$90,736,365 mainly represented a net loss of \$90,736,365 from discontinued operations of Feng Hui.

For details of disposition of Feng Hui, please refer to Note 5 to the consolidated financial statements in the Form 20-F.

### *Net income*

As a result of the foregoing, we had a net income of \$24,288,908 for the year ended December 31, 2019, as compared to a net loss of \$94,126,307 for the year ended December 31, 2018.

## **Taxation**

### *Cayman Islands*

Under the current tax laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends to the shareholders, no Cayman Islands withholding tax will be imposed.

### *British Virgin Islands*

Under the current tax laws of BVI, the Company's subsidiary incorporated in the BVI is not subject to tax on income or capital gains.

### *Hong Kong*

Roan HK and Lixin HK are incorporated in Hong Kong and are subject to Hong Kong Profits Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate for the first HKD\$2 million of assessable profits is 8.25% and assessable profits above HKD\$2 million will continue to be subject to the rate of 16.5% for corporations in Hong Kong, effective from the year of assessment 2018/2019. Before that, the applicable tax rate was 16.5% for corporations in Hong Kong. The Company did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong since inception. Under Hong Kong tax laws, Roan HK and Lixin HK are exempted from income tax on its foreign-derived income and there are no withholding taxed in Hong Kong on remittance of dividends.

### *PRC*

PRC subsidiaries are subject to PRC Enterprise Income Tax ("EIT") on the taxable income in accordance with the relevant PRC income tax laws. The EIT rate for companies operating in the PRC is 25%.

## **Critical Accounting Policies**

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) disclosure of contingent assets and liabilities at the end of each reporting period and (iii) the reported amounts of revenues and expenses during each reporting period. We continually evaluate these estimates and assumptions based on historical experience, knowledge and assessment of current business and other conditions, expectations regarding the future based on available information and reasonable assumptions, which together form a basis for making judgments about matters not readily apparent from other sources. The use of estimates is an integral component of the financial reporting process, though actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. Please refer to Note 3 of consolidated financial statements included in this 20-F annual report for the accounting policies critical to an understanding of our consolidated financial statements as their application places the most significant demands on the judgment of our management.

## **Recent Accounting Pronouncements**

A list of recently issued accounting pronouncements that are relevant to us is included in Note 3(II) of our audited consolidated financial statements included elsewhere in this annual report.

## **B. Liquidity and capital resources**

In assessing our liquidity, we monitor and analyze our cash on-hand and our operating and capital expenditure commitments. To date, we have financed our operations primarily through cash flows from operations, bank borrowings, and equity financing.

For the year ended December 31, 2020, the Company incurred net loss from continuing operations of approximately \$0.9 million, and cash outflows of approximately \$7.5 million from operating activities from continuing operations. The continuing net loss from continuing operations and cash outflow from operating activities caused the management's consideration of the Company's liquidity and its ability to continue as a going concern.

In assessing the Company's liquidity, the Company monitors and analyzes its cash and its ability to generate sufficient cash flow in the future to support its operating and capital expenditure commitments. The Company's liquidity needs are to meet its working capital requirements and operating expenses obligations.

As of December 31, 2020, the Company had cash balance of \$4,932,048 and a positive working capital of \$48,670,165. In addition to the cash balance, the working capital was mainly comprised of restricted cash of \$25,875,556, accounts receivable of 6,939,352, loan receivable due from third parties of \$17,670,652 and other receivables of \$3,545,753. The balances of these assets are expected to be repaid on maturity dates and will also be used for working capital.

In addition, the management estimated the operating expenses obligation for the next twelve months after issuance of the consolidated financial statements to be \$3.8 million, which will be covered by the cash flows of \$5.5 million generated from financial guarantee services and financial consulting services. The Company's shareholder also committed to provide continuous financial support to the Company whenever necessary.

The Company plans to fund its operations through revenue generated from its revenues of management and assessment services, financial guarantee services and financial consulting services, private placements from investors, and financial support commitments from the Company's shareholders.

Based on above operating plan, the management believes that the Company will continue as a going concern in the following 12 months.

The Company's ability to support its operating and capital expenditure commitments will depend on its future performance, which will be subject in part to general economic, competitive and other factors beyond its control. The impacts of COVID-19 may cause lockdowns, quarantines, travel restrictions, and closures of businesses and schools. As a result, the Company may experience delay of outstanding receivables from customers and limited access to cash to expand its operations. The extent to which the coronavirus impacts the Company's operation results for year 2021 will depend on certain future developments, including the duration of the COVID-19 pandemic, emerging information concerning the severity of the coronavirus and the actions taken by governments and private businesses to attempt to contain the coronavirus, all of which is uncertain at this point.

Current foreign exchange and other regulations in the PRC may restrict our PRC entities in their ability to transfer their net assets to the Company and its subsidiaries in Cayman Islands, and Hong Kong. However, these restrictions have no impact on the ability of these PRC entities to transfer funds to us as we have no present plans to declare dividend which we plan to retain our retained earnings to continue to grow our business. In addition, these restrictions have no impact on the ability for us to meet our cash obligations as all of our current cash obligations are due within the PRC.

A majority of our future revenues are likely to continue to be in the form of Renminbi. Under existing PRC foreign exchange regulations, Renminbi may be converted into foreign exchange for current account items, including profit distributions, interest payments and trade-and service-related foreign exchange transactions.

We expect that a substantial majority of our future revenues will be denominated in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

## Cash Flows

The following table sets forth a summary of our cash flows for the years ended December 31, 2020, 2019 and 2018.

	For the Years Ended		
	December 31,		
	2020	2019	2018
Net Cash (Used in) Provided by Operating Activities	\$ (7,461,511)	\$ (1,101,143)	\$ (2,199,042)
Net Cash Provided by (Used in) Investing Activities	6,332,631	85,965,056	(66,592,103)
Net Cash (Used in) Provided by Financing Activities	7,853,152	(64,138,838)	68,917,541
Effect of exchange rate changes on cash and cash equivalents	1,937,807	119,326	(5,150)
Net increase (decrease) in cash and cash equivalents, and restricted cash in banks	\$ 8,662,079	\$ 20,844,401	\$ 121,246

### *Operating activities*

#### Years Ended December 31, 2020 and 2019

Net cash used in operating activities was \$7,461,511 for the year ended December 31, 2020, an increase of \$6,360,368 from net cash used in operating activities of \$1,101,143 for the year ended December 31, 2019.

For the year ended December 31, 2020, we generated a net income of \$Nil from discontinued operation and had net cash used in discontinued operation of \$Nil, a change of \$26,846,018 and \$26,564 from net income of \$26,846,018 and net cash used in discontinued operation of \$26,564 for the year ended December 31, 2019.

We had net cash used in operating activities from continuing operations of \$7,461,511 for the year ended December 31, 2020, an increase of \$6,386,932 from \$1,074,579 for the year ended December 31, 2019. We incurred a net loss from continuing operations of \$854,606 for the year ended December 31, 2020, a decrease of \$1,702,504 from a net loss of \$2,557,110 for the year ended December 31, 2019. The decrease was primarily due to the full year consolidation of Lixin's positive net income in 2020 compared to consolidation of Lixin's positive net income only for the period from December 20, 2019 to December 31, 2019.

In addition to the change in net loss, the increase in net cash used in operating activities was the result of the following major changes in our working capital and non-cash items:

- An increase of \$3,116,533 in accounts receivable for the year ended December 31, 2020, as compared with an increase of \$206,442 for the same period ended December 31, 2019.
- An increase of \$3,215,702 in other current assets for the year ended December 31, 2020, as compared with an increase of \$289,694 for the same period ended December 31, 2019.
- A increase of \$3,268,571 in other receivable for the year ended December 31, 2020, as compared with a decrease of \$Nil for the same period ended December 31, 2019.
- An decrease of \$359,202 in pledged deposits and other non-current assets for the year ended December 31, 2020, as compared with an increase of \$Nil for the same period ended December 31, 2019.
- An increase of \$1,029,919 in tax payable for the year ended December 31, 2020, as compared with an increase of \$273,589 for the same period ended December 31, 2019.
- A decrease of \$1,079,811 in other liabilities for the year ended December 31, 2020, as compared with a decrease of \$Nil for the same period ended December 31, 2019.

### Years Ended December 31, 2019 and 2018

Net cash used in operating activities was \$1,101,143 for the year ended December 31, 2019, a decrease of \$1,097,899 from net cash used in operating activities of \$2,199,042 for the year ended December 31, 2018.

For the year ended December 31, 2019, we generated a net income of \$26,846,018 from discontinued operation and had net cash used in discontinued operation of \$26,564, a change of \$117,582,383 and \$607,750 from net loss of \$90,736,365 and net cash used in discontinued operation of \$634,314.

We had net cash used in operating activities from continuing operations of \$1,074,579 for the year ended December 31, 2019, a decrease of \$490,149 from \$1,564,728 for the year ended December 31, 2018. We incurred a net loss from continuing operations of \$2,557,110 for the year ended December 31, 2019, a decrease of \$832,832 from \$3,389,942 for the year ended December 31, 2018. In addition to the change in profitability, the decrease in net cash used in operating activities was the result of several factors, including:

- An increase of \$206,442 in accounts receivable for the year ended December 31, 2019, as compared with an increase of \$nil for the same period ended December 31, 2018. The change of accounts receivable arose from Lixin's business, which was acquired in December 2019;
- An increase of \$273,589 in tax payable for the year ended December 31, 2019, as compared with an increase of \$9,410 for the same period ended December 31, 2018. The changes were mainly caused by the increase of change in tax payable of Lixin which was acquired in December 2019.

### *Investing activities*

For the year ended December 31, 2020, we had net cash provided by investing activities of \$6,332,631 which was primarily attributable to: i) increase due to redemption of short-term investment of \$8,690,374; ii) increase due to proceeds from sale of property and equipment of \$837,969; and iii) decrease due to loan disbursements to third parties of \$3,467,607.

For the year ended December 31, 2019, we had net cash provided by investing activities of \$85,965,056 which was primarily attributable to: i) increase due to collection of borrowings from customers of \$107,833,488; ii) increase due to acquisition of cash, cash equivalents and restricted cash of \$21,442,122 through acquisition of Lixin; iii) decrease due to disbursement of loans to customers of \$43,422,881.

For the year ended December 31, 2018, we had net cash used in investing activities of \$66,592,103 which was attributable to: i) decrease due to disbursement of loans to customers of \$67,424,391; ii) increase due to collection of borrowings from customers of \$1,133,564.

### *Financing activities*

For the year ended December 31, 2020, we had net cash provided from financing activities of \$7,853,152, which was primarily attributable to proceeds from bank borrowings of \$8,341,311, against repayments of third-party loans and lease liabilities of \$280,268 and \$207,891.

For the year ended December 31, 2019, we had net cash used in financing activities of \$64,138,838 which was primarily attributable to borrowings from secured loans of \$43,422,281 and borrowings from a related party of \$279,020, against repayments of borrowings of secured loans of \$107,833,488.

For the year ended December 31, 2018, we had net cash provided by financing activities of \$68,917,541 which was primarily attributable to borrowings from secured loans of \$67,258,135 and proceeds raised in a private placement of \$1,690,391.

### **Holding Company Structure**

Roan Holdings Group Co., Ltd. ("Roan") is a holding company with no material operations of its own. We conduct our operations primarily through our PRC subsidiaries. As a result, Roan's ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of their registered capital. In addition, our wholly foreign-owned subsidiaries in China may allocate a portion of their after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at their discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.





### C. Research and development, Patents and License, etc.

As a financial company, our business does not rely on research and development. Accordingly, we have not incurred research and development expenses for the years ended December 31, 2020, 2019 and 2018.

For our intellectual property and license, please see “Item 4. Information on the Company-B. Business Overview.”

### D. Trend information

Other than as disclosed elsewhere in this Form 20-F, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

### E. Off-balance Sheet Arrangements

We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders’ equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

### F. Tabular Disclosure of Contractual Obligations

#### Contingencies

From time to time, the Company may be subject to certain legal proceedings, claims and disputes that arise in the ordinary course of business. Although the outcomes of these legal proceedings cannot be predicted, the Company does not believe these actions, in the aggregate, will have a material adverse impact on its financial position, results of operations or liquidity.

#### Lease commitments

As of December 31, 2020, the Company leases offices space under a number of non-cancellable operating lease arrangements, two of which had a term of over 12 months. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right of use assets and lease liabilities. Lease expense for operating lease is recognized on a straight-line basis over the lease term. The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In calculating the initial values of right of use assets and liabilities at inception date, the Company uses the rate implicit in the lease, when available or readily determinable, to discount lease payments to present value. When the leases do not provide a readily determinable implicit rate, the Company discount lease payments based on an estimate of its incremental borrowing rate.

The table below presents the operating lease related assets and liabilities recorded on the balance sheets.

	<b>December 31, 2020</b>
Right of use assets	<b>\$ 346,017</b>
Operating lease liabilities, current portion	\$ 191,643
Operating lease liabilities, noncurrent portion	102,767
Total operating lease liabilities	<b>\$ 294,410</b>

As of December 31, 2020, the weighted average remaining lease term was 1.95 years, and discount rates were 4.75% for the operating lease.

Rental expense for the years ended December 31, 2020, 2019 and 2018 was \$134,457, \$78,756 and \$10,896, respectively.

The following is a schedule, by years, of maturities of lease liabilities as of December 31, 2020:

Twelve months ended December 31, 2021	\$ 200,811
Twelve months ended December 31, 2022	71,624
Twelve months ended December 31, 2023	<u>36,075</u>
Total lease payments	<b>308,510</b>
Less: imputed interest	<u>(14,100)</u>
Present value of lease liabilities	<b><u>\$ 294,410</u></b>

## G. Safe Harbor

This annual report on Form 20-F contains forward-looking statements. These statements are made under the “safe harbor” provisions of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “may,” “intend,” “is currently reviewing,” “it is possible,” “subject to” and similar statements. Among other things, the sections titled “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company,” and “Item 5. Operating and Financial Review and Prospects” in this annual report on Form 20-F, as well as our strategic and operational plans, contain forward-looking statements. We may also make written or oral forward-looking statements in our filings with the SEC, in our annual report to shareholders, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements and are subject to change, and such change may be material and may have a material and adverse effect on our financial condition and results of operations for one or more prior periods. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained, either expressly or impliedly, in any of the forward-looking statements in this annual report on Form 20-F. All information provided in this annual report on Form 20-F and in the exhibits is as of the date of this annual report on Form 20-F, and we do not undertake any obligation to update any such information, except as required under applicable law.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and senior management

Below are the names of and certain information regarding the Company’s current executive officers and directors.

Name	Age	Position
Zhigang Liu	42	Chairman of the Board of Directors
Junfeng Wang	42	Chief Executive Officer
Lifang Lou	53	Acting Chief Financial Officer
Lihua Shen	48	Former Chief Financial Officer
Qingliang Yang	54	Director
Jianfeng Yin	51	Independent Director
John Chen	49	Independent Director
Yiguo Xu	49	Independent Director

The principal occupation and business experience during the past five years for our executive officers and directors is as follows:

**Mr. Zhigang Liu** was appointed as the Company’s Chairman and Chief Executive Officer, effective March 18, 2020 and December 1, 2019, respectively. Mr. Liu resigned from the CEO position on August 10, 2020. Before that he was a Vice President and Director of the Company since March 26, 2019. Mr. Liu has held numerous positions in sales and marketing with various companies in the PRC. Before joining the Company, he was a vice precedent (sales) of Wei Zhi Information Technology (Shanghai) Co., Ltd., a company in the computer software industry from 2018. He was responsible for the management of sales in the PRC. He was a vice president (sales) of Shanghai Ai Hui Ke Information Technology Co., Ltd., a company in the internet industry, from January 2017 to January 2018, responsible for sales strategy and management. He was a vice president (marketing) of Beijing Yuan Niao Technology Co., Ltd., a company in the internet industry, from December 2014 to January 2017. He earned his bachelor’s degree in computer science and technology from Beijing University of Technology in 1999 and his master’s degree in business management from Xiamen University in 2018.

**Mr. Qingliang Yang** was appointed as an executive director of the Company on April 2, 2021. Mr. Yang is the Chief Executive Officer and Executive Director of the China Representative Office of Jinxiang Guinea Mining Group Co., Ltd. and has held that position since March 2016. As the Chief Representative of Jinxiang Guinea Mining Group's operations in China, he is responsible for the overall planning, management and operations of the company's business in China. Prior to that role, Mr. Yang had held various senior management positions at major Chinese and international companies and organizations, including serving as the general manager of the China Project Management Office of the World Bank, the Vice-President of the Research Institute of China Communications and Transportation Association, and a director and Executive Vice-President of Shenzhen Civil Aviation Co., Ltd, among others. Mr. Yang has extensive experience in large enterprise management and rich social resources. Mr. Yang holds a Master's degree in international finance from Fudan University, Shanghai, China.

**Dr. Jianfeng Yin** was appointed as an independent director of the Company on March 18, 2020 and serves as the Chairman of our Corporate Governance and Nominating Committee. Dr. Yin has been a professor and doctoral advisor at University of International Business and Economics, a national university in Beijing, since August 2016. He is also a deputy director at National Institution for Finance & Development and the leading economist at China Zheshang Bank Co., Ltd. He was the deputy chief of the Institute of Finance of Chinese Academy of Social Sciences ("CASS") from July 2010 to July 2016. He was the director and assistant to chief at the research office of the Institute of Finance of CASS from July 2003 to July 2010. Dr. Yin was a visiting scholar at Yale University from July 2008 to Jun 2009. He received his bachelor degree from the Department of Electrical Engineering of Anhui College of Mechanical and Electrical Engineering in July 1991, his master degree from the School of Economics of Anhui University in July 2000, and his doctoral degree from the gradual school of CASS in July 2003.

**Mr. John Chen** is an independent director and serves as Chairman of the Company's Audit Committee. Mr. Chen is California Certified Public Accountant. Mr. Chen has been the Chief Financial Officer of General Steel Holding Inc. (OTCBB: GSIH) since May 2004. From 1997 to 2003, Mr. Chen was a Senior Accountant at Moore Stephens Frazer and Torbet. Mr. Chen received his Bachelor of Science degree in Business Administration, Accounting from California State Polytechnic University.

**Mr. Yiguo Xu** is an independent director appointed on March 26, 2019, and serves as Chairman of our Compensation Committee. Mr. Xu is the Secretary General of the National Institution for Finance and Development, the Dean of the Finance Faculty of the Graduate School of Chinese Academy of Social Sciences, the Deputy Director of the Finance Policy Research Centre of the Chinese Academy of Social Sciences and the Secretary General of Beijing CBD International Finance Research Academy. He writes extensively on finance policies and conducts researches in various topics. He earned his master's degree from the School of Finance of Renmin University of China and his PhD in finance from the Graduate School of Chinese Academy of Social Sciences.

**Mr. Junfeng Wang** was appointed as the Company's Chief Executive Officer, effective August 10, 2020. Mr. Wang served as a Technical Director with Beijing Chenglianxin Technology Co., Ltd., Internet in Logistics Platform section from 2016 to July 2020. From 2015 to 2016, he held the technical director position with Juewei Group Beijing Digital Marketing Center in the Food Processing Department. Mr. Wang holds an MBA degree from Beijing University of Posts and Telecommunications.

**Ms. Lifang Lou** was appointed as the Company's Acting Chief Financial Officer, effective May 10, 2021. Ms. Lou has 17 years of experience in accounting and financial management. Before joining the Company on February 20, 2021, she served as the Chief Financial Officer of Zhejiang Kuojie Technology Co., Ltd from January 2020 to January 8, 2021. From September 2016 to December 2019, she served as the Chief Financial Officer of Hangzhou Kangce Network Technology Co., Ltd. From January 2012 to September 2016, Ms. Lou served as the financial manager of Zhejiang Holoway Medical Technology Co., Ltd. From January 2007 to October 2011, she served as the financial director of Zhejiang Outlong Industrial Co., Ltd. From June 2004 to December 2006, Ms. Lou served as the financial manager of Hangzhou Water Axe Car Washing Equipment Co., Ltd. Ms. Lou obtained a bachelor's degree in accounting from Sichuan University and holds an intermediate accountant professional qualification certificate.

**Ms. Lihua Shen** was appointed as the Company's Chief Financial Officer, effective January 17, 2020. Ms. Shen resigned from the CFO position on May 7, 2021. She has over 29 years of accounting experience and has distinguished herself by her thorough knowledge of corporate finance and internal financial controls. Ms. Shen has held a number of senior financial positions with corporations in China, from director of finance to chief accountant. Prior to joining Roan, Ms. Shen had served as the director of finance for Lixin (Hangzhou) Asset Management Co., Ltd since 2017. From 2002 to 2017, Ms. Shen served as a department manager at Da Hua CPAs (Special General Partnership) Zhejiang Wanbang Branch. From 1998 to 2000, Ms. Shen served as the chief accountant for Wanxiang Qianchao Co., Ltd., before becoming an audit manager at Wanxiang Group. Ms. Shen holds the CICPA designation and is a graduate of Zhejiang University of Finance & Economics.

#### **Arrangements Concerning Election of Directors; Family Relationships**

Our current board of directors consists of five directors. We are not a party to, and are not aware of, any voting agreements among our shareholders. In addition, there are no family relationships among our executive officers and directors.

## **B. Compensation**

The aggregate compensation paid and share-based compensation and other payments expensed by us to our directors and executive officers with respect to the year ended December 31, 2020 was \$95,438. This amount does not include business travel, professional and business association dues and expenses reimbursed to office holders, and other benefits commonly reimbursed or paid by companies in our industry. We do not currently have a stock option or other equity incentive plan. We may adopt one or more such programs in the future. We do not have any written agreements with any director providing for benefits upon the termination of such director's relationship with us.

## **C. Board Practices**

### **Board of Directors**

Our Board of Directors consists of five (5) members. Previously we had a practice of appointing Directors to staggered three (3) year terms. On March 17, 2020, with the shareholders' consent, we changed all the directors' terms to one year. Each director holds office for one year, or until his or her earlier death, resignation or removal.

### *Director Independence*

Even if we elect to be a controlled company, a majority of our Board is independent. An "independent director" is defined under the Nasdaq rules generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which in the opinion of the company's board of directors, would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. Our Board has determined that Messrs. Si Shen (term ended on March 18, 2020), John Chen, Yiguo Xu and Jianfeng Yin (newly elected on March 18, 2020) are "independent directors" as defined in the Nasdaq listing standards and applicable SEC rules. Our independent directors will have regularly scheduled meetings at which only independent directors are present.

### *Leadership Structure and Risk Oversight*

The Board does not have a lead independent director. Mr. Liu Zhigang has been the Chairman of the Board since March 18, 2020 and was a co-chair of the Board and authorized to execute documents on behalf of the Company on December 15, 2019.

### **Policy Regarding Board Attendance**

Our directors are expected to attend Board meetings as frequently as necessary to properly discharge their responsibilities and to spend the time needed to prepare for each meeting. Our directors are expected to attend annual meetings of shareholders, but we do not have a formal policy requiring them to do so.

### **Committees of the Board of Directors**

The standing committees of our Board currently consists of an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

### *Audit Committee*

We have established an Audit Committee of the board of directors. As of December 31, 2020, Messrs. John Chen, Yiguo Xu, and Jianfeng Yin served as members of our Audit Committee and they are all independent. Si Shen's term ended on March 17, 2020 and succeeded by Mr. Yin on March 18, 2020. Mr. John Chen served as chairman of the Audit Committee.

Each member of the Audit Committee is financially literate and our board of directors has determined that Mr. John Chen qualifies as an "Audit Committee financial expert" as defined in applicable SEC rules.

We have adopted an Audit Committee charter, which details the responsibilities of the Audit Committee, including:

- the appointment, compensation, retention, replacement, and oversight of the work of the independent auditors and any other independent registered public accounting firm engaged by us;
- pre-approving all audit and non-audit services to be provided by the independent auditors or any other registered public accounting firm engaged by us, and establishing pre-approval policies and procedures;
- reviewing and discussing with the independent auditors all relationships the auditors have with us in order to evaluate their continued independence;
- setting clear hiring policies for employees or former employees of the independent auditors;
- setting clear policies for audit partner rotation in compliance with applicable laws and regulations;
- obtaining and reviewing a report, at least annually, from the independent auditors describing (i) the independent auditor's internal quality-control procedures and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within, the preceding five years respecting one or more independent audits carried out by the firm and any steps taken to deal with such issues;
- reviewing and approving any related party transaction required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC prior to us entering into such transaction; and
- reviewing with management, the independent auditors, and our legal advisors, as appropriate, any legal, regulatory or compliance matters, including any correspondence with regulators or government agencies and any employee complaints or published reports that raise material issues regarding our consolidated financial statements or accounting policies and any significant changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, the SEC or other regulatory authorities.

### ***Compensation Committee***

As of December 31, 2020, the members of our Compensation Committee were Messrs. John Chen, Yiguo Xu and Jianfeng Yin, succeeding Si Shen whose term ended on March 17, 2020. Mr. Yiguo Xu served as Chairman of the Compensation Committee. We have adopted a Compensation Committee charter, which details the principal functions of the Compensation Committee, including:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating our Chief Executive Officer's performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officer's based on such evaluation in executive session at which the Chief Executive Officer is not present;
- reviewing and approving the compensation of all of our other executive officers;
- reviewing our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- approving all special perquisites, special cash payments and other special compensation and benefit arrangements for our executive officers and employees;
- producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

The charter also provides that the Compensation Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser and will be directly responsible for the appointment, compensation and oversight of the work of any such adviser. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the compensation committee will consider the independence of each such adviser, including the factors required by Nasdaq and the SEC.

### ***Corporate Governance and Nominating Committee***

Our Corporate Governance and Nominating Committee will be responsible for, among other matters:

- identifying individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors;
- overseeing the organization of our board of directors to discharge the board's duties and responsibilities properly and efficiently;
- identifying best practices and recommending corporate governance principles; and
- developing and recommending to our board of directors a set of corporate governance guidelines and principles applicable to us.

As of December 31, 2020, our Corporate Governance and Nominating Committee consisted of Messrs. John Chen, Yiguo Xu and Jianfeng Yin, with Mr. Jianfeng Yin serving as the Chairman of the Corporate Governance and Nominating Committee, succeeding Si Shen whose term ended on March 17, 2020.

### **D. Employees**

As of December 31, 2020, the Company had 31 full time employees, including 2 employees employed by Zeshi Health, and 29 employees employed by Zehjiang Jingyuxin and Zhejiang Lixin. They have executed employment contracts with its employees in accordance with PRC Labor Law and Labor Contract Law. There are no collective bargaining contracts covering any of its employees. The Company believes its relationship with its employees is satisfactory.

We are required under PRC law to make contributions to employee benefit plans at specified percentages of our after-tax profit. In addition, we are required by PRC law to cover employees in China with various types of social insurance. For the years ended December 31, 2020, 2019 and 2018, we contributed approximately \$61,296, \$31,012, and \$33,999, respectively, to the employee benefit plans. The effect on our liquidity by the payments for these contributions is immaterial. We believe that we are in material compliance with the relevant PRC employment laws.

### **E. Share Ownership**

For information concerning the beneficial ownership of our ordinary shares by our executive officers and directors, see the table in Item 7A. "Major Shareholders and Related Party Transactions—Major shareholders."

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. Major shareholders

The following table sets forth information relating to the beneficial ownership of our Ordinary Shares as of May 17, 2021, by:

- Each of our directors and named executive officers;
- All of our directors and executive officers as a group;
- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our outstanding ordinary shares;

The number of ordinary shares beneficially owned by each entity, person, director or executive officer is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any ordinary shares over which the individual has sole or shared voting power or investment power as well as any ordinary shares that the individual has the right to acquire within 60 days of May 17 2021 through the exercise of any stock options, warrants or other rights. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all ordinary shares held by that person.

Ordinary shares that a person has the right to acquire within 60 days of May 17, 2021 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. Unless otherwise indicated in the footnotes to the table, the information presented in this table is based on based on 25,287,851 outstanding ordinary shares on May 17, 2021.

Named Executive Officers and Directors	Amount of Beneficial Ownership <sup>(1)</sup>	Percentage Ownership	Percentage Voting Power <sup>(2)</sup>
<b>Directors and Named Executive Officers:</b>			
Zhigang Liu, Chairman <sup>(3)</sup>	500,000	1.98%	1.92%
Qingliang Yang, Director <sup>(4)</sup>	419,900	1.66%	1.61%
Yiguo Xu, Director	-	-	-
Jianfeng Yin, Director	-	-	-
John Chen, Director	-	-	-
Junfeng Wang, Chief Executive Director <sup>(5)</sup>	613,000	2.42%	2.36%
Lifang Lou, Acting Chief Financial Officer <sup>(6)</sup>	-	-	-
Lihua Shen, Former Chief Financial Officer <sup>(7)</sup>	-	-	-
All directors and executive officers as a group (7 persons)	1,532,900	6.06%	5.89%
<b>5% Beneficial Owners:</b>			
Ruiheng Global Limited <sup>(8)</sup>	6,261,055	24.76%	24.08%
Qian Li <sup>(9)</sup>	6,157,881	24.35%	23.68%
Yuan Shen <sup>(10)</sup>	3,506,732	13.87%	13.49%
Yangwei Global Limited <sup>(11)</sup>	3,483,312	13.77%	13.40%
Jiyi Global Investments Limited <sup>(12)</sup>	2,034,501	8.05%	1.32%
Zhan Zhao Limited <sup>(13)</sup>	1,287,830	5.09%	4.95%

\* Less than 1%.

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the ordinary shares. All shares represent only ordinary shares held by shareholders as no options are issued or outstanding.
- (2) Ordinary Shares have one vote per share, and Class A Convertible Preferred Shares have one vote per share.
- (3) Consists of 60,667 Ordinary Shares held by Yangwei Global Limited in which Mr. Liu owns a 1.74% interest, 334,333 Ordinary Shares held by Jiyi Global Investments Limited in which Mr. Liu owns a 16.43% interest, 105,000 Ordinary Shares held by Ruiheng Global Limited in which Mr. Liu owns a 1.67% interest. All of the above shares were acquired in connection with the Business Combinations.
- (4) Consist of 411,010 Ordinary Shares held by Favour Plus Global Limited in which Mr. Yang owns 40% interest and 8,890 Ordinary Shares held by Ruiheng Global Limited in which Mr. Yang owns 0.142% interest. Mr. Qingliang Yang was appointed as an executive director on

April 2, 2021, succeeding Ms. Shuangping Feng who was a director during the 2020 fiscal year. Prior to Ms. Feng's resignation effective on April 2, 2021, she was deemed as beneficially owning 766,410 ordinary shares directly held by Qixiang Global Limited, a company in which Mr. Mengshi Feng owned 3.03% of the equity interest and 500,000 Class A preferred shares Mr. Feng owned directly because Mr. Mengshi Feng is the son of Shuangping Feng who may be deemed to beneficially own the 766,410 ordinary shares held by Qixiang Global Limited and the Class A preferred shares.



- (5) Consists of 4,467 Ordinary Shares held by Jiyi Global Investments Limited in which Mr. Wang owns a 0.22% interest, 265,533 Ordinary Shares held by Zhan Zhao Limited in which Mr. Wang owns a 20.619% interest, and 343,000 Ordinary Shares held by Zhong Yun Holdings Limited in which Mr. Wang owns a 68.125% interest. All of the above shares were acquired in connection with the Business Combinations.
- (6) Ms. Lifang Lou was appointed as the Company's Acting CFO, effective May 10, 2021.
- (7) Ms. Lihua Shen resigned from the Company's CFO position on May 7, 2021.
- (8) The Ordinary Shares held by Ruiheng Global Limited, a BVI company, are beneficially owned by Ms. Yuan Shen, the controlling shareholder, and Mr. Zhisan Yang, Ms. Wen Qi, Ms. Wen Li, Ms. Guixiang Luo, Mr. Quan Zhou, Ms. Shiping Gao, Ms. Qiangwei Yang and Mr. Zhigang Liu.
- (9) Consists of (i) 20,549 ordinary shares directly held by Qixiang Global Limited, a company in which Qian Li owns 2.174% interest; (ii) 1,526,903 ordinary shares directly held by Jiyi Global Investment Limited, a company in which Qian Li owns 75.05% interest; (iii) 1,236,907 ordinary shares directly held by Ruiheng Global Limited, a company in which Qian Li owns 19.756% interest; (iv) 3,040,604 ordinary shares directly held by Yangwei Global Limited, a company in which Qian Li owns 87.291% interest; (v) 332,918 ordinary shares directly held by Zhan Zhao Limited, a company in which Qian Li owns 25.851% interest. The above shares are held by Ms. Shiping Gao on behalf of Qian Li through a contractual arrangement and Qian Li may be deemed to be the beneficial owner of such shares.
- (10) Consists of (i) 936,354 ordinary shares directly held by Changman Limited, a company in which Yuan Shen owns 94.6% interest; (ii) 616,515 ordinary shares directly held by Favour Plus Global Limited, a company in which Yuan Shen owns 60.0% interest; (iii) 676,667 ordinary shares directly held by Xinglin Limited, a company in which Yuan Shen owns 68.1% interest; (iv) 770,000 ordinary shares directly held by Yimao Enterprises Limited, a company in which Yuan Shen owns 68.1% interest; (v) 158,363 ordinary shares directly held by Qixiang Global Limited, a company in which Yuan Shen owns 16.8% interest; (vi) 135,333 ordinary shares directly held by Yangwei Global Limited, a company in which Yuan Shen owns 3.9% interest; and (vii) 213,500 ordinary shares directly held by Zhan Zhao Limited, a company in which Yuan Shen owns 16.6% interest.
- (11) The Ordinary Shares held by Yangwei Global Limited, a BVI company, are beneficially owned by Ms. Qian Li, the controlling shareholder, Ms. Zhihong Zhang, Ms. Yunzhu Chi, Ms. Yuan Shen, Ms. Guifang Li, Ms. Shiping Gao, Mr. Shuai Guo, Mr. Qiang Jin, Mr. Zhigang Liu and Mr. Junfeng Wang. Ms. Gao exercises voting and dispositive power over the Ordinary Shares held by such entity.
- (11) The Ordinary Shares held by Jiyi Global Investments Limited, a BVI company, are beneficially owned by Ms. Qian Li, the controlling shareholder, and Mr. Cheng Sui, Mr. Jianfeng Zhang, Ms. Yuhua Liu, Ms. Cuiping Liu, Mr. Zhigang Liu, Mr. Wei Liu and Ms. Shiping Gao. Ms. Gao exercises voting and dispositive power over the Ordinary Shares held by such entity.
- (13) The Ordinary Shares held by Zhan Zhao Limited, a BVI company, are beneficially owned by Ms. Zhihong Zhang, Ms. Yuquan Zhang, Ms. Xiaolan Zhao, Ms. Hong Chen, Mr. Wei Liu, Ms. Yuan Shen, Ms. Shiping Gao and Mr. Junfeng Wang.

## **Change of Control**

In January 2020, our prior Chief Financial Officer, Ms. Jingping Li, resigned from such position. In March 2020, Ms. Li ceased to serve on the Board of Directors, and an original shareholder and former director, Shuangping Feng, was elected to the Board to replace Ms. Li. As a result of such departures, Ms. Li has ceased to exercise control over our Company. Our current largest shareholders and Board of Directors exercise effective control of our Company as of the date of this filing. Although we have issued an aggregate of 291,795,150 Class B convertible preferred shares in connection with our acquisition of Lixin Cayman and its subsidiaries, such shares have no voting rights. Such Class B convertible shares may be converted into ordinary shares at the holders' election after December 20, 2021, or the Company could redeem those Class B convertible shares. If the Class B convertible preferred shares are converted into ordinary shares, the holders of such ordinary shares would likely control our Company. Except as described in this report, no arrangements or understandings exist among present or former controlling shareholders with respect to the election of members of our Board and, to our knowledge, no other arrangements exist that might result in a change of control of the Company.

## **B. Related Party Transactions**

See Note 17 in Item 18 "Financial Statements" included in this Annual Report.

## **C. Interests of Experts and Counsel**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. Consolidated Statements and Other Financial Information.**

#### **Financial Statements**

See Item 18 “Financial Statements” included in this Annual Report.

#### **Legal Proceedings**

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

#### **Dividend Policy**

On March 21, 2017, the Company announced a dividend of \$0.036 per ordinary share which represents an amount equal to twenty-five percent (25%) of (i) the Company’s consolidated net income for the period beginning October 1, 2016 through December 31, 2016, less (ii) the amount of dividends paid, payable or otherwise accrued as preferred dividends with respect to the Company’s Class A preferred shares for such period. The dividend was paid on April 24, 2017 to holders of record of the Company’s ordinary shares on March 31, 2017. The dividend was paid in ordinary shares. No fractional shares were issued. All dividends were rounded up to the nearest whole number of ordinary shares. No cash payments were made for any fractional shares.

On May 26, 2017, the Company announced a dividend of \$0.047 per ordinary share which represents an amount equal to twenty-five percent (25%) of (i) the Company’s consolidated net income for the period beginning January 1, 2017 through March 31, 2017, less (ii) the amount of dividends paid, payable or otherwise accrued as preferred dividends with respect to the Company’s Class A preferred shares for such period. The dividend was paid on June 23, 2017 to holders of record of the Company’s ordinary shares on June 5, 2017. The dividend was payable in ordinary shares. No fractional shares were issued. All dividends were rounded up to the nearest whole number of ordinary shares. No cash payments were made for any fractional shares.

The Company intends to pay quarterly dividends dependent on its revenues and earnings, if any, capital requirements and general financial conditions, at the discretion of the Board of Directors.

### **B. Significant Changes**

Except as disclosed elsewhere in this Annual Report, there have been no other significant changes since December 31, 2020, until the date of the filing of this Annual Report.

## **ITEM 9. THE OFFER AND LISTING**

### **A. Offer and Listing Details**

Our ordinary shares and warrants have been listed on the OTC Pink Open Market (“OTC Market”) since January 8, 2020 under the symbols “RAHGF” and “RONWF,” respectively. Prior to January 8, 2020, our warrants were quoted under the symbol “CLDCF.” Our ordinary shares were listed on the Nasdaq Capital Market (the “Nasdaq Stock Market”) under the symbol “CLDC” before being delisted on September 6, 2019, and had since been quoted on the OTC Market under the symbol “CLDOF” until the symbol was changed to “RAHGF.”

The transfer agent for our ordinary shares and warrants is Continental Stock Transfer & Trust Company, 17 Battery Place, New York, New York 10004.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Our ordinary shares and warrants are currently quoted on the OTC Market under the symbols “RAHGF” and “RONWF,” respectively.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

**General**

We are a company incorporated in the British Virgin Islands as a BVI business company (company number 1819503) and our affairs are governed by our charter, the BVI Business Companies Act, 2004, as amended, (the “Companies Act”) and the common law of the British Virgin Islands. We are authorized to issue an unlimited number of both ordinary shares of no par value and preferred shares of no par value.

**Ordinary Shares**

As of December 31, 2020, there were 25,287,851 ordinary shares outstanding. Under the Companies Act, the ordinary shares are deemed to be issued when the name of the shareholder is entered in our register of members.

At any general meeting on a show of hands every ordinary shareholder who is present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy will have one vote for each share held on all matters to be voted on by shareholders. Voting at any meeting of the ordinary shareholders is by show of hands unless a poll is demanded. A poll may be demanded by shareholders present in person or by proxy if the shareholder disputes the outcome of the vote on a proposed resolution and the chairman shall cause a poll to be taken. Pursuant to the amended Memorandum and Articles of Association effective as of January 20, 2020, our shareholders may pass resolutions in writing without a meeting.

Our Board of Directors consists of one class of directors. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors (provided that, holders of at least 75% of the shares can remove a director with or without cause).

Our shareholders are entitled to receive ratable dividends when, as and if declared by the Board of Directors out of funds legally available therefor.

In the event of a liquidation or winding up of the Company, our shareholders are entitled to share ratably in all assets remaining available for distribution to them after payment of liabilities and after provision is made for each class of shares, if any, having preference over the ordinary shares. Our shareholders have no preemptive or other subscription rights. There are no sinking fund provisions applicable to the ordinary shares, except that we will provide our shareholders with the redemption rights set forth above.

### **Preferred Shares**

Our charter authorizes the issuance without shareholder approval of an unlimited number of preferred shares divided into five classes, Class A through Class E, each with such designation, rights and preferences as are set out in the memorandum and articles of association or as may be determined by a resolution of our Board of Directors to amend the charter to create such designations, rights and preferences. We have five classes of preferred shares to give us flexibility as to the terms on which each class is issued. Accordingly, starting with five classes of preference shares will allow us to issue shares at different times on different terms. Our Board of Directors is empowered, without shareholder approval, to issue preferred shares with dividend, liquidation, redemption, voting or other rights, which could adversely affect the voting power or other rights of the holders of ordinary shares. These preferred shares could be utilized as a method of discouraging, delaying or preventing a change in control of us.

The rights of preferred shareholders may only be amended by a resolution to amend our charter, provided such amendment is also approved by a separate resolution of a majority of the votes of preferred shareholders who being so entitled attend and vote at the class meeting of the relevant preferred class. If our preferred shareholders want us to hold a meeting of preferred shareholders (or of a class of preferred shareholders), they may requisition the directors to hold one upon the written request of preferred shareholders entitled to exercise at least 30 percent of the voting rights in respect of the matter (or class) for which the meeting is requested. Under BVI law, we may not increase the required percentage to call a meeting above 30 percent.

As of December 31, 2020, there were 715,000 Class A Convertible Preferred Shares and 291,795,150 Class B Convertible Preferred Shares issued and outstanding.

### **Class A Convertible Preferred Shares**

On July 6, 2016, in connection with of the First Business Combination, we issued 715,000 shares of Class A Convertible Preferred Shares in a PIPE offering. The total amount raised from issuance of Class A Convertible Preferred Shares was \$8,580,000. Pursuant to the terms of the Share Exchange Agreement, immediately prior to the consummation of the Business Combination, the Company consummated a private placement of 715,000 shares of newly created Class A Convertible Preferred Shares. The Class A Convertible Preferred Shares were sold at a purchase price of \$12.00 per share and the Class A Convertible Preferred Shares are entitled to a dividend of 8% per annum. Each Class A Convertible Preferred Shares are convertible at any time into one ordinary share at an initial conversion price of \$12.00 per share, subject to adjustment; provided, however that the Class A Convertible Preferred Shares shall automatically convert at such time that the average closing price of the ordinary shares is at least \$16.00. In the event of any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary, each holder of a Class A Convertible Preferred Shares shall be entitled to receive a liquidation preference of \$12.00 per share, plus an amount equal to accumulated and unpaid dividends on such shares to (but excluding) the date fixed for liquidation, winding-up or dissolution to be paid out of the assets of the Company available for distribution to its members, after satisfaction of liabilities owed to the Company's creditors and holders of any senior shares and before any payment or distribution is made to holders of any ordinary shares or other junior shares.

Each Class A Preferred Share confers upon the Member (unless waived by such Member): (a) the right to one vote at a meeting of the Members of the Company or on any Resolution of Members; (b) the right to be redeemed on the Redemption Date; (c) the right to the dividends on Class A Preferred Shares; (d) The right to the liquidation preference; and (e) the right to convert to Ordinary Shares and the obligation to convert to Ordinary Shares, pursuant to the M&A.

On December 6, 2019, we amended our Memorandum and Articles of Association to (a) create a new class of shares designated as the Class B Preferred Shares, and (b) amend the rights of the existing Class A Preferred Shares, among other things, to allow for the new Class B Preferred Shares to rank senior to the Class A Preferred Shares on a liquidation.

Pursuant to the Amended and Restated Memorandum and Articles of Association (the “Amended M&A”), the Class A Members shall have the right to convert their Class A Preferred Shares, in whole or in part, into Ordinary Shares at a rate of one Ordinary Share for each Class A Preferred Share (the “Early Conversion Rate”), subject to adjustment and satisfaction of the conversion procedures. The Directors shall have the right to convert any or all of the Class A Preferred Shares, in whole or in part, into Ordinary Shares at the Early Conversion Rate, subject to adjustment and satisfaction of the conversion procedures.

Upon the occurrence of any reorganization event, the Directors shall have the right: (a) to convert any or all of the Class A Preferred Shares, in whole or in part, into Ordinary Shares at the Early Conversion Rate subject to adjustment; or (b) to repurchase or redeem any or all of the Class A Preferred Shares, in whole or in part, for a cash amount equal to the value of the Class A Preferred Shares originally issued have converted at the election of their holders, being repurchased or redeemed on an as-converted basis.

In the event of any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary, each Class A Member shall be entitled to receive the Liquidation Preference per Class A Preferred Share, plus an amount (the Liquidation Dividend Amount) equal to accumulated and unpaid dividends on such shares to (but excluding) the date fixed for liquidation, winding-up or dissolution to be paid out of the assets of the Company available for distribution to its Members, after satisfaction of liabilities owed to the Company’s creditors and holders of any Senior Shares and before any payment or distribution is made to holders of any Junior Shares, including, without limitation, Ordinary Shares. None of the sale of all or substantially all of the assets or business of the Company and its subsidiaries taken as a whole (other than in connection with the liquidation, winding-up or dissolution of the Company), the merger or consolidation of the Company into or with any other person, the sale of a majority of the outstanding equity interests of the Company, nor other Reorganization Event or other similar transaction that results in a change in control of the Company shall be deemed to be a liquidation, winding-up or dissolution, voluntary or involuntary, of the Company.

As of December 31, 2020, dividend of \$686,400 was accrued for Class A Preferred Shares and the balance for Class A Preferred Shares was \$11,025,327.

#### **Class B Convertible Preferred Share**

On December 20, 2019, in connection with of the Second Business Combination, we issued 291,795,150 Class B convertible preferred shares in the acquisition of Lixin Cayman and its subsidiaries. Pursuant to the Share Purchase Agreement with Lixin Cayman and certain selling shareholders entered into on June 13, 2019, the Company acquired a 65.0177% interest in Lixin Cayman from its selling shareholders in exchange for ordinary shares of the Company to be issued to the selling shareholders for a total consideration of RMB 276.00 million (later adjusted to \$31.09 million (RMB 217.88 million)). On August 23, 2019, the parties entered into a supplementary agreement to amend the payment term of the purchase price. Pursuant to the supplementary agreement, Lixin shareholders will receive non-voting preferred shares that will have the right to convert into common shares at the holders’ election after two years from the closing date of the acquisition. The transaction was closed on December 20, 2019 upon the Company’s issuance of 291,795,150 Class B convertible preferred shares as the consideration to the selling shareholders for the 65.0177% equity interest in Lixin Cayman. The Class B convertible preferred shares are embedded with liquidation preference and dividend preference but with no voting rights. Upon the second anniversary of the closing date, the preferred shares may be convertible to ordinary shares at a conversion price calculated at the average closing price per share for ninety consecutive trading days before conversion date.

Pursuant to the Amended M&A, each Class B Preferred Share confers upon the Member (unless waived by such Member): (a) no right to vote at a meeting of the Members of the Company or on any Resolution of Members; (b) no right to receive any dividends declared on any Shares of the Company; (c) the right to be converted on the Class B Conversion Date; and (d) the right to the liquidation preference. The Class B Preferred Shares shall automatically convert into Ordinary Shares of the Company on the Class B Conversion Date at a rate of one Ordinary Share per Class B Preferred Share, provided that the Directors shall be entitled to amend the definition of ‘Class B Conversion Date’ to alter the date on which each Class B Preferred Share is converted and thereby extending or reducing the term after which each Class B Preferred Share is converted. Upon the occurrence of any reorganization event, the Directors shall have the right: (a) to convert any or all of the Class B Preferred Shares, in whole or in part, into Ordinary Shares at a rate of 1 Ordinary Share per Class B Preferred Share; or (b) to repurchase or redeem any or all of the Class B Preferred Shares, in whole or in part, for a cash amount equal to the value of the Class B Preferred Shares being repurchased or redeemed on an as-converted basis.

In the event of any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary, each Class B Member shall be entitled to receive, in priority to the holders of any other class of Shares in the Company, an amount equal to their pro rata share of the Class B Liquidation Preference Amount (calculated by reference to the number of Class B Preferred Shares held by the relevant Class B Member as a percentage of all issued Class B Preferred Shares held by all Class B Members). In the event that the assets of the Company are insufficient to pay in full the Class B Liquidation Preference Amount, the entitlement of each Class B Member shall be reduced ratably. For the liquidation purposes, the Class B Shares shall be considered Senior Shares. After the payment to any Class B Member of their full entitlement to their pro rata share of the Class B Liquidation Preference Amount for each of such Class B Member’s Class B Preferred Shares, such Class B Member as such shall have no right or claim to any of the remaining assets of the Company.

As of December 31, 2020, there were 291,795,150 Class B preferred shares issued and outstanding.

## **Warrants**

As of December 31, 2020, there were 9,903,401 warrants of the Company outstanding, of which 6,860,063 were designated “public warrants,” 33,134 are designated “private warrants”, 1,387,126 were designated “Sponsor warrants”, 1,000,000 warrants were transferred to employees of the Company from DeTiger, 576,924 warrant were issued to investors of private placement in July 2018 and 46,154 warrants issued to placement agent of the private placement.

Each public warrant entitles the registered holder to purchase one half of one ordinary share at a price of \$12.00 per full share, subject to adjustment as discussed below, at any time commencing on the completion of the Business Combination. Pursuant to the Warrant Agreement, a warrant holder may exercise its warrants only for a whole number of shares. This means that only an even number of warrants may be exercised at any given time by a warrant holder. However, no public warrants will be exercisable for cash unless we have an effective and current registration statement covering the ordinary shares issuable upon exercise of the warrants and a current prospectus relating to such ordinary shares. Notwithstanding the foregoing, if a registration statement covering the ordinary shares issuable upon exercise of the public warrants is not effective within 90 days from the Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when we shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act. If an exemption from registration is not available, holders will not be able to exercise their warrants on a cashless basis. The warrants will expire on July 6, 2021 at 5:00 p.m., New York City time.

The private warrants and Sponsor warrants are identical to the public warrants except that such warrants will be exercisable for cash (even if a registration statement covering the ordinary shares issuable upon exercise of such warrants is not effective) or on a cashless basis, at the holder’s option, and will not be redeemable by us, in each case so long as they are still held by the initial purchasers or their affiliates.

We may call the warrants for redemption (excluding the private warrants and Sponsor warrants but including any outstanding warrants issued upon exercise of the purchase option issued to EarlyBird and/or its designees), in whole and not in part, at a price of \$0.01 per warrant:

- at any time while the warrants are exercisable,
- upon not less than 30 days' prior written notice of redemption to each warrant holder,
- if, and only if, the reported last sale price of the ordinary shares equals or exceeds \$18.00 per share, for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders, and
- if, and only if, there is a current registration statement in effect with respect to the ordinary shares underlying such warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

The right to exercise will be forfeited unless the warrants are exercised prior to the date specified in the notice of redemption. On and after the redemption date, a record holder of a warrant will have no further rights except to receive the redemption price for such holder's warrant upon surrender of such warrant.

The redemption criteria for our warrants have been established at a price which is intended to provide warrant holders a reasonable premium to the initial exercise price and provide a sufficient differential between the then-prevailing share price and the warrant exercise price so that if the share price declines as a result of our redemption call, the redemption will not cause the share price to drop below the exercise price of the warrants.

If we call the warrants for redemption as described above, our management will have the option to require all holders that wish to exercise warrants to do so on a "cashless basis." In such event, each holder would pay the exercise price by surrendering the warrants for that number of ordinary shares equal to the quotient obtained by dividing (x) the product of the number of ordinary shares underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of the ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants. Whether we will exercise our option to require all holders to exercise their warrants on a "cashless basis" will depend on a variety of factors including the price of our ordinary shares at the time the warrants are called for redemption, our cash needs at such time and concerns regarding dilutive share issuances.

The exercise price and number of ordinary shares issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or our recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of ordinary shares at a price below their respective exercise prices.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified or official bank check payable to us, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of ordinary shares and any voting rights until they exercise their warrants and receive ordinary shares. After the issuance of ordinary shares upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

Warrant holders may elect to be subject to a restriction on the exercise of their warrants such that an electing warrant holder would not be able to exercise their warrants to the extent that, after giving effect to such exercise, such holder would beneficially own in excess of 9.8% of the ordinary shares outstanding.

No fractional shares will be issued upon exercise of warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round up or down to the nearest whole number the number of ordinary shares to be issued to the warrant holder.

In connection with the private placement closed on July 10, 2018, the Company issued Series A warrants to investors to purchase a total of 576,924 ordinary shares with a warrant term of four (4) years. The Series A Warrants have an exercise price of \$2.60 per share. On January 9, 2019, the Board of the Company approved an downward adjustment of exercise price from \$2.6 to \$1.18. The Series A Warrants have customary anti-dilution protections including a “full ratchet” anti-dilution adjustment provision which are triggered in the event the Company sells or grants any additional shares of common stock, options, warrants or other securities that are convertible into common stock at a price lower than \$2.60 per share. The anti-dilution adjustment provision is not triggered by certain “exempt issuances” which among other issuances, includes the issuance of shares of common stock, options or other securities to officers, employees, directors, consultants or service providers.

In connection with the private placement closed on July 10, 2018, the investors also received Series B warrants with an initial face amount of 200,000 ordinary shares, which are subject to adjustment not in excess of an aggregate of 462,843 ordinary shares (the “Series B Warrants”) for nominal consideration. If on the 30th day after the closing date of the transaction (the “Adjustment Date”), the closing bid price of the Company’s ordinary shares is less than \$2.60, the investors shall have the right to exercise the Series B Warrants and the number of ordinary shares to be issued to the investors upon exercise of the Series B Warrants shall be adjusted (upward or downward, as necessary) based on the closing bid price of the Company’s ordinary shares on such date. On August 9, 2018, the closing bid price of the Company’s ordinary shares was \$1.29, and thus the investors exercised the Series B Warrant for 390,579 ordinary shares at \$391.

On April 6, 2018, the Company entered into a letter agreement with FT Global Capital, Inc., as exclusive placement agent (the “Placement Agent”), pursuant to which the Placement Agent has agreed to act as placement agent on a best efforts basis in connection with the above offering. In addition to the cash payments, the Company has also agreed to issue to the Placement Agent a warrant to purchase a number of ordinary shares equal to 6.0% of the aggregate number of ordinary shares sold in this offering, which warrant will have the same term as Series A Warrants, including exercise price, vesting period and anti-dilution terms.

### **Purchase Option**

EarlyBird (and/or its designees) was issued an option to purchase up to 600,000 units at \$11.75 per unit. The option represented the right to purchase up to 660,000 ordinary shares and 600,000 warrants to purchase 300,000 full shares. The purchase option may be exercised for cash or on a cashless basis, at the holder’s option, at any time prior to September 30, 2019, the five-year anniversary of the effective date of the IPO registration statement. Notwithstanding anything to the contrary, neither the option nor the warrants underlying the option shall be exercisable after September 30, 2019. The option grants to holders demand and “piggy back” rights for periods of five and seven years, respectively, from September 30, 2014 (the effective date of the IPO registration statement) with respect to the registration under the Securities Act of the securities directly and indirectly issuable upon exercise of the option. We will bear all fees and expenses attendant to registering the securities, other than underwriting commissions, which will be paid for by the holders themselves. The exercise price and number of units issuable upon exercise of the option may be adjusted in certain circumstances including in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation. However, the option will not be adjusted for issuances of ordinary shares at a price below its exercise price. We will have no obligation to net cash settle the exercise of the purchase option or the rights or warrants underlying the purchase option. The holder of the purchase option will not be entitled to exercise the purchase option or the warrants underlying the purchase option unless a registration statement covering the securities underlying the purchase option is effective or an exemption from registration is available. If the holder is unable to exercise the purchase option or underlying warrants, the purchase option or warrants, as applicable, will expire worthless. The purchase option was not exercised by the option holder prior to September 30, 2019 and, therefore, was expired in the year ended December 31, 2019.

### **Registration Rights**

Concurrently with the consummation of our IPO, in October 2014, the Company granted certain investors registration rights pursuant to a Registration Rights Agreement. The holders of 25% of the securities subject to the Registration Rights Agreement are entitled to make up to three demands, excluding short form registration demands, that we register such securities for sale under the Securities Act. In addition, the holders have certain “piggy-back” registration rights with respect to registration statements filed subsequent to our Business Combination.



We have agreed that as soon as practicable, but in no event later than ninety (90) days, after the Business Combination, we will use our best efforts to file with the SEC a registration statement for the registration, under the Securities Act, of the ordinary shares issuable upon exercise of the public warrants. We have agreed to use our best efforts to cause the same to become effective and to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the expiration of the public warrants in accordance with the provisions of the Warrant Agreement.

We have agreed to use commercially reasonable efforts to have a registration statement registering the resale of the Company's ordinary shares issuable upon conversion of the Class A Convertible Preferred Shares under the Securities Act declared effective within one hundred eighty (180) days after the closing of the Business Combination.

On July 6, 2016 and in connection with the Business Combination, the Company entered into a Registration Rights Agreement with the Sellers. Under the Registration Rights Agreement, the Sellers hold registration rights that will obligate the Company to register for resale under the Securities Act, all or any portion of the shares held by them issued in connection with the share exchange so long as such shares are not then restricted under the Lock-Up Agreement. Subject to certain exceptions, if any time after the closing of the Business Combination, the Company proposes to file a registration statement under the Securities Act with respect to its securities, under the Registration Rights Agreement, the Company shall give notice to the Sellers as to the proposed filing and offer the Sellers an opportunity to register the sale of such number of shares as requested by the Sellers in writing. In addition, subject to certain exceptions, Sellers will be entitled under the Registration Rights Agreement to request in writing that the Company register the resale of their shares on Form F-3 and any similar short-form registration that may be available at such time.

Pursuant to a registration statement on Form F-1 declared effective on December 21, 2017, we registered 2,229,572 Ordinary Shares, 2,420,260 Warrants to purchase Ordinary Shares and 1,210,130 Ordinary Shares issuable upon exercise of our warrants.

#### **Lock-Up Agreement**

On July 6, 2016 and in connection with the Business Combination, the Sellers entered into a Lock-Up Agreement. Under the Lock-Up Agreement, each Seller agrees that such Seller will not, from the closing of the Business Combination until the first anniversary of the closing (or if earlier, the date on which the Company consummates a liquidation, merger, share exchange or other similar transaction with an unaffiliated third party that results in all of the Company's shareholders having the right to exchange either equity holdings in us for cash, securities or other property), (i) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act with respect to any of the shares held by them issued in connection with the share exchange, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the shares held by them issued in connection with the share exchange, in cash or otherwise, or (iii) publicly announce any intention to effect any transaction specified in clause (i) or (ii). Each Seller further agrees that the shares held in escrow will continue to be subject to such transfer restrictions until they are released from the escrow account. However, each Seller will be allowed to transfer any of the shares held by them issued in connection with the share exchange (other than the shares held in escrow while they are held in the escrow account) by gift, will or intestate succession or to any affiliate, shareholder, members, party or trust beneficiary, provided in each such case that the transferee thereof agrees to be bound by the restrictions set forth in the Lock-up Agreement. Additionally, each Seller will be allowed to pledge the shares held by them issued in connection with the share exchange (other than the shares held in escrow while they are held in the escrow account) to an unaffiliated third party as a guarantee to secure borrowings made by such third party to Adrie or any of its subsidiaries or and variable interest entities.

## **Escrow Agreements**

On September 30, 2014, the Company entered into an Escrow Agreement with certain investors. The shares held by these investors are subject to certain transfer restrictions. The investors have agreed not to transfer, assign or sell any of their ordinary shares (except to certain permitted transferees) until, with respect to 50% of the shares, the earlier of (i) one year after the date of the Business Combination or (ii) the date on which the closing price of our ordinary shares equals or exceeds \$12.50 per share (as adjusted for stock splits, stock dividends, reorganizations and recapitalizations) for any 20 trading days within any 30-trading day period commencing after our Business Combination, with respect to the remaining 50% of the shares held by them, upon one year after the date of the consummation of our Business Combination, or earlier, in either case, if, subsequent to our Business Combination, we consummate a subsequent liquidation, merger, stock exchange or other similar transaction which results in all of our shareholders having the right to exchange their ordinary shares for cash, securities or other property.

On July 6, 2016 and in connection with the Business Combination, the Company and the seller representative (on behalf of the Sellers) entered into an Escrow Agreement with Continental Stock Transfer & Trust Company. Pursuant to the Escrow Agreement, the escrow agent will hold the escrow shares in a segregated escrow account, to be held and disbursed as agreed to in the Share Exchange Agreement.

## **C. Material Contracts**

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

## **D. Exchange controls**

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations promulgated by the State Council, as amended on August 5, 2008, or the Foreign Exchange Regulations. Under the Foreign Exchange Regulations, the RMB is freely convertible for current account items, as long as true and lawful transaction basis is provided, but not for capital account items, such as capital transfer, direct investments, loans, repatriation of investments, investments in securities and derivatives outside of the PRC, unless the prior approval of the State Administration of Foreign Exchange, or the SAFE, is obtained and prior registration with the SAFE is made.

## **E. Taxation**

*The following description is not intended to constitute a complete analysis of all tax consequences relating to the ownership and disposition of our securities. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.*

### **British Virgin Islands Taxation**

Under the law of the British Virgin Islands as currently in effect, a holder of our shares who is not a resident of the British Virgin Islands is not liable for British Virgin Islands income tax on dividends paid with respect to our shares, and all holders of our securities are not liable to the British Virgin Islands for income tax on gains realized on the sale or disposal of such securities. The British Virgin Islands does not impose a withholding tax on dividends paid by a company incorporated or re-registered under the BVI Act.

There are no capital gains, gift or inheritance taxes levied by the British Virgin Islands on companies incorporated or re-registered under the BVI Act. In addition, securities of companies incorporated or re-registered under the BVI Act are not subject to transfer taxes, stamp duties or similar charges.

There is no income tax treaty or convention currently in effect between the United States and the British Virgin Islands, although a Tax Information Exchange Agreement is in force.

## U.S. Federal Income Taxation

### General

The following is a summary of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of our ordinary shares. The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to a beneficial owner of our ordinary shares that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A beneficial owner of our ordinary shares that is described above is referred to herein as a “U.S. Holder.” If a beneficial owner of our ordinary shares is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a “Non-U.S. Holder.” The material U.S. federal income tax consequences applicable specifically to Non-U.S. Holders are described below under the heading “Non-U.S. Holders.”

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder based on such holder’s individual circumstances. In particular, this discussion considers only holders that own and hold our ordinary shares as capital assets within the meaning of Section 1221 of the Code, and does not discuss the potential application of the alternative minimum tax or the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or financial services entities;
- broker-dealers;
- persons that are subject to the mark-to-market accounting rules under Section 475 of the Code;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 5% or more of our voting shares;

- persons that acquired our ordinary shares pursuant to an exercise of employee options, in connection with employee incentive plans or otherwise as compensation;
- persons that hold our ordinary shares as part of a straddle, constructive sale, hedging, conversion or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- controlled foreign corporations; or
- passive foreign investment companies.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or non-U.S. tax laws or, except as discussed herein, any tax reporting obligations applicable to a holder of our ordinary shares. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold our ordinary shares through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our ordinary shares, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. This discussion also assumes that any distribution made (or deemed made) in respect of our ordinary shares and any consideration received (or deemed received) by a holder in connection with the sale or other disposition of such ordinary shares will be in U.S. dollars. In addition, this discussion assumes that we will be treated as a foreign corporation for U.S. federal income tax purposes.

We have not sought, and will not seek, a ruling from the Internal Revenue Service (“IRS”) or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

THIS DISCUSSION IS ONLY A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES. IT IS NOT TAX ADVICE. EACH HOLDER OF OUR ORDINARY SHARES IS URGED TO CONSULT ITS OWN TAX ADVISOR IN RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND ANY APPLICABLE TAX TREATIES.

## **U.S. Holders**

### **Taxation of Cash Distributions Paid on Ordinary Shares**

Subject to the passive foreign investment company (“PFIC”) rules discussed below, a U.S. Holder generally will be required to include in gross income as ordinary income the amount of any cash dividend paid on our ordinary shares. A cash distribution on such ordinary shares generally will be treated as a dividend for U.S. federal income tax purposes to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Such dividend generally will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The portion of such cash distribution, if any, in excess of such earnings and profits will be applied against and reduce (but not below zero) the U.S. Holder’s adjusted tax basis in our ordinary shares. Any remaining excess generally will be treated as gain from the sale or other taxable disposition of such ordinary shares.

With respect to non-corporate U.S. Holders, any such dividends may be subject to U.S. federal income tax at the lower applicable regular long term capital gains tax rate (see “— Taxation on the Disposition of Ordinary Shares” below) provided that (1) our ordinary shares are readily tradable on an established securities market in the United States, (2) we are not a PFIC, as discussed below, for either the taxable year in which such dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. Under published IRS authority, ordinary shares are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the Nasdaq Capital Market. Although our ordinary shares are currently listed on the Nasdaq Capital Market, U.S. Holders nevertheless should consult their own tax advisors regarding the availability of the lower rate for any dividends paid in respect to our ordinary shares.

### **Taxation on the Disposition of Ordinary Shares**

Upon a sale or other taxable disposition of our ordinary shares, and subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder’s adjusted tax basis in the ordinary shares.

The regular U.S. federal income tax rate on capital gains recognized by U.S. Holders generally is the same as the regular U.S. federal income tax rate on ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders generally are subject to U.S. federal income tax at a maximum regular rate of 20%. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder’s holding period for the ordinary shares exceeds one year. The deductibility of capital losses is subject to various limitations.

### **Passive Foreign Investment Company Rules**

A foreign (i.e., non-U.S.) corporation will be a PFIC if either (a) at least 75% of its gross income in a taxable year of the foreign corporation, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income, or (b) at least 50% of its assets in a taxable year of the foreign corporation, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents or royalties derived from the active conduct of a trade or business), and gains from the disposition of passive assets.

Based on the composition (and estimated values) of the assets and the nature of our income and that of our subsidiaries during the taxable year ended December 31, 2018, we believe that we may be treated as a PFIC for such year. However, because we have not performed a definitive analysis as to our PFIC status for such taxable year, there can be no assurance in respect to our PFIC status for such taxable year. There also can be no assurance in respect to our status as a PFIC for our current taxable year or any future taxable year.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of our ordinary shares, and such U.S. Holder did not make either a timely qualified electing fund (“QEF”) election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) our ordinary shares, a QEF election along with a purging election or a mark-to-market election, each as described below, such holder generally will be subject to special rules for regular U.S. federal income tax purposes in respect to:

- any gain recognized by the U.S. Holder on the sale or other disposition of its ordinary shares; and
- any “excess distribution” made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the ordinary shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder’s holding period for the ordinary shares).

Under these rules,

- the U.S. Holder's gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the ordinary shares;
- the amount allocated to the U.S. Holder's taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder's holding period before the first day of our first taxable year in which we qualified as a PFIC, will be taxed as ordinary income;
- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.

In general, if we are determined to be a PFIC, a U.S. Holder may avoid the PFIC tax consequences described above in respect to our ordinary shares by making a timely QEF election (or a QEF election along with a purging election). Pursuant to the QEF election, a U.S. Holder will be required to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends. A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed U.S. federal income tax return for the taxable year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. Upon request from a U.S. Holder, we will endeavor to provide to the U.S. Holder no later than 90 days after the request such information as the IRS may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a QEF election. However, there is no assurance that we will have timely knowledge of our status as a PFIC in the future or of the required information to be provided.

If a U.S. Holder has made a QEF election in respect to our ordinary shares, and the special tax and interest charge rules do not apply to such ordinary shares (because of a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such shares or a QEF election along with a purge of the PFIC taint pursuant to a purging election, as described below), any gain recognized on the sale or other taxable disposition of such ordinary shares generally will be taxable as capital gain and no interest charge will be imposed. As discussed above, for regular U.S. federal income tax purposes, U.S. Holders of a QEF are currently taxed on their pro rata shares of the QEF's earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income generally should not be taxable as a dividend to such U.S. Holders. The adjusted tax basis of a U.S. Holder's ordinary shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. Similar basis adjustments apply to property if by reason of holding such property the U.S. Holder is treated under the applicable attribution rules as owning ordinary shares in a QEF.

Although a determination as to our PFIC status will be made annually, an initial determination that we are a PFIC generally will apply for subsequent years to a U.S. Holder who held our ordinary shares while we were a PFIC, whether or not we meet the test for PFIC status in those subsequent years. A U.S. Holder who makes the QEF election discussed above for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) our ordinary shares, however, will not be subject to the PFIC tax and interest charge rules discussed above in respect to such ordinary shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime in respect to such ordinary shares for any of our taxable years that end within or with a taxable year of the U.S. Holder and in which we are not a PFIC. On the other hand, if the QEF election is not effective for each of our taxable years in which we are a PFIC and during which the U.S. Holder holds (or is deemed to hold) our ordinary shares, the PFIC rules discussed above will continue to apply to such shares unless the holder files on a timely filed U.S. income tax return (including extensions) a QEF election and a purging election to recognize under the rules of Section 1291 of the Code any gain that it would otherwise recognize if the U.S. Holder sold shares for their fair market value on the “qualification date.” The qualification date is the first day of our tax year in which we qualify as a QEF with respect to such U.S. Holder. The purging election can only be made if such U.S. Holder held shares on the qualification date. The gain recognized by the purging election generally will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder generally will increase the adjusted tax basis in its shares by the amount of gain recognized and will also have a new holding period in the shares for purposes of the PFIC rules.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns ordinary shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election in respect to such ordinary shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) our ordinary shares and for which we are determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect to its ordinary shares as long as such shares continue to be treated as marketable stock. Instead, in general, the U.S. Holder will include as ordinary income for each year that we are treated as a PFIC the excess, if any, of the fair market value of its ordinary shares at the end of its taxable year over the adjusted tax basis in its ordinary shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted tax basis of its ordinary shares over the fair market value of its ordinary shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder’s adjusted tax basis in its ordinary shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the ordinary shares in a taxable year in which we are treated as a PFIC will be treated as ordinary income. Special tax rules may also apply if a U.S. holder makes a mark-to-market election for a taxable year after the first taxable year in which the U.S. Holder holds (or is deemed to hold) its ordinary shares and for which we are determined to be a PFIC.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, including the Nasdaq Capital Market, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Although our ordinary shares are currently listed on the Nasdaq Capital Market, U.S. Holders nevertheless should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to our ordinary shares.

If we are a PFIC and, at any time, have a foreign subsidiary that is classified as a PFIC, a U.S. Holder of our ordinary shares generally should be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, or the U.S. Holder were otherwise deemed to have disposed of an interest in, the lower-tier PFIC. Upon request, we will endeavor to cause any lower-tier PFIC to provide to a U.S. Holder no later than 90 days after the request the information that may be required to make or maintain a QEF election in respect to the lower-tier PFIC. However, there is no assurance that we will have timely knowledge of the status of any such lower-tier PFIC or will be able to cause the lower-tier PFIC to provide the required information. A mark-to-market election generally would not be available in respect to such a lower-tier PFIC. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) ordinary shares in a PFIC during any taxable year of the U.S. Holder may have to file an IRS Form 8621 (whether or not a QEF election or mark-to-market election is or has been made) with such U.S. Holder's U.S. federal income tax return and provide such other information as may be required by the U.S. Treasury Department.

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of our ordinary shares should consult their own tax advisors concerning the application of the PFIC rules to our ordinary shares under their particular circumstances.

### **Additional Taxes**

U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, without limitation, dividends on, and gains from, the sale or other taxable disposition of, our ordinary shares, subject to certain limitations and exceptions. Under applicable regulations, in the absence of a special election, such unearned income generally would not include income inclusions under the QEF rules discussed above under “— Passive Foreign Investment Company Rules,” but would include distributions of earnings and profits from a QEF. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their ownership and disposition of our ordinary shares.

### **Non-U.S. Holders**

Cash dividends paid to a Non-U.S. Holder in respect to our ordinary shares generally will not be subject to U.S. federal income tax unless such dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other taxable disposition of our ordinary shares unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale or other disposition and certain other conditions are met (in which case, such gain from U.S. sources generally is subject to U.S. federal income tax at a 30% rate or a lower applicable tax treaty rate).

Cash dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to regular U.S. federal income tax at the same regular U.S. federal income tax rates as applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

### **Backup Withholding and Information Reporting**

In general, information reporting for U.S. federal income tax purposes will apply to cash distributions made on our ordinary shares within the United States to a U.S. Holder (other than an exempt recipient) and to the proceeds from sales and other dispositions of our ordinary shares by a U.S. Holder (other than an exempt recipient) to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances. In addition, certain information concerning a U.S. Holder's adjusted tax basis in its ordinary shares and adjustments to that tax basis and whether any gain or loss with respect to such ordinary shares is long-term or short-term also may be required to be reported to the IRS, and certain holders may be required to file an IRS Form 8938 (Statement of Specified Foreign Financial Assets) to report their interest in our ordinary shares.



Moreover, backup withholding of U.S. federal income tax at a rate of 28%, generally will apply to cash dividends paid on our ordinary shares to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of our ordinary shares by a U.S. Holder (other than an exempt recipient), in each case who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that backup withholding is required; or
- in certain circumstances, fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS. Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in their particular circumstances.

#### **F. Dividends and paying agents**

Not applicable.

#### **G. Statement by experts**

Not applicable.

#### **H. Documents on display**

You may inspect our securities filings, including this Annual Report and the exhibits and schedules thereto, without charge at the offices of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of the Annual Report from the Public Reference Section of the SEC, 100 F Street, NE, Washington, D.C. 20549 upon the payment of the prescribed fees. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants like us that file electronically with the SEC. You can also inspect the Annual Report on this website.

A copy of each document (or a translation thereof to the extent not in English) concerning our company that is referred to in this Annual Report is available for public view (subject to confidential treatment of certain agreements pursuant to applicable law) at our principal executive offices.

#### **I. Subsidiary Information**

See "Item 4. Information on the Company – C. Organizational Structure."

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

### Credit Risk

Credit risk is one of the most significant risks for the Company's business. Credit risk exposures arise principally in financial guarantee activities which is an off-balance sheet financial instrument.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures including due-diligence visits and post-lending visits to the clients. The Company manages credit risk through in-house research and analysis of the Chinese economy and the underlying obligors and transaction structures. To minimize credit risk, the Company requires collateral in the form of rights to cash, securities or property and equipment. The Company identifies credit risk collectively based on industry, geography and customer type. This information is monitored regularly by management.

#### - *Financial guarantee activities*

In measuring the credit risk of financial guarantee services with customers, the Company mainly reflects the "probability of default" by the customer on its contractual obligations and considers the current financial position of the customer and the exposures to the customer and its likely future development.

The Company manages their credit risk guarantee exposure by performing preliminary credit checks of each guarantee customer and ongoing monitoring of payments each month. Management periodically reviews the probability of default of guarantee customer and will accrue a guarantee liability when necessary.

In addition, the Company calculates the provision amount as below:

1. General Reserve - is based on total balance of off-balance-sheet guarantee and to be used to cover unidentified probable loan loss. According to management assessment, the General Reserve is required to be no less than 1% of total loan guarantee balance.
2. Specific Reserve – is based on a guarantee by guarantee basis covering losses due to risks related to the ability and intention of repayment of guarantee commissions by each customer. The reserve rate was individually assessed based on management estimate of guarantee fee commission collectability. According to management assessment, the Specific Reserve is no less than 50% of guarantee fee commission earned during the year.

The Company has been providing the financial guarantees of loans for limited history. The customer deposits or other assets are held as collateral for the repayment of each loan. As of December 31, 2020, the amount of outstanding loans and related interests that the Company has guaranteed is approximately \$51.3 million. The Company estimates the fair market value of the collateral to be approximately \$61.4 million as of December 31, 2020.

#### - Other operating activities

Assets that potentially subject the Company to significant concentration of credit risk primarily consist of cash and cash equivalents. The maximum exposure of such assets to credit risk is their carrying amount as at the balance sheet dates. As of December 31, 2020, the Company had no deposits with a bank in the United States. As of December 31, 2020, cash of \$4,932,048 and restricted cash of \$25,875,556, respectively, were primarily deposited in banks located in Mainland China, which were uninsured by the government authority. To limit exposure to credit risk relating to deposits, the Company primarily place cash deposits with large financial institutions in China which management believes are of high credit quality.

The Company's operations are carried out in Mainland China. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC as well as by the general state of the PRC's economy. In addition, the Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, rates and methods of taxation, and the extraction of mining resources, among other factors.

## **Liquidity Risk**

The Company is also exposed to liquidity risk which is risk that it is unable to provide sufficient capital resources and liquidity to meet its commitments and business needs. Liquidity risk is controlled by the application of financial position analysis and monitoring procedures. When necessary, the Company will turn to other financial institutions and the shareholders to obtain short-term funding to meet the liquidity shortage.

## **Foreign Currency Risk**

Substantially all of the Company's operating activities and the Company's assets and liabilities are denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the Peoples' Bank of China ("PBOC") or other authorized financial institutions at exchange rates quoted by PBOC. Approval of foreign currency payments by the PBOC or other regulatory institutions requires submitting a payment application form together with suppliers' invoices and signed contracts. The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market.

## **Other risk**

The Company's business, financial condition and results of operations may also be negatively impacted by risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, such as the COVID-19 outbreak and spread, which could significantly disrupt the Company's operations.

In December 2019, a novel strain of coronavirus (COVID-19) was first identified in China and has since spread rapidly globally. The outbreak of COVID-19 has resulted in quarantines, travel restrictions, and the temporary closure of offices and business facilities globally. In March 2020, the World Health Organization declared the COVID-19 a pandemic. In 2020, COVID-19 had a material impact on our business, financial condition, and results of operations. After the second quarter of 2020, the COVID outbreak in China has gradually been controlled. Our business has also returned to normal operations, although management assessed that our results of operations had been negatively impacted for the year. COVID-19 could adversely affect our business and results of operations in 2021 if any COVID resurgence causes significant disruptions to our operations or the business of our customers, logistics and service providers. If any new outbreak of COVID-19 is not effectively and timely controlled, or if government responses to outbreaks or potential outbreaks are severe or long-lasting, our business operations and financial condition may be materially and adversely affected as a result of the deteriorating market outlook, the slowdown in regional and national economic growth, weakened liquidity and financial condition of our customers or other factors that we cannot foresee. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, and could materially and adversely impact our business, financial condition and results of operations.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

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

See “Item 10. Additional Information” for a description of the changes to the rights of shareholders.

### ITEM 15. CONTROLS AND PROCEDURES

#### (a) Disclosure controls and procedures

Material weaknesses and significant deficiencies consist of the following:

- The Company does not have a U.S. GAAP full-time designated professional accountant with U.S. GAAP experience to oversee daily accounting functions and handle non-routine or complex accounting transactions;
- There are omissions of material transactions due to lack of sufficient documentation and timeliness in executing internal controls;
- Intercompany transactions of the Company are not properly eliminated;
- The Company does not have adequate cut off/period end closing procedures; and
- VAT of the Company were not properly recorded.

#### (b)-(c) Management’s annual report on internal control over financial reporting and attestation report of the registered public accounting firm

##### *Management’s Annual Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, it used the criteria established in the updated framework in the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992 and updated in May 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Based on our assessment, as of December 31, 2020, our internal control over financial reporting is ineffective.

The specific material weaknesses we identified in our internal control our set forth above in section (a) of Item 15. We are committed to taking appropriate steps for remediation, including, but not limited to, the following:

- Recruiting qualified professionals with U.S. GAAP knowledge and experience to assist in resolving accounting issues on a daily basis and to handle non-routine or complex transactions;
- Providing U.S. GAAP training to accounting department staff;
- Improving the routine review and check of accounting procedure;
- Improving appropriate documentation criteria within the existing control framework, including evidence of timeliness and variance thresholds;
- Improving communications between management and the Board;
- Improving internal audit function and internal control policies, and monitoring controls, to ensure our operating processes follow our control procedures;
- Holding our financial manager accountable for any omissions or material misleading transactions not reported to the Board and the independent auditors; and

- Considering hiring experts in VAT to provide assistance.

Management is committed to remediating the material weaknesses in a timely fashion. We have begun the process of executing remediation plans to address the material weaknesses above in internal control over financial reporting. Specifically, we established Audit Committee and Corporate Governance and Nominating Committee and Compensation Committee. We have taken and are implementing the following measures to further address the material weakness include:

(i) We plan to establish a desired level of corporate governance with regard to identifying and measuring the risk of material misstatement. We are setting up a key monitoring mechanism including independent directors and audit committee to oversee and monitor Company's risk management, business strategies and financial reporting procedure.

(ii) We plan to hire experts to further help the Company establish and maintain an effective control environment, enhance our process and internal control related to sales, account receivables and inventory and establish comprehensive accounting policies and procedures.

(iii) We will hold regular seminars, briefings and training sessions for accounting department employees with U.S. GAAP knowledge.

Our management, including our Chief Executive Officer, believes the measures described above and others that will be implemented will remediate the control deficiencies identified and will strengthen our internal control over financial reporting. Management is committed to continuous improvement of the Company's internal control processes and will continue to diligently review our financial reporting controls and procedures.

We do not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud.

#### ***Attestation report of the registered public accounting firm***

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the SEC.

#### **(d) Change in internal control over financial reporting:**

Except for the matters described above, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

#### **ITEM 16. [RESERVED]**

#### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.**

Our Board of Directors has determined that Mr. John Chen, a member of our audit committee is an audit committee financial expert as defined by rules of the U.S. Securities and Exchange Commission and is an independent director under NASDAQ Listing Rules. Although we are not currently listed on the Nasdaq, we have opted to voluntarily comply with the Nasdaq Listing Rules.

#### **ITEM 16B. CODE OF ETHICS.**

We have adopted a Code of Ethics that applies to all of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer. Our Code of Ethics is available on our corporate website. If we amend or grant a waiver of one or more of the provisions of our Code of Ethics, we intend to satisfy the requirements under Form 6-K regarding the disclosure of amendments to or waivers from provisions of our Code of Ethics that apply to our principal executive officer, principal financial officer and principal accounting officer by posting the required information on our website at the above address.

## ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

ZH CPA LLP (“ZH CPA”) was appointed by the Company on January 21, 2021 to serve as its independent registered public accounting firm for the year ended December 31, 2020. The Company’s previous independent auditors, Friedman LLP (“Friedman”), were dismissed on the same date. During the years ended December 31, 2019 and 2018 through the dismissal of Friedman on January 21, 2021, there were no disagreements between the Registrant and Friedman on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Friedman, would have caused it to make reference to the subject matter of the disagreements in connection with its report on the Registrant’s consolidated financial statements for such periods. In addition, Friedman’s reports on the financial statements as of and for the years ended December 31, 2019 and 2018 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the Registrant’s years ended December 31, 2019 and 2018 through the dismissal of Friedman on January 21, 2021, there were no “reportable events” as that term is defined in Item 16F(a)(1)(v) of Form 20-F.

The following table represents aggregate fees billed to us for professional services rendered for the fiscal years ended December 31, 2020 by ZH CPA:

	<b>2020</b>	<b>2019</b>
Audit Fees <sup>(1)</sup>	\$ 110,000	\$ -
Audit-Related Fees <sup>(2)</sup>	-	-
Tax Fees <sup>(3)</sup>	-	-
<b>Total</b>	<b>\$ 110,000</b>	<b>\$ -</b>

- (1) The audit fees for the year ended December 31, 2020 were for professional services rendered for the audit of our annual consolidated financial statements, review of the financial information included in our interim reports for the respective periods, the registration statement and other required filings with the SEC.
- (2) Audit-related fees for the year ended December 31, 2020 were for assurance and related services that are reasonably related to performance of the audit or review of our consolidated financial statements and are not reported under “Audit Fees”.
- (3) Tax fees for the year ended December 31, 2020 were for services related to tax compliance, including the preparation of tax returns and tax planning and tax advice.

The following table represents aggregate fees billed to us for professional services rendered for the fiscal years ended December 31, 2020 and 2019 by Friedman:

	<b>2020</b>	<b>2019</b>
Audit Fees <sup>(4)</sup>	\$ 45,000	165,000
Audit-Related Fees <sup>(5)</sup>	20,000	7,800
Tax Fees <sup>(6)</sup>	-	-
<b>Total</b>	<b>\$ 65,000</b>	<b>172,800</b>

- (4) The audit fees for the year ended December 31, 2019 were for professional services rendered for the audit of our annual consolidated financial statements, review of the financial information included in our current reports for the respective periods, the registration statement and other required filings with the SEC.
- (5) Audit-related fees for the year ended December 31, 2020 and 2019 were for assurance and related services that are reasonably related to performance of the audit or review of our consolidated financial statements and are not reported under “Audit Fees”.
- (6) Tax fees for the years ended December 31, 2020 and 2019 were for services related to tax compliance, including the preparation of tax returns and tax planning and tax advice.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.**

Not applicable.

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

Not applicable.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.**

See Item 16.C of this Annual Report on Form 20-F.

**ITEM 16G. CORPORATE GOVERNANCE.**

While the Company is not currently listed on the Nasdaq, it has opted to comply with the Nasdaq Listing Rules with respect to corporate governance as stated below. Pursuant to Nasdaq Listing Rule 5615(a)(3), the Company has amended its Articles of Association by resolution of its Board of Directors to remove the obligation to hold annual general meetings and shall follow British Virgin Islands practices in lieu of the requirements of Nasdaq Listing Rule 5620. Except as stated above, we currently intend to comply with all other rules generally applicable to U.S. domestic companies listed on NASDAQ.

**ITEM 16H. MINE SAFETY DISCLOSURE.**

Not applicable.



## **PART III**

### **ITEM 17. FINANCIAL STATEMENTS**

Financial Statements are set forth under Item 18.

### **ITEM 18. FINANCIAL STATEMENTS**

Our Financial Statements beginning on pages F-1 through F-48, as set forth in the following index. These Financial Statements are filed as part of this Annual Report.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Stockholders and Board of Directors of  
Roan Holdings Group Co., Ltd.**

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Roan Holdings Group Co., Ltd. and subsidiaries (the “Company”, formerly known as China Lending Corporation) as of December 31, 2020, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity (deficit), and cash flows for the year ended December 31, 2020, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

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

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

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### *Allowance for credit losses*

As described in Note 3 (j) and Note 9 to the consolidated financial statements, the Company recorded accounts receivable of \$7,679,722. Management made assessment of potential losses based on the history loss rate and adjusted of current condition and forecast change. As of December 31, 2020, the Company had current credit loss against doubtful accounts receivable of \$740,370.

As described in Note 3 (k) and Note 11 to the consolidated financial statements, the Company recorded Loans receivable of \$17,698,084. Management estimated expected credit losses on loan receivable and reflected the best estimate of the amount what will not be collected. As of December 31, 2020, the Company had current credit loss against doubtful accounts receivable of \$27,432.

The principal considerations for our determination that performing procedures relating to the allowance for accounts receivable and loan receivable is critical audit matter are (i) the significant judgment by management when developing their estimate, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures relating to the allowance; and (ii) there was significant auditor effort and judgment in evaluating the audit evidence relating to the significant assumptions, related to the loss rate.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included:

- Assessing the reasonableness of management methodologies;
- Evaluating and testing management’s allowance estimates and key inputs;
- Inquiring with management on the collectability on each individual significant amounts and corroborating with the evidences obtained during our audit;
- Verifying the rates used in CECL test and allowance calculation;
- Recalculating the amounts in accordance with the Company’s accounting policy
- Performing subsequent accounts receivable and loan receivable collection test;
- Assessing the adequacy of the disclosure in the financial report.

/s/ ZH CPA, LLC

We have served as the Company’s auditor since 2020.

Denver, Colorado

May 17, 2021

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1600 Broadway, Suite 1600, Denver, CO, 80202, USA. Phone: 1.303.386.7224 Fax: 1.303.386.7101 Email: admin@zhcpa.us

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders  
Roan Holdings Group Co., Ltd.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Roan Holdings Group Co., Ltd. (the “Company”, formerly known as China Lending Corporation) as of December 31, 2019 and 2018, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity (deficit) and cash flows for each of the years in the three year period ended December 31, 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

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

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

/s/ Friedman LLP

We served as the Company’s auditor from 2017 to 2020.

New York, New York  
June 26, 2020

**ROAN HOLDINGS GROUP CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
As of December 31, 2020 and 2019  
(Expressed in U.S. dollar, except for the number of shares)

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,932,048	\$ 6,911,592
Restricted cash	25,875,556	15,233,933
Short-term investments	-	8,610,796
Accounts receivable, net	6,939,352	3,727,017
Inventory	30,348	-
Loan receivable due from third parties	17,670,652	5,952,223
Due from related parties	94,023	2,906
Other current assets	3,502,550	2,305,642
Other receivables	3,545,753	-
<b>Total Current Assets</b>	<b>62,590,282</b>	<b>42,744,109</b>
Pledged deposits	462,835	5,597,017
Property and equipment, net	65,073	852,525
Intangible assets, net	3,977,867	4,876,228
Right of use assets	346,017	400,720
Goodwill	261,087	-
Other noncurrent assets	-	918,683
<b>Total Assets</b>	<b>\$ 67,703,161</b>	<b>\$ 55,389,282</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Customer pledged deposits	7,664	7,176
Unearned income	130,772	114,615
Reserve for financial guarantee losses	579,364	453,489
Dividends payable	480,000	480,000
Tax payable	1,767,214	1,122,155
Due to related parties	281,369	280,714
Warrant liabilities	13,977	19,938
Operating lease liabilities, current portion	191,643	106,136
Accrued expenses and other liabilities	1,642,060	710,865
Bank loans	8,826,054	-
<b>Total Current Liabilities</b>	<b>13,920,117</b>	<b>3,295,088</b>
Operating lease liabilities, noncurrent portion	102,767	265,797
Deferred tax liabilities	793,848	1,735,576
<b>Total Liabilities</b>	<b>14,816,732</b>	<b>5,296,461</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity</b>		
Ordinary Share (no par value, unlimited shares authorized; 25,287,851 and 25,287,851 shares issued and outstanding as of December 31, 2020 and 2019, respectively)	-	-
Class A convertible preferred shares, no par value, unlimited shares authorized; 715,000 shares issued and outstanding as of December 31, 2020 and 2019, respectively	11,025,327	10,338,927
Class B convertible preferred shares, no par value, unlimited shares authorized; 291,795,150 and 291,795,150 shares issued and outstanding as of December 31, 2020 and 2019, respectively	31,087,732	31,087,732
Additional paid-in capital	3,312,189	3,312,189
Statutory reserve	202,592	658,662
Accumulated deficit	(14,330,288)	(12,407,304)
Accumulated other comprehensive income (loss)	2,310,369	(7,906)

<b>Total Roan Holdings Group Co., Ltd.'s Shareholders' Equity</b>	<b>33,607,921</b>	<b>32,982,300</b>
Noncontrolling interests	19,278,508	17,110,521
<b>Total Equity</b>	<b><u>52,886,429</u></b>	<b><u>50,092,821</u></b>
<b>Total Liabilities and Equity</b>	<b><u>\$ 67,703,161</u></b>	<b><u>\$ 55,389,282</u></b>

The accompanying notes are an integral part of the consolidated financial statements

**ROAN HOLDINGS GROUP CO., LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**For the Years Ended December 31, 2020, 2019 and 2018**  
**(Expressed in U.S. dollar, except for the number of shares)**

	For the Years Ended December 31,		
	2020	2019	2018
Revenues from services	\$ 2,128,153	\$ 639,220	\$ 71,568
Revenues from healthcare service packages	55,301	-	-
Cost of revenues	(50,774)	(8,080)	-
<b>Net revenues of services</b>	<b>2,132,680</b>	<b>631,140</b>	<b>71,568</b>
Commissions and fees on financial guarantee services	375,471	8,797	-
Provision for financial guarantee services	(89,865)	(5,008)	-
<b>Commission and fee income on guarantee services, net</b>	<b>285,606</b>	<b>3,789</b>	<b>-</b>
<b>Interest and fees income</b>			
Interest and fees on direct loans	-	1,153	15,035
Interest income on loans due from third parties	2,131,447	34,707	-
Interest income from factoring business	-	2,782,332	35,229
Interest income on deposits with banks	348,389	64,636	418
<b>Total interest and fee income</b>	<b>2,479,836</b>	<b>2,882,828</b>	<b>50,682</b>
<b>Interest expense</b>			
Interest expenses and fees on secured loans	-	(2,218,815)	(25,118)
<b>Net interest income</b>	<b>2,479,836</b>	<b>664,013</b>	<b>25,564</b>
Provision for loan losses	-	(2,244,601)	(2,176,216)
<b>Net interest (loss) income after provision for loan losses</b>	<b>2,479,836</b>	<b>(1,580,588)</b>	<b>(2,150,652)</b>
<b>Operating (loss) income</b>	<b>4,898,122</b>	<b>(945,659)</b>	<b>(2,079,084)</b>
<b>Total operating expenses</b>			
Salaries and employee surcharges	(1,116,482)	(512,314)	(572,117)
Other operating expenses	(2,995,098)	(1,385,259)	(1,469,452)
Changes in fair value of warrant liabilities	5,961	530,863	748,346
<b>Total operating expenses</b>	<b>(4,105,619)</b>	<b>(1,366,710)</b>	<b>(1,293,223)</b>
Other income (expenses)			
Deconsolidation loss	(1,953,248)	-	-
Other income (expense), net	76,406	-	-
<b>Total operating expenses</b>	<b>(1,876,842)</b>	<b>-</b>	<b>-</b>
<b>Loss before income taxes</b>	<b>(1,084,339)</b>	<b>(2,312,369)</b>	<b>(3,372,307)</b>
<b>Total income tax recovery (expenses)</b>	<b>229,733</b>	<b>(244,741)</b>	<b>(17,635)</b>
<b>Net loss from continuing operations</b>	<b>(854,606)</b>	<b>(2,557,110)</b>	<b>(3,389,942)</b>
Net income (loss) from discontinued operations, net of income tax	-	26,846,018	(90,736,365)
<b>Net income (loss)</b>	<b>(854,606)</b>	<b>24,288,908</b>	<b>(94,126,307)</b>
Dividend – convertible redeemable Class A preferred share	-	(686,400)	(686,400)
Net income attributable to noncontrolling interests	(838,048)	(76,108)	(76)



<b>Net income (loss) attributable to Roan Holding Group Co., Ltd.'s shareholders</b>	<b>\$ (1,692,654)</b>	<b>\$ 23,526,400</b>	<b>\$ (94,812,783)</b>
<b>Other comprehensive (loss) income</b>			
Foreign currency translation adjustment	3,461,980	1,435,262	(29,318)
Reclassified to net gain from discontinued operations	-	2,691,969	-
	<b>3,461,980</b>	<b>4,127,231</b>	<b>(29,318)</b>
<b>Comprehensive income (loss)</b>	<b>2,607,374</b>	<b>28,416,139</b>	<b>(94,155,625)</b>
Other comprehensive income attributable to noncontrolling interests	(1,334,101)	(97,733)	-
Dividend – convertible redeemable Class A preferred share	-	(686,400)	(686,400)
Net income attributable to noncontrolling interests	(838,048)	(76,108)	(76)
<b>Total comprehensive income (loss) attributable to Roan Holdings Group Co., Ltd.'s shareholders</b>	<b>\$ 435,226</b>	<b>\$ 27,555,898</b>	<b>\$ (94,842,101)</b>
<b>Weighted average number of ordinary share outstanding</b>			
Basic and Diluted*	25,287,887	25,287,887	24,380,051
<b>Earnings (Loss) per share</b>			
Net earnings (loss) per share – Basic and Diluted	\$ (0.07)	\$ 0.93	\$ (3.89)
Net loss per share from continuing operations - Basic and Diluted	\$ (0.07)	\$ (0.13)	\$ (0.17)
Net earnings (loss) per share from discontinued operations - Basic and Diluted	\$ -	\$ 1.06	\$ (3.72)

\* The Company reported a discontinued operation for the year ended December 31, 2019, it used net loss from continuing operations as the control number to determine whether the warrants, Class A and Class B preferred shares are anti-dilutive. Because the Company incurred a net loss from continuing operations, the number of warrants, Class A preferred shares and Class B preferred shares are excluded from the computation as the anti-dilutive effect.

The accompanying notes are an integral part of the consolidated financial statements

**ROAN HOLDINGS GROUP CO., LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**  
For the Years Ended December 31, 2020, 2019 and 2018  
(Expressed in U.S. dollar, except for the number of shares)

Attributable to Roan Holdings Group Co., Ltd.'s Shareholders

	Ordinary Share		Class A Preferred Shares		Class B Preferred Shares		Additional paid-in capital	Statutory Reserve	Retained earnings (Accumulated Deficit)	Accumulated other comprehensive (loss) income	Non-controlling interest	Total equity
	Shares	Amount	Shares	Amount	Shares	Amount						
<b>Balance as of December 31, 2017</b>	<b>23,758,817</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 96,977,528</b>	<b>\$ 6,621,063</b>	<b>\$ (41,807,285)</b>	<b>\$ (4,008,086)</b>	<b>-</b>	<b>\$ 57,783,220</b>
Issuance of ordinary shares in a private placement with two investors	769,232	-	-	-	-	-	247,747	-	-	-	-	247,747
Issuance and exercise of Series B Warrants	390,579	-	-	-	-	-	504,238	-	-	-	-	504,238
Issuance of restricted shares	370,525	-	-	-	-	-	315,724	-	-	-	-	315,724
Forfeiture of restricted shares	(1,150)	-	-	-	-	-	(9,085)	-	-	-	-	(9,085)
Net income (loss)	-	-	-	-	-	-	-	-	(94,126,383)	-	76	(94,126,307)
Dividend to shareholders	-	-	-	-	-	-	-	-	(686,400)	-	-	(686,400)
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	(29,318)	-	(29,318)
<b>Balance as of December 31, 2018</b>	<b>25,288,003</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 98,036,152</b>	<b>\$ 6,621,063</b>	<b>\$ (136,620,068)</b>	<b>(4,037,404)</b>	<b>76</b>	<b>(36,000,181)</b>
Forfeiture of restricted shares	(152)	-	-	-	-	-	-	-	-	-	-	-
Acquisition of a subsidiary by issuance of Class B Preferred Shares (Note 4)	-	-	-	-	291,795,150	31,087,732	-	-	-	-	16,936,604	48,024,336
Disposal of a variable interest entity (Note 5)	-	-	-	-	-	-	(94,723,963)	(5,981,661)	100,705,624	2,691,969	-	2,691,969
Net income	-	-	-	-	-	-	-	-	24,212,800	-	76,108	24,288,908
Reclassification of Class A Preferred Shares	-	-	715,000	9,652,527	-	-	-	-	-	-	-	9,652,527
Dividend to shareholders	-	-	-	686,400	-	-	-	-	(686,400)	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	19,260	(19,260)	-	-	-
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	1,337,529	97,733	1,435,262
<b>Balance as of December 31, 2019</b>	<b>25,287,851</b>	<b>\$ -</b>	<b>715,000</b>	<b>\$ 10,338,927</b>	<b>291,795,150</b>	<b>\$ 31,087,732</b>	<b>\$ 3,312,189</b>	<b>\$ 658,662</b>	<b>\$ (12,407,304)</b>	<b>(7,906)</b>	<b>17,110,521</b>	<b>50,092,821</b>
Net loss	-	-	-	-	-	-	-	-	(1,692,654)	-	838,048	(854,606)

Deconsolidation of subsidiaries	-	-	-	-	-	-	-	(639,402)	639,402	190,396	(4,162)	186,234
Dividend to shareholders	-	-	-	686,400	-	-	-	-	(686,400)	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	183,332	(183,332)	-	-	-
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	2,127,879	1,334,101	3,461,980
<b>Balance as of December 31, 2020</b>	<u>25,287,851</u>	<u>\$ -</u>	<u>715,000</u>	<u>\$11,025,327</u>	<u>291,795,150</u>	<u>\$31,087,732</u>	<u>\$ 3,312,189</u>	<u>\$ 202,592</u>	<u>\$ (14,330,288)</u>	<u>2,310,369</u>	<u>19,278,508</u>	<u>52,886,429</u>

The accompanying notes are an integral part of the consolidated financial statements

**ROAN HOLDINGS GROUP CO., LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2020, 2019 and 2018**  
**(Expressed in U.S. dollar, except for the number of shares)**

	For the Years Ended December 31,		
	2020	2019	2018
<b>Cash Flows from Operating Activities:</b>			
Net income (loss)	\$ (854,606)	\$ 24,288,908	\$ (94,126,307)
Less: Net income (loss) from discontinued operations	-	26,846,018	(90,736,365)
<b>Net loss from continuing operations</b>	<b>(854,606)</b>	<b>(2,557,110)</b>	<b>(3,389,942)</b>
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization expenses	1,102,298	55,498	22,122
Provision for credit losses	316,014	-	-
Provision for loan losses	-	2,244,601	2,176,216
Provision for financial guarantee losses	89,865	5,008	-
Deferred tax expenses	(1,001,372)	57,674	-
Changes in fair value of warrant liabilities	(5,961)	(530,863)	(748,346)
Share-based compensation expenses	-	-	306,639
Net (gain)/loss from disposal of fixed assets	(136,682)	-	-
Gain from lease modification	22,257	-	-
Accretion of finance leases	14,757	-	-
Loss from deconsolidation of subsidiaries	1,953,248	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(3,116,533)	(206,442)	-
Inventory	(30,348)	-	-
Interest and fees receivable	-	(149,013)	(108,158)
Other current assets	(3,215,702)	(289,694)	(308,635)
Other receivables	(3,268,571)	-	-
Pledged deposits and other non-current assets	359,202	-	-
Advances from customers	7,915	(6,702)	-
Tax payable	1,029,919	273,589	9,410
Accrued expenses and other liabilities	352,600	28,875	475,966
Other liabilities	(1,079,811)	-	-
<b>Net Cash Used in Operating Activities from Continuing Operations</b>	<b>(7,461,511)</b>	<b>(1,074,579)</b>	<b>(1,564,728)</b>
<b>Net Cash (Used in) Provided by Operating Activities from Discontinued Operations</b>	<b>-</b>	<b>(26,564)</b>	<b>(634,314)</b>
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(7,461,511)</b>	<b>(1,101,143)</b>	<b>(2,199,042)</b>
<b>Cash Flows from Investing Activities:</b>			
Loans disbursement to factoring customers	-	(43,422,881)	(67,258,135)
Repayment of loans from factoring customers	-	107,833,488	-
Loans disbursement to third parties	(3,467,607)	-	(166,256)
Repayment of loans from third parties	-	-	1,133,564
Purchases of property and equipment	-	(833)	-
Acquisition of a subsidiary	-	(427,318)	-
Acquisition of cash from acquired subsidiary	-	21,442,122	-
Proceeds from disposal of discontinued operations	-	504,713	-
Net inflow related to deconsolidation of subsidiaries	61,121	-	-
Investment (redemption) of short-term investment	8,690,374	-	-
Due from related party	210,774	-	-
Proceeds from sale of property and equipment	837,969	-	-
<b>Net Cash Provided by (Used in) Investing Activities from Continuing Operations</b>	<b>6,332,631</b>	<b>85,929,291</b>	<b>(66,290,827)</b>
<b>Net Cash Provided by (Used in) Investing Activities from Discontinued Operations</b>	<b>-</b>	<b>35,765</b>	<b>(301,276)</b>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>6,332,631</b>	<b>85,965,056</b>	<b>(66,592,103)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from private placement, net of issuance costs	-	-	1,190,000
Proceeds from private placements, deposited in escrow account	-	-	500,000
Proceeds from exercise of Series B Warrants	-	-	391

Borrowing from a related party	-	279,020	-
Proceeds from bank loans	8,341,311	-	-
Proceeds from secured loans	-	43,422,881	67,258,135
Repayment of secured loans	-	(107,833,488)	-
Repayment of third-party loans	(280,268)	-	-
Repayment of lease liabilities	(207,891)	-	-
<b>Net Cash (Used in) Provided by Financing Activities from Continuing Operations</b>	<b>7,853,152</b>	<b>(64,131,587)</b>	<b>68,948,526</b>
<b>Net Cash (Used in) Provided by Financing Activities from Discontinued Operations</b>	<b>-</b>	<b>(7,251)</b>	<b>(30,985)</b>
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>7,853,152</b>	<b>(64,138,838)</b>	<b>68,917,541</b>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash in banks	1,937,807	119,326	(5,150)
Net increase (decrease) in cash, cash equivalents, and restricted cash in banks	8,662,079	20,844,401	121,246
Cash, cash equivalents, and restricted cash in banks at beginning of year	22,145,525	1,301,124	1,179,878
<b>Cash, cash equivalents, and restricted cash in banks at end of year</b>	<b>\$ 30,807,604</b>	<b>\$ 22,145,525</b>	<b>\$ 1,301,124</b>

#### Supplemental Cash Flow Information

Cash paid for interest expense	\$ -	\$ -	\$ -
Cash paid for income tax	\$ -	\$ -	\$ -

#### Noncash investing activities

Acquisition of a subsidiary by issuance of Class B Preferred Shares	\$ -	\$ 31,087,732	\$ -
Receivable from disposal of discontinued operations	\$ -	\$ 940,829	\$ -
Right of use assets obtained in exchange for operating lease obligations	\$ -	\$ 615,000	\$ -

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total of the same amounts shown in the consolidated statements of cash flows:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 4,932,048	\$ 6,911,592
Restricted cash in banks	25,875,556	15,233,933
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 30,807,604</b>	<b>\$ 22,145,525</b>

The accompanying notes are an integral part of the consolidated financial statements

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Roan Holdings Group Co., Ltd. (formerly known as China Lending Corporation or DT Asia Investments Limited) (“Roan”, or the “Company”) is a holding company incorporated on April 8, 2014, under the laws of the British Virgin Islands. On November 27, 2019, the BVI Registrar of Corporate Affairs approved the Company’s name change to Roan Holdings Group Co., Ltd., and on January 8, 2020, the Financial Industry Regulatory Authority (“FINRA”) accepted the Company’s request for the following changes on the Over the Counter Bulletin Board (“OTCBB”): 1) the name change from China Lending Corporation to Roan Holdings Group Co., Ltd., and 2) the ticker symbol change from “CLDOF” to “RAHGF” for its ordinary shares and from “CLDCF” to “RONWF” for its warrants. The new CUSIPS of the Company’s ordinary shares and warrants are G7606D 115 and G7606D 107, respectively.

On December 30, 2019, the Company set up Fortis Health Industrial Group Limited in Hong Kong, which was a holding company and did not commence operation as of December 31, 2019.

Incorporation of new subsidiaries

On February 28, 2020, a new wholly-owned subsidiary, Ningbo Zeshi Insurance Technology Co., Ltd. (“Zeshi Insurance”), was incorporated under the laws of the PRC. Its principal business is providing insurance technology services and related services.

On March 3, 2020, a new wholly-owned subsidiary, Zeshi (Hangzhou) Health Management Co., Ltd. (“Zeshi Health”), was incorporated under the laws of the PRC. Zeshi Health provides services in health management, health big data management and blockchain technology-based health information management.

Disposition of Feng Hui Ding Xin (Beijing) Financial Consulting Co., Limited (“Ding Xin”)

On September 30, 2020, the Company entered into an agreement (the “Agreement”) with Urumqi Fengxunhui Management Consulting Co., Ltd (“Fengxunhui”) pursuant to which Fengxunhui acquired a 100% equity interest in Ding Xin with a consideration of \$15,325 (RMB100,000). Upon closing of the disposition, the Company released all equity interests to Fengxunhui’s shareholders.

As of December 31, 2020, the Company was mainly engaged in financial guarantee services, debt collection services and financial consulting services through Lixin Cayman and its subsidiaries.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)**

The accompanying consolidated financial statements reflect the activities of the Company and its subsidiaries as follows:

Name	Background	Ownership
Adrie Global Holdings Limited (“Adrie”)	<ul style="list-style-type: none"> <li>● A BVI company</li> <li>● Incorporated on November 19, 2014</li> <li>● A holding company</li> </ul>	100% owned by Roan
China Roan Industrial-Financial Holdings Group Co., Limited (“Roan HK”)	<ul style="list-style-type: none"> <li>● A Hong Kong company</li> <li>● Incorporated on February 11, 2015</li> <li>● A holding company</li> <li>● Formerly known as China Feng Hui Financial Holding Group Co., Limited</li> </ul>	100% owned by Adrie
Fortis Health Industrial Group Limited (“FHIG”)	<ul style="list-style-type: none"> <li>● A Hong Kong company</li> <li>● Incorporated on December 30, 2019</li> <li>● A holding company</li> </ul>	100% owned by Adrie
Xinjiang Feng Hui Jing Kai Direct Lending Limited (“XJJK”)	<ul style="list-style-type: none"> <li>● A PRC company and deemed a wholly foreign owned enterprise</li> <li>● Incorporated on May 14, 2015</li> <li>● Registered capital of \$18 million</li> <li>● A holding company</li> </ul>	100% owned by Roan HK
Yifu Health Industry (Ningbo) Co., Ltd. (“YFH”)	<ul style="list-style-type: none"> <li>● A PRC company</li> <li>● Incorporated on December 19, 2016</li> <li>● Registered capital of \$30 million</li> <li>● Planning for financial lease services</li> <li>● Formerly known as Ningbo Ding Tai Financial Leasing Co., Limited.</li> </ul>	100% owned by FHIG
Zeshi (Hangzhou) Health Management Co., Ltd. (“ZSH”)	<ul style="list-style-type: none"> <li>● A PRC company</li> <li>● Incorporated on March 3, 2020</li> <li>● Registered capital of RMB 5 million</li> <li>● Engaged in providing services in health management, health big data management and blockchain technology-based health information management.</li> </ul>	100% indirectly owned by FHIG
Ningbo Zeshi Insurance Technology Co. (“ZSIT”)	<ul style="list-style-type: none"> <li>● A PRC company</li> <li>● Incorporated on February 28, 2020</li> <li>● Registered capital of RMB 5 million</li> <li>● Engaged in insurance technology services and related services.</li> </ul>	100% indirectly owned by FHIG
Hangzhou Zeshi Investment Partnership (Limited Partnership) (“Zeshi”)	<ul style="list-style-type: none"> <li>● A PRC limited liability partnership</li> <li>● Incorporated on December 21, 2017</li> <li>● Acquired on November 29, 2019</li> <li>● Registered capital of \$7,750,878 (RMB 51 million)</li> <li>● Engaged in business factoring program, financing products design, related corporate financing solutions, investments and asset management</li> </ul>	100% indirectly owned by FHIG
Lixin Financial Holdings Group Limited (“Lixin Cayman”)	<ul style="list-style-type: none"> <li>● A Cayman company</li> <li>● Incorporated on October 25, 2017</li> <li>● A holding company</li> </ul>	65.0177% owned by Roan

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)**

Name	Background	Ownership
Lixin Financial Holdings (BVI) Limited (“Lixin BVI”)	<ul style="list-style-type: none"> <li>● A BVI company</li> <li>● Incorporated on November 29, 2017</li> <li>● A holding company</li> </ul>	100% owned by Lixin Cayman
Lixin Financial Holdings Group Limited (“Lixin HK”)	<ul style="list-style-type: none"> <li>● A Hong Kong company</li> <li>● Incorporated on January 15, 2018</li> <li>● A holding company</li> </ul>	100% owned by Lixin BVI
Zhejiang Lixin Enterprise Management Group Co., Ltd. (“LXEM”)	<ul style="list-style-type: none"> <li>● A PRC limited liability company</li> <li>● Incorporated on July 3, 2015</li> <li>● Registered capital of \$16,162,259 (RMB 101 million) with registered capital fully paid-up</li> <li>● Engaged in financial guarantee services and related assessment and management services</li> </ul>	99% owned by Lixin HK and 1% owned by FHIG
Zhejiang Jing Yu Xin Financing Guarantee Co., Ltd (“JYX”)	<ul style="list-style-type: none"> <li>● A PRC limited liability company</li> <li>● Incorporated on January 5, 2013</li> <li>● Registered capital of \$48,517,261 (RMB 303 million) with registered capital fully paid-up</li> <li>● Engaged in financial guarantee services and related assessment and management services</li> </ul>	93.4% owned by Zhejiang Lixin
Lixin (Hangzhou) Asset Management Co., Ltd. (“LAM”)	<ul style="list-style-type: none"> <li>● A PRC limited liability company</li> <li>● Incorporated on March 21, 2017</li> <li>● Registered capital of \$4,358,565 (RMB 30 million) with \$2,905,710 registered capital paid-up</li> <li>● Engaged in provision of consulting and assessment services to customers and facilitates financial guarantee services between customers and guarantors</li> </ul>	100% owned by Zhejiang Jingyuxin
Lixin Supply Chain Management (Tianjin) Co., Ltd. (“LXSC”)	<ul style="list-style-type: none"> <li>● A PRC limited liability company</li> <li>● Incorporated on December 19, 2017</li> <li>● Registered capital of \$1,513,226 (RMB 10 million)</li> <li>● Planning for provision of supply chain management service</li> </ul>	100% owned by LAM

The Company’s consolidated statements of operations and comprehensive losses also included Feng Hui Ding Xin (Beijing) Financial Consulting Co., Limited (“Ding Xin”) and Ding Xin’s 99%-owned subsidiary Zhiyuan Commercial Factoring (Guangzhou) Co., Limited. (“Zhiyuan”) for the years ended December 31, 2018 and 2019, and for the period from January 1, 2020 to September 30, 2020 until Ding Xin and Zhiyuan was disposed of and deconsolidated at September 30, 2020.



**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2. LIQUIDITY**

For the year ended December 31, 2020, the Company incurred net loss from continuing operations of approximately \$0.9 million, and cash outflows of approximately \$7.5 million from operating activities from continuing operations. The continuing net loss from continuing operations required management's consideration of the Company's liquidity and its ability to continue as a going concern.

In assessing the Company's liquidity, the Company monitors and analyzes its cash and its ability to generate sufficient cash flow in the future to support its operating and capital expenditure commitments. The Company's liquidity needs are to meet its working capital requirements and operating expenses obligations.

As of December 31, 2020, the Company had cash balance of \$4,932,048 and a positive working capital of \$48,670,165. In addition to the cash balance, the working capital was mainly comprised of restricted cash of \$25,875,556, accounts receivable of 6,939,352, loan receivable due from third parties of \$17,670,652 and other receivables of \$3,545,753. The balances of these assets are expected to be repaid on maturity dates and will also be used for working capital.

In addition, the management estimated the operating expenses obligation for the next twelve months after issuance of the consolidated financial statements to be \$3.8 million, which will be covered by the cash flows of \$5.5 million generated from financial guarantee services and financial consulting services. The Company's shareholder also pledged to provide continuous financial support to the Company whenever necessary.

The Company plans to fund its operations through revenue generated from its revenues of financial guarantee services and financial consulting services, private placements from investors, and financial support commitments from the Company's shareholders.

Based on above operating plan, the management believes that the Company will continue as a going concern in the following 12 months.

The Company's ability to fund these needs will depend on its future performance, which will be subject in part to general economic, competitive and other factors beyond its control. The COVID-19 outbreak has caused severe disruptions in transportation, limited access to the facilities and limited support from workforce employed in operations, and as a result, the Company may experience the delays in provision of financial guarantee services and consulting services to customers. Although the China has taken strict measures to control the COVID-19 outbreak and have resumed normal business activities in early March 2020, it is estimated that the economy of China will still be impacted to certain extent. The extent to which the coronavirus impacts the results for fiscal year 2021 will depend on certain future developments, including the duration and spread of the outbreak, emerging information concerning the severity of the coronavirus and the actions taken by governments and private businesses to attempt to contain the coronavirus, all of which is uncertain at this point.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of presentation**

The accompanying audited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

**(b) Principal of consolidation**

The consolidated financial statements include the accounts of the Company, its wholly and majority owned subsidiaries.

All transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation.

**(c) Non-controlling interest**

Non-controlling interests represent the equity interests in the subsidiaries that are not attributable, either directly or indirectly, to the Company.

**(d) Foreign currency translation**

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing on the dates of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates on the date of the balance sheet. The resulting exchange differences are recorded in the statement of operations.

The reporting currency of the Company and its subsidiaries (“US\$”) and the accompanying consolidated financial statements have been expressed in US\$.

In general, for consolidation purposes, assets and liabilities of the Company and its subsidiaries whose functional currency is not the US\$, are translated into US\$, using the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates prevailing during the period. The gains and losses resulting from translation of consolidated financial statements of the Company and its subsidiaries are recorded as a separate component of accumulated other comprehensive income within the statement of shareholders’ equity.

Translation of amounts from RMB into \$ has been made at the following exchange rates for the respective periods:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	
Balance sheet items, except for equity accounts	6.5250	6.9680	
	<b>For the Years Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Items in the statements of operations and comprehensive income (loss), and statements of cash flows	6.9042	6.9088	6.6163

No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at the rates used in translation.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(e) Use of estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities on the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management reviews these estimates and assumptions using the currently available information. Changes in facts and circumstances may cause the Company to revise its estimates. The Company bases its estimates on past experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Estimates are used when accounting for items and matters including, but not limited to, determination of fair value of acquiree, determinations of the useful lives and valuation of long-lived assets, estimates of allowances for loan receivables relating to direct loan business, estimates of allowances for other doubtful accounts, valuation of deferred tax assets, assumptions impacting the valuation of ordinary shares, share option, restricted shares and warrant liabilities, and other provisions and contingencies.

*(f) Fair value of financial instruments*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are described below:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value.

As of December 31, 2020 and 2019, financial instruments of the Company comprised primarily current assets and current liabilities including cash and cash equivalents, restricted cash in banks and other financial institutions, accounts receivable, loan receivables, bank loan, operating lease liabilities, dividends payable, tax payable, accounts payable and accrued liabilities, and due from/to related parties, which approximate their fair values because of the short-term nature of these instruments. Short-term investments are held to their maturities and are carried at amortized cost, which approximates fair value.

*Warrant liabilities*

The inputs used to measure the estimated fair value of warrant liabilities are classified as Level 3 fair value measurement due to the significance of unobservable inputs using company-specific information. The valuation methodology used to estimate the fair value of warrant liabilities is discussed in Note 19.

As of December 31, 2020 and 2019, the Company's warrant liabilities were comprised of Series A Warrants relating to a private placement closed in July 2018, and the warrants issued to the agent for the private placement, at the aggregated fair value of \$13,977 and \$19,938, respectively.

*(g) Cash and cash equivalents*

Cash and cash equivalents consist of bank deposits with original maturities of three months or less, all of which are unrestricted as to withdrawal and uninsured. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times, may exceed the U.S. Federal depository insurance coverage of \$250,000, or other limits of protection if held in financial institutions outside of the U.S., such as Government securities coverage of HK\$500,000. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Restricted cash**

Restricted cash represents cash pledged with banks, other financial institutions, and other guaranteed creditors as guarantor deposit for the guarantee business customers. The banks, other financial institutions and other guaranteed creditors providing loans to the Company's guarantee service customers generally require the Company, as the guarantor of the loans, to pledge a cash deposit of 10% to 20% of the guaranteed amount to an escrow account and is restricted from use. The deposits are released after the guaranteed loans are paid off and the Company's guarantee obligation expires which is usually within 12 months.

**(i) Short-term investments**

Short-term investments consist primarily of investments in financial products with variable return rates and maturities between three months and one year. Short-term investments are held to their maturities and are carried at amortized cost, which approximates fair value because of the short-term nature of these investments. As at December 31, 2020, the Company did not have short-term investments. Short-term investment as at December 31, 2019 had been disposed of during 2020.

**(j) Accounts receivable, net**

Accounts receivable represents the consulting service fees earned from customers but have not yet collected. An allowance for doubtful accounts is established and recorded based on management's assessment of potential losses based on the credit history and relationships with the customers. Management reviews its receivables on a regular basis to determine if bad debt allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. The Company recognizes a charge-off when management determines that full repayment of the receivable is not probable. The primary factor in making that determination is the potential outcome of a lawsuit against the delinquent debtor. The Company will recognize a charge-off when the Company loses contact with the delinquent customer for more than six months or when the court rules against the Company to collect the outstanding balances. As of December 31, 2020 and 2019, the Company had expected current credit loss against doubtful accounts receivable of \$740,370 and \$405,802, respectively.

While management uses the best information available to make loan loss allowance evaluations, adjustments to the allowance may be necessary based on changes in economic and other conditions or changes in accounting guidance.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(k.1) Loans receivable, net relating to direct loan business*

Loans receivable relating to direct loan business primarily represent loan amounts due from customers. Loans receivable are recorded at unpaid principal balances net of expected credit loss against loans receivables that reflects the Company's best estimate of the amounts that will not be collected. The loans receivable portfolio consists of business and personal loans.

The expected credit loss provision for loans receivable is increased by charges to income and decreased by charge offs (net of recoveries). Recoveries represent subsequent collection of amounts previously charged-off. The increase in provision for loan losses is the netting effect of "reversal" and "provision" for both business and personal loans. If the ending balance of the provision for loan losses after any charge offs (net of recoveries) is less than the beginning balance, it will be recorded as a "reversal"; if it is larger, it will be recorded as a "provision" in the provision for loan loss. The netting amount of the "reversal" and the "provision" is presented in the consolidated statements of operations and comprehensive income.

The Company recognizes a charge-off when management determines that full repayment of a loan is not probable. The primary factor in making that determination is the potential outcome of a lawsuit against the delinquent debtor. The Company will recognize a charge-off when the Company loses contact with the delinquent borrower for more than nine months or when the court rules against the Company to seize the collateral asset of the delinquent debt from either the guarantor or borrower. In addition, when the recoverability of the delinquent debt is highly unlikely, the senior management team will go through a stringent procedure to approve a charge-off. Management estimates the provision balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the provision may be made for specific loans, but the entire provision is available for any loan that, in management's judgment, should be charged-off.

The provision for doubtful loans receivable is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the provision. The provision is based on the Company's past loan loss history, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The provision is calculated at portfolio-level since our loans portfolio is generally comprised of smaller balance homogenous loans and is collectively evaluated for impairment.

In estimating the probable loss of the loan portfolio, the Company also considers qualitative factors such as current economic conditions and/or events in specific industries and geographical areas, including unemployment levels, trends in real estate values, peer comparisons, and other pertinent factors such as regulatory guidance. Finally, as appropriate, the Company also considers individual borrower circumstances and the condition and fair value of the loan collateral, if any.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***(k.1) Loans receivable, net relating to direct loan business (continued)***

Generally, the primary factors for the evaluation of provision for loan losses consist of business performance, financial position, cash flow and other operational performance of the debtors. Among these, cash flow of the debtors is the primary funding source for repayment for determining the provision for loan losses and any collateral, pledged asset or guarantee is considered as a secondary funding source for repayment.

Besides the repayment ability and willingness to repay, the Company evaluates the provision for loan losses of collateral backed loans based on whether the fair value of the collateral if the repayment is expected to be provided by the collateral is sufficient or not. For loans with pledged assets, the net realizable value of pledged assets for pledged backed loans will be estimated to see if they have sufficient coverage on the loans. For the guarantee backed loans, the Company evaluates the provision for loan losses based on the combination of the guarantee, including the fair value and net realizable value of guarantor's financial position, credibility, liquidity and cash flow.

The Company issued guarantee-backed loans in accordance with its loan management policy, and each guarantee-backed loan will undergo standard assessment procedures for willingness and ability of the guarantor to perform under its guarantee. The Company accepts guarantees provided by three types of guarantors: professional guarantee companies, corporations and individuals which includes related parties.

- 1) In assessing the willingness and ability of a professional guarantee company to perform under a guarantee, the Company consider factors including its guarantee licenses, size of registered capital, corporate governance, internal audit system, risk management and compensation system, risk reserve, length of operation history especially cooperation history with The Company, its default costs and other pertinent factors such as the loan size backed by guarantee over its net assets.
- 2) In assessing the willingness and ability of a corporate guarantor to perform under a guarantee, the Company consider factors including nature of its businesses, size of registered capital, annual revenues, continuous profitability in the past three years, stability and adequacy of income and cash flows, clean credit history, current liabilities, willingness to accept credit monitoring by the Company, its default costs and other pertinent factors such as the loan size backed by guarantee over its net assets.
- 3) In assessing the willingness and ability of an individual guarantor to perform under a guarantee, the Company consider factors including their residency, whether being able to provide permanent residential addresses, marital status, occupations, legitimacy and stability of incomes, assets and liabilities, clean credit history, no criminal history, their default costs and other pertinent factors such as the loan size backed by guarantee over their net assets.

There were no loan receivables related to direct loan business as of December 31, 2020.

***(k.2) Loans receivable, net due from third parties***

Loans receivable due from third parties primarily represent loan amounts lent to third party companies from time to time. Loans receivable due from third parties are recorded at unpaid principal balances net of expected credit loss against loans receivables that reflects the Company's best estimate of the amounts that will not be collected.

The expected credit loss provision for loans receivable due from third parties is increased by charges to income and decreased by charge offs (net of recoveries). Recoveries represent subsequent collection of amounts previously charged-off. The increase in provision for loan losses is the netting effect of "reversal" and "provision". If the ending balance of the provision for loan losses after any charge offs (net of recoveries) is less than the beginning balance, it will be recorded as a "reversal"; if it is larger, it will be recorded as a "provision" in the provision for loan loss. The netting amount of the "reversal" and the "provision" is presented in the consolidated statements of operations and comprehensive income.

The Company recognizes a charge-off when management determines that all or portion of a loan is deemed uncollectible. The primary factors in making that determination include sufficient information indicating that the borrower is insolvent, the Company has received notice that the borrower has filed for bankruptcy and the collectability of the loan is expected to be adversely impacted by the bankruptcy, the amount have been past due for a prolong period of time with no response from the borrower, a significant deterioration in the value of the collateral, if any and if the repayment is based solely on the collateral, has occurred and the Company has received correspondence from the borrower indicating that it does not intend to pay the contractual principal and interest.

***(l) Interest and fees receivable***

Interest and fee receivables are accrued and credited to income as earned but not received. The Company determines a loan past due status by the number of days that have elapsed since a borrower has failed to make a contractual interest or principal payment. Accrual of interest is generally discontinued when either (i) reasonable doubt exists as to the full, timely collection of interest or principal or (ii) when a loan interest or principal becomes past due by more than 90 days. Additionally, any previously accrued but uncollected interest is reversed. Subsequent recognition of income occurs only to the extent payment is received, subject to management's assessment of the collectability of the remaining interest and principal. Loans are generally restored to an accrual status when it is no longer delinquent and collectability of interest and principal is no longer in doubt and past due interest is recognized at that time.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***(m) Property and equipment***

Property and equipment is stated at cost less accumulated depreciation and impairment in value. Depreciation is computed using the straight-line method with residual value rate of 5% based on the estimated useful lives as follows:

Electronic equipment	3 years
Vehicles	3 - 4 years
Office equipment	5 years
Leasehold improvements	5 years
Building	20 years

Costs of repairs and maintenance are expensed as incurred and asset improvements are capitalized. The cost and related accumulated depreciation of assets disposed of or retired are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of income and comprehensive income (loss).

***(n) Intangible assets, net***

On December 20, 2019, the Company acquired 65.0177% of Lixin Cayman and its subsidiaries, which are engaged in financial guarantee business, asset management, supply chain financing, and business factoring.

The acquisition was accounted for under the acquisition method of accounting which required the Company to perform an allocation of the purchase price to the assets acquired. Under the acquisition method of accounting, the total purchase price is allocated to net tangible and intangible assets based on their estimated fair values as of the acquisition date.

Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method as follows:

Customer relationship	3 years
License	10 years
Non-Compete Agreements	4 years
Software and others	5-10 years
Credit rating system	10 years

The Company's purchased intangible assets are comprised of software and credit rating system for direct loan business. Intangible assets are recognized and measured at fair value upon acquisition, and are amortized over their useful lives in a manner that best reflects their economic benefit, which may include straight line or accelerated methods of amortization. Intangible assets are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

***(o) Impairment of long-lived assets***

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment of long-lived assets was recognized for the years ended December 31, 2020, 2019 and 2018.

***(p) Business combination***

The Company accounted for its business combination using the acquisition method of accounting in accordance with ASC 805 "Business Combinations". The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities incurred by the Company to the sellers and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill.





**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(q) Financial guarantee services**

Financial guarantee service contracts provide guarantees which protects the holder of a debt obligation against default. Pursuant to such guarantee, the Company makes payments if the obligor responsible for making payments fails to do so as scheduled.

The contract amounts reflect the extent of involvement the Company has in the guarantee transaction and also represent the Company's maximum exposure to credit loss in its guarantee business. The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. Financial instruments representing credit risk are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Guarantee	\$ 51,318,310	\$ 35,103,876

A provision for possible loss to be absorbed by the Company for the financial guarantee is recorded as an accrued liability when the guarantees are made and recorded as "Reserve for financial guarantee services" on the consolidated balance sheets. This liability represents probable losses and is increased or decreased by accruing an "Provisions or reversals of provisions on financial guarantee services" against the guarantee fee income. As of December 31, 2020 and 2019, the reserve for financial guarantee services amounted to \$579,364 and \$453,489, respectively.

This is reviewed throughout the life of the guarantee, as necessary when additional relevant information becomes available. The methodology used to estimate the liability for possible guarantee loss considers the guarantee contract amount and a variety of factors, which include, depending on the counterparty, latest financial position and performance of the borrowers, actual defaults, estimated future defaults, historical loss experience, estimated value of the relevant collateral or guarantees the costumers or third parties offered, and other economic conditions such as the economy trend of the area and the country. The estimates are based upon currently available information (Note 3(mm)).

Referring to the historical information and industry experience, the Company estimates the probable loss for immature financial guarantee services to be 1% of contract amount and the probable loss for uncollected guarantee commission to be 50% of outstanding balance.

For the years ended December 31, 2020, 2019 and 2018, the Company provided provisions for the financial guarantee services of \$89,865, \$5,008 and \$nil. The Company reviews the provisions on a quarterly basis.

See Note 3(II) for newly issued accounting guidance ASU 2016-13 for recognition of credit losses on financial instruments, which is effective January 1, 2023 for future measurement of the accrual of financial guarantee liabilities.

**(r) Customer pledged deposits**

To mitigate the potential credit risks exposure to the financial guarantee services, the Company requires the guarantee service customers to make a deposit to the Company of the same amount as the deposit the Company pledged to the banks for their loans if the customer does not pledge or collateralize other assets with the Company. The Company recorded the deposit received as "customer pledged deposits" on the consolidated balance sheet. The deposit is returned to the customer after the customer repays the bank loan and the Company's guarantee obligation expires.

**(s) Unearned income**

The Company receives the commissions from guarantee services either in full at inception or in instalments during the guarantee period. For the full collection of commission at inception, the Company initially records commissions as unearned income and amortizes the commission over the period of guarantee.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(t) Warrant liabilities**

In connection with the issuances of common stocks, the Company may issue options or warrants to purchase common stock. In certain circumstances, these options or warrants may be classified as liabilities, rather than as equity.

Warrants classified as equity are initially recorded at fair value and subsequent changes in fair value are not recognized as long as the warrants continue to be classified as equity. Warrants classified as liabilities are initially recorded at fair value with gains and losses arising from changes in fair value recognized in the consolidated statements of operations and comprehensive income (loss) during the period in which such instruments are outstanding.

**(u) Revenue recognition**

The Company adopted ASC 606, Revenue from Contracts with Customers (“ASC 606”) on January 1, 2018, using the modified retrospective approach. ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The Company has assessed the impact of the guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences that will result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, the Company concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams in scope of ASC 605 and therefore there was no material changes.

Pursuant to ASC606-10-15-2, the interest income generated from direct loan business, factoring business and financial guarantee income generated by financial guarantee business are scoped out of ASC606.

*Management and assessment services*

Service fees for management and assessment services are paid by customers for the management and assessment services provided during the loan period. The Company recognizes the revenue over the loan period using a time-based measure of progress.

*Consulting services for financial guarantee customers*

The Company provided financial consulting services to financial guarantee customers. Pursuant to the contracts with customers, the Company facilitated financial guarantee services between customers and financial guarantors, and charged referral fees at a fixed amount. The performance obligations are completed and control of the service is transferred at the inception of financial guarantee period. Transaction prices are generally paid upon successful facilitation. The Company recognizes the revenue at the inception of guarantee period.

**(u) Revenue recognition (continued)**

*Consulting services relating to debt collection services*

The Company entered into agreements with certain factoring companies to provide consulting services relating to debt collection services for these customers. The management consulting services either involved two performance obligations which are to assist the customers to obtain court judgments on outstanding debt and to assist the customers to receive repayment on outstanding debt, or one performance obligation which is to assist the customers to receive repayment on outstanding debt. Pursuant to the contracts with customers, the service fees are fixed and payable upon the completion of each performance obligation. In addition, a collection amount based incentive is agreed in the agreements. The Company did not include incentive in the transaction price because the Company had limited information on the collection amount of outstanding debts. Incentive is only recognized when it is collected from the customer. The transaction price is allocated to each performance obligation based on the relative standalone selling prices of the services being provided to the customer.

- 1) For the Company’s assistance with customers to obtain court judgments on outstanding debt, the customers receive and consume benefits from the services provided by the Company, and thus the Company recognized revenues over period. The Company measures progress towards completion of the performance obligation by using input method based on the staff cost incurred.

2) For the Company's assistance with customers to receive repayment on outstanding debt, the Company recognized revenues upon collection of outstanding debts.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The following table identifies the disaggregation of our revenue from services for the years ended December 31, 2020, 2019 and 2018, respectively.

	<b>For the Years Ended</b>		
	<b>December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Management and assessment services	\$ 19,676	\$ 135,938	\$ 71,568
Consulting services for financial guarantee customers	-	9,503	-
Consulting services relating to debt collection	2,108,477	493,779	-
	<u>\$ 2,128,153</u>	<u>\$ 639,220</u>	<u>\$ 71,568</u>

**(v) Interest income on loans**

Interest on loan receivables is accrued monthly in accordance with their contractual terms and recorded in accrued interest receivable. The Company does not charge prepayment penalties. Additionally, any previously accrued but uncollected interest is reversed and accrual is discontinued, when either (i) reasonable doubt exists as to the full, timely collection of interest or principal or (ii) when a loan becomes past due by more than 90 days.

**(w) Interest income from factoring business**

Interest income from factoring business is recognized ratably on a monthly basis in accordance with their contractual terms and recorded in accrued interest receivable. The Company does not charge prepayment penalties.

**(x) Financial guarantee commission**

The Company receives the commissions from guarantee services either in full at inception or in instalments during the guarantee period. For the full collection of commission at inception, the Company initially records commissions as unearned income and amortizes the commission over the period of guarantee.

**(y) Operating expenses**

Operating expenses consisted of salaries and employee surcharge, business taxes and surcharges, other operating expenses and changes in fair value of warrant liabilities. The other operating expenses primarily consisted of legal and consulting expenses, depreciation and amortization expenses, rental expenses and others.

**(z) Employee benefits**

The full-time employees of the Company are entitled to staff welfare benefits including medical care, housing fund, pension benefits, unemployment insurance and other welfare, which are mandated defined contribution plans by government. The Company is required to accrue for these benefits based on certain percentages of the employees' respective salaries, subject to certain ceilings, in accordance with the relevant PRC regulations, and make cash contributions to the state-sponsored plans out of the amounts accrued. Total expenses for the plans were \$61,296, \$31,012, \$33,999 for the years ended December 31, 2020, 2019, 2018, respectively.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***(aa) Leases***

In February 2016, the Financial Accounting Standards Board (the “FASB”) issued ASU 2016-02, Leases (Topic 842), which is effective for annual reporting periods (including interim periods) beginning after December 15, 2018, and early adoption is permitted. The Company adopted the Topic 842 on January 1, 2019 using a modified retrospective approach reflecting the application of the standard to leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements.

The Company leases its offices which are classified as operating leases in accordance with Topic 842. Under Topic 842, lessees are required to recognize the following for all leases (with the exception of short-term leases) on the commencement date: (i) lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

As permitted by ASC 842, leases with expected durations of less than 12 months from inception (i.e. short-term leases) were excluded from the Company’s calculation of its lease liability and right-of-use asset. Furthermore, the Company elected to apply the package of practical expedients, which allows companies not to reassess: (a) whether its expired or existing contracts are or contain leases, (b) the lease classification for any expired or existing leases, and (c) initial direct costs for any existing leases.

At the commencement date, the Company recognizes the lease liability at the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate for the same term as the underlying lease. The right-of-use asset is recognized initially at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All right-of-use assets are reviewed for impairment. No impairment for right-of-use lease assets as of December 31, 2020 and 2019.

***(bb) Share-based compensation***

Share-based awards granted to the Company’s employees are measured at fair value on grant date and share-based compensation expense is recognized (i) immediately at the grant date if no vesting conditions are required, or (ii) using the accelerated attribution method, net of estimated forfeitures, over the requisite service period. The fair value of share options is determined using the Black-Scholes valuation model and the fair value of restricted shares and restricted share units (“RSUs”) is determined with reference to the fair value of the underlying shares. Share-based awards granted to non-employees are initially measured at fair value on the grant date and remeasured at each reporting date through the vesting date. Such value is recognized as expense over the respective service period, net of estimated forfeitures. Share-based compensation expense, when recognized, is charged for the consolidated statements of operations and comprehensive income (loss) with the corresponding entry to additional paid-in capital.

At each date of measurement, the Company reviews internal and external sources of information to assist in the estimation of various attributes to determine the fair value of the share-based awards granted by the Company, including but not limited to the fair value of the underlying shares, expected life, expected volatility and expected forfeiture rates. The Company is required to consider many factors and make certain assumptions during this assessment. If any of the assumptions used to determine the fair value of the share-based awards changes significantly, share-based compensation expense may differ materially in the future from that recorded in the current reporting period. The Company recognizes the impact of any revisions to the original forfeiture rate assumptions in the consolidated statements of operations and comprehensive income (loss), with a corresponding adjustment to equity.

***(cc) Value added tax***

The Company is subject to value added tax (“VAT”) and related surcharges on the revenues earned for services provided in the PRC. The applicable rate of value added tax is 6%. The related surcharges for revenues derived from provision medical courses are deducted from gross receipts to arrive at net revenues.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***(dd) Income taxes***

The Company accounts for income taxes in accordance with the U.S. GAAP for income taxes. Under the asset and liability method as required by this accounting standard, the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between the income tax basis and financial reporting basis of assets and liabilities. Provision for income taxes consists of taxes currently due plus deferred taxes.

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis. Deferred tax assets are recognized to the extent that it is probable that taxable income to be utilized with prior net operating loss carried forwards. Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. As of December 31, 2020, income tax returns for the tax years ended December 31, 2015 through December 31, 2019 remain open for statutory examination.

***(ee) Earnings (Loss) per share***

Basic earnings (loss) per ordinary share is computed by dividing net earnings attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to ordinary shareholders by the sum of the weighted average number of ordinary share outstanding and of potential ordinary share (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential ordinary share that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted earnings per share. For the years ended December 31, 2020, 2019 and 2018, the Company had no dilutive stocks.

***(ff) Comprehensive income (loss)***

A Comprehensive income (loss) includes net income (loss) and other comprehensive income (loss) arising from foreign currency adjustments. Comprehensive income is reported in the consolidated statements of operations and comprehensive income (loss).

***(gg) Commitments and contingencies***

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations and tax matters. In accordance with ASC No. 450 Sub topic 20, “Loss Contingencies”, the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated.

***(hh) Segment reporting***

In accordance with ASC 280, Segment Reporting, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”), or decision making group, in deciding how to allocate resources and in assessing performance. The Company uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company’s chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company’s reportable segments. Management, including the chief operating decision maker, reviews operation results by the revenue of different services. For the year ended December 31, 2020, the Company had two operating business lines, including business conducted by Adrie and its subsidiaries, primarily management and assessment services and factoring business, and business conducted by Lixin Cayman and its subsidiaries, primarily financial guarantee and

consulting services. Based on management's assessment, the Company has determined that the two operating business lines are two operating segments as defined by ASC 280 (Note 20).



**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***(ii) Deconsolidation and discontinued operation***

Deconsolidation

In accordance with ASC 810, an entity should apply deconsolidation guidance when a parent sells all or part of its ownership interest in its subsidiary and as a result, the parent no longer has a controlling financial interest in the subsidiary.

Discounted operation

In accordance with ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, a disposal of a component of an entity or a group of components of an entity is required to be reported as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the components of an entity meets the criteria in paragraph 205-20-45-1E to be classified as held for sale. When all of the criteria to be classified as held for sale are met, including management, having the authority to approve the action, commits to a plan to sell the entity, the major current assets, other assets, current liabilities, and noncurrent liabilities shall be reported as components of total assets and liabilities separate from those balances of the continuing operations. At the same time, the results of all discontinued operations, less applicable income taxes (benefit), shall be reported as components of net income (loss) separate from the net income (loss) of continuing operations in accordance with ASC 205-20-45.

***(jj) Reclassification***

Certain items in the consolidated financial statements of comparative period have been reclassified to conform to the consolidated financial statements for the current period, primarily for the effects of discontinued operations, and reclassification of operating income as a result of acquisition of Lixin Cayman and its subsidiaries.

***(kk) Goodwill***

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair value assigned to the assets acquired and liabilities assumed in a business combination.

Goodwill is not amortized, but it is tested annually for impairment at the reporting unit level, and between annual tests if indicators of potential impairment exist. The Company has the option of performing a qualitative assessment of a reporting unit to first determine whether the quantitative impairment test is necessary. This involves an assessment of qualitative factors to determine the existence of events or circumstances that would indicate whether it is more likely than not that the carrying amount of the reporting unit to which goodwill belongs is less than its fair value. If the qualitative assessment indicates it is not more likely than not that the reporting unit's carrying amount is less than its fair value, a quantitative impairment test is not required.

If a quantitative impairment test is required, the procedure is to identify potential impairment by comparing the reporting unit's fair value with its carrying amount, including goodwill. The reporting unit's fair value is determined using various valuation approaches and techniques that involve assumptions based on what the Company believes a hypothetical marketplace participant would use in estimating fair value on the measurement date. An impairment loss is recognized as the difference between the reporting unit's carrying amount and its fair value. If the difference between the reporting unit's carrying amount and fair value is greater than the amount of goodwill allocated to the reporting unit, the impairment loss is restricted by the amount of the goodwill allocated to the reporting unit.

***(ll) Recently issued accounting pronouncements***

Effective January 1, 2020, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. The new standard replaces the 'incurred loss methodology' credit impairment model with a new forward-looking "methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates." In applying the new standard, the Company has adopted the loss rate methodology to estimate historical losses on loans receivable and other receivables. The Company has adopted the aging methodology to estimate the credit losses on accounts receivables. The historical data is adjusted to account for forecasted changes in the macroeconomic environment in order to calculate the current expected credit loss. The Company's adoption of ASC 326 did not result in a material change in the carrying values of the Company's financial assets on the transition date. Periods prior to January 1, 2020 that are presented for comparative purposes have not been adjusted.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The update provides “optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued.” The amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is still evaluating the impact of this new standard on its consolidated financial statements.

Effective January 1, 2020, the Company adopted ASU 2018-15, Intangibles – Goodwill and Other Internal-Use Software (Subtopic 350-40), Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract on a prospective basis. The update aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service agreement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The adoption of ASU 2018-15 on January 1, 2020 using the prospective transition approach has not resulted in an impact to the Company’s consolidated financial statements as the Company did not have Cloud Computing Arrangements.

*(mm) Significant risks and uncertainties*

1) Credit risk

Credit risk is one of the most significant risks for the Company’s business. Credit risk exposures arise principally in financial guarantee activities which is an off-balance sheet financial instrument.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures including due-diligence visits and post-lending visits to the clients. The Company manages credit risk through in-house research and analysis of the Chinese economy and the underlying obligors and transaction structures. To minimize credit risk, the Company requires collateral in the form of rights to cash, securities or property and equipment. The Company identifies credit risk collectively based on industry, geography and customer type. This information is monitored regularly by management.

- *Financial guarantee activities*

In measuring the credit risk of financial guarantee services with customers, the Company mainly reflects the “probability of default” by the customer on its contractual obligations and considers the current financial position of the customer and the exposures to the customer and its likely future development.

The Company manages their credit risk guarantee exposure by performing preliminary credit checks of each guarantee customer and ongoing monitoring of payments each month. Management periodically reviews the probability of default of guarantee customer and will accrue a guarantee liability when necessary.

In addition, the Company calculates the provision amount as below:

1. General Reserve - is based on total balance of off-balance-sheet guarantee and to be used to cover unidentified probable loan loss. According to management assessment, the General Reserve is required to be no less than 1% of total loan guarantee balance.
2. Specific Reserve – is based on a guarantee by guarantee basis covering losses due to risks related to the ability and intention of repayment of guarantee commissions by each customer. The reserve rate was individually assessed based on management estimate of guarantee fee commission collectability. According to management assessment, the Specific Reserve is no less than 50% of guarantee fee commission earned during the year.

The Company has been providing the financial guarantees of loans for limited history. The customer deposits or other assets are held as collateral for the repayment of each loan. As of December 31, 2020, the amount of outstanding loans and related interests that the Company has guaranteed is approximately \$51.3 million.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(mm) Significant risks and uncertainties (continued)*

- Other operating activities

Assets that potentially subject the Company to significant concentration of credit risk primarily consist of cash, cash equivalents and restricted cash. The maximum exposure of such assets to credit risk is their carrying amount as at the balance sheet dates. As of December 31, 2020, the Company had no deposits with a bank in the United States. As of December 31, 2020, cash of \$4,932,048 and restricted cash of \$25,875,556, respectively, were primarily deposited in banks located in Mainland China, which were uninsured by the government authority. To limit exposure to credit risk relating to deposits, the Company primarily place cash deposits with large financial institutions in China which management believes are of high credit quality.

During the year ended December 31, 2020, the Company's top two customers accounted for 84.3% of the Company's total revenue in the year. As of December 31, 2020, the top two customers accounted for 69.0% of the Company's total balance of accounts receivable.

The Company's operations are carried out in Mainland China. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC as well as by the general state of the PRC's economy. In addition, the Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, rates and methods of taxation, and the extraction of mining resources, among other factors.

2) Liquidity risk

The Company is also exposed to liquidity risk which is risk that it is unable to provide sufficient capital resources and liquidity to meet its commitments and business needs. Liquidity risk is controlled by the application of financial position analysis and monitoring procedures. When necessary, the Company will turn to other financial institutions and the shareholders to obtain short-term funding to meet the liquidity shortage.

3) Foreign currency risk

Substantially all of the Company's operating activities and the Company's assets and liabilities are denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the Peoples' Bank of China ("PBOC") or other authorized financial institutions at exchange rates quoted by PBOC. Approval of foreign currency payments by the PBOC or other regulatory institutions requires submitting a payment application form together with suppliers' invoices and signed contracts. The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market.

4) Other risk

The Company's business, financial condition and results of operations may also be negatively impacted by risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, such as the COVID-19 outbreak and spread, which could significantly disrupt the Company's operations (Note 2).

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4. ACQUISITION OF LIXIN CAYMAN**

In January 2019, the Company acquired 1% equity interest in Zhejiang Lixin at a cash consideration of \$427,318 (RMB 2,858,600)

On December 20, 2019, the Company completed the acquisition of 65.0177% equity interest in Lixin Cayman and its subsidiaries (“Lixin”), which are engaged in financial guarantee business, asset management, supply chain financing, and business factoring through its subsidiaries based in Zhejiang Province, China. The acquisition had been accounted for as a business combination in accordance with ASC 805. Under the terms of the purchase agreement, the consideration was \$39.38 million (RMB 276.00 million). As per an independent valuation report issued by a professional valuation firm dated on December 20, 2019, the fair value of 65.0177% equity interest in Lixin Cayman and its subsidiaries was \$31.09 million (RMB 217.88 million). The consideration was paid by Class B convertible preferred share which was equivalent to \$31.09 million (RMB 217.88 million) and at \$0.1065 per Class B convertible preferred share. On December 20, 2019, the Company issued 291,795,150 shares of Class B convertible preferred shares. (Note 19)

The Company assessed the Company as the accounting acquirer because of the following reasons:

- 1) The Class B preferred shares are without voting rights. Though the Company’s Board has the rights to convert any or all of the Class B Preferred Shares, in whole or in part, into ordinary share. The Company does not expect the Board will exercise the rights before the conversion date. Therefore as of the acquisition date, the Company’s existing shareholders had voting rights whereas the selling shareholders of Lixin Cayman didn’t have such right in the combined entity and are not expected to have such a right before conversion.
- 2) The Company’s major shareholders with voting rights did not change before and after the acquisition date. There is no existence of a large minority voting interest which has a significant voting interest over the combined entity.
- 3) For the period from January 1, 2019 to the date of this report, the Company changed two executive directors and one non-executive director in the Company’s Board, all duly elected by the shareholders.
- 4) For the period from January 1, 2019 to the date of this report, the Company appointed a new Chief Executive Officer who is also the Chairman of the Board, and Lixin appointed a new Chief Financial Officer. The Company assessed the CEO dominates the senior management team of combined company.

The Company has allocated the purchase price of Lixin based upon the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date. The Company estimated the fair values of the assets acquired and liabilities assumed at the acquisition date in accordance with the business combination standard issued by FASB. The Company used carrying amount of assets and liabilities as fair value, which approximate the fair value, and used income approach to estimate the fair value of intangible assets, including customer relationship, license and non-compete agreements. Management of the Company is responsible for determining the fair value of assets acquired, liabilities assumed and intangible assets identified as of the acquisition date and considered a number of factors including valuations from an independent appraiser firm. Acquisition-related costs incurred for the acquisitions are not material and have been expensed as incurred in other operating expenses.

The following table summarizes the estimated fair values of the identifiable assets acquired at the acquisition date, which represents the net purchase price allocation at the date of the acquisition of Lixin based on a valuation performed by an independent valuation firm engaged by the Company and translated the fair value from RMB to USD using the exchange rate on December 20, 2019 at the rate of USD 1.00 to RMB 7.0086.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4. ACQUISITION OF LIXIN CAYMAN (CONTINUED)**

	<b>Fair value</b>
Net tangible assets (5)	\$ 44,762,922
Customer relationship (1)	156,950
License (2)	1,983,277
Non-Compete Agreements (3)	2,454,127
Deferred tax liabilities recognized	(1,148,589)
Other intangible assets (4)	243,072
Less: Noncontrolling interests	(16,936,604)
<b>Total purchase consideration</b>	<b>\$ 31,515,155</b>

- (1) Lixin has provided financial services to over 300 clients in the past four years, which will enable the Company to benefit from these customer in future operations and with an estimated average finite useful life of three years.
- (2) Lixin has obtained the Financing Guarantee Agency Business License which permits the Company to engage in financing guarantee business, non-financial guarantee business and consulting intermediary business related to guarantee business. The estimated useful life of the license is 10 years.
- (3) Pursuant to purchase agreement between the Company and Lixin, Lixin's management and key employees were limited to be engaged in similar business to compete with the Company during the performance commitment period and within six-months to two years after leaving.
- (4) Approximately \$0.24 million of other intangible assets arising from the acquisition was mainly for the assembled workforce.
- (5) The following is a reconciliation of the fair value of major classes of assets acquired and liabilities assumed which comprised of net tangible assets on December 20, 2019.

	<b>December 20, 2019</b>
<b>Carrying amounts of major classes of acquired assets</b>	
Cash, cash equivalents and restricted cash	\$ 21,442,122
Short-term investments	8,560,911
Accounts receivable, net	3,252,159
Loan receivable due from third parties	5,917,714
Pledged deposits	5,564,592
Other assets	2,537,990
<b>Total assets</b>	<b>\$ 47,275,488</b>
<b>Less: total liabilities</b>	<b>(2,512,566)</b>
Net tangible assets	<b>\$ 44,762,922</b>

The amount of operating income and net income what resulted from the acquisition and included in the consolidated statements of operations and comprehensive income (loss) during the year ended December 31, 2019 were \$280,972 and \$192,483, respectively.

The accounting literature establishes guidelines regarding the presentation of this unaudited pro forma information. Therefore, this unaudited pro forma information is not intended to represent, nor does the Company believe it is indicative of, the consolidated results of operations of the Company that would have been reported had the acquisition been completed as of January 1, 2018. Furthermore, this unaudited pro forma information does not give effect to the anticipated business and tax synergies of the acquisition and is not representative or indicative of the anticipated future consolidated results of operations of the Company.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4. ACQUISITION OF LIXIN CAYMAN (CONTINUED)**

The unaudited pro forma consolidated financial information reflects the historical results of the Lixin Cayman and its subsidiaries, adjusted to reflect the acquisition had it been completed as of January 1, 2018. The most significant pro forma adjustments to the historical results of operations relate to the application of purchase accounting for the acquisition. The unaudited pro forma financial information includes various assumptions, including those related to the finalization of the purchase price allocation.

**UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENTS**  
**FOR THE YEAR ENDED December 31, 2019**

	<u>Roan</u>	<u>Lixin Cayman and its subsidiaries*</u>	<u>Pro Forma Adjustment**</u>	<u>Pro Forma Financial Data</u>
Net revenues from services	\$ 631,140	\$ 2,591,381	\$ -	\$ 3,222,521
Net interest loss after provision for loan losses	(1,580,588)	1,075,726	50,681	(454,181)
Commission and fee income on guarantee services, net	3,789	1,829,566	(45,192)	1,788,163
<b>Operating (Loss) Income</b>	<b>(945,659)</b>	<b>5,496,673</b>	<b>5,489</b>	<b>4,556,503</b>
<b>Other income, net</b>	<b>-</b>	<b>195,519</b>	<b>-</b>	<b>195,519</b>
<b>Total Operating Expenses</b>	<b>(1,366,710)</b>	<b>(2,087,917)</b>	<b>(855,729)</b>	<b>(4,310,356)</b>
<b>(Loss) Income Before Income Taxes</b>	<b>(2,312,369)</b>	<b>3,604,275</b>	<b>(850,240)</b>	<b>441,666</b>
Income tax expenses	(244,741)	(936,982)	212,560	(969,163)
<b>Net (Loss) Income from continuing operations</b>	<b>(2,557,110)</b>	<b>2,667,293</b>	<b>(637,680)</b>	<b>(527,497)</b>
Net income from discontinued operations, net of income tax	26,846,018	-	-	26,846,018
<b>Net Income</b>	<b>24,288,908</b>	<b>2,667,293</b>	<b>(637,680)</b>	<b>26,318,521</b>
Dividend – Convertible Redeemable Class A preferred stock	(686,400)	-	-	(686,400)
Net income attributable to noncontrolling interests	(76,108)	(90,928)	-	(167,036)
<b>Net Income Attributable to Roan Holding Group Co., Ltd.'s shareholders</b>	<b>\$ 23,526,400</b>	<b>\$ 2,576,365</b>	<b>(637,680)</b>	<b>\$ 25,465,085</b>
<b>Weighted average number of ordinary share outstanding</b>				
Basic	25,287,887	-	-	25,287,887
Diluted	25,287,887	-	-	25,287,887
<b>Earnings per share</b>				
Basic	\$ 0.93			\$ 1.01
Diluted	\$ 0.93			\$ 1.01

\* The consolidated statements of income of Lixin was for the period from January 1, 2019 to December 20, 2019.

\*\* The proforma adjustment represents the transaction elimination between Roan and Lixin, amortization of intangible assets arising from the acquisition of \$850,240, and deferred income tax benefits of \$212,560 in relation to amortization of intangible assets arising from the acquisition.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4. ACQUISITION OF LIXIN CAYMAN (CONTINUED)**

**UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENTS**  
**FOR THE YEAR ENDED December 31, 2018**

	<u>Roan</u>	<u>Lixin Cayman and its subsidiaries*</u>	<u>Pro Forma Adjustment**</u>	<u>Pro Forma Financial Data</u>
Net revenues from services	71,568	2,269,754	-	2,341,322
Net interest loss after provision for loan losses	\$ (2,150,652)	\$ 498,219	\$ -	\$ (1,652,433)
Commission and fee income on guarantee services, net	-	3,051,078	-	3,051,078
<b>Operating (Loss) Income</b>	<b>(2,079,084)</b>	<b>5,819,051</b>	<b>-</b>	<b>3,739,967</b>
<b>Other income, net</b>	<b>-</b>	<b>334,910</b>	<b>-</b>	<b>334,910</b>
<b>Total Operating Expenses</b>	<b>(1,293,223)</b>	<b>(3,889,261)</b>	<b>(915,416)</b>	<b>(6,097,900)</b>
<b>Income (Loss) Before Income Taxes</b>	<b>(3,372,307)</b>	<b>2,264,700</b>	<b>(915,416)</b>	<b>(2,023,023)</b>
Income tax expenses	(17,635)	(565,505)	228,854	(354,286)
<b>Net (Loss) Income from continuing operations</b>	<b>(3,389,942)</b>	<b>1,699,195</b>	<b>(686,562)</b>	<b>(2,377,309)</b>
Net loss from discontinued operations, net of income tax	(90,736,365)	-	-	(90,736,365)
<b>Net (Loss) Income</b>	<b>(94,126,307)</b>	<b>1,699,195</b>	<b>(686,562)</b>	<b>(93,113,674)</b>
Dividend – Convertible Redeemable Class A preferred stock	(686,400)	-	-	(686,400)
Net income attributable to noncontrolling interests	(76)	(127,514)	-	(127,590)
<b>Net (Loss) Income Attributable to Roan Holding Group Co., Ltd.'s shareholders</b>	<b>\$ (94,812,783)</b>	<b>\$ 1,571,681</b>	<b>(686,562)</b>	<b>\$ (93,927,664)</b>
<b>Weighted average number of ordinary share outstanding</b>				
Basic	24,380,051	-	-	24,380,051
Diluted	24,380,051	-	-	24,380,051
<b>Loss per share</b>				
Basic	\$ (3.89)			\$ (3.85)
Diluted	\$ (3.89)			\$ (3.85)

\* The consolidated statements of income of Lixin was for the period from January 1, 2018 to December 31, 2018.

\*\* The proforma adjustment represents the amortization of intangible assets arising from the acquisition of \$915,416, and deferred income tax benefits of \$228,854 in relation to amortization of intangible assets arising from the acquisition.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**5. DISPOSITION OF FENG HUI**

On July 31, 2019, the Company entered into a framework agreement (the “Agreement”) with Zhejiang Zhongfeng Investment Management Co., Ltd. (“Zhongfeng”), pursuant to which Zhongfeng will acquire a 100% equity interest in Feng Hui, a variable interest entity of the Company. Feng Hui primarily provides loan facilitation services to micro, small and medium sized enterprises in the Xinjiang Uygur Autonomous Region. The consideration was approximately \$1.44 million (RMB 10 million), and the Company received \$504,713 (RMB 3.5 million) for the year ended December 31, 2019. As of December 31, 2019, the Company had an outstanding receivable of \$932,836 (RMB 6.5 million) due from Zhejiang Zhongfeng. On April 30, 2020, the Company subsequently received additional \$0.43 million (RMB 3.0 million) from Zhongfeng.

Upon completion of the disposition on November 22, 2019, the Company released all equity interests to Feng Hui’s shareholders and those interests were transferred to Zhongfeng through Feng Hui’s shareholders. Zhongfeng assumed all assets and obligations of Feng Hui. Upon the closing of the transaction, the Company does not bear any contractual commitment or obligation to the microcredit business or the employees of Feng Hui, nor to the Purchaser.

On November 22, 2019, management was authorized to approve and commit to a plan to sell Feng Hui, therefore the major assets and liabilities relevant to the disposal are reported as components of total assets and liabilities separate from those balances of the continuing operations. At the same time, the results of all discontinued operations, less applicable income taxes, are reported as components of net income (loss) separate from the net loss of continuing operations in accordance with ASC 205-20-45. The assets relevant to the sale of Feng Hui with a carrying value of \$1.59 million were classified as assets held for sale as of November 22, 2019. The assets held for sale mainly consisted of loan receivables, net of doubtful allowance of \$1.56 million due from third parties. The liabilities relevant to the sale of Feng Hui with a carrying value of \$57.60 million were classified as liabilities held for sale as of November 22, 2019, which was comprised of loans of \$36.22 million and other current liabilities of \$20.61 million. A net gain of \$54.75 million was recognized as the net gain from disposal of discontinued operation in 2019, all attributable to the Company’s shareholders. The following is a reconciliation of net gain of \$54.75 million from disposition in the consolidated statements of operations and comprehensive income (loss):

	<b>Fair value</b>
Consideration in exchange for the disposal	\$ 1,435,132
Less: Net liabilities (comprised of assets of \$1,593,879 and liabilities of \$57,601,524)	<u>(56,007,645)</u>
Gains from disposal	<u>57,442,777</u>
Other comprehensive loss	<u>(2,691,969)</u>
<b>Net gain from discontinued operations</b>	<b><u>\$ 54,750,808</u></b>

In accordance with ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, a disposal of a component of an entity or a group of components of an entity is required to be reported as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results when the components of an entity meets the criteria in paragraph ASC205-20-45-1E to be classified as held for sale. When all of the criteria to be classified as held for sale are met, including management, having the authority to approve the action, commits to a plan to sell the entity, the major current assets, other assets, current liabilities, and noncurrent liabilities shall be reported as components of total assets and liabilities separate from those balances of the continuing operations. At the same time, the results of all discontinued operations, less applicable income taxes (benefit), shall be reported as components of net income (loss) separate from the net income (loss) of continuing operations in accordance with ASC 205-20-45.

The following is a reconciliation of the carrying amounts of major classes of assets and liabilities held for sale in the in the consolidated balance sheet as of November 22, 2019 and December 31, 2018.



**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**5. DISPOSITION OF FENG HUI (CONTINUED)**

	<u>November 22, 2019</u>	<u>December 31, 2018</u>
<b>Carrying amounts of major classes of assets held for sale:</b>		
Cash	\$ 12,397	\$ 10,625
Loan receivable, net	1,557,568	25,623,079
Other assets	23,914	890,682
<b>Total assets of disposal group classified as held for sale</b>	<b><u>\$ 1,593,879</u></b>	<b><u>\$ 26,524,386</u></b>
<b>Carrying amounts of major classes of liabilities held for sale:</b>		
Loans	\$ 36,221,099	\$ 40,346,674
Other current liabilities	20,611,079	14,851,106
Income tax payable	769,346	786,685
<b>Liabilities directly associated with the assets classified as held for sale</b>	<b><u>\$ 57,601,524</u></b>	<b><u>\$ 55,984,465</u></b>

The following is a reconciliation of the amounts of major classes of income from operations classified as discontinued operations in the consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2019 and 2018:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Discontinued Operations</b>		
Total interest and fees income	\$ 3,514	\$ 141,921
Total interest expenses	(6,314,400)	(6,870,408)
Provision for loan losses	(24,702,109)	(83,539,532)
Other operating expenses	3,108,205	(468,346)
Income tax expenses	-	-
Net gain from discontinued operations	54,750,808	-
<b>Net income (loss) from discontinued operations</b>	<b><u>\$ 26,846,018</u></b>	<b><u>\$ (90,736,365)</u></b>

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6. DECONSOLIDATION OF DING XIN**

On September 30, 2020, the Company entered into an agreement (the “Agreement”) with Urumqi Fengxunhui Management Consulting Co., Ltd (“Fengxunhui”) pursuant to which Fengxunhui acquired a 100% equity interest in Ding Xin with a consideration of \$15,326 (RMB100,000). Upon closing of the disposition, the Company released all equity interests to Fengxunhui’s shareholders. Therefore, starting from September 30, 2020, the Company has no power to direct the relevant activities of Ding Xin due to the loss of control over Ding Xin. Accordingly, the Company deconsolidated Ding Xin and its 99%-owned subsidiary, Zhi Yuan, pursuant to guidance of ASC 810-10-40-4 which indicates that A parent shall deconsolidate a subsidiary or derecognize a group of assets specified in paragraph 810-10-40-3A as of the date the parent ceases to have a controlling financial interest in that subsidiary or group of assets.

	<b>Fair value</b>
Consideration	\$ 15,326
Less: carrying amount of Ding Xin’s net assets	1,782,340
Loss from deconsolidation	(1,767,014)
Other comprehensive loss	(190,396)
Non-controlling interest	4,162
<b>Net loss from deconsolidation of subsidiaries</b>	<b>\$ (1,953,248)</b>

**7. RESTRICTED CASH**

Restricted cash represents cash pledged with banks, other financial institutions, and other guaranteed creditors as guarantor deposit for the Company’s guarantee service customers. The banks, other financial institutions, or other guaranteed creditors providing loans to the Company’s guarantee service customers generally require the Company, as the guarantor of the loans, to pledge a cash deposit usually in the range of 10% to 20% of the guaranteed amount, and the other financial institutions requires of a cash deposit of 50% of the guaranteed amount. The deposits are released after the guaranteed loans are paid off and the Company’s guarantee obligation expires which is usually within 12 months.

At the same time, the Company requires the guarantee service customers to make a deposit to the Company of the same amount as the deposit the Company pledged to the banks, other financial institutions, and other guaranteed creditors for their loans if the customer does not pledge or collateralize other assets with the Company. The Company recorded the deposit received as restricted cash on the consolidated balance sheet. The deposit is returned to the customer after the customer repays the loan and the Company’s guarantee obligation expires.

As of December 31, 2020, the Company’s restricted cash is comprised of:

	<b>December 31, 2020</b>
Restricted cash in banks and other financial institutions	\$ 16,986,667
Restricted cash in other guaranteed creditors	8,888,889
	<b>\$ 25,875,556</b>

**8. SHORT-TERM INVESTMENT**

As of December 31, 2020, there was no short-term investment. The balance of short-term investment as at December 31, 2019 was comprised of investments in financial product from a Chinese bank, with variable return rate and was due in six months. The Company classified the financial assets as held-to-maturity financial asset and recorded the assets at amortized cost, which approximates fair value. The fair value is referred to the value of the short-term investments on the bank statements as of each reporting date.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9. ACCOUNTS RECEIVABLE, NET**

As of December 31, 2020 and 2019, the accounts receivable consisted of the following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Accounts receivable	\$ 7,679,722	\$ 4,132,819
Less: allowance for credit losses	(740,370)	(405,802)
	<u>\$ 6,939,352</u>	<u>\$ 3,727,017</u>

Movement of allowance for credit losses was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Balance, opening	\$ 405,802	\$ -
Acquired from acquisition of Lixin in 2019	-	403,451
Provisions	290,706	-
Foreign exchange (gain) loss	43,862	2,351
Balance, ending	<u>\$ 740,370</u>	<u>\$ 405,802</u>

**10. OTHER RECEIVABLES**

As of December 31, 2020 and 2019, other receivables consisted of the following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Receivable from a guarantee customer	\$ 3,187,739	\$ -
Other receivables	363,664	-
Less: allowance for credit losses	(5,650)	-
	<u>\$ 3,545,753</u>	<u>\$ -</u>

For the year ended December 31, 2019, the Company disbursed loans of \$43,422,881 to four factoring customers, respectively. The loan terms varied from two months to one year. As of December 31, 2019, the Company collected all principals and interests from these factoring customers.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**11. LOANS DUE FROM THIRD PARTIES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Loans due from third parties (1)	\$ 17,698,084	\$ 5,952,223
Loans from direct loan customers (2)	-	4,870,838
Less: allowance for credit losses	(27,432)	(4,870,838)
	<u>\$ 17,670,652</u>	<u>\$ 5,952,223</u>

- (1) As of December 31, 2019, the balance of loans due from third parties was mainly comprised of loans of \$3,157,292 and \$2,776,982 due from two third parties, and a non-interest bearing loan of \$17,949 due from one third party. The two loans are due on December 31, 2020 and September 24, 2020, respectively. Both loans were fully pledged with the customer's outstanding trade receivable and charges an interest rate of 8% from customers.

As of December 31, 2019, the Company recorded an interest receivable of \$1,111,322 in the account of "other current assets".

As of December 31, 2020, the balance of loans due from third parties was comprised of loans of \$11,384,625, \$3,306,744, \$2,354,965, \$417,742 and \$153,019 due from five third parties, and a non-interest bearing loan of \$53,557 due from a third party. These five interest bearing loans are due within 12 months from the balance sheet date and have an interest rate of ranging from 7% to 14%. The loans of \$11,384,625, \$3,306,744, \$2,354,965, and \$153,019 are pledged either with real estate assets or customer's trade receivables.

- (2) All loans from direct loan customers are short-term loans that the Company has made to both business and individual customers. As of December 31, 2019 and 2018, the Company had four business loan customers, and two personal loan customers, respectively. All loans are guaranteed by third parties. Allowance for doubtful accounts is estimated on a quarterly basis based on an assessment of specific evidence indicating doubtful collection, historical experience, loan balance aging and prevailing economic conditions.

For the years ended December 31, 2019 and 2018, a net provision of \$2,244,601 and \$2,176,216 were charged against the consolidated statements of operations and comprehensive income (loss), respectively. For the years ended December 31, 2019 and 2018, the Company did not charge write-offs against provisions.

Interest on loans receivable is accrued and credited to income as earned. The Company determines a loan's past due status by the number of days that have elapsed since a borrower has failed to make a contractual loan payment. Accrual of interest is generally discontinued when either (i) reasonable doubt exists as to the full, timely collection of interest or principal or (ii) when a loan becomes past due by more than 90 days.

As of December 31, 2019, loan balance of \$71,757 aged between 180 ~ 365 days, and balance of \$4,799,081 aged over one year.

Movement of allowance for credit losses was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Balance at beginning of the year	\$ 4,870,838	\$ 2,680,077
Reduction due to deconsolidation	(4,870,838)	-
Provisions	27,432	2,244,601
Reversals	-	-
Foreign exchange (gain) loss	-	(53,840)
<b>Balance at end of the year</b>	<u>\$ 27,432</u>	<u>\$ 4,870,838</u>

**12. OTHER CURRENT ASSETS**

Other current assets consist of the following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Advances to customers	-	50,716
Interest receivable	-	1,111,322

Receivable from disposal of discontinued operations	-	932,836
Stamp duties due from former shareholders of a subsidiary	-	34,587
Prepaid expenses	38,948	-
Prepayment to a supplier for procurement of healthcare products	3,463,602	176,181
	<u>\$ 3,502,550</u>	<u>\$ 2,305,642</u>

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**13. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consist of the following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Electronic equipment	\$ 137,046	\$ 136,983
Vehicles	239,641	253,108
Office equipment	27,215	36,919
Leasehold improvements	49,618	46,464
Building	-	840,241
Less: Accumulated depreciation	(388,447)	(461,190)
	<b><u>\$ 65,073</u></b>	<b><u>\$ 852,525</u></b>

Depreciation expenses totaled \$73,894, \$15,184, and \$15,897 for the years ended December 31, 2020, 2019 and 2018, respectively. During the year, the Company disposed of the building and recorded a gain of 137,624.

**14. INTANGIBLE ASSETS, NET**

Intangible assets consist of the following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Credit rating system	\$ -	\$ 54,156
Software	-	4,955
Customer relationship	168,583	157,865
License	2,130,269	1,994,834
Non-Compete Agreements	2,636,015	2,468,427
Other intangible assets	-	244,487
Less: Accumulated amortization	(957,000)	(48,496)
	<b><u>\$ 3,977,867</u></b>	<b><u>\$ 4,876,228</u></b>

Amortization expenses totaled \$877,245, \$33,138, and \$6,225 for the years ended December 31, 2020, 2019 and 2018, respectively.

The following table sets forth the Company's amortization expenses for the twelve months ending December 31 of the following years:

2021	\$ 928,225
2022	926,685
2023	853,976
2024	213,027
2025	213,027
Thereafter	842,927
	<b><u>\$ 3,977,867</u></b>

**15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consist of the following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Accrued payroll	\$ 355,314	\$ 312,044
Accrued rental fee	-	49,395
Dividends due to former shareholders of Zhejiang Jingyuxin (1)	182,375	170,781
Accrued professional service fee	-	83,110
Other current liabilities	1,104,371	95,535

\$ 1,642,060   \$ 710,865

(1) The balance represented the unpaid dividends due to former shareholders of Lixin, who sold equity interests in Lixin to the Company.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**16. INCOME TAXES**

*Cayman Islands*

Under the current tax laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends to the shareholders, no Cayman Islands withholding tax will be imposed.

*British Virgin Islands*

Under the current tax laws of BVI, the Company's subsidiary incorporated in the BVI is not subject to tax on income or capital gains.

*Hong Kong*

Roan HK and Lixin HK are incorporated in Hong Kong and are subject to Hong Kong Profits Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate for the first HKD\$2 million of assessable profits is 8.25% and assessable profits above HKD\$2 million will continue to be subject to the rate of 16.5% for corporations in Hong Kong, effective from the year of assessment 2018/2019. Before that, the applicable tax rate was 16.5% for corporations in Hong Kong. The Company did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong since inception. Under Hong Kong tax laws, Roan HK and Lixin HK are exempted from income tax on its foreign-derived income and there are no withholding taxed in Hong Kong on remittance of dividends.

*PRC*

PRC subsidiaries are subject to PRC Enterprise Income Tax ("EIT") on the taxable income in accordance with the relevant PRC income tax laws. The EIT rate for companies operating in the PRC is 25%.

Income tax expenses consist of the following:

	<b>For the Years Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current income tax expenses	\$ 771,639	\$ 187,067	\$ 17,635
Deferred income tax expenses (recovery)	(1,001,372)	57,674	-
<b>Income tax expenses (recovery)</b>	<b>\$ (229,733)</b>	<b>\$ 244,741</b>	<b>\$ 17,635</b>

Below is a reconciliation of the statutory tax rate to the effective tax rate for the Company:

	<b>For the Years Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
PRC statutory income tax rate	25%	25%	25%
Effect of different income tax rate in other jurisdictions	4%	(8.2)%	(7.3)%
Effect of non-deductible expenses	3%	(0.1)%	(0.1)%
Effect of temporary differences	7%	-%	-%
Effect of valuation of deferred tax allowance	5%	(27.3)%	(18.2)%
Effective tax rate	<b>44%</b>	<b>(10.6)%</b>	<b>(0.6)%</b>



**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**16. INCOME TAXES (CONTINUED)**

Deferred tax assets (liabilities), net as of December 31, 2020 and 2019 consist of the following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b><i>Deferred tax assets</i></b>		
Accrued interest receivable	\$ -	\$ 59,489
Allowance for doubtful loan receivables	23,772	1,217,710
Allowance on doubtful accounts	179,186	119,373
Accrued expenses	7,685	15,572
Lease liability	73,603	-
Net operating loss carrying forward	45,089	458,427
Less: valuation allowance	(42,208)	(1,401,891)
Total deferred tax assets	<b>\$ 287,127</b>	<b>\$ 468,680</b>
<b><i>Deferred tax liabilities</i></b>		
Right-of-use assets	(86,504)	-
Timing difference on revenue recognition	-	(1,055,711)
Recognition of intangible assets arising from business combination	(994,471)	(1,148,545)
<b><i>Deferred tax liabilities, net</i></b>	<b>\$ (793,848)</b>	<b>\$ (1,735,576)</b>

As of December 31, 2020 and 2019, the Company had net operating loss carryforwards of \$188,408 and \$1,846,032, respectively. The net operating loss can be carried forward up to 2025 for PRC entities and can be carried forward for Hong Kong entities indefinitely. The Company reviews deferred tax assets for a valuation allowance based upon whether it is more likely than not that the deferred tax asset will be fully realized. Therefore, valuation allowance was recognized against the deferred tax assets based upon management's assessment as to their realization.

The Company evaluates its valuation allowance requirements at end of each reporting period by reviewing all available evidence, both positive and negative, and considering whether, based on the weight of that evidence, a valuation allowance is needed. When circumstances cause a change in management's judgement about the realizability of deferred tax assets, the impact of the change on the valuation allowance is generally reflected in income from operations. The future realization of the tax benefit of an existing deductible temporary difference ultimately depends on the existence of sufficient taxable income of the appropriate character within the carryforward period available under applicable tax law.

**Uncertain tax positions**

The Company evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of December 31, 2020 and 2019, the Company did not have any significant unrecognized uncertain tax positions or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefit. The Company does not believe that its uncertain tax benefits position will materially change over the next twelve months.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**17. EARNINGS (LOSS) PER SHARE**

The following table sets forth the computation of basic and diluted loss per common share for the years ended December 31, 2020, 2019 and 2018, respectively:

	<b>For the Years Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Net Income (Loss) Attributable to Roan Holding Group Co., Ltd.'s shareholders</b>	<b>\$ (1,692,654)</b>	<b>\$ 23,526,400</b>	<b>\$ (94,812,783)</b>
Net Loss from continuing operations attributable to Roan Holdings Group Co., Ltd.'s shareholders	\$ (1,692,654)	\$ (3,319,618)	\$ (4,076,418)
Net income (loss) from discontinued operations, net of income tax	\$ -	\$ 26,846,018	\$ (90,736,365)
<b>Weighted average number of ordinary share outstanding</b>			
Basic and Diluted*	25,287,887	25,287,887	24,380,051
<b>Earnings per share</b>			
Net loss per share from continuing operations - Basic and Diluted	\$ (0.07)	\$ (0.13)	\$ (0.17)
Net earnings (loss) per share from discontinued operations - Basic and Diluted	\$ -	\$ 1.06	\$ (3.72)

Basic loss per share to the ordinary shareholders are computed by dividing the net loss attributable to the ordinary shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share is the same as basic loss per share due to the lack of dilutive items in the Company for the years ended December 31, 2020, 2019 and 2018. The number of warrants, Class A preferred shares and Class B preferred shares are excluded from the computation as the anti-dilutive effect.

**18. RELATED PARTY TRANSACTIONS AND BALANCES**

1) *Transactions with related parties*

During the year, the Company advanced a loan of \$91,954 to a shareholder, Yuan Shen. The loan is interest free and due on demand as of December 31, 2020. The Company has agreed to offset this loan with the other related party balance due to this same shareholder subsequent to yearend. (Refer to Note 17.2) below for balance due to this related party

2) *Balances with related parties*

As of December 31, 2020, the balance of due from related parties of \$94,023 (2019: \$2,906) consisted of various advances due on open account and non-interest bearing to various shareholders.

As of December 31, 2020, the balance of due to related parties of \$281,369 (2019: 280,714) is due to the shareholder, Yuan Shen, who advanced funds from time to time to support the Company's holding companies' operations. The balance is interest free and due on demand.

3) *Transactions with related parties*

Upon the acquisition of Lixin Cayman in December 2019, the Company acquired a lease agreement with one related party, which is an associate of Lixin Cayman's 4.7703% shareholder. The lease agreement was a three-year agreement to be matured in April 2020, with a monthly rental fee of \$8,805. For the year ended December 31, 2019, the Company incurred rental expenses of \$2,935 from its rental agreements with the related party.

During the year ended December 31, 2019, the Company borrowed \$279,020 from a related party. The loan was interest free and was payable in March 2020.

4) *Balances with related parties*

As of December 31, 2019, the balance of due from related parties of \$2,906 consisted of various advances due on open account and non-interest bearing to various shareholders and other related entities. The Company had no balances with related parties as of December 31, 2018.

As of December 31, 2019, the balance of due to related parties of \$280,714 was a loan borrowed from a related party. The loan was interest free and was payable in March 2020.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**19. REDEEMABLE CONVERTIBLE PREFERRED SHARES**

Class A Preferred Share

On July 6, 2016, the Company sold 715,000 Class A Preferred Shares at a price of \$12.00 per Class A Share with an annual dividend of 8%. The Company received gross proceeds of \$8,580,000 from this private placement without issuance cost.

The Class A Shares were mandatorily redeemable at a price \$12.00 per Class A Share (subject to equitable adjustments for stock splits, stock dividends, recapitalizations and other similar adjustments), plus accrued dividends on the fifth anniversary of the original issue date of the Class A Shares (“Mandatory Conversion Date”). Each Class A Share is convertible into one ordinary share (subject to equitable adjustments for stock splits, stock dividends, recapitalizations and other similar adjustments) at shareholder’s option after the closing of an initial acquisition by the Company, whether through a merger, share reconstruction or amalgamation, asset or share acquisition, exchangeable share transaction, contractual control arrangement or other similar type of transaction, with an acquirer at fair value (“Business Combination”). The Class A preferred shares are automatically convertible on the date on which the average closing price of the Company’s ordinary shares for three consecutive trading days, that is equal to or exceeds \$16.00, provided that such date is after the closing of the Business Combination.

In the event of a Reorganization Event occurring following the closing of the Business Combination (which includes certain business combinations involving the Company or the Company having confirmed that at least 80% of the Class A Shares originally issued have elected to be converted at the election of their holders), each Class A Share outstanding immediately prior to such Reorganization Event shall be redeemed by the Company by making a redemption payment equal to the greater of the following (as reasonably determined by the Company’s Board of Directors): (i) an amount in cash equal to the liquidation preference, plus an amount equal to accumulated and unpaid dividends as of (but excluding) the date of the Reorganization Event, per Class A Share that is so redeemed, or (ii) the kind of securities, cash and other property that the holder of Class A Shares holding such Class A Share would have been entitled to receive if such holder had converted its Class A Shares into ordinary shares immediately prior to such Reorganization Event.

The Company did not recognize the beneficial conversion feature for the Class A Preferred shares since each Class A Share is convertible into one ordinary share (subject to equitable adjustments for stock splits, stock dividends, recapitalizations and other similar adjustments) at holder’s option. In accordance with ASC 480, redemption provisions not solely within the control of the Company require the security to be classified outside of permanent equity. ASC 480-10-S99 notes that if a reporting entity issues preferred shares that are conditionally redeemable (e.g., at the holder’s option or upon the occurrence of an uncertain event not solely within the company’s control), the shares are not within the scope of ASC 480 because there is no unconditional obligation to redeem the shares by transferring assets at a specified or determinable date or upon an event certain to occur. If the uncertain event occurs, the condition is resolved, or the event becomes certain to occur, then the shares become mandatorily redeemable under FAS 150 and would require reclassification to a liability. The Class A Preferred Shares have been classified as mezzanine equity in the consolidated financial statement, presented below total liabilities but not included in the subtotal for total equity as of December 31, 2018. The Class A Preferred Share is not deemed to be an embedded derivative instrument to be bifurcated since it’s indexed to its own stock.

In December 2019, the Company’s board approved an amendment to the Memorandum and Articles of Association (“M&A”). Pursuant to the new M&A, each Class A Share is convertible into two ordinary share (subject to equitable adjustments for stock splits, stock dividends, recapitalizations and other similar adjustments) at shareholder’s option after the closing of the Business Combination. The Class A preferred shares are automatically convertible on the date on which the average closing price of the Company’s ordinary shares for three consecutive trading days, that is equal to or exceeds \$6.00, provided that such date is after the closing of the Business Combination.

The new M&A granted the Directors with the rights to convert any or all of the Class A Preferred Shares, in whole or in part, into ordinary shares prior to the Mandatory Conversion Day. In the event of a Reorganization Event occurring following the closing of the Business Combination, the directors also have the rights to convert any or all of the Class A Preferred Shares, in whole or in part, into ordinary shares prior to the Mandatory Conversion Day, or to repurchase or redeem any or all of the Class A Preferred Shares, in whole or in part (but in no event less than one Class A Preferred Share), for a cash amount equal to the value of the Class A Preferred Shares being repurchased or redeemed on an as-converted basis.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**19. REDEEMABLE CONVERTIBLE PREFERRED SHARES (CONTINUED)**

With the amendment to the M&A, the redemption of Class A Preferred Shares is no longer solely within the control of the holders of these preferred shares. As the Class A Preferred Shares does not embody an unconditional obligation that requires the Company to redeem the preferred shares by transferring cash or assets, and it does not contain a specific date upon which assets must be transferred. The preferred shares are not considered mandatorily redeemable and are scoped out of ASC 480, Liabilities. In addition, the redemption was not solely controlled by the holders of the preferred shares, it was not required to be classified out of permanent equity. The Class A Preferred Shares was classified as an equity as of December 31, 2020 and 2019.

The Company did not recognize the beneficial conversion feature for the Class A Preferred shares since each Class A Share is convertible into two ordinary shares (subject to equitable adjustments for stock splits, stock dividends, recapitalizations and other similar adjustments) at either party's discretion. The Class A Preferred Share is not deemed to be an embedded derivative instrument to be bifurcated since it's indexed to its own stock.

As of December 31, 2020 and 2019, dividend of \$686,400 and \$686,400 was accrued for Convertible Redeemable Class A Preferred Shares and the balance for Class A Preferred Shares was \$11,025,327 and \$10,338,927, respectively.

Class B Preferred Share

On December 20, 2019, the Company issued 291,795,150 shares of Class B Preferred Shares to exchange 65.0177% equity interest in Lixin Cayman and its subsidiaries.

The Class B Preferred Shares are characteristic with 1) No voting rights at a shareholder meeting or on any resolution of members; 2) No rights to receive any dividends declared on any shares of the Company; 3) Rights of liquidation preference. In the event of any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary, each Class B Holders shall be entitled to receive, in priority to the holders of any other class of Shares in the Company, an amount equal to their pro rata share of the Class B Liquidation Preference Amount, which is calculated at an aggregation of RMB 276,000,000 and liquidation premium of 8% per annum of RMB 276,000,000.

The Class B Shares are mandatorily converted into Ordinary Shares of the Company on the second anniversary of the original issue date of the Class B Shares, at a rate of 1 Ordinary Share per Class B Preferred Share so converted, or can be redeemed at a conversion price calculated at the average closing price per share for ninety consecutive trading days before conversion date. Because the Company's board has the rights to convert any or all of the Class B Preferred Shares, in whole or in part, into ordinary shares. As such, the redemption provisions are solely at the discretion of the Company.

In the event of a Reorganization Event occurring following the closing of the an initial acquisition by the Company, whether through a merger, share reconstruction or amalgamation, asset or share acquisition, exchangeable share transaction, contractual control arrangement or other similar type of transaction, with an acquiree at fair value ("Business Combination"), the directors also have the rights to convert any or all of the Class B Preferred Shares, in whole or in part, into ordinary shares prior to the Mandatory Conversion Day, or to repurchase or redeem any or all of the Class B Preferred Shares, in whole or in part (but in no event less than one Class B Preferred Share), for a cash amount equal to the value of the Class B Preferred Shares being repurchased or redeemed on an as-converted basis.

As the Class B Preferred Shares does not embody an unconditional obligation that requires the Company to redeem the preferred shares by transferring cash or assets, and it does not contain a specific date upon which assets must be transferred. The preferred shares are not considered mandatorily redeemable and are scoped out of ASC 480, Liabilities. In addition, the redemption provisions are solely at the discretion of the Company. The Class B Preferred Shares was classified as an equity as of December 31, 2020 and 2019.

The Company did not recognize the beneficial conversion feature for the Class B Preferred shares since each Class B Share is convertible into one ordinary share (subject to equitable adjustments for stock splits, stock dividends, recapitalizations and other similar adjustments) at either party's discretion. The Class B Preferred Share is not deemed to be an embedded derivative instrument to be bifurcated since it's indexed to its own stock.

As of December 31, 2020 and 2019, the balance for Class B Preferred Shares was \$31,087,732 and \$31,087,732, respectively.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**20. EQUITY**

Ordinary share

The Company is authorized to issue unlimited ordinary shares. Holders of the Company's ordinary shares are entitled to one vote for each share.

On July 6, 2018, the Company and certain institutional investors entered into a securities purchase agreement ("Private Placement"), pursuant to which the Company agreed to sell to such investors an aggregate of 769,232 ordinary shares together with Series A warrants to purchase a total of 576,924 ordinary shares (the "Series A Warrants"), for gross proceeds of approximately \$2.0 million. Each investor will receive a Series A Warrant to purchase a number of shares equal to 75% of the number of ordinary shares the investor purchases in the offering with a warrant term of four (4) years. The purchase price for each ordinary share and the related Series A Warrants is \$2.60. The Series A Warrants have an exercise price of \$2.60. In connection with the offering, the investors also received Series B warrants with an initial face amount of 200,000 ordinary shares, which are subject to adjustment not in excess of an aggregate of 462,843 ordinary shares (the "Series B Warrants") for nominal consideration. If on the 30th day after the closing date of the transaction (the "Adjustment Date"), the closing bid price of the Company's ordinary shares is less than \$2.60, the investors shall have the right to exercise the Series B Warrants and the number of ordinary shares to be issued to the investors upon exercise of the Series B Warrants shall be adjusted (upward or downward, as necessary) based on the closing bid price of the Company's ordinary shares on such date. The closing of the offering took place on July 10, 2018. On August 9, 2018, the closing bid price of the Company's ordinary shares was \$1.29, and thus the Series B Warrant was exercised for 390,579 ordinary shares.

As of December 31, 2020 and 2019, there were 25,287,851 and 25,287,851 ordinary shares issued and outstanding, respectively.

*Ordinary Shares Held in Escrow*

Upon consummation of the business combination between the Company and Adrie, an aggregate of 20 million ordinary shares were issued and 8 million of the issued ordinary shares were deposited in escrow (the "Escrow Shares"). One-third of the Escrow Shares (along with the related accrued dividends and distributions) shall be released upon the post-combination company obtaining certain specified adjusted consolidated net income targets in each of calendar years 2016, 2017 and 2018.

The target adjusted consolidated net income ranging in 2016 from \$20.2 million at the bottom to \$32.0 million at the top, in 2017 from \$22.6 million at the bottom to \$38.0 million at the top, and in 2018 from \$25.6 million at the bottom to \$44.0 million at the top, and with the average adjusted consolidated net income target for the alternative earn-out payment ranging from \$23.3 million at the bottom to \$40.0 million at the top.

The Company has achieved the earn-out payment requirement in 2016 thus one third of 8 million escrowed restricted shares were released in 2017. However, the Company has not achieved the earn-out payment requirement in both 2018 and 2017, thus the two thirds of 8 million escrowed restricted shares were not released.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**20. EQUITY (CONTINUED)**

**Restricted Shares**

On April 4, 2018, 1,150 shares of restricted shares were forfeited as the employees resigned from the Company.

On September 18, 2018, the Company granted 370,525 shares of restricted shares to four employees and one independent director of the Company for the services provided for the past one year. These shares are vested immediately upon grant. The fair value of restricted shares is determined with reference to the fair value of the underlying shares on grant date and is recognized as expense on the grant date. Share-based compensation expense, when recognized, is charged for the consolidated income statements with the corresponding entry to additional paid-in capital.

A summary of the changes in the restricted shares related to ordinary shares granted by the Company during the year ended December 31, 2019 and 2018 is as follows:

	Number of restricted shares	Weighted average granted date fair value
Granted and unvested as of December 31, 2017	\$ 1,308	\$ 7.90
Granted	370,525	0.85
Vested	(370,683)	0.85
Forfeited	(1,150)	7.90
Granted and unvested as of December 31, 2018	<u>\$ -</u>	<u>\$ -</u>
Granted and unvested as of December 31, 2019	<u>\$ -</u>	<u>\$ -</u>

**Preferred Shares**

The Company is authorized to issue unlimited preferred shares, in one or more series, with such designations, voting and other rights and preferences as may be determined from time to time by the board of directors. As of December 31, 2020 and 2019, there were 715,000 Class A preferred shares issued and outstanding. As of December 31, 2020 and 2019, there were 291,795,150 and 291,795,150 Class B preferred shares issued and outstanding.

**Warrants**

A summary of warrants activity for the years ended December 31, 2020 and 2019 is as follows:

	Number of shares	Weighted average life	Expiration dates
Balance of warrants outstanding as of December 31, 2017	9,280,323	3.52 years	July 6, 2021
Grants of Series A Warrants	576,924	4 years	July 9, 2022
Grants of Placement Agent Warrant	46,154	4 years	July 9, 2022
Grants of Series B Warrants	390,579	0.08 years	August 9, 2018
Exercise of Series B Warrants	(390,579)		
Balance of warrants outstanding as of December 31, 2018	<u>9,903,401</u>	2.58 years	*
Balance of warrants outstanding as of December 31, 2019	<u>9,903,401</u>	1.58 years	*
Balance of warrants outstanding as of December 31, 2020	<u>9,903,401</u>	0.58 years	*

\* As of December 31, 2020 and 2019, the Company's 9,903,401 shares of warrants were comprised of 9,280,323 shares which would expire on July 6, 2021, and 623,078 shares which would expire on July 9, 2022, respectively.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**20. EQUITY (CONTINUED)**

**Warrants (continued)**

*Series A Warrants*

In connection with the private placement closed on July 10, 2018, the Company issued Series A warrants to investors to purchase a total of 576,924 ordinary shares with a warrant term of four (4) years. The Series A Warrants have an exercise price of \$2.60 per share. On January 9, 2019, the Board of the Company approved a downward adjustment of exercise price from \$2.6 to \$1.18.

The Series A Warrants have customary anti-dilution protections including a “full ratchet” anti-dilution adjustment provision which are triggered in the event the Company sells or grants any additional shares of common stock, options, warrants or other securities that are convertible into common stock at a price lower than \$2.60 per share. The anti-dilution adjustment provision is not triggered by certain “exempt issuances” which among other issuances, includes the issuance of shares of common stock, options or other securities to officers, employees, directors, consultants or service providers.

Based on an evaluation as discussed in FASB ASC 815-15, “Embedded Derivatives” and FASB ASC 815-40-15, “Contracts in Entity’s Own Equity – Scope and Scope Exceptions,” the Company determined that the Series A Warrants were not considered indexed to its own stock because neither the occurrence of a sale of equity securities by the issuer at market nor the issuance of another equity contract with a lower strike price is an input to the fair value of a fixed-for-fixed option or forward on equity shares. As such, the Series A Warrants was classified as a liability. Liability classification requires the warrant to be re-measured to their fair value for each reporting period.

As of July 10, 2018, December 31, 2019 and 2020, the Company estimated fair value of the Series A Warrants at \$1,202,310, \$18,462 and \$12,500, respectively, using the Black-Scholes valuation model, which took into consideration the underlying price of ordinary shares, a risk-free interest rate, expected term and expected volatility. As a result, the valuation of the warrant was categorized as Level 3 in accordance with ASC 820, “Fair Value Measurement”.

On the July 10, 2018, December 31, 2019 and 2020, the Company estimated the fair value of Series A Warrants using the following assumption.

	<b>On July 10, 2018</b>	<b>On December 31, 2019</b>	<b>On December 31, 2020</b>
Terms of warrants	48 months	30 months	18 months
Exercise price	2.60	1.18	1.18
Risk free rate of interest	2.77%	1.56%	0.12%
Dividend yield	0.00%	0.00%	0.00%
Annualized volatility of underlying stock	2.03	2.45	2.19



**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**20. EQUITY (CONTINUED)**

**Warrants (continued)**

*Series B Warrants*

In connection with the private placement closed on July 10, 2018, the investors also received Series B warrants with an initial face amount of 200,000 ordinary shares, which are subject to adjustment not in excess of an aggregate of 462,843 ordinary shares (the “Series B Warrants”) for nominal consideration. If on the 30th day after the closing date of the transaction (the “Adjustment Date”), the closing bid price of the Company’s ordinary shares is less than \$2.60, the investors shall have the right to exercise the Series B Warrants and the number of ordinary shares to be issued to the investors upon exercise of the Series B Warrants shall be adjusted (upward or downward, as necessary) based on the closing bid price of the Company’s ordinary shares on such date.

Based on an evaluation as discussed in FASB ASC 815-40-15, “Contracts in Entity’s Own Equity – Scope and Scope Exceptions,” the Company determined that the Series B Warrants were not considered indexed to its own stock because the settlement amount does not equal the difference between the fair value of a fixed number of the Company’s shares and a fixed strike price. Liability classification requires the warrant to be re-measured to their fair value for each reporting period.

The Company estimated its fair value of the Series B Warrants at \$504,499 using the Black-Scholes valuation model on the July 10, 2018 using the following assumption.

	<b>On July 10, 2018</b>
Terms of warrants	1 month
Exercise price	0.001
Risk free rate of interest	1.88%
Dividend yield	0.00%
Annualized volatility of underlying stock	0.87

On August 9, 2018, the closing bid price of the Company’s ordinary shares was \$1.29, and thus the investors exercised the Series B Warrant for 390,579 ordinary shares at \$391. The carrying fair value of the warrant liabilities on the exercise day was \$503,847 and the fair value change in warrant liabilities for the years ended December 31, 2018 was \$652. The Company incurred a gain of \$652 upon exercise of the warrants

*Placement Agent Warrants*

On April 6, 2018, the Company entered into a letter agreement with FT Global Capital, Inc., as exclusive placement agent (the “Placement Agent”), pursuant to which the Placement Agent has agreed to act as placement agent on a best efforts basis in connection with the above offering. In addition to the cash payments, the Company has also agreed to issue to the Placement Agent a warrant to purchase a number of ordinary shares equal to 6.0% of the aggregate number of ordinary shares sold in this offering, which warrant will have the same term as Series A Warrants, including exercise price, vesting period, antidilution terms and etc. As such, same as the classification of Series A Warrants, the Placement Agent Warrants were classified as a liability, which requires the warrant to be re-measured to their fair value for each reporting period.

As of July 10, 2018, December 31, 2019 and 2020, the Company estimated fair value of the Placement Agent Warrants at \$96,185, \$1,477 and \$1,000, respectively, using the Black-Scholes valuation model. The assumptions used to estimate the fair value of the warrants were the same as those used for Series A Warrants.

*Allocation of Issuance Costs*

In connection with the Private Placement closed on July 10, 2018, the Company incurred direct and incremental issuance costs of \$310,000. These costs were allocated to common stock, Series A Warrants and Series B Warrants in proportion to the allocation of proceeds. The issuance costs allocated to common stock were accounted for as a reduction of proceeds of the common stocks, while the issuance costs allocated to warrants were accounted for as non-operating expenses.

*Statutory reserve*

The Company’s ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiary. Relevant PRC statutory laws and regulations permit payments of dividends by the Company’s PRC subsidiaries only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations and after it has met the PRC requirements for appropriation to statutory reserves. Paid in capital of the PRC subsidiaries included in the Company’s consolidated net assets are also non-distributable for dividend purposes. The results of operations reflected in the accompanying consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of PRC subsidiaries. The Company is required to set aside at least 10% of

their after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, the Company may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff bonus and welfare fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends.

As of December 31, 2020 and 2019, the Company had statutory reserve of \$202,592 and \$658,662, respectively.

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**21. SEGMENT REPORTING**

In accordance with ASC 280, Segment Reporting, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”), or decision making group, in deciding how to allocate resources and in assessing performance. The Company uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company’s chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company’s reportable segments. Management, including the chief operating decision maker, reviews operation results by the revenue of different services. For the year ended December 31, 2020 and 2019, the Company has two operating business lines, including business conducted by Adrie and its subsidiaries, primarily management and assessment services and factoring business, and business conducted by Lixin Cayman and its subsidiaries, primarily financial guarantee and consulting services. Based on management’s assessment, the Company has determined that the two operating business lines are two operating segments as defined by ASC 280.

The following table presents summary information by segment for the years ended December 31, 2020 and 2019:

	<b>For the Year Ended December 31, 2020</b>		
	<b>Business conducted by Adrie and its subsidiaries</b>	<b>Business conducted by Lixin Cayman and its subsidiaries</b>	<b>Total</b>
Net revenues of services	\$ 75,280	\$ 2,057,400	\$ 2,132,680
Commission and fee income on guarantee services, net	-	285,606	285,606
Total interest and fee income	20,601	2,459,235	2,479,836
Interest expenses	-	-	-
Provision for loan losses	-	-	-
Net (loss) income from operation	\$ 95,881	\$ 4,802,241	\$ 4,898,122
Depreciation	\$ (376)	\$ (39,951)	\$ (40,327)
Capital expenditures	\$ -	\$ -	\$ -
Income tax recovery (expense)	\$ (6,734)	\$ 236,467	\$ 229,733
Segment (loss) profit from continuing operations	\$ (762,041)	\$ 1,860,683	\$ 1,098,642
Segment assets as of December 31, 2020	\$ 9,990,995	\$ 57,712,165	\$ 67,703,161

	<b>For the Year Ended December 31, 2019</b>		
	<b>Business conducted by Adrie and its subsidiaries</b>	<b>Business conducted by Lixin Cayman and its subsidiaries</b>	<b>Total</b>
Net revenues of services	\$ 452,733	\$ 178,407	\$ 631,140
Commission and fee income on guarantee services, net	-	3,789	3,789
Total interest and fee income	2,784,052	98,776	2,882,828
Interest expenses	(2,218,815)	-	(2,218,815)
Provision for loan losses	(2,244,601)	-	(2,244,601)
Net (loss) income from operation	\$ (1,226,631)	\$ 280,972	\$ (945,659)
Depreciation	\$ (12,882)	\$ (2,302)	\$ (15,184)
Capital expenditures	\$ (833)	\$ -	\$ (833)
Income tax expense	\$ (185,762)	\$ (58,979)	\$ (244,741)
Segment (loss) profit from continuing operations	\$ (2,729,212)	\$ 172,102	\$ (2,557,110)
Segment assets as of December 31, 2019	\$ 3,113,525	\$ 52,275,757	\$ 55,389,282



**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**22. COMMITMENTS AND CONTINGENCIES**

Contingencies

From time to time, the Company may be subject to certain legal proceedings, claims and disputes that arise in the ordinary course of business. Although the outcomes of these legal proceedings cannot be predicted, the Company does not believe these actions, in the aggregate, will have a material adverse impact on its financial position, results of operations or liquidity.

Lease commitments

As of December 31, 2020, the Company leases offices space under a number of non-cancellable operating lease arrangements, two of which had a term of over 12 months. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right of use assets and lease liabilities. Lease expense for operating lease is recognized on a straight-line basis over the lease term.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In calculating the initial values of right of use assets and liabilities at inception date, the Company uses the rate implicit in the lease, when available or readily determinable, to discount lease payments to present value. When the leases do not provide a readily determinable implicit rate, the Company discount lease payments based on an estimate of its incremental borrowing rate.

The table below presents the operating lease related assets and liabilities recorded on the balance sheets.

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Right of use assets	<u>\$ 346,017</u>	<u>\$ 400,720</u>
Operating lease liabilities, current portion	\$ 191,643	\$ 106,136
Operating lease liabilities, noncurrent portion	102,767	265,797
Total operating lease liabilities	<u>\$ 294,410</u>	<u>\$ 371,933</u>

As of December 31, 2020, the weighted average remaining lease term was 1.95 years, and discount rates were 4.75% for the operating lease.

Rental expense for the years ended December 31, 2020, 2019 and 2018 was \$134,457, \$78,756 and \$10,896, respectively.

The following is a schedule, by years, of maturities of lease liabilities as of December 31, 2020:

Twelve months ended December 31, 2021	\$ 200,811
Twelve months ended December 31, 2022	71,624
Twelve months ended December 31, 2023	36,075
Total lease payments	<u>308,510</u>
Less: imputed interest	(14,100)
Present value of lease liabilities	<u>\$ 294,410</u>

**ROAN HOLDINGS GROUP CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**23. SUBSEQUENT EVENTS**

In accordance with ASC Topic 855, "Subsequent Events" which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, the Company has evaluated all events or transactions that occurred up to the date the audited financial statements were available to issue. Based upon this review, the Company has not identified any subsequent events that would have required adjustment or disclosure in the condensed financial statements.

## ITEM 19. EXHIBITS

<b>Exhibit No.</b>	<b>Description</b>
1.1	<a href="#"><u>Amended and Restated Memorandum and Articles of Association (1)</u></a>
2.1	<a href="#"><u>Underwriting Agreement, dated September 30, 2014, between the Company and EarlyBirdCapital, Inc. as representative for the underwriters (2)</u></a>
2.2	<a href="#"><u>Business Combination Marketing Agreement, dated September 30, 2014, between the Company and EarlyBirdCapital, Inc. (2)</u></a>
2.3	<a href="#"><u>Specimen Ordinary shares Certificate (3)</u></a>
2.4	<a href="#"><u>Specimen Warrant Certificate (3)</u></a>
2.5	<a href="#"><u>Warrant Agreement, dated September 30, 2014, between the Company and Continental Stock Transfer &amp; Trust Company (2)</u></a>
2.6	<a href="#"><u>Rights Agreement, dated September 30, 2014, between the Company and Continental Stock Transfer &amp; Trust Company (2)</u></a>
2.7	<a href="#"><u>Form of Unit Purchase Option between the Registrant and EarlyBirdCapital, Inc. (3)</u></a>
2.8*	<a href="#"><u>Description of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended</u></a>
4.1	<a href="#"><u>Letter Agreement, dated September 30, 2014, among the Company, EarlyBirdCapital, Inc. and each shareholder, director and officer of the Company (2)</u></a>
4.2	<a href="#"><u>Amended and Restated Investment Management Trust Agreement, dated April 1, 2016, between the Company and Continental Stock Transfer &amp; Trust Company (7)</u></a>
4.3	<a href="#"><u>Administrative Services Agreement, dated September 30, 2014, between the Company and DeTiger Holdings Limited (2)</u></a>
4.4	<a href="#"><u>Escrow Agreement, dated September 30, 2014, among the Company, initial shareholders and Continental Stock Transfer &amp; Trust Company (2)</u></a>
4.5	<a href="#"><u>Securities Purchase Agreement, dated June 5, 2014, between the Company and Emily Chui-Hung Tong (3)</u></a>
4.6	<a href="#"><u>Securities Purchase Agreement, dated June 5, 2014, between the Company and Stephen N. Cannon (3)</u></a>
4.7	<a href="#"><u>Securities Purchase Agreement, dated June 8, 2014, between the Company and DeTiger Holdings Limited (3)</u></a>
4.8	<a href="#"><u>Unit Purchase Agreement, dated August 26, 2014, between the Registrant and DeTiger Holdings Limited (3)</u></a>
4.9	<a href="#"><u>Unit Purchase Agreement, dated August 26, 2014, between the Registrant and EarlyBirdCapital, Inc. (3)</u></a>
4.10	<a href="#"><u>Registration Rights Agreement, dated September 30, 2014, between the Company and security holders (2)</u></a>
4.11	<a href="#"><u>Form of Indemnity Agreement (4)</u></a>
4.12	<a href="#"><u>Sponsor Warrants Purchase Agreement, dated September 22, 2014, between the Registrant and sponsor (5)</u></a>
4.13	<a href="#"><u>Share Exchange Agreement, dated as of January 11, 2016, by and among DT Asia Investments Limited, DeTiger Holdings Limited, in the capacity as the DT Representative thereunder, Adrie Global Holdings Limited, the shareholders of Adrie Global Holdings Limited, and Jingping Li, in the capacity as the Seller Representative thereunder (6)</u></a>
4.14	<a href="#"><u>Amended and Restated Convertible Promissory Note, dated June 14, 2016 (8)</u></a>
4.15	<a href="#"><u>Registration Rights Agreement, dated as of July 6, 2016, by and among DT Asia Investments Limited, DeTiger Holdings Limited, in the capacity as the DT Representative and shareholders of Adrie Global Holdings Limited (9)</u></a>
4.16	<a href="#"><u>Lock-Up Agreement, dated as of July 6, 2016, by and among DT Asia Investments Limited, DeTiger Holdings Limited, in the capacity as the DT Representative and shareholders of Adrie Global Holdings Limited named as Investors therein (9)</u></a>
4.17	<a href="#"><u>Escrow Agreement, dated as of July 6, 2016, by and among DT Asia Investment Limited, Jingping Li, in the capacity as the Seller Representative, and Continental Stock Transfer &amp; Trust Company as escrow agent (9)</u></a>
4.18	<a href="#"><u>Letter Agreement, dated April 6, 2018 by and between FT Global Capital, Inc. and China Lending Corporation (10)</u></a>
4.19	<a href="#"><u>Form of Securities Purchase Agreement, dated July 6, 2018 (10)</u></a>
4.20	<a href="#"><u>Form of Warrant (10)</u></a>
4.21	<a href="#"><u>English Translation of Capital Contribution Agreement by and among Roan, Lixin Financial Holdings Group, et al (11)</u></a>
4.22	<a href="#"><u>English Translation of Share Purchase Agreement dated June 13, 2019 among China Lending Corporation and Lixin Financial Holdings Group, et al. (11)</u></a>
4.23	<a href="#"><u>English Translation of Supplemental Agreement to Share Purchase Agreement dated August 23, 2019, among China Lending Corporation and Lixin Financial Holdings Group, et al (11)</u></a>
4.24	<a href="#"><u>Junfeng Wang Employment Agreement, dated August 10, 2020 (12)</u></a>
4.25*	<a href="#"><u>English Translation of Service Agreement between Lifang Lou and Lixin (Hangzhou) Asset Management Co., Ltd.</u></a>

<b>Exhibit No.</b>	<b>Description</b>
4.26*	<a href="#">English Translation of Lease Agreement between Junrong Capital Holdings Limited and Lixin (Hangzhou) Asset Management Co., Ltd.</a>
4.27*	<a href="#">English Translation of Lease Agreement between Bogong He and Lixin (Hangzhou) Asset Management Co., Ltd.</a>
4.28*	<a href="#">English Translation of Lease Agreement between Chunrong Wang and Lixin (Hangzhou) Asset Management Co., Ltd.</a>
4.29*	<a href="#">English Translation of Lease Agreement between Lin Wang and Lixin (Hangzhou) Asset Management Co., Ltd.</a>
4.30	<a href="#">English Translation of Lease Agreement between Hangzhou Yuhuangshannan Fund Town Management Committee and Zhejiang Lixin Enterprise Management Group Co., Ltd., dated July 3, 2018(11)</a>
4.31	<a href="#">English Translation of Lease between Zhejiang Fengfan Electrical Accessories Co., Ltd. and Zhejiang Jing Yu Xin Financing Guarantee Co., Ltd., dated April 7, 2020 (11)</a>
4.32*	<a href="#">English Translation of Lease Agreement between Junrong Capital Holdings Limited and Zeshi (Hangzhou) Health Management Co., Ltd.</a>
4.33*	<a href="#">English Translation of Lease Agreement between Bogong He and Hangzhou Zeshi Investment Partnership (Limited Partnership).</a>
8.1*	<a href="#">List of Subsidiaries</a>
12.1*	<a href="#">Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)</a>
12.2*	<a href="#">Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)</a>
13.1*	<a href="#">Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2*	<a href="#">Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
99.1*	<a href="#">Press release dated May 17, 2021 titled “Roan Holdings Group Co., Ltd. Reports Full Year 2020 Financial Results”</a>
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

\* Filed herewith

- (1) Incorporated by reference to the Company’s Form 6-K, file with the SEC on January 22, 2020.
- (2) Incorporated by reference to the Company’s Form 8-K, filed with the SEC on October 6, 2014.
- (3) Incorporated by reference to the Company’s Form S-1/A, filed with the SEC on August 27, 2014.
- (4) Incorporated by reference to the Company’s Form S-1/A, filed with the SEC on September 11, 2014.
- (5) Incorporated by reference to the Company’s Form S-1/A, filed with the SEC on September 23, 2014.
- (6) Incorporated by reference to the Company’s Form 8-K, filed with the SEC January 13, 2016.
- (7) Incorporated by reference to the Company’s Form 8-K, filed with the SEC on April 5, 2016.
- (8) Incorporated by reference to the Company’s Form 8-K, filed with the SEC on June 14, 2016.
- (9) Incorporated by reference to the Company’s Form 8-K, filed with the SEC on July 11, 2016.
- (10) Incorporated by reference to the Company’s 6-K, filed with the SEC on July 6, 2018.
- (11) Incorporated by reference to the Company’s Form 20-F, filed with the SEC on June 26, 2020.
- (12) Incorporated by reference to the Company’s Form 6-K, filed with the SEC on August 14, 2020.



## SIGNATURES

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

### ROAN HOLDINGS GROUP CO., LTD.

Date: May 17, 2021

By: /s/ Junfeng Wang

Name: Junfeng Wang

Title: Chief Executive Officer and Chairman

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated. Each person whose signature appears below hereby authorizes Junfeng Wang as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments to this report, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

<u>Name</u>	<u>Position</u>	<u>Date</u>
<u>/s/ Junfeng Wang</u> Junfeng Wang	Chief Executive Officer <i>(Principal Executive Officer)</i>	May 17, 2021
<u>/s/Lifang Lou</u> Lifang Lou	Acting Chief Financial Officer <i>(Acting Principal Financial Officer and Principal Accounting Officer)</i>	May 17, 2021
<u>/s/ Qingliang Yang</u> Qingliang Yang	Director	May 17, 2021
<u>/s/ Yiguo Xu</u> Yiguo Xu	Director	May 17, 2021
<u>/s/ Jianfeng Yin</u> Jianfeng Yin	Director	May 17, 2021
<u>/s/ John Chen</u> John Chen	Director	May 17, 2021

**Description of Securities**  
**Registered under Section 12 of the Securities Exchange Act of 1934**

As of December 31, 2020, Roan Holdings Group Co., Ltd. (“Roan,” the “Company,” “we,” “us,” and “our”) had the following securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”):

Title of each class	Symbol	Name of the principal U.S. market
Ordinary Shares, no par value	RAHGF	OTCMKTS
Warrants	RONWF	OTCMKTS

As of December 31, 2020, our ordinary shares and warrants were quoted on the OTC Pink Open Market (“OTC Market”) under the symbols “RAHGF” and “RONWF,” respectively.

**Ordinary Shares**

Under our memorandum and articles of association, as amended, the Company is authorized to issue an unlimited number of both ordinary shares of no par value and preferred shares of no par value. As of December 31, 2020, the Company had 25,287,851 ordinary shares issued and outstanding, and 715,000 Class A Convertible Preferred Shares and 291,795,150 Class B Convertible Preferred Shares issued and outstanding. The ordinary shares are quoted on the OTC Pink Open Market (“OTC Market”) under the symbol RAHGF.

Capitalized terms used but not defined herein shall have the meanings given to them in the annual report on Form 20-F.

This Exhibit sets forth a description of our ordinary shares and certain provisions of our memorandum and articles of association which are summaries and are qualified in their entirety by reference to the full text of our Fourth Amended and Restated Memorandum and Articles of Association, which was previously filed as exhibit 3.1 to the Company’s current report on Form 6-K on January 22, 2020 (referred to hereafter as our “Memorandum and Articles”).

At any general meeting on a show of hands every ordinary shareholder who is present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy will have one vote for each share held on all matters to be voted on by shareholders. Voting at any meeting of the ordinary shareholders is by show of hands unless a poll is demanded. A poll may be demanded by shareholders present in person or by proxy if the shareholder disputes the outcome of the vote on a proposed resolution and the chairman shall cause a poll to be taken. Pursuant to our Memorandum and Articles, our shareholders may pass resolutions in writing without a meeting.

Our Board of Directors consists of one class of directors. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors (provided, that, holders of at least 75% of the shares can remove a director with or without cause).

Our shareholders are entitled to receive ratable dividends when, as and if declared by the Board of Directors out of funds legally available therefor.

In the event of a liquidation or winding up of the Company, our shareholders are entitled to share ratably in all assets remaining available for distribution to them after payment of liabilities and after provision is made for each class of shares, if any, having preference over the ordinary shares. Our shareholders have no preemptive or other subscription rights. There are no sinking fund provisions applicable to the ordinary shares, except that we will provide our shareholders with the redemption rights set forth above.

## **Warrants**

As of December 31, 2020, there are 9,903,401 warrants of the Company outstanding, of which 6,860,063 were designated “public warrants,” 33,134 are designated “private warrants”, 1,387,126 are designated “Sponsor warrants”, 1,000,000 warrants are transferred to employees of the Company from DeTiger, 576,924 warrant are issued to investors of private placement in July 2018 and 46,154 warrants issued to placement agent of the private placement. The public warrants are quoted on the OTC Market under the symbol RONWF.

Each public warrant entitles the registered holder to purchase one half of one ordinary share at a price of \$12.00 per full share, subject to adjustment as discussed below, at any time commencing on the completion of the Business Combination. Pursuant to the Warrant Agreement, a warrant holder may exercise its warrants only for a whole number of shares. This means that only an even number of warrants may be exercised at any given time by a warrant holder. However, no public warrants will be exercisable for cash unless we have an effective and current registration statement covering the ordinary shares issuable upon exercise of the warrants and a current prospectus relating to such ordinary shares. Notwithstanding the foregoing, if a registration statement covering the ordinary shares issuable upon exercise of the public warrants is not effective within 90 days from the Initial Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when we shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act. If an exemption from registration is not available, holders will not be able to exercise their warrants on a cashless basis. The warrants will expire on July 6, 2021 at 5:00 p.m., New York City time.

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Service Agreement

Party A (Employer): Lixin (Hangzhou) Asset Management Co., Ltd.

Legal representative: Jialin Zhu

Contact address: Room 113, 147 Ganshui Lane, Shangcheng District,  
Hangzhou City, Zhejiang Province

Postal Code:

Contact number:

Party B (Retiree): Lifang Lou

ID number:

Contact address: Room 113, 147 Ganshui Lane, Shangcheng District,  
Hangzhou City, Zhejiang Province

Postal Code:

Contact number:

In accordance with the general principles of the civil law of the People's Republic of China, the contract law of the People's Republic of China and other relevant provisions, Party A and B voluntarily signed this labor agreement through equal consultation and consensus.

**Article 1** If Party B's physical condition permits, Party A shall arrange Party B to work as Deputy Chief Financial Officer of financial management department. Party B is willing to accept Party A's arrangement to engage in the labor services agreed in this agreement.

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**Article 2** The term of this agreement is three years, which shall come into force on February 20, 2021 and terminate on February 19, 2024. The probation period is six months, from February 20, 2021 to August 19, 2021. If the contract expires, if it is necessary to continue to employ, it shall negotiate in advance and sign the agreement again. When the agreement expires, the both parties want to continue the employment, they shall negotiate and sign a new agreement in advance.

**Article 3** Reward and welfare

3.1 Party B shall have the right to receive the corresponding reward after providing normal services to Party A. In the interim period, the monthly salary is RMB 17,600 (including performance bonus RMB 3,520) and after interim period the monthly salary is RMB 22,000 (including performance bonus RMB 4,400). The specific amount and payment method are as follows: The payment of performance bonus is based on the monthly performance appraisal score of Party B reaching more than 70 points.

3.2 Party A may increase or decrease the reward of Party B according to the change of Party B's job change, and Party B is willing to obey the reasonable arrangement of Party A.

**Article 4** Party B shall observe the rules and regulations of Party A and obey the management and arrangement of Party A. If Party B violates Party A's rules and regulations and causes losses to Party A, Party B shall be liable for compensation.

**Article 5 Confidentiality regulations**

5.1 Confidential information: the information obtained or exchanged by Party B due to the working trust relationship, including but not limited to Party A's financial data, operating costs, purchase price, purchase channels, sales plans, technical ideas, customer list, photographic materials, operating channels and plans, methods, designs, measures or other information that can be used for sales or operation. This information may be part or all of Party B's own work results, which is obtained by Party B through direct, indirect or abnormal ways. The disclosure of this information may directly or indirectly benefit Party A's competitors, or may damage Party A's interests (including tangible property loss or intangible loss).

5.2 Reservation of rights: Party B shall have no right to any information of Party A except for those necessary for performing the obligations of this Agreement and complying with the instructions of Party A, and shall keep all information contacted, known and obtained confidential. During and after the effective period of this agreement, Party B shall not come into contact with Party A's non-public information, use or dispose of the relevant information, disclose or transfer the relevant information to any third party (in part or in whole) without permission. No matter what reasons and when Party B leaves Party A, Party B shall return the relevant information and all its backup copies, or destroy them according to Party A's instructions.

5.3 Confidentiality measures: Party B shall take appropriate and sufficient protection measures for the confidential information contacted, known and obtained in the work, and carry out physical and technical security protection in the relevant operation and management process, so as to prevent accidental loss, unauthorized use, or illegal contact, damage, tampering or leakage of relevant confidential information.

5.4 Confidentiality responsibility: Party B has the obligation to take reasonable measures to keep Party A's secret, so as to avoid Party A's loss due to leakage. Party B shall be liable for all damages or losses caused to Party A by any dereliction of duty, breach of contract or negligence of Party B in handling relevant information.

**Article 6** Safety regulations

6.1 Obligation of truthful disclosure: Party B shall truthfully inform Party A of her current physical condition and ensure that her health condition meets the work requirements of Party A. In case Party B is unable to continue to work due to any abnormal health condition during the work, Party B shall inform Party A in time and provide corresponding certificates. If Party B fails to inform Party A of the abnormal health condition, Party B shall bear the responsibility for the personal injury and loss of Party A.

6.2 Safety duty of care: during the working period, Party B shall strictly abide by the procedures, processes and operation methods specified in the relevant labor safety system of Party A, and use the machinery, office equipment and supplies required in the work carefully.

**Article 7** If Party B suffers from illness or non work injury, the medical expenses shall be paid by the medical insurance. If the medical insurance is insufficient or there is no medical insurance, Party B shall bear it by itself. Party A shall not pay the reward for labor services during the period of suspension of work.

**Article 8** Change of agreement

8.1 In case of any change in the laws, administrative regulations and rules on which this agreement is based, the relevant provisions shall prevail.

8.2 If the objective situation on which this agreement is based has changed significantly, which makes this agreement unable to be performed, Party A and Party B may change the relevant contents of this agreement or terminate this agreement through negotiation.

**Article 9** Reasons for termination

9.1 The expiration of this Agreement,

9.2 Both parties reach a consensus on the termination of this Agreement,

9.3 Party B is unable to perform its obligations under this agreement due to health reasons,

9.4 the working condition of Party B cannot meet the requirements of Party A.



**Article 10** if Party A and Party B unilaterally terminate this agreement, they only need to notify the other party in writing 7 days in advance, and the date specified in the written notice is the termination date of this agreement.

**Article 11** In case of termination or cancellation of this agreement in accordance with Articles 9 or 10 of this agreement, both parties shall not pay compensation and liquidated damages to each other.

**Article 12** After the termination or cancellation of this agreement, Party B shall hand over the relevant work to Party A within one week with a written explanation. If any loss is caused to Party A, Party B shall make compensation.

**Article 13** Other convention:

**Article 14** Any dispute between the both parties shall be settled through negotiation. If the negotiation fails, it shall be submitted to the ( ) Arbitration Commission for arbitration.

**Article 15** The contact address of Party A and Party B in the first part of this agreement is the effective service address confirmed by both parties. If the opposite party sends the materials to be served to the address, it shall be deemed as served. If one party's contact address changes, it shall promptly notify the other party in writing.

**Article 16** This agreement is made in duplicate, one for each party, with the same legal effect.

Party A (Seal):

Party B (Signature) :

Signature of authorized

representative:

Signing date:

Lease Agreement

Lessor (Party A): Junrong Capital Holdings Limited

Unified Social Credit Code:

Lessee (Party B): Lixin (Hangzhou) Asset Management Co., Ltd.

Unified Social Credit Code:

Article 1 Housing situation

1.1 The leased house is located on the second floor of No. 147 Ganshui lane, Shangcheng District, Hangzhou, with a construction area of 237.69 square meters, Terrace area 36.44 square meters and a courtyard of 3.01 square meters.

1.2 Party B understands the housing situation and is willing to perform its obligations as stipulated in the contract.

Article 2 Lease Use

2.1 Party B leases the above houses for office use only.

2.2 During the lease period, Party B needs to obtain Party A 's consent to change the contents of the industry.

2.3 Party B must engage in legal business activities.

Article 3 Lease term

3.1 The contract lease period is from October 18, 2020 to August 17, 2021.

3.2 Upon expiration of the lease term, Party B shall have the priority to renew the lease under the same conditions.

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#### Article 4 House rent, security deposit, payment method

##### 4.1 House rent

4.1.1 The rent is 380527.42 yuan. The unit price of the construction area is RMB 4.86 yuan / day / square meter, and the unit price of the courtyard area is RMB 2.43 yuan / day / square meter.

4.1.2 During the lease period, Party B shall pay the rent within ten days after the contract becomes effective.

4.1.3 Party B fails to pay the contract deposit as agreed, and Party A has the right to cancel the contract unilaterally.

4.1.4 Party B shall bear various operating expenses on its own.

4.1.5 Party B shall obey and cooperate with the management of Party A, the property management company and fund Town Management Committee.

4.1.6 Water, electricity and other expenses shall be borne according to the actual use.

##### 4.2 Payment method

4.2.1 Party B shall pay the contract deposit, rent and property management fee by transfer or mailing a check.

#### Article 5 House use requirements and maintenance responsibilities

5.1 The house and auxiliary equipment leased by Party B. Party B shall be responsible for daily maintenance and repair, and Party B shall bear the cost.

5.2 If Party B wants to add equipment and expand power, etc., it must obtain the consent of Party A.

5.3 During the lease period, due to improper use or artificial reasons caused by Party B, resulting in damage or failure of the house or equipment, Party B is responsible for maintenance and bear the cost.

5.4 Party B is responsible for the internal decoration by itself, and the overall structure must not be damaged during the decoration.

5.5 Party B shall not build temporary buildings outside the house.

5.6 Party A has the right to temporarily stop using any facilities due to the needs of maintenance and inspection, but Party B shall be notified in writing in advance, and Party B shall cooperate.

5.7 During the lease period, Party B shall do a good job in fire safety and other tasks in accordance with the regulations of the relevant departments.

#### Article 6 Sublet and lease renewal

6.1 During the lease period, Party B shall not sublet or sublet.

6.2 After the lease term expires, Party A has the right to recover the leased house unconditionally.

6.3 If Party B does not make a request for renewal, it shall be deemed that Party B has given up the lease renewal.

#### Article 7 Return of leased houses

##### 7.1 Exchange date and scope of use

7.1.1 Party B should return the house before the end of the lease period

7.1.2 Except for the expiration of the lease term and normal termination, if Party A or Party B unilaterally terminates the contract, Party B shall return the leased house within 10 days from the date of early termination or termination of the contract.

##### 7.2 Exchange status and attribution of decoration and ancillary facilities and equipment.

7.2.1 After the contract expires, Party B can take away the additional equipment. The non-removable equipment belongs to Party A free of charge.

7.2.2 Party B shall bear all costs that cannot be restored.

##### 7.3 Consequences of late return

7.3.1 If the house is not returned within 10 days after the due date, Party A has the right to take measures to recover the house.

7.3.2 If Party B returns the leased house after the due date, in addition to paying the rent according to the contract standard, Party B shall also pay the occupation fee at twice the basic rent.

Article 8 Modification, cancellation and termination of contracts

8.1 During the lease period, if the terms of the contract need to be changed, both parties shall negotiate and sign in writing.

8.2 The contract cannot be performed due to force majeure, and both parties are not liable for breach of contract.

8.3 If the contract is terminated early due to national policy, both parties shall not be liable for breach of contract.

Article 9 Liability for breach of contract

The breaching party pays a penalty of 30% of the rent.

Article 10 Application of law

If the negotiation fails, the people's court where the house is located shall sue.

Article 11 Others

11.1 Documents mailed to the contract address by Party A shall be deemed to be served within three days from the date of mailing.

11.2 The unfinished matters will be negotiated separately by both parties.

11.3 The contract becomes effective after being sealed. Two copies of the same contract, each holding one copy.

Party A: Junrong Capital Holdings Limited  
Legal representative:  
Date:

Party B: Lixin (Hangzhou) Asset Management Co., Ltd.  
Legal representative:  
Date:

House Lease Agreement

Contract No:

Parties to the contract

Lessor (Party A): Bogong He

Lessee (Party B): Lixin (Hangzhou) Asset Management Co., Ltd.

In accordance with the relevant laws and regulations of the state and the relevant provisions of the city, Party A and Party B consult and conclude a contract on the basis of voluntariness, equality and mutual benefit.

1. Party A shall lease to Party B its legally owned house located in Room 802, Unit 1, Building 5, Puyuewan, Binjiang District, with a building area of 44.30 square meters. Before signing of this contract, Party A has shown Party B the house ownership certificate or the purchase contract and purchase invoice of the house and obtained Party B's approval. Party B has fully understood the house party a wants to rent and is willing to rent the house.
  2. Party B guarantees to lease the house for residential use only. During the lease term, Party B shall not change the use of the house without the prior written consent of Party A.
  3. The lease term of the house is from July 15, 2020 to July 14, 2021. Upon the expiration of the lease term, Party A shall have the right to take back all the leased house, and Party B shall return it as scheduled. If Party B requests to renew the lease, it must submit a written intention to party a one month before the expiration of the lease term. The lease contract shall be re signed with the consent of Party A.
  4. The monthly rent of the house is (in figures) RMB3000. The total rent is RMB 36000 (in figures).
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5. The payment time and method of the house rent are as follows: three months' rent and one month's deposit, the account holder of the rent deposit is Li Xinghang, the bank of deposit is Caihong branch of Industrial and Commercial Bank of China, the card number is 6212261202018311457.

6. Party B shall pay for the water, electricity, gas, telephone, cable, property fee, etc. used by Party B during the lease term.

7. Party A shall collect a deposit of RMB 3000. Party A shall return the deposit in full after the lease term is expired.

8. The items rented by Party B are detailed in the list of items.

9. During the lease term, Party A shall ensure the safe use of the leased house. Party B shall take good care of the facilities reasonably. If the facilities are damaged, it should be repaired immediately or compensated economically.

0. If Party B needs to decorate or change the original facilities, it shall obtain the consent of Party A.

1. Party A shall notify Party B 1 days in advance for the maintenance of housing or facilities, and Party B shall actively assist and cooperate.

2. Party A shall be responsible for the maintenance of the house except as stipulated in the contract.

3. If the house is damaged or Party B loses due to force majeure, both parties shall not be liable to each other.

4. During the lease term, if Party A needs to transfer or mortgage the house, it shall notify Party B one month in advance. Under the same circumstances, Party B has the priority to transfer.

5. Unless otherwise agreed, during the lease term, if Party B sublets the rent to others, it shall obtain the prior written consent of Party A.

6. During the lease term, if Party B has the following behaviors, Party A has the right to terminate the agreement. Party B shall compensate Party A's loss.

(1) Sublease or lend the house to others without the written consent of Party A.

(2) Change the house structure or damage the house without the written consent of Party A, and after Party A's written notice, it has not been repaired within a limited time.



(3) Change the lease purpose stipulated without authorization, or use the house for illegal activities.

(4) The rent is in arrears for more than one month.

17. Party A shall deliver the leased house to Party B within 3 days after the signing of this contract. If Party A fails to deliver the house within the time limit, Party A shall pay double penalty to Party B.

18. During the lease term, if Party A takes back the house ahead of time without proper reasons, Party A shall pay liquidated damages at one time of the monthly rent. If Party B withdraws the lease without the consent of Party A, it shall pay liquidated damages at one time of the monthly rent.

19. After the expiration of the lease term, Party B shall return the house as scheduled.

20. After the signing of the agreement, both parties shall, in accordance with the provisions, obtain the "house rental certificate", "public security permit" and "temporary residence permit" from the Hangzhou housing administration and the local police station.

21. If the contract is modification or terminated, the party requesting the modification or termination shall take the initiative to propose. If one party suffers losses due to the modification or termination of the contract, the other party shall bear the losses.

22. For matters not covered in this contract, supplementary terms can be concluded through negotiation between both parties. The supplementary terms shall have the same effect as this contract.

23. At the time of signing the contract, both parties have full capacity for civil conduct and are willing to perform in accordance with the provisions of the contract.

24. In the process of performing the contract, any dispute shall be settled through negotiation. If the negotiation fails, both parties shall bring a suit to the local people's court.

25. This contract is made in duplicate, one for each party.

26. Other matters agreed by both parties: the price includes property fee, the rent tax shall be borne by Party B, and the monthly tax is RMB76.92.

27. The owner undertakes to record the contract, and shall bear the consequences if he fails to do so.

Lessor (Party A): Bogong He

Lessee (Party B): Lixin (Hangzhou) Asset  
Management Co., Ltd.

ID No.: 330106193508191113

ID No.:

Telephone: 13305712028

Telephone:

Agent: Xinghang Li

Agent:

Signature and seal:

Signature and seal:

Date: July 9, 2020

Date: July 9, 2020

## House Lease Agreement

Lessor (Party A): Chunrong Wang

Lessee (Party B): Lixin (Hangzhou) Asset Management Co., Ltd.

Now Party A will lease the house located in Room 364, Building 2, Yinglan business center, Jianggan District, Hangzhou to Lixin (Hangzhou) Asset Management Co., Ltd.. Through friendly consultation, both parties have reached the following agreement.

1. The rental period is one year, from June 14, 2020 to June 13, 2021.
2. The rent is RMB3750 per month, excluding tax, property fee, water and electricity fee, gas and cable TV fee. Party A shall cooperate with Party B to issue rental invoice.
3. Rent payment method: quarterly payment, that is, one-time payment of RMB 11250. Party B shall pay one month's deposit, which shall be returned after expiration.
4. The rental housing is only used for accommodation, not more than 6 people. And it can not engage in business activities.
5. Party B shall not change the original decoration and facilities of the house. In case of any damage, compensation shall be made according to the price.
6. Party A has the following items to be used and kept by Party B.
  - (1). Fixed facilities: 1 range hood, 1 induction cooker and 1 toilet.
  - (2). Electrical furniture: 1 refrigerator, 1 washing machine, 2 double beds, 2 wardrobes, 2 bedside cabinets, 2 chairs, 1 computer desk, 1 sofa, 1 coffee table, 1 shoe cabinet, 2 air conditioners and 1 water heater.
  - (3). 5 anti-theft door locks and 3 unit door cards
7. Party B shall pay the rent to Party A on time. In case of breach of contract, Party B shall compensate Party A for one month's rent.  
Account number: Juan Yu, 6230910899002654953 (Jiangshan Rural Commercial Bank Chengbei Plaza Office)
8. Other matters not mentioned above shall be discussed by both parties.

Party A: Chunrong Wang

Party B: Lixin (Hangzhou) Asset Management Co., Ltd.

Retained information form of trading parties

Lessor (Party A):	Lin Wang
Certificate name and number:	

Lessee (Party B):	Lixin (Hangzhou) Asset Management Co., Ltd.
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Agent

Name:	Li Zhang
Certificate name and number:	
Telephone:	

Article 1 Basic information of leased houses

1. The house is located in Room 2501, Unit 1, Building 2, ShuianFengting, Shangcheng District, Hangzhou.

The building area is 88.47 square meters.

2. Housing ownership: Real estate certificate, Certificate No.: Zhe (2020) Hangzhou real estate No. 0021605, Name of house owner: Lin Wang, name of common owner: Weiwei Shen.

Article 2 House leasing and registration

1. The purpose of the lease is living, with 1 person and no more than 4 persons at most

2. Within 7 days from the date of signing the contract, Party A should go to the local police station where the house is located for house rental registration. Within 5 days from the date of change or termination of the contract, change and cancellation procedures shall be handled. If the resident changes within the validity of the contract, the change procedures shall be handled within 2 days.

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If there are non registered residence population in the residential area, Party A shall supervise and assist Party B in processing residence permit.

If there are overseas residents, Party B shall go to the local police station for registration within 24 hours after the conclusion of the contract.

Party A and Party B shall go through the filing procedures of the house lease contract within 5 working days from the date of signing the contract.

#### Article 3 Lease term

1. The contract period is 12 months from September 15, 2020 to September 14, 2021. Party A shall deliver the house to Party B before September 15, 2019.

2. After the expiration of the lease or the termination of the contract, Party A shall have the right to take back the house, and Party B shall return the house and its accessories in the original state. Party A and Party B shall settle their respective expenses.

If Party B continues to lease, it shall request to renew the lease one month in advance and sign a new contract after reaching a consensus through consultation.

#### Article 4 Rent and deposit

1. Rent standard: RMB 8200 / month, total: RMB 98400.

2. Rent payment type: Half a year, Bank transfer, Name: Wang Lin, Bank of deposit: Huaxia Bank, Card number: 6230200031634731.

3. Deposit: RMB8200, after the expiration of the lease or the termination of the contract, the deposit shall be returned to Party B after deducting the expenses, rent and compensation..

4. Each rent shall be paid before the 8th of the month of delivery.

#### Article 5 Mode of undertaking other related expenses

During the lease term, Party B shall be responsible for: water fee, electricity fee, gas fee, property management fee and house rental tax fee, which is 2.4% of the monthly rent, RMB196.8.

Other expenses not specified in the contract shall be borne by Party A.

#### Article 6 Service

1. Party C provides intermediary services for both parties.
2. Agency fee: RMB8200, Party A shall pay RMB4100, Party B shall pay RMB4100.
3. Party C shall not charge any additional fees except agency fees.

#### Article 7 Rights and obligations of Party A and Party B

1. Party A shall ensure the safety conditions of the leased house, the building structure and ownership meet the trading conditions, and no dispute involved.
2. Party B guarantees to abide by laws and regulations and property management treaties.
3. Party B guarantees the authenticity of personal data. If it is not true, Party A has the right to terminate the contract, and the losses incurred shall be borne by Party B.
4. During the lease term, Party A and Party B shall jointly guarantee the safety of the house and its accessories and facilities.
  - (1) . Party B shall promptly notify Party A to repair the loss caused by natural property.
  - (2). Party B shall be responsible for the maintenance or compensation of the house, attached articles and facilities damaged due to Party B's improper storage.

#### Article 8 Others

##### 1. Sublease

Unless otherwise agreed, Party B may sublet the house to others with the prior written consent of Party A.

##### 2. Renovation

After the expiration of the lease or the termination of the contract, both parties shall deal with Party B's decoration as follows:

Form attached decoration: Fixed decoration.

##### 3. House for sale

If Party A lists the house for sale, Party A shall first consult the lessee whether to give priority to the purchase.

#### Article 9 Termination of contract

1. The contract can be terminated by mutual agreement,
2. If the contract cannot continue to be performed due to force majeure, the contract shall be terminated by itself.
3. If Party A has any of the following circumstances, Party B has the right to unilaterally terminate the agreement, and Party A shall compensate for one month's liquidated damages:

- (1). 10 days of delay in delivery;
- (2). The house does not conform to the contract;
- (3). Party B does not undertake the maintenance obligation, which makes Party B unable to use it normally.

4. If Party B has any of the following circumstances, Party A has the right to unilaterally terminate the agreement, and Party b shall compensate for one month's liquidated damages:

- (1). Failing to pay the rent for more than 10 days as agreed;
- (2). The outstanding fees are equivalent to one month's rent;
- (3). Unauthorized change of housing use;
- (4). Demolishing or damaging the house structure without authorization;
- (5). No compensation is made for damage to accessory articles or facilities;
- (6). Using houses to engage in illegal activities or damage public interests;
- (7). Sublease the house to others without the consent of Party A.

#### Article 10 Liability for breach of contract

1. During the lease term, if Party A needs to take back the house in advance, or Party B needs to return the house in advance, it shall inform one month in advance and pay one month's liquidated damages.
2. If Party A fails to deliver the house within the agreed time or Party B fails to pay the rent as agreed, it shall pay the overdue fee according to the daily rent standard.

3. If Party B fails to return the house within the agreed time, it shall pay the overdue fee according to the daily rent.

#### Article 11 Dispute settlement and effectiveness of contract

Any dispute arising from this contract shall be settled by the three parties through negotiation. If the negotiation fails, a lawsuit may be brought by the people's Court of the place where the house is located.

#### Article 12 Explanation of contract terms and other agreed matters

The second item of Article 2 in the contract shall be invalid. If there is any problem with the housing facilities, both parties shall negotiate to solve it.

5. For matters not covered in this contract, supplementary terms can be concluded through negotiation between both parties. The supplementary terms shall have the same effect as this contract.

6. At the time of signing the contract, both parties have full capacity for civil conduct and are willing to perform in accordance with the provisions of the contract.

7. In the process of performing the contract, any dispute shall be settled through negotiation. If the negotiation fails, both parties shall bring a suit to the local people's court.

8. This contract is made in duplicate, one for each party.

9. Other matters agreed by both parties: the price includes property fee, the rent tax shall be borne by Party B, and the monthly tax is RMB76.92.

0. The owner undertakes to record the contract, and shall bear the consequences if he fails to do so.

Lessor (Party A) Seal: Lin Wang

Agent:  
Party C Seal:

Signature of professional staff:

Lessee (Party B) Seal: Lixin (Hangzhou)

Asset Management Co., Ltd.  
Agent:

Telephone::

Date of document signing:



Lease Agreement

Lessor (Party A): Junrong Capital Holdings Limited

Unified Social Credit Code:

Lessee (Party B): Zeshi (Hangzhou) Health Management Co., Ltd.

Unified Social Credit Code:

In accordance with the contract law of the people's Republic of China and other laws and regulations, both parties, based on the principles of fairness, mutual benefit and reciprocity, through full consultation, enter into this contract for Party B to lease Party A's house located at 147 Ganshui lane, Shangcheng District, Hangzhou (hereinafter referred to as the house).

Article 1 Housing situation

1.1 The rental house is located on the first floor of No. 147 Ganshui Lane, Shangcheng District, Hangzhou, with a construction area of 142.62 square meters and a terrace area of 23.67 square meters.

1.2 Party B understands the situation of the houses rented by Party A and is willing to assume all the obligations stipulated in the contract.

Article 2 The rental purposes

2.1 Party B leases the above houses for office use only.

2.2 During the lease period, Party B's main industry must conform to Party A's unified planning and positioning. If the industry content is changed, Party A's consent must be obtained.

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2.3 Party B is engaged in legal business activities.

#### Article 3 Lease term

3.1 The contract lease period is from October 18, 2020 to August 17, 2021.

3.2 Upon expiration of the lease term, Party B shall have the priority to renew the lease under the same conditions.

#### Article 4 House rent and payment method

##### 4.1 House rental fee

4.1.1 The house rent is 228316.45 yuan: The unit price of the construction area is RMB 4.86 yuan / day / square meter, the unit price of the terrace area is 2.43 yuan / day / square meter. Before the house rent is paid, Party A and Party B shall confirm the rental amount.

4.1.2 Within ten days after the contract comes into effect, Party B pays Party A a rent in one lump sum.

4.1.3 Party B fails to pay the rent according to the contract, and Party A has the right to terminate the contract.

4.1.4 Party B shall bear all operating expenses and pay on time.

4.1.5 Party B shall cooperate with Party A, park property management company and fund Town Management Committee in daily management.

4.1.6 Water and electricity costs are borne according to actual usage.

##### 4.2 Payment method

4.2.1 Party B deposits the account designated by Party A by bank transfer, or sends the check to Party A.

Article 5 Requirements for house use and repair responsibilities

5.1 The house and auxiliary equipment leased by Party B. Party B shall be responsible for daily maintenance and repair, and Party B shall bear the cost.

5.2 If Party B wants to add equipment and expand power, etc., it must obtain the consent of Party A.

5.3 During the lease period, due to improper use or artificial reasons caused by Party B, resulting in damage or failure of the house or equipment, Party B is responsible for maintenance and bear the cost.

5.4 Party B is responsible for the internal decoration by itself, and the overall structure must not be damaged during the decoration.

5.5 Party B shall not build temporary buildings outside the house.

5.6 Party A has the right to temporarily stop using any facilities due to the needs of maintenance and inspection, but Party B shall be notified in writing in advance, and Party B shall cooperate.

5.7 During the lease period, Party B shall do a good job in fire safety and other tasks in accordance with the regulations of the relevant departments.

Article 6 Sublet and lease renewal

6.1 During the lease period, Party B shall not sublet or sublet.

6.2 After the lease term expires, Party A has the right to recover the leased house unconditionally.

6.3 If Party B does not make a request for renewal, it shall be deemed that Party B has given up the lease renewal.

Article 7 Return of leased houses

7.1 Exchange date and scope of use

7.1.1 Party B should return the house before the end of the lease period

7.1.2 Except for the expiration of the lease term and normal termination, if Party A or Party B unilaterally terminates the contract, Party B shall return the leased house within 10 days from the date of early termination or termination of the contract.

7.2 Exchange status and attribution of decoration and ancillary facilities and equipment.

7.2.1 After the contract expires, Party B can take away the additional equipment. The non-removable equipment belongs to Party A free of charge.

7.2.2 Party B shall bear all costs that cannot be restored.

7.3 Consequences of late return

7.3.1 If the house is not returned within 10 days after the due date, Party A has the right to take measures to recover the house.

7.3.2 If Party B returns the leased house after the due date, in addition to paying the rent according to the contract standard, Party B shall also pay the occupation fee at twice the basic rent.

Article 8 Modification, cancellation and termination of contracts

8.1 During the lease period, if the terms of the contract need to be changed, both parties shall negotiate and sign in writing.

8.2 The contract cannot be performed due to force majeure, and both parties are not liable for breach of contract.

8.3 If the contract is terminated early due to national policy, both parties shall not be liable for breach of contract.

Article 9 Liability for breach of contract

The breaching party pays a penalty of 30% of the rent.

Article 10 Application of law

If the negotiation fails, the people's court where the house is located shall sue.

Article 11 Others

11.1 Documents mailed to the contract address by Party A shall be deemed to be served within three days from the date of mailing.

11.2 The unfinished matters will be negotiated separately by both parties.

11.3 The contract becomes effective after being sealed. Two copies of the same contract, each holding one copy.

The following is a signature page without text

Party A: Junrong Capital Holdings Limited  
Legal representative:  
Date:

Party B: Zeshi (Hangzhou) Health Management Co., Ltd.  
Legal representative:  
Date:

House Rental Agreement

Contract No:

Both parties to the contract

Lessor (Party A): Bogong He

Lessee (Party B): Hangzhou Zeshi Investment Partnership (Limited Partnership)

In accordance with the relevant laws and regulations of the state and the relevant provisions of the city, Party A and Party B consult and conclude a contract on the basis of voluntariness, equality and mutual benefit.

1. Party A shall lease to Party B its legally owned house located in Room 802, Unit 1, Building 5, Puyuewan, Binjiang District, with a building area of 44.29 square meters. Before signing of this contract, Party A has shown Party B the house ownership certificate or the purchase contract and purchase invoice of the house and obtained Party B's approval. Party B has fully understood the house party a wants to rent and is willing to rent the house.

2. Party B guarantees to lease the house for residential use only. During the lease term, Party B shall not change the use of the house without the prior written consent of Party A.

3. The lease term of the house is from July 15, 2020 to July 14, 2021. Upon the expiration of the lease term, Party A shall have the right to take back all the leased house, and Party B shall return it as scheduled. If Party B requests to renew the lease, it must submit a written intention to party a one month before the expiration of the lease term. The lease contract shall be re signed with the consent of Party A.

4. The monthly rent of the house is (in figures) RMB3000. The total rent is RMB 36000 (in figures).

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5. The payment time and method of the house rent are as follows: three months' rent and one month's deposit, the account holder of the rent deposit is Li Xinghang, the bank of deposit is Caihong branch of Industrial and Commercial Bank of China, the card number is 6212261202018311457.

6. Party B shall pay for the water, electricity, gas, telephone, cable, property fee, etc. used by Party B during the lease term.

7. Party A shall collect a deposit of RMB 3000. Party A shall return the deposit in full after the lease term is expired.

8. The items rented by Party B are detailed in the list of items.

9. During the lease term, Party A shall ensure the safe use of the leased house. Party B shall take good care of the facilities reasonably. If the facilities are damaged, it should be repaired immediately or compensated economically.

10. If Party B needs to decorate or change the original facilities, it shall obtain the consent of Party A.

11. Party A shall notify Party B 1 days in advance for the maintenance of housing or facilities, and Party B shall actively assist and cooperate.

12. Party A shall be responsible for the maintenance of the house except as stipulated in the contract.

13. If the house is damaged or Party B loses due to force majeure, both parties shall not be liable to each other.

14. During the lease term, if Party A needs to transfer or mortgage the house, it shall notify Party B one month in advance. Under the same circumstances, Party B has the priority to transfer.

15. Unless otherwise agreed, during the lease term, if Party B sublets the rent to others, it shall obtain the prior written consent of Party A.

16. During the lease term, if Party B has the following behaviors, Party A has the right to terminate the agreement. Party B shall compensate Party A's loss.

(1) Sublease or lend the house to others without the written consent of Party A.

(2) Change the house structure or damage the house without the written consent of Party A, and after Party A's written notice, it has not been repaired within a limited time.

(3) Change the lease purpose stipulated without authorization, or use the house for illegal activities.

(4) The rent is in arrears for more than one month.

17. Party A shall deliver the leased house to Party B within 3 days after the signing of this contract. If Party A fails to deliver the house within the time limit, Party A shall pay double penalty to Party B.

18. During the lease term, if Party A takes back the house ahead of time without proper reasons, Party A shall pay liquidated damages at one time of the monthly rent. If Party B withdraws the lease without the consent of Party A, it shall pay liquidated damages at one time of the monthly rent.

19. After the expiration of the lease term, Party B shall return the house as scheduled.

20. After the signing of the agreement, both parties shall, in accordance with the provisions, obtain the "house rental certificate", "public security permit" and "temporary residence permit" from the Hangzhou housing administration and the local police station.

21. If the contract is modification or terminated, the party requesting the modification or termination shall take the initiative to propose. If one party suffers losses due to the modification or termination of the contract, the other party shall bear the losses.

22. For matters not covered in this contract, supplementary terms can be concluded through negotiation between both parties. The supplementary terms shall have the same effect as this contract.

23. At the time of signing the contract, both parties have full capacity for civil conduct and are willing to perform in accordance with the provisions of the contract.

24. In the process of performing the contract, any dispute shall be settled through negotiation. If the negotiation fails, both parties shall bring a suit to the local people's court.

25. This contract is made in duplicate, one for each party.



26. Other matters agreed by both parties: the price includes property fee, the rent tax shall be borne by Party B, and the monthly tax is RMB76.92.

27. The owner undertakes to record the contract, and shall bear the consequences if he fails to do so.

Lessor (Party A): Bogong He

Lessee (Party B): Hangzhou Zeshi Investment Partnership (Limited Partnership)

ID No.:  
Telephone:  
Agent: Xinghang Li  
Signature and seal:  
Date: July 9, 2020

ID No.:  
Telephone:  
Agent:  
Signature and seal:  
Date: July 9, 2020

**Parent Company**

Roan Holdings Group Co., Ltd.  
(Previously China Lending Corporation)

British Virgin Islands

**List of Subsidiaries**

<b>Subsidiary</b>	<b>Jurisdiction of incorporation or organization</b>
Adrie Global Holdings Limited	British Virgin Islands
China Roan Industrial-Financial Holdings Group Co., Limited.	Hong Kong
Fortis Health Industrial Group Limited	Hong Kong
Lixin Financial Holdings Group Limited	Cayman Islands
Lixin Financial Holdings (BVI) Limited	British Virgin Islands
Lixin Financial Holdings Group Limited	Hong Kong
Xinjiang Feng Hui Jing Kai Direct Lending Limited	China
Yifu Health Industry (Ningbo) Co., Ltd.	China
Zhejiang Lixin Enterprise Management Group Co., Ltd.	China
Zhejiang Jing Yu Xin Financing Guarantee Co., Ltd	China
Lixin (Hangzhou) Asset Management Co., Ltd.	China
Lixin Supply Chain Management (Tianjin) Co., Ltd.	China
Hangzhou Zeshi Investment Partnership (Limited Partnership)	China
Ningbo Zeshi Insurance Technology Co. Ltd.	China
Zeshi (Hangzhou) Health Management Co. Ltd.	China

CERTIFICATION

I, Junfeng Wang, certify that:

1. I have reviewed this annual report on Form 20-F of Roan Holdings Group Co., Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 17, 2021

By: /s/ Junfeng Wang

Name: Junfeng Wang

Title: Chief Executive Officer

CERTIFICATION

I, Lifang Lou, certify that:

1. I have reviewed this annual report on Form 20-F of Roan Holdings Group Co., Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 17, 2021

By: /s/Lifang Lou

Name: Lifang Lou

Title: Acting Chief Financial Officer

**CERTIFICATION**

In connection with the Annual Report of Roan Holdings Group Co., Ltd. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Junfeng Wang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 17, 2021

By: /s/ Junfeng Wang

Name: Junfeng Wang

Title: Chief Executive Officer

**CERTIFICATION**

In connection with the Annual Report of Roan Holdings Group Co., Ltd. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Lifang Lou, Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 17, 2021

By: /s/Lifang Lou

Name: Lifang Lou

Title: Acting Chief Financial Officer

**Roan Holdings Group Co., Ltd. Reports Full Year 2020 Financial Results**

HANGZHOU and BEIJING, China, May 17, 2021 /PRNewswire/ -- Roan Holdings Group Co., Ltd. ("Roan" or the "Company") (OTC Pink Sheets: RAHGF and RONWF), a financial, insurance and healthcare related solutions company serving individuals and micro-, small-, and medium-sized enterprises in China that also provides health management, asset management, insurance technology, healthcare, and consumer financing services to employees of large institutions, today reported its financial results for the twelve months ended December 31, 2020.

**Fiscal Year 2020 Highlights:**

**Net revenues of services**, including revenues from services and healthcare service package net of cost, increased by \$1.50 million, or 238%, from \$0.63 million for the year ended December 31, 2019 to \$2.13 million for the year ended December 31, 2020.

**Revenues from services** increased by \$1.49 million, or 233%, from \$0.64 million for the year ended December 31, 2019, to \$2.13 million for the year ended December 31, 2020.

- Consulting services relating to debt collection reported significant increase of \$1.61 million or 327%, due to the Company's consolidation of the full year results of Lixin Financial Holdings Group Limited ("Lixin Cayman") and its subsidiaries (collectively "Lixin") operations in 2020. Roan completed the acquisition of Lixin on December 20, 2019.
- For similar reasons, commissions and fees on financial guarantee services increased by \$0.37 million, or 4168%, for the year ended December 31, 2020, as compared to the same period of 2019.

**Interest expenses and fees** on secured loans decreased by \$2.22 million, or 100%, from the year ended December 31, 2019 to \$Nil for the year ended December 31, 2020, as all secured loans were repaid during the year ended December 31, 2019.

**Operating income** increased by \$5.84 million, or 618%, to \$4.90 million for the year ended December 31, 2020, as compared to a net operating loss of \$0.95 million during the same period of 2019.

*(\$ millions, except per share data, differences due to rounding)*

	<b>2020</b>	<b>2019</b>	<b>% Change</b>
Net revenues of services	\$ 2.13	\$ 0.63	238%
<b>Total interest and fee income</b>	<b>\$ 2.48</b>	<b>\$ 2.88</b>	(14%)
Operating (loss) income	\$ 4.90	\$ (0.95)	618%
Net loss from continuing operations	\$ (0.85)	\$ (2.56)	67%
Net income (loss)	\$ (0.85)	\$ 24.29	(104%)
Net earnings (loss) per share – Basic and Diluted	\$ (0.07)	\$ 0.93	(108%)

Mr. Junfeng Wang, Chief Executive Officer of Roan, commented, “The Company’s business has experienced substantial changes in recent years. We have modified our business models and reduced direct loan business. The Company disposed of the entire direct lending business in September 2020. For fiscal year 2020, the Company was primarily engaged in asset management and financial services, financial guarantee and financial consulting business. Roan also set up subsidiaries in the healthcare industry and started to build long-term relationships with insurance and medical services partners, as well as big data technology partners to provide services in innovative insurance, intelligent diagnosis, and treatment and data management. At the same time, the company is developing tumor prevention, tumor adjuvant treatment, postoperative nutritional supplement and rehabilitation related products for tumor patients, and has obtained the total distribution right of three products.”

Mr. Wang continued, “Roan also aims to provide one-stop solutions in customized insurance and health management as the Company continues to bolster innovative applications of technologies in healthcare, artificial intelligence and blockchain within integrated medical, health management and insurance use cases through leveraging the strength of Lixin in sales and marketing channels. The Company is confident that our new business focus will drive new growth as we expand our cooperation with more established companies in other industries and enhance our competitiveness in innovative insurance services, which are expected to generate meaningful financial returns for our shareholders and partners going forward.”

Ms. Lifang Lou, Acting Chief Financial Officer, commented, “We were able to deliver stable development momentum as our net revenues reached \$2.13 million in 2020, despite the fact that the Company was undergoing major changes of business operations and that the COVID-19 pandemic had an adverse impact on the economic activities in China and the world. The Company also repaid all external loans as we disposed of direct lending business. Looking ahead, we remain committed to maintaining the original scale of financial services, promoting new business development strategies, and further accelerating the integration of insurance and healthcare services, and we believe the above measures will lay a solid foundation for profitability in the long run.”

## Fiscal Year 2020 Financial Results

### Revenues

Revenues from services increased by \$1.49 million, or 233%, from \$0.64 million for the year ended December 31, 2019, to \$2.13 million for the year ended December 31, 2020. The following table sets forth a breakdown of our revenue by services offered for the years ended December 31, 2020 and 2019:

	For the years ended December 31,		Variance	
	2020	2019	Amount	%
<i>(\$ millions, differences due to rounding)</i>				
Management and assessment services	\$ 0.02	\$ 0.14	\$ (0.12)	-86%
Consulting services relating to debt collection	2.11	0.49	1.61	327%
Consulting services relating to financial guarantee services	-	0.01	(0.01)	-100%
<b>Revenues from services</b>	<b>\$ 2.13</b>	<b>\$ 0.64</b>	<b>\$ 1.49</b>	<b>233%</b>



#### *Management and assessment services*

Revenues from management and assessment services decreased by \$0.12 million, or 86%. The primary reason of the decrease was due to a majority of revenues from the contracts obtained in 2018 were recognized in the year ended December 31, 2019. In the year ended December 31, 2020, we did not engage in much management and assessment services due to the change of our business focus.

#### *Consulting services relating to debt collection*

The Company provides consulting services relating to debt collection with certain factoring companies, through Lixin which were acquired in late December 2019. The significant increase of \$1.61 million, or 327%, was because we consolidated a full year of Lixin's operating results in 2020, whereas in 2019, we only consolidated Lixin's results of operations from December 20, 2019 to December 31, 2019.

#### *Commissions and fees on financial guarantee services*

Commissions and fees on financial guarantee services increased by \$0.37 million, or 4168%, for the year ended December 31, 2020, as compared to the same period of 2019. The reason for the increase was because we consolidated a full year of Lixin's results of operations in 2020, whereas in 2019, we only consolidated Lixin's results from December 20, 2019 to December 31, 2019.

#### *Interest and fee income*

Interest and fee income primarily consisted of interest and fee income generated from factoring business and from loans due from third parties. Interest and fee income decreased by \$0.40 million, or 14%, for the year ended December 31, 2020, as compared to the same period of 2019. The reason for the decrease was mainly because Zhiyuan Commercial Factoring (Guangzhou) Co., Limited ("Zhiyuan"), a former subsidiary engaged in factoring business which we sold in September 2020, did not conduct any factoring business during fiscal 2020 due to the Company's change of business plan. As a result, interest and fee income from factoring business decreased by \$2.78 million. The decrease in interest income from factoring business was offset by the increase of \$2.13 million in interest income from loans advanced to third parties through our Lixin's operations after our acquisition of Lixin in December 2019.

#### *Interest expenses and fees on secured loans*

Interest expenses and fees on secured loans decreased by \$2.22 million, or 100%, from the year ended December 31, 2019 to \$Nil for the year ended December 31, 2020. The significant decrease of interest expenses and fees on secured loans was because all secured loans were repaid during the year ended December 31, 2019.

#### *Provision for loan losses*

The provisions for loan losses related to our direct loan and secured loan lending business conducted through Feng Hui Ding Xin (Beijing) Financial Consulting Co., Limited ("Ding Xin") before 2020. There were no new direct loans and secured loans issued in fiscal 2020 and we disposed of Ding Xin on September 30, 2020. Therefore, provisions for loan losses decreased by \$2.24 million, or 100%, from the year ended December 31, 2019 to \$Nil for the year ended December 31, 2020.

### *Operating expenses*

Operating expenses in total increased by \$2.74 million, or 200%, for year ended December 31, 2020, as compared to \$1.37 million for the year ended December 31, 2019. The increase was primarily attributable to the increase of \$0.60 million in salaries and employee surcharges and an increase of 1.61 million in other operating expenses. The increases in both of these expenses were primarily due to the consolidation of Lixin's operating expenses for the full year of 2020.

### *Income tax expenses*

Total Income tax expense was a \$0.23 million income tax recovery for the year ended December 31, 2020, compared to a \$0.24 million income tax expense for the year ended December 31, 2019, representing an overall decrease of \$0.47 million in income tax expenses. The change was due to an increase of \$0.58 million in current income tax expenses in fiscal 2020 compared to fiscal 2019. The increase in current income taxes was primarily attributable to the consolidation of Lixin's results of operations in 2020, as compared to the consolidation of Lixin's operating results for only a small stub period in 2019. The increase in current income tax expenses was offset by an increase in income tax recovery of \$1.1 million in deferred income tax expense in fiscal 2020 compared to fiscal 2019.

### *Net income (loss) from discontinued operations, net of income tax*

During the year ended December 31, 2020, the net income from discontinued corporation, net of income tax is \$Nil. The Company, however, recorded a derecognition loss of \$1.95 million from the disposition of Ding Xin in September 2020.

### *Net income*

As a result of the foregoing, the Company had a net loss of \$0.85 million for the year ended December 31, 2020, as compared to a net income of \$24.29 million for the year ended December 31, 2019.

### *Basic and diluted net earnings (loss) per share*

Basic and diluted net loss per share were \$0.70 in 2020, compared to net earnings of \$0.93 in the same period of 2019.

### *Cash and cash equivalents*

As of December 31, 2020, the Company had cash and cash equivalents of \$4.93 million, compared to \$6.91 million as of December 31, 2019.

### *Working capital*

The working capital was \$48.67 million and \$39.45 million, respectively, as of December 31, 2020 and December 31, 2019.

### **Recent developments**

Between January 2020 and January 2021, the Company has established long-term partnerships in the fields of innovative insurance services, smart health medical services, data mining, and operations with a variety of insurance service partners, medical service partners, and technology and big data partners, including Kunlun Health Insurance Co., Ltd. (Zhejiang Branch), Qidi Blockchain Technology Development Corporation, Ruixin Insurance Technology (Ningbo) Co., Ltd, and Yunxin Internet Hospital (Yinchuan) Co., Ltd.

On April 30, 2020, the Company officially launched a one-stop internet insurance and health care service platform after nearly eight months of preparation and systems development. The platform aims to provide modern households with one-stop systematic "customized insurance + health management + family doctor + home medical testing" health management service solutions. This platform enables households and employees of medium to large-sized enterprises to access highly cost-effective, customized health care and insurance solutions, customized insurance products, as well as data management and operational services.

On September 30, 2020, the Company entered into an agreement with Urumqi Fengxunhui Management Consulting Co., Ltd ("Fengxunhui") pursuant to which Fengxuanhui acquired a 100% equity interest in Ding Xin, with a consideration of \$15,325 (RMB100,000). Upon closing of the disposition, the Company released all equity interests to Fengxunhui's shareholders.

#### **About Roan Holdings Group Co., Ltd.**

Founded in 2009, Roan Holdings Group Co., Ltd. ("Roan") is a financial, insurance and healthcare related solutions company serving individuals and micro-, small- and medium-sized enterprises ("MSMEs") in China. Roan provides health management, assets management, and insurance, healthcare and consumer financing services to employees of large institutions. Roan has offices in Hangzhou and Beijing and subsidiaries in Hangzhou, Ningbo, Guangzhou, Shaoxing, Urumqi and Tianjin. For more information, please visit: [www.roanholdingsgroup.com](http://www.roanholdingsgroup.com)

#### **Safe Harbor Statement**

This announcement contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to, among others, the consummation of the proposed transaction, and can be identified by terminology such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. Such statements are based upon management's current expectations of the consummation of the proposed transaction, and relate to events that involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond the Company's control. Further information regarding these and other risks, uncertainties or factors is included in the Company's filings with the U.S. Securities and Exchange Commission. The Company does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under law.

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**ROAN HOLDINGS GROUP CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
As of December 31, 2020 and 2019  
(Expressed in U.S. dollar, except for the number of shares)

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,932,048	\$ 6,911,592
Restricted cash	25,875,556	15,233,933
Short-term investments	-	8,610,796
Accounts receivable, net	6,939,352	3,727,017
Inventory	30,348	-
Loan receivable due from third parties	17,670,652	5,952,223
Due from related parties	94,023	2,906
Other current assets	3,502,550	2,305,642
Other receivables	3,545,753	-
<b>Total Current Assets</b>	<b>62,590,282</b>	<b>42,744,109</b>
Pledged deposits	462,835	5,597,017
Property and equipment, net	65,073	852,525
Intangible assets, net	3,977,867	4,876,228
Right of use assets	346,017	400,720
Goodwill	261,087	-
Other noncurrent assets	-	918,683
<b>Total Assets</b>	<b>\$ 67,703,161</b>	<b>\$ 55,389,282</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Customer pledged deposits	7,664	7,176
Unearned income	130,772	114,615
Reserve for financial guarantee losses	579,364	453,489
Dividends payable	480,000	480,000
Tax payable	1,767,214	1,122,155
Due to related parties	281,369	280,714
Warrant liabilities	13,977	19,938
Operating lease liabilities, current portion	191,643	106,136
Accrued expenses and other liabilities	1,642,060	710,865
Bank loans	8,826,054	-
<b>Total Current Liabilities</b>	<b>13,920,117</b>	<b>3,295,088</b>
Operating lease liabilities, noncurrent portion	102,767	265,797
Deferred tax liabilities	793,848	1,735,576
<b>Total Liabilities</b>	<b>14,816,732</b>	<b>5,296,461</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity</b>		
Ordinary Share (no par value, unlimited shares authorized; 25,287,851 and 25,287,851 shares issued and outstanding as of December 31, 2020 and 2019, respectively)	-	-
Class A convertible preferred shares, no par value, unlimited shares authorized; 715,000 shares issued and outstanding as of December 31, 2020 and 2019, respectively	11,025,327	10,338,927
Class B convertible preferred shares, no par value, unlimited shares authorized; 291,795,150 and 291,795,150 shares issued and outstanding as of December 31, 2020 and 2019, respectively	31,087,732	31,087,732
Additional paid-in capital	3,312,189	3,312,189
Statutory reserve	202,592	658,662
Accumulated deficit	(14,330,288)	(12,407,304)
Accumulated other comprehensive income (loss)	2,310,369	(7,906)
<b>Total Roan Holdings Group Co., Ltd.'s Shareholders' Equity</b>	<b>35,507,801</b>	<b>32,085,206</b>

	<b>33,607,921</b>	<b>32,982,300</b>
Noncontrolling interests	19,278,508	17,110,521
<b>Total Equity</b>	<b><u>52,886,429</u></b>	<b><u>50,092,821</u></b>
<b>Total Liabilities and Equity</b>	<b><u>\$ 67,703,161</u></b>	<b><u>\$ 55,389,282</u></b>

**ROAN HOLDINGS GROUP CO., LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**For the Years Ended December 31, 2020 and 2019**  
**(Expressed in U.S. dollar, except for the number of shares)**

	For the Years Ended December 31,	
	2020	2019
Revenues from services	\$ 2,128,153	\$ 639,220
Revenues from healthcare service packages	55,301	-
Cost of revenues	(50,774)	(8,080)
<b>Net revenues of services</b>	<b>2,132,680</b>	<b>631,140</b>
Commissions and fees on financial guarantee services	375,471	8,797
Provision for financial guarantee services	(89,865)	(5,008)
<b>Commission and fee income on guarantee services, net</b>	<b>285,606</b>	<b>3,789</b>
<b>Interest and fees income</b>		
Interest and fees on direct loans	-	1,153
Interest income on loans due from third parties	2,131,447	34,707
Interest income from factoring business	-	2,782,332
Interest income on deposits with banks	348,389	64,636
<b>Total interest and fee income</b>	<b>2,479,836</b>	<b>2,882,828</b>
<b>Interest expense</b>		
Interest expenses and fees on secured loans	-	(2,218,815)
<b>Net interest income</b>	<b>2,479,836</b>	<b>664,013</b>
Provision for loan losses	-	(2,244,601)
<b>Net interest (loss) income after provision for loan losses</b>	<b>2,479,836</b>	<b>(1,580,588)</b>
<b>Operating (loss) income</b>	<b>4,898,122</b>	<b>(945,659)</b>
<b>Total operating expenses</b>		
Salaries and employee surcharges	(1,116,482)	(512,314)
Other operating expenses	(2,995,098)	(1,385,259)
Changes in fair value of warrant liabilities	5,961	530,863
<b>Total operating expenses</b>	<b>(4,105,619)</b>	<b>(1,366,710)</b>
Other income (expenses)		
Deconsolidation loss	(1,953,248)	-
Other income (expense), net	76,406	-
<b>Total operating expenses</b>	<b>(1,876,842)</b>	<b>-</b>
<b>Loss before income taxes</b>	<b>(1,084,339)</b>	<b>(2,312,369)</b>
<b>Total income tax recovery (expenses)</b>	<b>229,733</b>	<b>(244,741)</b>
<b>Net loss from continuing operations</b>	<b>(854,606)</b>	<b>(2,557,110)</b>
Net income (loss) from discontinued operations, net of income tax	-	26,846,018
<b>Net income (loss)</b>	<b>(854,606)</b>	<b>24,288,908</b>
Dividend – convertible redeemable Class A preferred share	-	(686,400)
Net income attributable to noncontrolling interests	(838,048)	(76,108)

<b>Net income (loss) attributable to Roan Holding Group Co., Ltd.'s shareholders</b>	<b>\$ (1,692,654)</b>	<b>\$ 23,526,400</b>
<b>Other comprehensive (loss) income</b>		
Foreign currency translation adjustment	3,461,980	1,435,262
Reclassified to net gain from discontinued operations	-	2,691,969
	<b>3,461,980</b>	<b>4,127,231</b>
<b>Comprehensive income (loss)</b>	<b>2,607,374</b>	<b>28,416,139</b>
Other comprehensive income attributable to noncontrolling interests	(1,334,101)	(97,733)
Dividend – convertible redeemable Class A preferred share	-	(686,400)
Net income attributable to noncontrolling interests	(838,048)	(76,108)
<b>Total comprehensive income (loss) attributable to Roan Holdings Group Co., Ltd.'s shareholders</b>	<b>\$ 435,226</b>	<b>\$ 27,555,898</b>
<b>Weighted average number of ordinary share outstanding</b>		
Basic and Diluted*	25,287,887	25,287,887
<b>Earnings (Loss) per share</b>		
Net earnings (loss) per share – Basic and Diluted	\$ (0.07)	\$ 0.93
Net loss per share from continuing operations - Basic and Diluted	\$ (0.07)	\$ (0.13)
Net earnings (loss) per share from discontinued operations - Basic and Diluted	\$ -	\$ 1.06

**ROAN HOLDINGS GROUP CO., LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2020 and 2019**  
**(Expressed in U.S. dollar, except for the number of shares)**

	<b>For the Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ (854,606)	\$ 24,288,908
Less: Net income (loss) from discontinued operations	-	26,846,018
<b>Net loss from continuing operations</b>	<b>(854,606)</b>	<b>(2,557,110)</b>
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization expenses	1,102,298	55,498
Provision for credit losses	316,014	-
Provision for loan losses	-	2,244,601
Provision for financial guarantee losses	89,865	5,008
Deferred tax expenses	(1,001,372)	57,674
Changes in fair value of warrant liabilities	(5,961)	(530,863)
Share-based compensation expenses	-	-
Net (gain)/loss from disposal of fixed assets	(136,682)	-
Gain from lease modification	22,257	-
Accretion of finance leases	14,757	-
Loss from deconsolidation of subsidiaries	1,953,248	-
Changes in operating assets and liabilities:		
Accounts receivable	(3,116,533)	(206,442)
Inventory	(30,348)	-
Interest and fees receivable	-	(149,013)
Other current assets	(3,215,702)	(289,694)
Other receivables	(3,268,571)	-
Pledged deposits and other non-current assets	359,202	-
Advances from customers	7,915	(6,702)
Tax payable	1,029,919	273,589
Accrued expenses and other liabilities	352,600	28,875
Other liabilities	(1,079,811)	-
<b>Net Cash Used in Operating Activities from Continuing Operations</b>	<b>(7,461,511)</b>	<b>(1,074,579)</b>
<b>Net Cash (Used in) Provided by Operating Activities from Discontinued Operations</b>	<b>-</b>	<b>(26,564)</b>
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(7,461,511)</b>	<b>(1,101,143)</b>
<b>Cash Flows from Investing Activities:</b>		
Loans disbursement to factoring customers	-	(43,422,881)
Repayment of loans from factoring customers	-	107,833,488
Loans disbursement to third parties	(3,467,607)	-
Repayment of loans from third parties	-	-
Purchases of property and equipment	-	(833)
Acquisition of a subsidiary	-	(427,318)
Acquisition of cash from acquired subsidiary	-	21,442,122
Proceeds from disposal of discontinued operations	-	504,713
Net inflow related to deconsolidation of subsidiaries	61,121	-
Investment (redemption) of short-term investment	8,690,374	-
Due from related party	210,774	-
Proceeds from sale of property and equipment	837,969	-
<b>Net Cash Provided by (Used in) Investing Activities from Continuing Operations</b>	<b>6,332,631</b>	<b>85,929,291</b>
<b>Net Cash Provided by (Used in) Investing Activities from Discontinued Operations</b>	<b>-</b>	<b>35,765</b>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>6,332,631</b>	<b>85,965,056</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from private placement, net of issuance costs	-	-
Proceeds from private placements, deposited in escrow account	-	-



Proceeds from exercise of Series B Warrants	-	-
Borrowing from a related party	-	279,020
Proceeds from bank loans	8,341,311	-
Proceeds from secured loans	-	43,422,881
Repayment of secured loans		(107,833,488)
Repayment of third-party loans	(280,268)	-
Repayment of lease liabilities	(207,891)	-
<b>Net Cash (Used in) Provided by Financing Activities from Continuing Operations</b>	<b>7,853,152</b>	<b>(64,131,587)</b>
<b>Net Cash (Used in) Provided by Financing Activities from Discontinued Operations</b>	<b>-</b>	<b>(7,251)</b>
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>7,853,152</b>	<b>(64,138,838)</b>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash in banks	1,937,807	119,326
Net increase (decrease) in cash, cash equivalents, and restricted cash in banks	8,662,079	20,844,401
Cash, cash equivalents, and restricted cash in banks at beginning of year	22,145,525	1,301,124
<b>Cash, cash equivalents, and restricted cash in banks at end of year</b>	<b>\$ 30,807,604</b>	<b>\$ 22,145,525</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest expense	\$ -	\$ -
Cash paid for income tax	\$ -	\$ -
<b>Noncash investing activities</b>		
Acquisition of a subsidiary by issuance of Class B Preferred Shares	\$ -	\$ 31,087,732
Receivable from disposal of discontinued operations	\$ -	\$ 940,829
Right of use assets obtained in exchange for operating lease obligations	\$ -	\$ 615,000

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total of the same amounts shown in the consolidated statements of cash flows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash and cash equivalents	\$ 4,932,048	\$ 6,911,592
Restricted cash in banks	25,875,556	15,233,933
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 30,807,604</b>	<b>\$ 22,145,525</b>