

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-K/Amendment No. 1**

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

For the fiscal year ended December 31, 2019

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 333-228242

**VICTORY COMMERCIAL MANAGEMENT INC.**

(Exact name of issuer as specified in its charter)

<u>Nevada</u> (State or other jurisdiction of incorporation or organization)	<u>37-1865646</u> (I.R.S. employer identification number)
<u>424 Madison Ave. Suite 1002, New York, NY</u> (Address of principal executive offices)	<u>10017</u> (Zip Code)

Registrant's telephone number, including area code 212-922-2199

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A		

Securities registered pursuant to Section 12(g) of the Act: **None.**

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input checked="" type="checkbox"/>

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

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

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. Yes  No

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the Registrant as of December 31, 2018 (the last business day of the Registrant's most recently completed fiscal year) was \$0.

As of May 29, 2020, 21,711,000 ordinary shares of the registrant, par value \$0.0001 per share, were issued and outstanding.

### **Explanatory Note**

The purpose of this Amendment No. 1 to our annual report on Form 10-K (“Amended Report”) for the period ended December 31, 2019, filed with the Securities and Exchange Commission on May 29, 2020 (the “Original Report”), is to correct certain typographical and editorial errors in the financial statement and to remove the word “unaudited” that was incorrectly included in 1) the column heading for December 31, 2019 in the Consolidated Balance Sheets; 2) the column heading for December 31, 2019 in the intangible assets table under Note 7 - Intangible Assets; 3) the column heading for December 31, 2019 in the deferred tax assets table under Note 16 - Income Taxes; and 4) the column heading for December 31, 2019 and 2018 in the table of provisions for income taxes under Note 16 - Income Taxes in the Original Report (collectively as “Revised Items”). The Revised Items are filed herewith in this Amended Report in its entirety.

This Amended Report may not reflect events occurring after the filing of the Original Report, nor does it modify or update those disclosures in the items not described in the above paragraph of this Explanatory Note. Accordingly, this Amended Report should be read in conjunction with the Original Report and our other reports filed with the SEC subsequent to the filing of our Original Report, including any amendments to those filings.

In addition, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as a result of this Amended Report, the certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, filed and furnished, respectively, as exhibits to the Original Report have been re-executed and re-filed as of the date of this Amended Report and are included as exhibits hereto.

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### **RELIANCE ON SEC ORDER**

Victory Commercial Management Inc., or the Company, is filing its Annual Report on Form 10-K for the fiscal year ended December 31, 2019, or the 2019 Annual Report, pursuant to the Securities and Exchange Commission's, or SEC, Order under Section 36 of the Securities Exchange Act of 1934 Modifying Exemptions from the Reporting and Proxy Delivery Requirements for Public Companies dated March 25, 2020 (Release No. 34-88465).

As set forth in the Company's Form 8-K furnished to the SEC on March 30, 2020, the Company was unable to file the 2019 Annual Report within the prescribed time period because, as a result of the outbreak of the coronavirus disease 2019, or COVID-19, the Company was unable to mobilize fully the internal personnel necessary to complete the disclosures in its 2019 Annual Report. Dalian, Liaoning, China and New York City, New York, U.S., where the Company's corporate headquarter and operations are currently located, are both adversely affected by COVID-19. The Company has been following the recommendations of local health authorities to minimize exposure risk for its staff for the past several weeks, including the temporary suspension of its business activities and having staff work remotely, and, as a result, the 2019 Annual Report was not completed by the filing deadline, due to insufficient time to facilitate the internal and external review process.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

*This annual report on Form 10-K (the "Report") and other reports (collectively the "Filings") filed by the registrant from time to time with the Securities and Exchange Commission (the "SEC") contain or may contain forward looking statements and information that are based upon beliefs of, and information currently available to, the registrant's management as well as estimates and assumptions made by the registrant's management. When used in the filings the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan" or the negative of these terms and similar expressions as they relate to the registrant or the registrant's management identify forward looking statements. Such statements reflect the current view of the registrant with respect to future events and are subject to risks, uncertainties, assumptions and other factors (including the risks contained in the section of this Report entitled "Risk Factors") relating to the registrant's industry, the registrant's operations and results of operations and any businesses that may be acquired by the registrant. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.*

*Although the registrant believes that the expectations reflected in the forward-looking statements are reasonable, the registrant cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, the registrant does not intend to update any of the forward-looking statements to conform these statements to actual results. The following discussion should be read in conjunction with the registrant's financial statements and the related notes thereto included in this Report.*

*As used herein and except as otherwise noted, the "Company", "we," "us," and "our," refer to (i) Victory Commercial Management Inc., a Nevada corporation ("VCM"); (ii) references to "China" or "PRC" are references to the People's Republic of China, excluding Hong Kong Special Administrative Region of China, Macau Special Administrative Region of China and the Taiwan Region. References to "RMB" are to Renminbi, the legal currency of China, and all references to "\$", "USD" and dollar are to the U.S. dollar, the legal currency of the United States. (iii) references to "VCI" are to Victory Commercial Investment Ltd., our wholly owned subsidiary formed under the laws of the British Virgin Islands. (iv) references to "Sino Pride" are to Sino Pride Development Limited., a company formed under the laws of Hong Kong and a wholly owned subsidiary of VCI. (v) references to "DVPD" are Dalian Victory Plaza Development Co., Ltd., an entity formed under the PRC laws and an 80%-owned subsidiary of Sino Pride. References to "DVBM" are Dalian Victory Business Management Co. Ltd., a corporation formed under the laws of the People's Republic of China and 5% owned by DVPD and 95% owned by Sino Pride. (vi) references to "DVPM" are Dalian Victory Property Management Co. Ltd., a corporation formed under the laws of the People's Republic of China and 100% owned by Sino Pride.*

## Part I

### ITEM 1. BUSINESS

#### Corporate History

Victory Commercial Management Inc. (hereinafter referred to as the “Company”, “VCM”, and where appropriate, the terms “Company”, “we”, “us” or “our” are also referred to VCM and its wholly owned and majority owned subsidiaries as a whole) was incorporated on July 5, 2017 under the laws of Nevada.

On July 13, 2017, VCM formed a wholly owned subsidiary, Victory Commercial Investment Ltd. (“VCI”) under the laws of British Virgin Islands.

Sino Pride Development Limited (“Sino Pride”) is a Hong Kong company, incorporated on May 26, 1989. Sino Pride is a holding company who directly owns an 80% equity interest of Dalian Victory Plaza Development Co., Ltd. (“DVPD”), directly owns a 95% equity interest in Dalian Victory Business Management Co., Ltd. (“DVBM”), and directly owns 100% of DVPM.

DVPD was incorporated as a Sino-foreign cooperative joint venture on March 29, 1993 under the laws of the People’s Republic of China (“PRC” or “China”). Sino Pride owns 80% equity interest of DVPD while Dalian Victory Development Co., Limited (“DVDC”), a stated owned enterprise in China, owns a 20% equity interest of DVPD.

DVBM was incorporated as a joint venture on September 12, 2000 under the laws of PRC. Sino Pride owns a 95% equity interest of DVBM and DVPD owns a 5% equity interest of DVBM.

DVPM was incorporated on June 6, 2018 as limited liability company under the laws of PRC. Sino Pride owns 100% of the equity of DVPM. DVPM was formed as a property management company and will play a similar role as DVBM to improve the management of Victory Plaza. DVPM did not have any business activities as of the issuance date of this report.

Iven International Group Limited, is a company registered in Hong Kong (“Iven”). From October 31, 2016 to June 30, 2017, Alex Brown beneficially owned 100% of Iven, among which, a 70% equity interest was held directly, and a 30% equity interest was held indirectly through Dalian Yiwen New Materials Technology Development Co., Ltd, a PRC entity 80% owned by Alex Brown and 20% owned by his spouse. On June 30, 2017, Alex Brown and Dalian Yiwen New Material Technology Development Co., Ltd transferred their respective ownership of Iven to Winner Ascent Investment Limited, a Hong Kong limited liability company solely owned by Alex Brown.

Victory Plaza Holding Limited (“VP Holding”), a BVI company, is the original owner of Sino Pride. VP Holding was a shell company and incurred significant losses from the operations of Sino Pride and its subsidiaries DVPD and DVBM. VP Holding and Sino Pride had no relationship or affiliation with us or Alex Brown prior to the corporate restructure.

#### November 30, 2016 Transaction

In November 2016, Iven entered and executed an agreement of “Assignment of Common Stock and Debt Rights” (“the Original Agreement”) with VP Holding, the former shareholder of Sino Pride. Pursuant to the Original Agreement, Iven acquired all 30,000,000 shares of common stock of Sino Pride then outstanding and assumed a shareholder loan and loan interest totaling \$52,750,000 (Sino Pride owed to VP Holding) for a nominal consideration of HK\$ 1 (approximately US\$0.13) from VP Holding. The change of ownership in Sino Pride from VP Holding to Iven had no impact on Sino Pride’s ownership in DVPD and DVBM (operating entities).

Iven was a private shell company with no operations and with nominal assets, which is 100% directly and indirectly owned by Mr. Brown. Iven was the legal acquirer in the November 30, 2016 acquisition. At the date of acquisition, Sino Pride was a holding company of two Chinese operating entities, DVPD and DVBM. The accounting acquirer usually is the combining entity whose relative size (measured in, for example, assets, revenues, or earnings) is significantly larger than that of the other combining entity or entities as per ASC 805-10-55-13. Thus, Sino Pride and Subsidiaries were treated as the accounting acquirer in connection with the November 2016 transaction.

The November 30, 2016 transaction was treated as a reverse acquisition or recapitalization. The accounting is similar to that resulting from a reverse acquisition, except that no goodwill or other intangible assets are recorded. Accordingly, the historical financial statements are those of Sino Pride and its Subsidiaries.

#### September 4, 2017 Transaction

On September 4, 2017, VCI signed an agreement of “Assignment of All Outstanding Shares and All Debt Rights Agreement” (“the Agreement”) with Iven. Pursuant to the Agreement, VCI acquired all 30,000,000 shares of common stock of Sino Pride then outstanding and assumed shareholder debt and loan rights totaling HK\$493,807,633 (approximately \$64,208,000) (Sino Pride owed to VP Holding) including an outstanding shareholder loan of HK\$408,409,628 (approximately \$53,093,000) for a nominal consideration of HK\$1 (approximately US\$0.13) from Iven. The change of ownership of Sino Pride from Iven to VCI had no impact on Sino Pride’s ownership in DVPD and DVBM (operating entities).

Iven and VCI were under common control of our controlling shareholder. The transfer of ownership in Sino Pride from Iven to VCI is a part of the corporate restructuring to prepare the Company to list in the U.S. capital markets.

The Company accounted for the September 2017 transaction as a transaction between entities under common control based on the guidance provided by ASC 805-50-25. Following the above transactions, VCI obtained control of Sino Pride and its subsidiaries, and, as a result, VCM control over VCI, Sino Pride and its Subsidiaries.

The Company together with its wholly-owned subsidiaries, VCI, and Sino Pride and its majority owned subsidiaries, DVBM and DVPM were effectively controlled by the same shareholder, Mr. Brown before and after the September 2017 corporate restructuring, and is considered under common control, which has been accounted for similar to the pooling method of accounting. The accompanying consolidated financial statements have been prepared as if the current corporate structure had been in existence at the beginning of the periods presented. Accordingly, the historical financial statements are those of Sino Pride and its Subsidiaries.

#### **Recent Development**

##### *Appointment of Chief Financial Officer*

On September 11, 2019, the Board of the Company appointed Robert Chen as the Chief Financial Officer and the Principal Accounting Officer of the Company, effective immediately. Conjunction with such appointment, on the same day, Mr. Alex Brown resigned from his position as the Interim Chief Financial Officer and Principal Accounting Officer of, effective immediately. Mr. Brown’s resignation was not the result of any disagreement between the Company and him on any matter relating to the Company’s operations, policies or practices.

Mr. Robert Chen, age 60, served as the senior director of finance at Wuxi Advanced Therapies from January 2019 to June 2019, where he managed both the company’s accounting and FP&A functions. Prior to that, Mr. Chen worked for Taiho Oncology Inc. from September 2014 to October 2018, where he supervised the accounting, financial reporting, and FP&A functions of the company. In January 2018, due to his outstanding performance, Mr. Chen was promoted to the senior director of finance of Taiho Oncology Inc. From January 2010 to September 2014, Mr. Chen served as the corporate controller of Medimetriks Pharmaceuticals Inc., where he devised and established the system flows, internal control, and financial infrastructures for the pharmaceutical startup company. From November 2007 to October 2009, Mr. Chen worked as vice president for Domestic Operations at Clark Holding Inc., where he led Clark Holding Inc. to transit from a private entity to a public Nasdaq-listed corporation. From January 2007 to October 2007, Mr. Chen worked for Novartis Pharmaceuticals Inc. as an associate director. From June 1998 to January 2007, Mr. Chen served as the corporate controller at Bradley Pharmaceuticals Inc., where he monitored the financial accounting of monthly closings, reporting, operational results and SG&A analysis. Mr. Chen received his Bachelor of Science in business administration in accounting in 1987 and his master’s degree of professional accountancy in 1989 from University of Southern Mississippi. Mr. Chen is a Certified Public Accountant.

Mr. Chen does not have any family relationships with any director or executive officer of the Company and has not been involved in any transaction with the Company during the past two years that would require disclosure under Item 404(a) of Regulation S-K.

##### *Surrender Possession of Company’s New York Office*

Due to the impact of the coronavirus pandemic, the Company has moved out of its New York office located in 424 Madison Avenue, New York, NY (the “Premise”) on February 28, 2020. The lease between the landlord (the “Landlord”) and the Company, dated June 12, 2019 (the “Lease”), will expire on August 31, 2022. On February 28, 2020, the Company entered into a surrender agreement with the Landlord to surrender possession of the Premise prior to the natural expiration of the Lease term (the “Surrender Agreement”), pursuant to which, the Company shall remain liable for all obligations under the Lease until the Landlord re-rents the Premises, which the Landlord will attempt to do, in good faith. The Company also represents that the Landlord may draw down on the security deposit, which totals \$85,215, to cover the rent, damages, and any other expenses. Judging by the current market condition in New York City and the ongoing stay-at-home order issued by the local government, the Company believes that the Landlord may not be able to re-rent the Premises and in such event, the Company will be liable for the remaining rent from March 1, 2020 to August 31, 2022, in an estimated amount of \$354,000.

#### **Historical Events**

Prior to our acquisition of Sino Pride in November 2016, the former management sold approximately 14% of the properties with buy-back options, pursuant to which such purchasers could request us to buy back their units at an agreed-upon price—approximately 20% (average) higher than the original sale prices. In addition, we have leased back some units and rented to third parties. As of December 31, 2016, there were approximately 750 store units, 18,828 square meters (202,663 square feet) that had buy-back options. Total buy-back liability amounted to \$68.6 million and total lease back liability amounted to \$8.8 million. As many purchasers have exercised the buy-back options and we do not have enough cash to satisfy a huge demand of the exercise of the options as well as we failed to pay rent for certain lease-back units; many purchasers have brought litigation against us claiming breach of contract due to our failure to fulfill our obligations under the buy-back options or lease-back terms.

As of December 31, 2019, to our knowledge, there were 565 lawsuits in total filed against us 1) for unpaid rent by the lease-back owners and 2) for the failure to buy-back property from the current owners of properties that exercised their options. Total claims amounted to \$24,820,625. For certain properties, the Company leases back from the owners and rents to others. The Company has failed to pay the rent under those leases-backs and some owners have brought claims against the Company. Other claims were brought by owners of certain properties, where the Company granted the owners an option to request the Company to buy back the properties from the owners and the Company has failed to do so when such owners exercised the buy-back option. As of December 31, 2019, the Management estimated that current recorded and payable property financing agreements are in an aggregate amount of \$77,464,781. The buy-back

payables are \$4,152,344, with the lease-back liabilities payable of \$521,264 and expired lease payables of \$5,529,680. The total is \$92,410,701 with \$4,742,632 accrued liability for litigation included. Should the actual liabilities from these lawsuits exceed the amounts accrued, the Company will have to accrue the additional estimated liabilities. As of December 31, 2019, the Company accrued \$4,742,632 for possible additional litigation charges.



## Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. As indicated in the accompanying consolidated financial statements, the Company had a net loss of \$11,114,921 and \$4,748,769 for the years ended December 31, 2019 and 2018, respectively; an accumulated deficit of \$203,808,349 at December 31, 2019. The Company has an unrestricted cash balance of \$122,884 as of December 31, 2019. The Company believes that if there is no additional investment or financing, the current cash balance available to the Company or its projected cash balance for the next 18 months will be very difficult to cover the required payments of the operating expenses arising from normal business operations and to meet the required payments of buy-backs and lease-backs if settled with the claims filed by the property owners during next 18 months from the issuance date of this report.

In light of our current operating state, management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive in a short period of time. Management believes that with its current capital resources, it will be very difficult to continue operating and maintaining its business for the next 18 months from the issuance date of this report.

As of December 31, 2019, we had a total of \$67,257,262 outstanding loans payable to Harbin Bank (the "Bank"). As of the date of this report, we are in default of three loans with the Bank in the aggregate amount of approximately \$ 53.1M. These loans are secured by certain assets of the Company. The Company is currently in discussion with the Bank to convert the existing loans into a new loan and apply an additional liquidity loan in RMB 50 million (collectively, the "Refinancing Loans") and waive the penalty of late payment of related loan interest. However, there is no assurance or certainty that such Refinancing Loans or Penalty Waiver will be approved by the Bank. In the event that the Bank rejects our Refinancing Loans and/or commence any legal proceeding against us regarding the Short-term Loans, we may lose our collateralized assets which will cause a material adverse effect on our results of operations. Furthermore, if the collateral on those loans cannot satisfy our payment obligation, we may be forced to commence liquidation process if we do not have sufficient liquidity or cannot raise sufficient fund at that time, if any at all.

As of December 31, 2019, the Company had property financing agreements payable of \$77,464,781, lease liabilities payable of \$521,264, expired lease-back payables of \$5,529,680, and buy-back payables of \$4,152,344. As of December 31, 2019, there were 565 lawsuits case against the Company in Dalian City, China. Litigants claimed that the Company failed to buy back the property pursuant to the sales contracts or the Company failed to pay the promised lease-back rent on time. As of December 31, 2019, such claims amounted to \$24,820,625. These payables were included in and reported under the caption of "Property financing agreements payable", "Lease liabilities payable" and "Other payables"

These lawsuits are mostly caused by the failure of DVPD who failed to buy back the properties when requested to or to pay rents for certain lease-back stores. Subsequently, certain stores owned by DVPD have been frozen from transfer or disposition by the courts. DVPD has been prohibited from free transfer, disposal, and pledge of its equity interest in DVBM which accounts for 5% in DVBM from March 2, 2017 to March 1, 2019. The 5% equity interest in DVBM is still restricted currently as of the issuing date of this report. In addition, DVPD has been listed as a "dishonest debtor" by the local courts in the PRC. Once listed as a dishonest debtor, DVPD can be subject to certain restrictions in connection with commercial loans at the banks' discretion; the purchase or transfer of properties and land use rights; and upgrade or renovation of properties. In addition, the bank accounts of DVPD are frozen by the courts which allow the inflow of cash to its bank accounts but prohibit the outflow of cash. The Company has been working actively to resolve these lawsuits since we acquired Sino Pride in November 2016. However, the company cannot guarantee that all litigation cases can be solved in the future or no new litigation cases will be generated.

Management believes that the recorded total property financing agreements payable, buy-backs payable, lease-back liabilities payable and expired lease payable liabilities of \$92,410,701 is a reasonable estimation.

In order to continue as a going concern, the Company will need, among other things, an additional capital injection and/or additional financing and the continued forbearance of its lender not to foreclose on their loans that are in default. Management's plans to obtain such fund for the Company include (1) obtaining capital from the sale of its stock (2) short-term and long-term borrowings from banks and third-parties, and (3) short-term borrowings from stockholders or other related parties when needed.

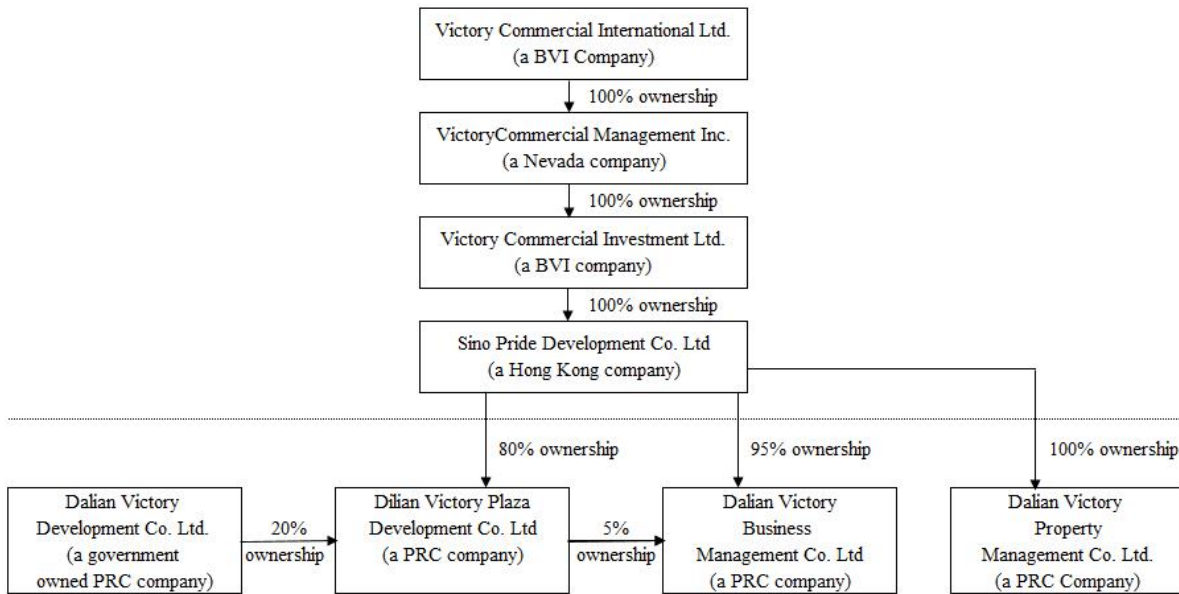
As of the date of this Annual Report, the Short-Terms Loans have become due while the Company has not made the corresponding payment. The Bank has not taken legal action against the Company and the Bank and the Company are currently discussing combining and converting the principal and interests due into a new loan and borrowing an additional liquidity loans of RMB 50 million (approximately \$7.25 million) (collectively, the "Refinancing Loans"). In addition, the Company has been negotiating with the Bank for a waiver of the penalties for late payment of principal and the related loan interest (the "Penalty Waiver"). The Company has already submitted the application for the Refinancing Loans at the request of the Bank. It usually takes about 2 to 3 months for the Bank to review and approve the Refinancing Loans and the Penalty Waiver which can be potentially longer as a result of the outbreak of the COVID-19. However, there is no assurance or certainty that such Refinancing Loans or Penalty Waiver will be approved by the Bank. In the event that the Bank rejects our Refinancing Loans and/or commence any legal proceeding against us regarding the Short-term Loans, we may lose our collateralized assets which will cause a material adverse effect on our results of operations. Furthermore, if the collateral on those loans cannot satisfy our payment obligation, we may be forced to commence liquidation process if we do not have sufficient liquidity or cannot raise the necessary funds at that time.

As a result of the coronavirus pandemic, our DVPD operations in Dalian remained closed from January 25, 2020 until March 5, 2020, which has adversely affected our operating revenues and cash flow in the first quarter of 2020. Moreover, after reopening of the shopping mall, we have much less shoppers and tenants in the shopping mall due to the continued effect of COVID-19, We cannot predict the full extent to which the COVID-19 pandemic will impact our business or operating results, which is highly dependent on inherently uncertain future developments, including the severity of COVID-19 and the actions taken by governments and private businesses in relation to COVID-19 containment. Additionally, even if the Company does raise sufficient funds to support its operations and generates adequate revenues, there can be no assurances that the revenue will be sufficient to a level where it will generate profits and positive cash flows from operations.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The accompanying consolidated financial statements do not include any adjustments related to the recoverability and or classification of the recorded asset amounts and or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

**Corporate Structure**

The following diagram illustrates our corporate structure as of the date of this Annual Report:



The address of our principal executive offices and corporate offices is 424 Madison Ave, Suite 1002, New York NY 10017. Our telephone number is 212-922-2199.

**Our Business**

**General**

VCM is a Nevada corporation that operates through its subsidiaries VCI and Sino Pride to control two joint ventures formed under the laws of the PRC. DVPCo is a joint venture formed under the laws of the PRC (80% equity interest owned by Sino Pride). DVBM is a joint venture formed under the laws of PRC. DVBM is 95% owned by Sino Pride and 5% owned by DVPCo. DVPM is a PRC entity 100% owned by Sino Pride. The Company primarily engages in the business of commercial real estate lease and management with a multi-functional shopping center in Dalian, Liaoning Province of China. DVBM focuses on providing day-to-day management operations of Victory Plaza which is to be renovated pursuant to the Company’s business plan. DVPM is recently formed as a property management company and will play a similar role as DVBM to improve the management of Victory Plaza. DVPCo is focused on rental income.

## Ownership of Retail Shops

As stated previously, Victory Plaza is approximately 137,554 square meters (1,480,619 square feet), which is owned and occupied by various retailers (See, “Description of Property – Rental Property”). The ownership of each retailer’s space falls into one of the four following categories:

Group <sup>(1)</sup>	Level of Ownership of Retail Space	Percentage of Victory Plaza
A	Owned by DVPD	16%, or 22,339 square meters (240,455 square feet)
B	Sold properties with buy-back options or return is in process without paying off	9%, or 12,114 square meters (130,394 square feet)
C <sup>(2)</sup>	Properties with buy-back options transferred to SML in 2017 and 2018 <sup>(3)</sup>	6% or 8,013 square meters (86,251 square feet)
D	Sold properties <u>without</u> buy-back options	69%, or 95,088 square meters (1,023,519 square feet)

- (1) The categories are broken down for disclosure purposes; the Company does not maintain a similar alphabetical labelling system on its books.
- (2) In the filing of Form S-1/A dated February 12, 2019, the Company had a C-2 property group category, “Third party has title acquired from previous owner”. The purchase and sale transactions between previous owner and new owner - “third party” will not remove the burden of the Company to buy back the property per buy-back options. The nature of C-2 group is the same as Group B. Therefore, we removed Group C-2 and combined it (approximately 1%) with Group B in current filing.
- (3) On December 29, 2017, the Company entered and executed the SML Agreement, pursuant to which, SML has bought back certain properties from the owners (See, “Description of Property - SML Agreement”).

Group A represents property that the Company owns 100%. Group B represents property we sold to individual owners with buy-back options which are pending. Group C represents property owned by SML, but the Company is still liable for the buy-back options. Pursuant to the SML Agreement, the Company is obligated to buy back these properties plus accrued interest no later than May 15, 2023. Group D presents property we sold to various individual owners without additional rights attached.

## Temporary Suspension of the Renovation of Victory Plaza (the “Renovation”)

We initially planned to renovate and upgrade Victory Plaza to become a large-sized multifunctional shopping center, which would differ significantly from a traditional retail shopping center. Under the Renovation Plan, the direct renovation cost including the construction, regulatory approval, labor and administration & miscellaneous was estimated at \$11.2 million. We would need an additional \$83.9 million to buy back the properties that we sold to third parties with the buy-back option in order to conduct our Renovation. The total anticipated cost to complete the buy-backs and renovation was approximately \$95.1 million. As of the date hereof, we have obtained a construction license and fire department permit and completed the Renovation of certain public areas and commenced renovation for some individual units. As the date hereof, we have not obtained any loans to be used for direct Renovation.

However, as a result of COVID-19 in China, the local market condition for shopping malls have substantially changed which brings uncertainty that if such Renovation is completed, we would be able to generate sufficient revenue to pay off the costs and expenses associated with the Renovation and provide us sustainable income for future development, not to mention the negative impact by COVID-19 to our current operation and liquidity. For more details of the impact caused by the outbreak of COVID, please refer to risk factor “*The coronavirus breakout has a relatively big impact on the economy and society.*” on page 22.

As the date hereof, management is taking prudent measures to reassess the feasibilities of the Renovation based on current market conditions, the Company’s liquidity and potential of future financing. Until a determination is made, the Renovation has been temporarily suspended.

## Our Rental Income and Income from Common Area Management:

Victory Plaza currently has approximately 3,100 rental units. Among these rental properties, the Company owns approximately 400 units and 2,700 units were sold. The Company will lease back some of these sold properties at the owner’s will and sublet out to tenants. Our rent income was approximately \$3.0 and \$3.8 million for the fiscal years ended December 31, 2019 and 2018, respectively.

We currently provide common area management services to 1) tenants that lease the properties we own or occupy the property we do not own and 2) shop owners who purchased the property from us with or without a buy-back option. Common area management services include utilities, security, cleaning, fire service, landscaping, public facilities maintenance and other traditional services provided by a property management office. Our management income was approximately \$4.5 and \$5.7 million for the year ended December 31, 2019 and 2018, respectively.

The following is a table of our management fees:

Property location and class	RMB / per square foot	US \$ / per square foot*
Most popular location with highest traffic	110	16
second popular location	119	17
third popular location	137	20
the least popular location	133	19

\*Exchange rate for the Chinese Yuan Renminbi (CNY) and the US Dollar (USD) as of December 31, 2019 is 6.9615

Electricity is charged under three options: a) meter reading – per actual usage; b) electricity card – pay as you go; c) one-time charge. Due to the price of electricity varying in peak hours plus waste during usage, the electricity price we charge to tenants will be slightly higher than the price we pay to the electrical supplier. Utility expenses collected from tenants directly will offset our utility expenses paid to utility companies. We report the net utility charges as other income.

### **Competition**

We face intense competition in the Dalian retail industry. Our primary competition comes from ecommerce. China's retail industry including Dalian is undergoing a major shift as a result of rapidly changing consumer behavior, adoption of technology, the emergence of local competitors and the surge of ecommerce. Retail ecommerce sales in China reached \$1.36 trillion in 2018, compared to \$1.1 trillion in 2017, an increase of 24% from 2017. Although retail growth is expected to continue in the healthy double digits over the next three years, it is primarily driven by ecommerce. By 2020, retail ecommerce is expected to make up more than 37% of total retail sales in China. In Dalian, we also compete fiercely with local multifunctional shopping centers who offer similar services such as Olympia 66 Plaza, New Mart Shopping Plaza, Galleria Shopping Plaza, and Dalian Friendship Mall.

Particularly in the Qingniwa District, we compete with Century City Victory Plaza, Pavilion Victory Plaza, New Mart Shopping Plaza, which all aspire to be multifunctional shopping centers and to a certain degree offer similar services to ours. However, we believe we compete favorably with them because of our diverse tenant base, millennial -focused marketing strategy, and experience-oriented shopping services.

### **Our Competitive Strength:**

#### Experienced Victory Plaza Management Team

We have a professional team with significant experience in commercial real estate management, particularly in shopping center management. Members of the Company's team have had work experience with well-known shopping center management companies in different cities.

#### Preferred Shopping Destination

Strategically located in Dalian's most important financial district "Qingniwa", also known as Dalian's premier shopping, dining, and entertainment destination, our Victory Plaza had no problem of attracting a large volume of consumers in the past. It has easy access to public transportation and is within walking distance to Dalian's central train station. Qingniwa is also a popular destination for both domestic and international tourists, which creates the potential for Victory Plaza to become a tourist landmark.

## **Government Regulation**

In addition to U.S. securities laws, banking laws and laws applicable to all companies, such as The Foreign Corrupt Practices Act, as a China-based entity, we are subject to various Chinese regulations. This section sets forth a summary of the most significant China regulations or requirements that may affect our business activities operated in China or our shareholders' right to receive dividends and other distributions of profits from the PRC subsidiaries.

### **Regulations Regarding Foreign Investment**

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. Industries listed in the Catalogue are divided into three categories: encouraged, restricted and prohibited. The restricted and prohibited categories combined are also called the negative list for foreign investment entry and will be subject to special administrative measures. Industries not listed in the Catalogue are generally deemed as constituting a fourth "permitted" category. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged and permitted industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. Foreign investors are not allowed to invest in industries in the prohibited category. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations.

### **Regulations Regarding Sino-foreign Cooperative Joint Ventures**

Sino-foreign cooperative joint ventures are mainly governed by the Sino-foreign Cooperative Joint Ventures Law of the PRC promulgated by the PRC National People's Congress on 13 April 1988 and amended on 31 October 2000, September 3, 2016, November 7, 2016 and November 4, 2017 and the Implementation Rules of the Sino-foreign Cooperative Joint Ventures Law of the PRC promulgated by the Ministry of Foreign Trade and Economic Cooperation, the predecessor of the Ministry of Commerce, on 4 September 1995 and amended on February 19, 2014 and March 1, 2017.

#### **The establishment of a Sino-foreign cooperative joint venture**

The establishment of a Sino-foreign cooperative joint venture requires the approval of the Ministry of Commerce or such departments and local governments as authorized by the State Council with certain requisite documents to be submitted for approvals before October 1, 2016. On September 3, 2016, the National People's Congress Standing Committee adopted a decision on amending the relevant laws in relation to foreign invested companies, which took effect on October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise (including the Sino-foreign cooperative joint venture) and its subsequent changes are required to file with relevant commerce authorities instead of obtaining approvals from relevant commerce authorities, except for the foreign invested enterprises which are subject to special administrative measures regarding foreign investment entry in the PRC.

Prior to filing with relevant commerce authorities or within 30 days upon filing with relevant commerce authorities, the applicant is required to apply to the State Administration for Industry & Commerce or its local branches for the issue of a business license. A Sino-foreign cooperative joint venture is formally established on the date its business license is issued.

Profits and losses of Sino-foreign cooperative joint ventures may be distributed to and shared by the joint venture partners in such manner as those partners may agree to. A Sino-foreign cooperative joint venture should set aside a portion of its profits after tax as certain reserve funds.

## **Taxation**

### *PRC Enterprise Income Tax*

The PRC Enterprise Income Tax Law, or EIT Law, and its implementation rules provide that from January 1, 2008, a uniform income tax rate of 25% is applied equally to domestic enterprises as well as foreign investment enterprises.

The EIT Law and its implementation rules provide that a withholding tax at the rate of 10% is applicable to dividends and other distributions payable by a PRC resident enterprise to investors who are “non-resident enterprises” (that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant dividend or other distribution is not effectively connected with the establishment or place of business). However, pursuant to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income effective on December 8, 2006, the withholding tax rate for dividends paid by a PRC resident enterprise is 5% if the Hong Kong enterprise owns at least 25% of the capital of the PRC enterprise; otherwise, the dividend withholding tax rate is 10%. According to the Notice of the PRC State Administration of Taxation on Issues relating to the Administration of the Dividend Provision in Tax Treaties promulgated on February 20, 2009 and effective on the same day, the corporate recipient of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. However, if a company is deemed to be a pass-through entity rather than a qualified owner of benefits, it cannot enjoy the favorable tax treatments provided in the tax arrangement. In addition, if transactions or arrangements are deemed by the relevant tax authorities to be entered into mainly for the purpose of enjoying favorable tax treatments under the tax arrangement, such favorable tax treatments may be subject to adjustment by the relevant tax authorities in the future.

#### *Business Tax and Value-added Tax*

Pursuant to the Temporary Regulations on Business Tax, which were promulgated by the State Council on December 13, 1993 and effective on January 1, 1994, as amended on November 10, 2008 and effective January 1, 2009, any entity or individual conducting business in a service industry is generally required to pay business tax at the rate of 5% on the revenues generated from providing such services.

In March 2016, the Ministry of Finance and SAT jointly issued the Pilot Program of Replacing Business Tax with Value-Added Tax (“VAT”) in an All-round Manner, or Circular 36, effective from May 2016, according to which PRC tax authorities have started imposing VAT on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, replacing the business tax that co-existed with VAT for over 20 years. The VAT rates applicable to us may be generally higher than the business tax rate we were subject to prior to the implementation of Circular 36. For example, the VAT rate for sale and leasing of self-developed real estate will be increased from 5% (business rate) to 11%. However, VAT rate for leasing of real estate, which was owned by the general taxpayer before April 30, 2016, will be reduced to 5%. The PRC Enterprise Income Tax Law, or EIT Law, and its implementation rules provide that from January 1, 2008, a uniform income tax rate of 25% is applied equally to domestic enterprises as well as foreign investment enterprises.

#### **Regulations Regarding Foreign Exchange**

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, which were most recently amended in August 2008. Payments of current transactions, such as profit distributions and trade and service-related foreign exchange transactions, can usually be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate PRC authorities or banks authorized by appropriate PRC authorities is required where RMB capital is to be converted into foreign currency and remitted out of China to pay capital expenses.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (the “**Circular 19**”), effective on June 1, 2015, in replacement of SAFE Circular 142 (the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises). According to Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans or the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (the “**Circular 16**”), effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 or Circular 16 could result in administrative penalties.

From 2012, SAFE has promulgated several circulars to substantially amend and simplify the current foreign exchange procedure. Pursuant to these circulars, the opening of various special purpose foreign exchange accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE. In addition, domestic companies are no longer limited to extend cross-border loans to their offshore subsidiaries but are also allowed to provide loans to their offshore parents and affiliates and multiple capital accounts for the same entity may be opened in different provinces. SAFE also promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments.

On January 26, 2017, SAFE issued the Notice of State Administration of Foreign Exchange on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (the “**SAFE Circular 3**”), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

### **Regulations Regarding Foreign Exchange Registration of Offshore Investments by PRC Entities**

SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (the “**SAFE Circular 37**”) in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

SAFE Circular 37 was issued to replace SAFE Circular 75 (the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles. SAFE further enacted the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (the “**SAFE Circular 13**”) effective from June 1, 2015, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the SAFE Circular 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder 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 distributing profits 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.

## **Residents**

Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or Circular 37, issued by SAFE and effective in July 4, 2014, regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents or entities to seek offshore investment and financing and conduct round trip investment in China.

Circular 37 and other SAFE rules require PRC residents, including both legal and natural persons, to register with the local banks before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its registration with the local banks with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by individual PRC resident, merger, division and with respect to the individual PRC resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the individual PRC resident. Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

## **Regulation Regarding Labor and Social Insurance**

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

In addition, according to the PRC Social Insurance Law and Administration Measures on Housing Fund, employers like our PRC subsidiaries in China must provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance, and housing funds.

## **Employees**

As of the filing date hereof, the Company has a total of 187 employees, including our executive officers.

Our employees are not represented by any collective bargaining agreement, and we have never experienced a work stoppage.

We believe we have good relations with our employees.

## **Intellectual Property**

We do not have any intellectual property.



## ITEM 1A. RISK FACTORS

### RISKS RELATING TO OUR BUSINESS

***Our independent registered public accounting firm added an emphasis paragraph to its audit report describing an uncertainty related to our ability to continue as a going concern.***

Due to our significant accumulated deficit, recurring losses and limited capital resources, our independent registered public accounting firm has issued a report that describes an uncertainty related to our ability to continue as a going concern. Our financial statement disclose that we had a net loss of \$11,114,921 and \$4,748,769 for the years ended December 31, 2019 and 2018, respectively; an accumulated deficit of \$203,808,349 at December 31, 2019 and net cash used in operations of \$413,257 for the year ended December 31, 2019. Additionally, total revenues for the year ended December 31, 2019 was \$8,191,130, which decrease by approximately 18% or \$1,797,909 as compared to \$9,989,039, the total revenue for the year ended December 31, 2018. As of December 31, 2019, to our knowledge, there were total of 565 lawsuits against us for unpaid rent from lease-back owners and for the past due buy-backs of property from current owners of properties. Total claims amounted approximately \$24,821,000. In addition, the Company is currently in default of certain outstanding bank loans, the aggregate amount of which, in addition to the corresponding interests, is approximately \$66.9 million as of December 31, 2019. These conditions raise substantial doubt about our ability to continue as a going concern. These conditions may make it difficult for us to raise additional capital or obtain financing. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. We may be unable to continue operations if we cannot generate revenues in excess of our expenses and raise additional capital or obtain financing. In addition, we are dependent on the continued forbearance of our lender not to foreclose on our property.

***Majority of our business, assets and operations are located in the People's Republic of China.***

The majority of our business, assets and operations are located in the People's Republic of China. The economy of the PRC differs from the economies of most developed countries in many aspects. The economy of the PRC has been transitioning from a planned economy to a market-oriented economy. Although in recent years the PRC's government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC's government. In addition, the PRC's government continues to play a significant role in regulating industry by imposing industrial policies. The PRC's government exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Some of these measures benefit the overall economy of the PRC but may have a negative effect on us.

***Actions of government or change of policies may adversely affect our business, financial condition and results of operations.***

We are at risk from significant and rapid change in the legal systems, regulatory controls, and practices in areas in which we operate. These affect a wide range of areas including the real estate development approval system, employment practices, financing and sale of the buildings; our property rights; data protection; environment, health and safety issues; macro-economic policies and accounting, taxation and stock exchange regulation. Accordingly, changes to, or violation of, these systems, controls or practices could increase costs and have material and adverse impact on the reputation, performance and financial condition of our development and operations.

***We may not be able to obtain sufficient capital and/or loans may be forced to limit the scope of our operations.***

We have sustained recurring losses and experienced negative cash flow from operations in recent years. As of December 31, 2019, we have generated cumulative losses of approximately \$203,156,000 and; and we expect to continue to incur losses and have temporarily suspended our Renovation. In addition, these factors will be further affected by the COVID 19 conditions. We believe that our existing cash resources will not be sufficient to sustain operations during the next twelve months. We need to generate revenue and raise funding in order to sustain our operations and continue to implement our business plan. If adequate additional financing is not available on reasonable terms, if at all. We may not be able to resume the Renovation or continue to develop and expand the services of our Victory Plaza. There is no assurance that additional financing will be available to us if at all. As explained below, DVPD has been listed as a "dishonest debtor" by the courts and such designation may negatively impact our ability to obtain additional financing.

In connection with our growth strategies, we may experience increased capital needs and accordingly, we currently do not have sufficient capital to fund our future operations without additional capital investments or financing. Our capital needs will depend on numerous factors, including (i) our profitability; (ii) the development projects undertaken by our competitors; (iii) the level of our investment in operations and (vi) the continuing effect of the COVID 19 virus. We cannot assure you that we will be able to obtain capital in the future to meet our needs.

If we cannot obtain additional funding, we may be required to: (i) abandon the renovation plan; (ii) limit our operations and expansion; (iii) limit our marketing efforts; and (iv) decrease or eliminate capital expenditures. Such reductions could have a materially adverse effect on our business and our ability to complete the renovation or alternative business plan.

Even if we do find a source of additional capital, we may not be able to negotiate terms and conditions for receiving such additional capital that are favorable to us. Any future capital investments could dilute or otherwise materially and adversely affect the holdings or rights of our existing shareholders. In addition, new equity or convertible debt securities issued by us to obtain financing could have rights, preferences and privileges senior to our Common Stock. We cannot give you any assurances that any additional financing will be available to us, or if available, will be on terms favorable to us.

***We derive the majority of our revenues from the real estate rental and related management business in the PRC and any downturn in the Chinese economy could have a material adverse effect on our business and financial condition.***

The majority of our revenues are generated from rentals and management fees of our Victory Plaza in the PRC and we anticipate that revenues from such rentals and management fees will continue to represent the substantial portion of our total revenues in the near future. Our revenues can also be affected by changes in the general economy and the effects of the COVID 19 virus. Our business is influenced by a number of economic factors which affect retail business and commercial real estate, such as employment levels, business conditions, interest rates and taxation rates. Adverse changes in these economic factors, among others, may restrict consumer spending, thereby negatively affecting our profitability.

Since the Company primarily engages in the business of the multi-functional shopping center located in Dalian, Liaoning, China, the outbreak of COVID-19 has had a significant impact on our business operations. In late January 2020, the Dalian government released a stop order on all activities that involved gathering, including a temporary suspension of shopping malls. As a result, all retailers and service providers of our shopping center were shut down until further notice, subject to the containment of COVID-19. Given that the outbreak has been gradually controlled in China, the Company's Dalian office has resumed business since March 5, 2020. However, our business was and has continued being adversely impacted by the COVID-19 virus. We have much less traffic in our shopping mall and less tenants after the reopening due to the concerns of the virus.

***We are subject to extensive government regulation that could cause us to incur significant liabilities or restrict our business activities.***

Regulatory requirements could cause us to incur significant liabilities and operating expenses and could restrict our business activities. We are subject to statutes and rules regulating, among other things, property management, fire safety in public places, certain developmental matters, building and site design, and matters concerning the protection of health and the environment. Our operating expenses may be increased by governmental regulations, such as fees and taxes that may be imposed. Any delay or refusal from government agencies to grant us necessary licenses, permits, and approvals could have an adverse effect on our operations, particularly, our renovation plan or any alternative plan.

***We may be unable to compete effectively in the local shopping center and retail industry.***

The Dalian local retail industry is fragmented and intensely competitive. We compete with several reputable multifunctional local shopping centers on the basis of price, variety of services, perceived value, customer service, atmosphere, location and overall shopping experience. We also compete with other restaurants and retail establishments for qualified franchisees, site locations and employees to work in a shopping center.

Many of our competitors have significantly greater financial and other resources than we do. Many of our competitors also have greater influence over their respective retail systems than we do because of their significantly higher percentage of company-owned shopping centers and/or ownership of franchise real estate, giving them a greater ability to implement operational initiatives and business strategies. Some of our competitors are local shopping centers that, in some cases, have a loyal customer base and strong brand recognition because of its long history. As our competitors expand their operations and as new competitors enter the industry, we expect competition to be more intensive. Increased competition could result in price reductions, decreases in profitability and loss of market share by us. In the event we are unable to compete effectively against other local competitors, our business, financial condition and results of operations could be materially and adversely affected.

***A majority of our leases will expire within one year, and we may be unable to renew these leases or find new tenants on a timely basis, or at all.***

A majority of the lease agreements with our tenants have a term of one year. As a result, we experience lease cycles in which a significant number of tenancies expire each year. These relatively short lease cycles expose us to rental market fluctuations. We may not be able to renew the lease agreements or find new tenants at rates equal to or higher than those of the expiring leases, or to find replacement tenants in time so as to minimize periods between leases. If the rental price for our underground shopping center decreases, or our existing tenants do not renew their lease agreements, or we are unable to find replacement tenants in time after the expiration of existing tenancies, our business, financial condition, results of operations and prospects could be materially and adversely affected.

As of December 31, 2019, the Company has 3 leases outstanding which will expire in one year. These leases are for approximately 431 square feet in rental space and represent annual rental income of approximately \$123,000.

***Bank loans in default could have a material adverse effect on our results of operations***

As of December 31, 2019, we had a total of \$67,257,262 outstanding loans payable to Harbin Bank (the "Bank"). The agreement with the Bank contains certain protective contractual provisions that limit our activities in order to protect the Bank. We are currently in default of 3 of our loans with the Bank (the "Short-Terms Loans") in the aggregate amount of approximately \$ 53.1M. We have guarantee and security agreements with the bank in connection with these bank loans, pursuant to which we have guaranteed or provided security including property mortgages, pledge of accounts receivable (including property management fees and rentals) and 80% equity interest of DVPD held by Sino Pride was pledged for all liabilities under the bank loans, as applicable.

As of the date of this Annual Report, the Short-Terms Loans have become due while the Company has not made the corresponding payment. The Bank has not taken legal action against the Company and the Bank and the Company are currently discussing combining the principal and interests due into a new loan and an additional loans in an amount of RMB 50 million (approximately \$7.25 million) (collectively, the "Refinancing Loans"). In addition, the Company has been negotiating with the Bank for a waiver of the penalty for late payment of principal and the related loan interest (the "Penalty Waiver"). The Company has already submitted the application for the Refinancing Loans at the request of the Bank. It usually takes about 2 to 3 months for the Bank to review and approve the Refinancing Loans and the Penalty Waiver which can be potentially longer as a result of the outbreak of the COVID-19. However, there is no assurance or certainty that such Refinancing Loans or Penalty Waiver will be approved by the Bank. In the event that the Bank rejects our Refinancing Loans and/or commence any legal proceeding against us regarding the Short-term Loans, we may lose our collateralized assets which will cause a material adverse effect on our results of operations. Furthermore, if the collateral on those loans cannot satisfy our payment obligation, we may be forced to commence liquidation process if we do not have sufficient liquidity or cannot raise sufficient fund at that time.

***Our operating companies must comply with environmental protection laws that could adversely affect our profitability.***

We are required to comply with the environmental protection laws and regulations promulgated by the national and local governments of the PRC. Some of these regulations govern the level of fees payable to government entities providing environmental protection services and the prescribed standards relating to construction. During the renovation and daily operation of our Victory Plaza, waste is unavoidably generated. If we fail to comply with any of the environmental laws and regulations of the PRC, depending on the type and severity of the violation, we may be subject to, among other things, warnings from relevant authorities, imposition of fines, specific performance and/or criminal liability, forfeiture of profits made, or an order to close down our business operations and suspension of relevant permits. As of the date of reporting, the Company has no violation or noncompliance with the environment rules of China.

***The operating histories of our operating companies may not serve as an adequate basis to judge our future prospects and results of operations.***

The operating histories of DVPD and DVBM may not provide a meaningful basis for evaluating our business as we plan to renovate the Victory Plaza into a multifunctional shopping plaza to attract a more diversified group of customers. We cannot guarantee that we can achieve profitability or that we will have net profit in the future. We will encounter risks and difficulties that companies who substantially adjust or expand their business frequently experience, including the potential failure to:

- Obtain sufficient working capital to support our operation and carry out our business plan;
- Manage our expanding operations and continue to meet customers' demands;
- Maintain adequate control of our expenses allowing us to realize anticipated income growth;
- Implement, adapt and modify our business strategies as needed;
- Anticipate and adapt to changing conditions in the commercial real estate rental and management industry resulting from changes in government regulations, mergers and acquisitions involving our competitors, technological developments and other significant competitive and market dynamics.

If we are not successful in addressing any or all of the foregoing risks, our business may be materially and adversely affected.

***Our failure to effectively manage growth may cause a disruption of our operations resulting in the failure to generate revenue at the levels we expect.***

In order to maximize potential growth in our current and potential markets, we believe that we must be able to attract new renters and customers to use the services provided by our shopping center to ensure the sustainable development capability of the Company and to maintain our operations. This strategy may place a significant strain on our management and our operational, accounting, and information systems. We expect that we will need to continue to improve our financial controls, operating procedures, and management information systems. We will also need to effectively train, motivate, and manage our employees. Our failure to effectively manage our operations could prevent us from generating the revenues we expect and therefore have a material adverse effect on the results of our operations.

***Our future success depends on our ability to retain key executives and to attract, retain, and motivate qualified personnel.***

We are highly dependent on the business development expertise of Alex Brown, our Chairman, Chief Executive Officer, and President; as well as the other principal members of our management team. We do not currently have employment agreements with any of the named executive officers but plan to enter into employment agreements with certain executive officers, as deemed appropriate by the Company. Each of the named executive officers has a full-time position with the Company and performs their duties and services customary and appropriate to their position and as the Company may from time-to-time assign. We do not maintain key person insurance for any of our executives or other employees. If we are unable to continue to attract and retain high-quality personnel, our ability to pursue our growth strategy will be limited. While we are working on rectifying its failure to put proper employment arrangements in place, it is uncertain that such failure could be retroactively rectified completely.

Recruiting and retaining qualified management, and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our development of business and seriously harm our ability to successfully implement its business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time. We may be unable to hire, train, retain, or motivate these key personnel on acceptable terms given the competition among numerous competitor companies for similar personnel.

***We will incur significant costs as a public company in the United States.***

We will incur significant costs associated with our public company reporting requirements, costs associated with newly applicable corporate governance requirements, including requirements under the Sarbanes-Oxley act of 2002 and other rules implemented by the SEC. We expect all of these applicable rules and regulations to significantly increase our legal and financial compliance costs and to make some activities more time consuming and costly. We also expect that these applicable rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract or retain qualified individuals to serve on our board of directors or as executive officers. We cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

***Our certificates, permits, and licenses related to our operations are subject to governmental control and renewal, and failure to obtain or renew such certificates, permits, and licenses will cause all or part of our operations to be terminated.***

Our operations require licenses, permits and, in some cases, renewals of these licenses and permits from various governmental authorities in the PRC. Our ability to obtain, maintain, or renew such licenses and permits on acceptable terms is subject to change, as are, among other things, the regulations and policies of applicable governmental authorities.

If our qualification certificate of property management enterprise or our land use rights certificates are revoked or suspended or we are unable to renew the permits for any reason, we cannot assure you that our business operations will not be stopped and, accordingly, our financial performance would be adversely affected.

***Our shopping center may be affected by fire or natural calamities. Our operations are also subject to the risk of power outages, equipment failures or labor disturbances and other business interruptions. We have limited insurance coverage and do not carry any business interruption insurance.***

Our Shopping Center is currently underground. A fire, floods or other natural calamities may result in significant damage to our shopping center. Our operations are subject to risks of various business interruptions, including power outages, equipment failures or disturbances from labor unrest. If we are unable to obtain timely replacements of damaged equipment, or if we are unable to find an acceptable contractor in the event our shopping center is damaged by a catastrophic event, then major disruptions to our operations would result, which would have significant adverse effect on our financial results. Our property insurance may not be sufficient to cover damages to our Shopping Center, and we do not carry any business interruption insurance covering lost profits as a result of the disruption to our operations.

***We are subject to certain risks related to litigation filed by or against us, and adverse results may harm our business and operations.***

We are currently involved in, and may in the future be subject to, claims, suits, government investigations, and proceedings arising from our business. As of December 31, 2019, to our knowledge, there were total of 565 lawsuits against us for unpaid rent by the lease-back owners and for the past due buy-back of property from current owners of the properties. Total claims amounted to \$24,820,625. Historically, when DVPD sold property, it granted a buy-back option to certain purchasers pursuant to which, they could request DVPD to buy back their properties at the original purchase prices during certain time frames. DVPD also leased back certain sold units and then sub-leased to third parties. These lawsuits are caused by our failure to buy back the properties when required to or our failure to pay rents for certain lease-back units. Subsequently, certain units owned by DVPD have been frozen from transfer or disposition by the courts. DVPD has been restricted from free transfer, disposition, pledge of its 5% equity interest in DVBM from March 2, 2017 to March 1, 2019. The 5% equity interest in DVBM is still restricted currently. In addition, DVPD has been listed as a “dishonest debtor” by the PRC courts. Once listed as a dishonest debtor, DVPD may be imposed with certain restrictions in connection with the commercial loans at the banks’ discretion; purchase or transfer of properties and land use rights; and renovation, upgrade or renovation of properties. In addition, the bank accounts of DVPD are frozen by the courts which allows the inflow of cash to the bank accounts but prohibits the outflow of cash. The management is negotiating with these claimants actively and attempting to settle these cases with a discounted payment amount. However, we cannot predict with certainty the cost of defense, the cost of prosecution, or the ultimate outcome of these lawsuits and other proceedings filed by or against us, including remedies, damage awards, and penalties. Regardless of the outcome, any such claims or actions require significant time, money, managerial and other resources, result in negative publicity, and harm our business and financial condition and future prospects.

***One of our operating subsidiaries has been listed as a “dishonest debtor” by PRC courts due to the lawsuits filed against us. Until such subsidiary has been cleared by PRC courts, that designation may materially adversely affect our ability to obtain financing, thus affecting our operations.***

As of December 31, 2019, to our knowledge, there were total of 565 lawsuits against us for unpaid rent by the lease-back owners and for the past due buy-back of property from current owner of properties. Total claims amounted to \$24,820,625. Subsequently, DVPD has been listed as a “dishonest debtor” by the courts. In accordance with *the Regulation of the Supreme People’s Court on the Publication of Information on the List of Dishonest Debtor*, the courts have announced such listing to the public through the list database and informed the relevant government departments, financial regulatory agencies, financial institutions, institutions that undertake administrative functions and industry associations of such information of a dishonest debtor, so that the relevant parties can take credit disciplinary actions against the dishonest debtor. As such, DVPD may suffer certain restrictions in connection with commercial loans at banks’ discretion, purchase or transfer of properties and land use rights, and renovation, upgrade or renovation of properties. Additionally, certain properties of DVPD have been frozen from transfer or disposition and its bank accounts are frozen. Until we are able to settle the judgments against us and DVPD is removed from the Dishonest Debtor list, it will be very difficult for us to obtain additional loans from banks. Accordingly, unless we can successfully raise sufficient capital from other sources, which we cannot assure, the Dishonest Debtor designation will materially adversely affect our ability to carry our operations and business plan.

***We provided properties as collateral to help individuals acquire bank loans which imposes substantial risks to a substantial loss in our assets.***

On May 18, 2017, the Company provided 14 units of rental properties, totaling 293 square meters (3,153 square feet), owned by the Company as collateral to help three individuals, among which, a board member of DVPD, an employee of DVPD (now a former employee) and one individual, to acquire one year bank loans in the aggregate amount of RMB 15,000,000, or approximately USD\$2,160,450 (the “the 15M Loan”). There was no gain or profit for the Company to provide such collateral.

These three individuals have not yet repaid the loans to the Harbin Bank, which exposes the Company to a loss of properties if the individuals are insolvent and fail to repay the bank loans. On December 30, 2019, the Company entered into three separate repayment agreements with such individuals (the “Repayment Agreements”), pursuant to which, the parties agree that the Company’s guarantee period for the 15M Loan shall be extended to December 31, 2020 (the “Expiration Date”). After the Expiration Date, the three individuals shall replace the Company’s collateral or repay the 15M Loan to release the Company’s assets. Otherwise, the three individuals shall pay the Company a penalty of 1% of the 15M Loan. The three individuals also agreed to provide the Company 1% of the 15M Loan as compensation (the “Compensation”) in a one-time payment on May 30, 2020. An overdue payment of such Compensation will subject to daily late fees of 0.5% of such Compensation.

***We have identified multiple material weaknesses in our internal control over financial reporting which could, if not remediated, result in material misstatements in our financial statements.***

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act. As disclosed elsewhere in this report, we identified material weaknesses in our internal control over financial reporting primarily as a result of lack of accounting staffing, insufficient policies and procedures to ensure the correct application of accounting and financial reporting with respect to the current requirements of GAAP and SEC disclosure requirements, lack of segregation of duties, no independent audit committee and no effective control procedures as to the use of the Company’s assets, and concluded that neither our disclosure controls and procedures nor our internal control over financial reporting were effective as of December 31, 2019. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. As a result of these material weaknesses, our management concluded that our internal control over financial reporting was not effective based on criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission in *Internal Control-An Integrated Framework* (2013). We are actively engaged in developing a remediation plan designed to address these material weaknesses. If our remedial measures are insufficient to address these material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results.

## **RISKS RELATING TO DOING BUSINESS IN CHINA**

### ***The coronavirus outbreak has had a big impact on the economy and society.***

The outbreak of the COVID-19 was first reported on December 31, 2019 in the City of Wuhan, Hubei, China and was recognized as a pandemic by the World Health Organization (WHO) on March 11, 2020. Efforts to prevent the virus spreading include travel restrictions, quarantines, curfews, event postponements and cancellations, and facility closures. These include a quarantine of Hubei, curfew measures elsewhere in China, and national travel restrictions. In late March, Chinese Premier Li Keqiang reported that spread of epidemic has been basically blocked and the outbreak has been controlled in China. As a result, some of the government restrictions and quarantines abovementioned have relaxed in certain areas.

On January 31, 2020, a public health emergency was declared in the United States with travel restrictions placed on entry for travelers from China. On March 13, 2020, a national emergency was further declared in the United States. On March 20, 2020, the governor of New York issued a statewide stay-at-home order to help combat the spread of the COVID-19 virus. New York City has been deemed as the new coronavirus epicenter as it accounts for roughly a third of all the coronavirus cases in the United States. As of mid-April 2020, more than 2.11 million cases have been reported across 210 countries and territories.

The Company's business operations could be adversely affected by the effects of a widespread outbreak of contagious disease, including the recent outbreak of coronavirus known as COVID-19. The Company's corporate headquarters and operations are located in Dalian, Liaoning, China and New York City, New York, U.S., where any outbreak of contagious diseases and other adverse public health developments could be materially adverse to the Company's business operations. In response to the highly contagious and sometimes fatal coronavirus inflicting thousands of people in China and the United States, the local government has imposed travel restrictions and quarantines/stay-at-home order to help control the spread of COVID-19.

Since the Company primarily engages in the business of the multi-functional shopping center are located in Dalian, Liaoning, China, the outbreak of COVID-19 has significantly impact on our business operations. In late January 2020, the Dalian government released a stop order on all activities that involved gathering, including a temporary suspension of shopping malls. As a result, all retailers and service providers of our shopping center were shut down until further notice, subject to the containment of the COVID-19 virus. Given that the outbreak has been gradually controlled in China, the Company's Dalian office has resumed business since March 5, 2020. However, our business was and has continued to be adversely impacted by the outbreak of the COVID-19 virus. We have much less traffic in our shopping mall and less tenants after the reopening due to the concern of the virus. In wake of the impact on market conditions and economic environment, the Company temporarily suspended its original Renovation. Consequently, the coronavirus pandemic has negatively impacted our operating revenue during the first quarter of 2020, and the Company believes the negative impact on revenue will continue throughout year 2020.

Our office located in New York City is facing the same situation. If the COVID-19 continues to spread in the United States, the federal and state governments may impose additional measures further restricting travel within and outside of the United States and also impose the regions under mandatory quarantine. Similarly, the continued spread of COVID-19 globally could further adversely impact the Company's operations and could have an adverse impact on the Company's business and financial results.

### ***Labor laws in the PRC may adversely affect our results of operations.***

On June 29, 2007, the PRC's government promulgated the labor contract law of the PRC, which became effective on January 1, 2008 and was subsequently amended on December 28, 2012. The labor contract law imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, the law requires certain terminations be based upon seniority and not merit. In the event that we decide to significantly change or decrease our workforce, the labor contract law could adversely affect our ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, thus materially and adversely affecting our financial condition and results of operations.

### ***We may be exposed to liabilities under the foreign corrupt practices act and Chinese anti-corruption law.***

We are subject to the U.S. foreign corrupt practices act ("FCPA"), and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute for the purpose of obtaining or retaining business. We are also subject to Chinese anti-corruption laws, which strictly prohibit the payment of bribes to government officials. We have operations, agreements with third parties, and earn revenues in China, and could be exposed to corruption. Our activities in China create the risk of unauthorized payments or offers of payments by one of the employees, consultants of our Company, because these parties are not always subject to our control. Our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants of our company may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the government may seek to hold our company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

**The government in China has the right to take over part or all of our underground properties during times of war.**

Among the approximately 137,554 square meters (1,480,619 square feet) of the total rental area of Victory Plaza, approximately 59,000 square meters (635,071 square feet) was designed for use as an underground civil air defense shelter (the “Civil Air Defense Shelter”). The Civil Air Defense Shelter is allowed to be used for a shopping place or garage during peace time as set forth in approvals by the local air defense authority. However, the primary use of any civil air defense shelter is to protect civilians during times of war. In order to serve this purpose, the PRC government authorities, by law and regulation, reserve the right to take over the Civil Air Defense Shelter during times of war. If any military conflict or a war breaks out between China and other countries or regions, it is likely that the Civil Air Defense Shelter or other part of our underground Victory Plaza will be seized by the government in China as underground civil air defense shelters. Although the seizure of civil air defense shelters by the government authorities in China for use during times of war does not mean the government authorities permanently revoke our right to use, operate and profit from the facilities and we may continue the use and operation of our the Civil Air Defense Shelter after the war, our business would still be interrupted.

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

We conduct a substantial amount of our business through our subsidiaries in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws and regulations applicable to the operative joint venture enterprises. The PRC legal system is based on statutes. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, 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. In particular, because some of these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

**We are a holding company and we rely on funding for dividend payments from our subsidiaries, which are subject to restrictions under PRC laws.**

We are a holding company incorporated in Nevada and we operate our core businesses through our subsidiaries in the PRC. Therefore, the availability of funds for us to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from such PRC subsidiaries. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, joint-venture contracts, applicable laws and restrictions contained in the debt instruments of such subsidiaries. If our subsidiaries incur debt or losses, their ability to pay dividends or other distributions to us may be impaired. As a result, our ability to pay dividends and to repay our indebtedness will be restricted. PRC laws require that dividends be paid only out of the after-tax profit of our PRC subsidiaries calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions. PRC laws also require enterprises established in the PRC to set aside part of their after-tax profits as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries entered into or may enter into in the future may also restrict the ability of our subsidiaries to pay dividends to us. Further, starting from January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. These restrictions on the availability of our funding may impact our ability to pay dividends to our shareholders and to service our indebtedness.



In addition, the PRC government imposes controls on the convertibility of the renminbi, or “RMB” into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (“SAFE”) by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our security-holders.

**Our business may be materially and adversely affected if any of our PRC subsidiaries declares bankruptcy or becomes subject to a foreclosure, dissolution or liquidation proceeding.**

The enterprise bankruptcy law of the PRC, or the bankruptcy law, came into effect on June 1, 2007. The bankruptcy law provides that an enterprise will be liquidated if the enterprise fails to settle its debts as and when they fall due and if the enterprise’s assets are, or are demonstrably, insufficient to clear such debts.

Our PRC subsidiaries hold assets that are important to our business operations. If our PRC subsidiaries undergo a voluntary or involuntary liquidation proceeding, Harbin Bank, the holder of our debt which is currently in default or unrelated third-party creditors may claim rights to some or all of our assets, thereby hindering our ability to operate our business, which would materially and adversely affect our business, financial condition and results of operations.

According to SAFE’s provisions for administration of foreign exchange relating to inbound direct investment by foreign investors, effective on June 10, 2015, if our PRC subsidiaries undergo a voluntary or involuntary liquidation proceeding, prior approval from the safe for remittance of foreign exchange to our shareholders abroad is no longer required, but we still need to conduct a registration process with the SAFE designated commercial bank. It is not clear whether “registration” is a mere formality or involves the kind of substantive review process undertaken by SAFE designated commercial bank.

***Fluctuations in exchange rates could adversely affect our business and the value of our securities.***

Changes in the value of the RMB against the U.S. dollar and other foreign currencies are affected by, among other things, changes in China’s political and economic conditions. Any significant revaluation of the RMB may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on our shares in U.S. dollar terms. For example, to the extent that we need to convert U.S. dollars we receive from our business into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of paying dividends on our Common Stock or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

Since July 2005, the RMB is no longer pegged to the U.S. dollar. Although the People’s Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies.

***It may be difficult to effect service of process and enforcement of legal judgments upon our Company and our officers and directors because they reside outside the United States.***

Our operations are based in China and all of our assets are located in China. In addition, a majority of our directors and officers reside in China. As a result, service of process on the Company and such foreign directors and officers may be difficult or impossible to effect within the United States. Moreover, China does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of the judgment of courts. As a result, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible.

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

The SAFE promulgated the notice on relevant issues relating to domestic resident's investment and financing and roundtrip investment through special purpose vehicles ("SPV(s)"), or Notice 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their safe registrations when the offshore SPV undergoes material events relating to material change of capitalization or structure of the PRC resident itself (such as capital increase, capital reduction, share transfer or exchange, merger or spin off). On February 28, 2015, SAFE issued a notice according to which the aforesaid PRC residents or entities are no longer required to register with SAFE or its local branch, instead the aforesaid PRC residents or entities need to register with local banks. Failure by an individual to comply with the required SAFE registration and updating requirements described above may result in penalties up to RMB50,000 imposed on such individual and restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections for the offshore SPV. Failure to comply with Notice 37 may also subject relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions. Our controlling shareholder, Alex Brown (a.k.a "You Chang") did not register with local SAFE branch or its delegated commercial bank when he acquired ownership of Sino Pride through his indirect holding of Victory Commercial Investment Ltd. in November 2016. Although Alex Brown was no longer a PRC nationality afterwards, we cannot assure you that our controlling shareholder will not be required under Notice 37 to register with local SAFE branch or its delegated commercial bank. These risks could in the future have a material adverse effect on our business, financial condition and results of operations.

***Failure to comply with the individual foreign exchange rules relating to the overseas direct investment or the engagement in the issuance or trading of securities overseas by our PRC resident stockholders may subject such stockholders to fines or other liabilities.***

Other than Notice 37, our ability to conduct foreign exchange activities in the PRC may be subject to the interpretation and enforcement of the implementation rules of the administrative measures for individual foreign exchange promulgated by SAFE in January 2007 (as amended and supplemented, the "Individual Foreign Exchange Rules"). Under the individual foreign exchange rules, any PRC individual seeking to make a direct investment overseas or engage in the issuance or trading of negotiable securities or derivatives overseas must make the appropriate registrations in accordance with the SAFE provisions. PRC individuals who fail to make such registrations may be subject to warnings, fines or other liabilities.

We may not be fully informed of the identities of all our beneficial owners who are PRC residents. For example, because the investment in or trading of our shares will happen in an overseas public or secondary market where shares are often held with brokers in brokerage accounts, it is unlikely that we will know the identity of all of our beneficial owners who are PRC residents. Furthermore, we have no control over any of our future beneficial owners and we cannot assure you that such PRC residents will be able to complete the necessary approval and registration procedures required by the individual foreign exchange rules.

It is uncertain how the individual foreign exchange rules will be interpreted or enforced and whether such interpretation or enforcement will affect our ability to conduct foreign exchange transactions. Because of this uncertainty, we cannot be sure whether the failure by any of our PRC resident stockholders to make the required registration will subject our PRC subsidiaries to fines or legal sanctions on their operations, delay or restriction on repatriation of proceeds of this offering into the PRC, restriction on remittance of dividends or other punitive actions that would have a material adverse effect on our business, results of operations and financial condition.

***If we are unable to obtain business insurance in the PRC, we may not be protected from risks that are customarily covered by insurance in the United States.***

Business insurance is not readily available to fit our business needs in the PRC. To the extent that we suffer a loss of a type that would normally be covered by insurance in the United States, such as product liability and general liability insurance, we would incur significant expenses in both defending any action and in paying any claims that result from a settlement or judgment. We have not obtained fire, casualty and theft insurance, and there is no insurance coverage for our raw materials, goods and merchandise, furniture or buildings in China. Any losses incurred by us will have to be borne by us without any assistance, and we may not have sufficient capital to cover material damage to, or the loss of, our Victory Plaza due to fire, severe weather, flood or other causes, and such damage or loss may have a material adverse effect on our financial condition, business and prospects.

***Under the new enterprise income tax law, we may be classified as a “resident enterprise” of China. Such classification may result in unfavorable tax consequences to us and our non-PRC shareholders.***

China passed an enterprise income tax law, or the EIT law, which became effective on January 1, 2008. Under the EIT law, an enterprise established outside of China with de facto management bodies within China is considered a resident enterprise, meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT law define de facto management as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. In addition, a circular issued by the state administration of taxation on April 22, 2009 clarified that dividends and other income paid by such resident enterprises will be considered to be the PRC’s source income and subject to the PRC’s withholding tax. This circular also subjects such resident enterprises to various reporting requirements with the PRC’s tax authorities.

Although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC’s tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider our Company to be a PRC resident enterprise. However, if the PRC’s tax authorities determine that we are a resident enterprise for the PRC’s enterprise income tax purposes, a number of unfavorable PRC tax consequences may follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as the PRC’s enterprise income tax reporting obligations. This would also mean that income such as interest on offering proceeds and non-China source income would be subject to the PRC’s enterprise income tax at a rate of 25%. Second, although under the EIT law and its rules, dividends paid to us from our PRC subsidiaries would qualify as tax-exempt income, we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC authorities responsible for enforcing the withholding tax have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for the PRC’s enterprise income tax purposes. Finally, dividends paid to stockholders with respect to their shares of our Common Stock or any gains realized from transfer of such shares may generally be subject to the PRC’s withholding taxes on such dividends or gains at a rate of 10% if the shareholders are deemed to be non-resident enterprises or at a rate of 20% if the shareholders are deemed to be non-resident individuals. In addition, any gain realized on the transfer of shares of our common stock 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 dividends payable to our non-PRC investors or gains from the transfer of our common stock by such investors are subject to PRC tax, the value of your investment in our common stock may decline significantly.

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

Pursuant to a notice, or Circular 698, issued by the State Administration of Taxation, where a non-resident enterprise conducts an “indirect transfer” by transferring the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company, and such overseas holding company is located in a tax jurisdiction that: (1) has an effective tax rate less than 12.5%; or (2) does not tax foreign income of its residents, the non-resident enterprise, being the transferor, shall report to the relevant tax authority of the PRC resident enterprise such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, currently at a rate of 10%. In 2015, the State Administration of Taxation issued a circular, known as Circular 7, which replaced or supplemented certain previous rules under Circular 698. Circular 7 sets out a wider scope of indirect transfer of PRC assets that might be subject to PRC enterprise income tax, and more detailed guidelines on the circumstances when such indirect transfer is considered to lack a bona fide commercial purpose and thus regarded as avoiding PRC tax. The conditional reporting obligation of the non-PRC investor under Circular 698 is replaced by a voluntary reporting by the transferor, the transferee or the underlying PRC resident enterprise being transferred. Furthermore, if the indirect transfer is subject to PRC enterprise income tax, the transferee has an obligation to withhold tax from the sale proceeds, unless the transferor reports the transaction to the PRC tax authority under Circular 7. Late payment of applicable tax will subject the transferor to default interest. Gains derived from the sale of shares by investors through a public stock exchange are not subject to the PRC enterprise income tax pursuant to Circular 7 where such shares were acquired in a transaction through a public stock exchange. Circular 698 was abolished by an announcement promulgated by the State Administration of Taxation in October 2017 and effective from December 1, 2017, or SAT Circular 37, which, among others, provides specific provisions on matters concerning withholding of income tax of non-resident enterprises at the source.

As implemented, there is uncertainty as to the application of Circular 7 and SAT Circular 37, both of which 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. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing regarding the transactions and request our PRC subsidiaries to assist in the filing. As a result, we and our non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under Circular 7, and may be required to expend valuable resources to comply with Circular 7 or to establish that we and our non-resident enterprises should not be taxed under Circular 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

***The PRC government may issue further restrictive measures in the future.***

We cannot assure you that the PRC’s government will not issue further restrictive measures in the future. The PRC government’s restrictive regulations and measures could increase our operating costs in adapting to these regulations and measures, limit our access to capital resources or even restrict our business operations, which could further adversely affect our business and prospects.

***Our PRC subsidiaries are not in compliance with the taxation and social security rules of China, and they may face penalties imposed by the PRC government.***

As of December 31, 2019 and 2018, the Company had tax payables and VAT payable (value added tax), real estate tax, land use right tax, income tax, taxes related to rental and other taxes in the aggregate amount of \$0.8 million and \$0.6 million, respectively. As of December 31, 2019, and 2018 the Company accrued tax penalties payable in the amount of \$247,732 and \$39,497, respectively in accordance with Chinese tax law including the expected penalties for not being in compliance with the social security rules of China. Some of these tax payables were incurred prior to November 2016, when we acquired the ownership of Sino Pride. As of May 31, 2018, we have paid off 2017 and prior year’s taxes due including penalties. However, we cannot guarantee that we have sufficient cash to pay all the payables under the settlements or if we can reach a settlement with the tax authorities, if at all. In addition, our PRC subsidiaries failed to strictly comply with PRC laws and regulations to contribute towards social insurance premiums and housing funds on behalf of their employees, which are based on the average salary of employees of Dalian city instead of their employees’ average monthly salary for the preceding year, as required by the applicable laws and regulations. We may be required by relevant authorities to make up the shortfall of social insurance premiums and housing funds. Even after we have successfully settled all tax payables, if any PRC government authority takes the position that there is non-compliance with the taxation, environmental protection, employment and/or social security rules by our PRC subsidiaries, they may be exposed to penalties from PRC government authorities, in which case the operation of our PRC subsidiaries in question may be adversely affected.

***If relations between the United States and China worsen, our stock price may decrease, and we may have difficulty accessing the U.S. capital markets.***

At various times during recent years, the United States and China have had disagreements over political and economic issues. Controversies may arise in the future between these two countries. Any political or trade conflicts between the United States and China could adversely affect the market price of our Common Stock and our ability to access U.S. capital markets.

***PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of any offering to make loans to or make additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

Under PRC laws and regulations, we are permitted to utilize the proceeds from any offering pursuant to the Registration Statement to fund our PRC subsidiaries by making loans to or additional capital contributions to our PRC subsidiaries, subject to applicable government registration and approval requirements.

Any loans to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC laws, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE. The statutory limit for the total amount of foreign debts of a foreign-invested company is the difference between the amount of total investment as approved by the MOC or its local counterpart and the amount of registered capital of such foreign-invested company.

We may also decide to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by the MOC or its local counterpart. In addition, SAFE issued a circular in September 2008, SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and unless otherwise provided by law, may not be used for equity investments within the PRC. On July 4, 2014, the SAFE issued the Circular of the SAFE on Relevant Issues Concerning the Pilot Reform in Certain Areas of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises, or SAFE Circular 36, which launched a pilot reform of the administration of the settlement of the foreign exchange capital of foreign-invested enterprises in certain designated areas from August 4, 2014 and some of the restrictions under SAFE Circular 142 will not apply to the settlement of the foreign exchange capital of the foreign-invested enterprises established within the designated areas and such enterprises are allowed to use its RMB capital converted from foreign exchange capitals to make equity investments. On March 30, 2015, SAFE promulgated Circular 19, to expand the reform nationwide. Circular 19 came into force and replaced both Circular 142 and Circular 36 on June 1, 2015. Circular 19 allows foreign-invested enterprises to make equity investments by using RMB funds converted from foreign currencies. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from its foreign exchange capitals for expenditures beyond its business scope, providing entrusted loans or repaying loans between non-financial enterprises. In addition, SAFE strengthened its oversight of the flow and use of RMB capital converted from foreign currency registered capital of a foreign-invested company. The use of such RMB capital may not be altered without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of these Circulars could result in severe monetary or other penalties. These circulars may significantly limit our ability to use RMB converted from the net proceeds of an offering to fund the establishment of new entities in China by our PRC subsidiaries, to invest in or acquire any other PRC companies through our PRC subsidiaries, or to establish new variable interest entities in the PRC.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from any offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

***Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.***

Substantially all of our revenues and expenditures are denominated in RMB, whereas our reporting currency is the U.S. dollar. As a result, fluctuations in the exchange rate between the U.S. dollar and RMB will affect the relative purchasing power in RMB terms of our U.S. dollar assets. Our reporting currency is the U.S. dollar while the functional currency for our PRC subsidiaries and consolidated variable interest entity is RMB. Gains and losses from the remeasurement of assets and liabilities that are receivable or payable in RMB are included in our consolidated statements of operations. The remeasurement has caused the U.S. dollar value of our results of operations to vary with exchange rate fluctuations, and the U.S. dollar value of our results of operations will continue to vary with exchange rate fluctuations. A fluctuation in the value of RMB relative to the U.S. dollar could reduce our profits from operations and the translated value of our net assets when reported in U.S. dollars in our financial statements. This could have a negative impact on our business, financial condition or results of operations as reported in U.S. dollars. If we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. In addition, fluctuations in currencies relative to the periods in which the earnings are generated may make it more difficult to perform period-to-period comparisons of our reported results of operations.

The value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. However, the People's Bank of China, or the PBOC, regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. During the period between July 2008 and June 2010, the exchange rate between the RMB and the U.S. dollar had been stable and traded within a narrow range. However, the RMB fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the RMB has started to slowly appreciate against the U.S. dollar, though there have been periods when the U.S. dollar has appreciated against the RMB.

There remains significant international pressure on the PRC government to adopt a flexible currency policy. Any significant appreciation or depreciation of the RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our securities in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from public a offering into RMB to pay our operating expenses, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our securities.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

***Governmental control of currency conversion may limit our ability to utilize our net revenues effectively and affect the value of your investment.***

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenues in RMB. Under our current corporate structure, we rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulations, such as the overseas investment registrations by the beneficial owners of Company who are PRC residents. But approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our stockholders.

***Interpretation of PRC laws and regulations involves uncertainty.***

Our core business is conducted within China and is governed by the PRC's laws and regulations. The PRC's legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC's government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial laws, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty. Some of these laws may be changed without immediate publication or may be amended with retroactive effect. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors, particularly if a competitor has long been established in the locality of and has developed a relationship with such agency. In addition, any litigation in China may be protracted and result in substantial costs and a diversion of resources and management attention. All of these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits and other statutory and contractual rights and interests.

#### **RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK**

***If a more active trading market for our Common Stock develops, the market price of our Common Stock is likely to be highly volatile and subject to wide fluctuations, and holders of our Common Stock may be unable to sell their shares at or above the price at which they were acquired.***

The market price of our Common Stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including:

- Variations in our quarterly and annual results;
- developments in the financial markets and worldwide economies;
- announcements of innovations or services by us or our competitors;
- announcements by the PRC government relating to regulations that govern our industry;
- significant sales of our Common Stock or other securities in the open market;
- variations in interest rates;
- changes in the market valuations of other comparable companies; and
- changes in accounting principles.

***We do not intend to pay dividends for the foreseeable future.***

We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our Common Stock if the market price of our Common Stock increases.

***Our majority stockholder may have significant influence over the outcome of matters submitted to our stockholders for approval, which may prevent us from engaging in certain transactions.***

As the date hereof, one shareholder owns 95% of the Company's common stock. As a result, this stockholder may exercise significant influence over all matters requiring stockholder approval, including the appointment of our directors and the approval of significant corporate transactions. This ownership and control may also have the effect of delaying or preventing a future change in control, impeding a merger, consolidation, takeover or other business combination that may be in the best interest of the Company and any other stockholders.

***If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.***

The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal controls over financial reporting in its Annual Report, which contains management's assessment of the effectiveness of internal controls over financial reporting.

Our reporting obligations as a public company place a significant strain on our management and operational and financial resources and systems. Effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to prevent fraud. As a result, our failure to achieve and maintain effective internal controls over financial reporting may result in the loss of investor confidence in the reliability of our financial statements, which in turn may harm our business and negatively impact the trading price of our stock. Furthermore, we anticipate that we will continue to incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

***There is a limited market for our Common Stock, which may make it difficult for holders of our Common Stock to sell their stock.***

We plan to apply to be listed on OTCQB Market, but there is no assurance that we will be approved for the listing at this point. There is no trading market for our Common Stock and at times there is no trading in our Common Stock. Accordingly, there can be no assurance as to the liquidity of any markets that may develop for our Common Stock, the ability of holders of our Common Stock to sell our Common Stock, or the prices at which holders may be able to sell our Common Stock. Further, many brokerage firms will not process transactions involving low price stocks, especially those that come within the definition of a "penny stock." If no market develops, holders of our Common Stock may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of our Common Stock, and the market value of our Common Stock would likely decline.

***We may be subject to the penny stock rules which will make shares of our Common Stock more difficult to sell.***

We may be subject now and in the future to the SEC's "penny stock" rules if our shares of Common Stock sell below \$5.00 per share. Penny stocks generally are equity securities with a price of less than \$5.00. The penny stock rules require broker-dealers to deliver a standardized risk disclosure document prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the transaction and must be given to the customer in writing before or with the customer's confirmation.

In addition, the penny stock rules require that prior to a transaction, the broker dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. The penny stock rules are burdensome and may reduce purchases of any offerings and reduce the trading activity for shares of our Common Stock. As long as our shares of Common Stock are subject to the penny stock rules, the holders of such shares of Common Stock may find it more difficult to sell their securities.



*The rights of the holders of our Common Stock may be impaired by the potential issuance of preferred stock.*

Our Board of Directors has the right to create a new series of preferred stock. As a result, the Board of Directors may, without stockholder approval, issue preferred stock with voting, dividend, conversion, liquidation or other rights that may adversely affect the voting power and equity interests of the holders of our Common Stock. Although we have no present intention to issue any shares of preferred stock or to create any new series of preferred stock, we may issue such shares in the future.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

Our corporate headquarters are located on 424 Madison Ave, Suite 1002, New York, NY 10017, for which we currently pay rent of \$14,202.50 per month for our lease.

Rental Properties

All of our rental properties are located in Victory Plaza, located at Dalian, Liaoning Province, PRC. As previously disclosed, Victory Plaza is approximately 137,554 square meters (1,480,619 square feet), which is owned and occupied by various retailers. We categorize the various ownership status of such rental space into the following four categories:

Group A: rental properties 100% owned by us;

Group B: rental properties that were previously sold to a third-party buyer with a buy-back arrangement;

Group C: rental properties that were previously sold to a third-party buyer with a buy-back arrangement, which has since been transferred to SML according to the SML Agreement or other third parties; and

Group D: rental properties that were previously sold to a third-party buyer without any buy-back arrangements or rights.

The following table summarizes ownership of Dalian Victory Plaza Shopping Center as of December 31, 2019:

Group	Description of Property	Units	% of Total Units	Square Feet	% of Total Square Feet
A	Properties 100% owned	433	14%	240,455	16%
B	Sold properties with buy- back options or return is in process without paying off	495	16%	130,394	9%
C*	Properties with buy- back options transferred to SML - 2017 and 2018**	319	10%	86,251	6%
D	Properties sold	1,926	60%	1,023,519	69%
Total Properties		3,173	100%	1,480,619	100%

### *SML Agreement*

On December 29, 2017, the Company entered into the SML Agreement. Pursuant to the SML Agreement, SML will negotiate with each individual property owner who exercised their option to request that the Company buy back the property on a case by case basis and pay an agreed price to such owner. SML will subsequently become the owner of the property and the Company has agreed to buy back the property at the initial price under the buy-back option with the previous owner plus annual interest of 8% commencing on January 1, 2018, no later than May 15, 2020. In addition, SML will settle the lease-back payables under the lease-back agreements with each individual property owner and the Company agreed to pay SML the initial amount of rent payables under the lease-back plus annual interest of 8% commencing on January 1, 2018, to be repaid no later than May 15, 2020. The SML Agreement helps the Company to temporarily relieve part of the pressure from disputes and expedite the settlements which should help Company improve its credit and financial position so that the Company can focus on its operation and carrying out its business plan. However, if the Company fails to carry out the Renovation, or the Renovation is not successful, the Company may not have enough funds to buy back the properties from SML or pay the lease-back amounts owed to SML before May 15, 2020, and the Company may not be able to continue its operation or business. Acknowledging the impact by outbreak of COVID-19, on January 15, 2020, the Company entered into a supplemental agreement with SML to extend the original repayment date from May 15, 2020 to May 15, 2023.

### *Buy-Back Arrangement*

When the Company sold certain properties in the past, the Company granted the buyers a separate option to request the Company to buy back those sold properties at an agreed buy-back price stated in the agreements. These buy-back options were exercisable principally during a period from 2014 to 2018 (majority of the transactions). Due to those buy-back arrangements, buyers obtained the legal title of those properties but would request the Company to buy back their properties at their sole discretion.

### *Lease-back*

As part of our business operations, the Company may lease-back properties from the owners of the properties and subleases these properties to un-related third parties with new lease terms. Sales and lease-backs are two separate business transactions. Lease-backs could happen immediately after the sale of property or at any time after the sale if the owner of the property wants to do so. A typical lease-back consists of a fixed annual payment amount and duration of lease period.

### *Rent Lease*

The Company will rent out rental properties 100% owned by us and the properties leased back (properties not owned by us) to retail store tenants. A typical rent lease consists of a fixed rent payment amount for the duration of lease period. Normally, an advance rent payment is required before occupancy.

### Collateral of Property

As a part of collateral for a bank loan, 18,650 square meters (200,747 square feet) of rental properties owned by DVPD were pledged for a long-term bank loan, approximately US\$60 million (RMB 390 million). The maturity date of bank loan is July 18, 2027. The interest rate will float at 120% of the similar benchmark loan rate published by the People's Bank of China. The current benchmark rate for a business loan over 5 years is 4.9% per annum adjusted on October 24, 2015. The average interest rates were 5.88% and 5.9% for the year ended December 31, 2019 and 2018, respectively.

On March 24, 2015, DVPD, as collateral for another bank loan used 2,053 square meters (22,098 square feet) of rental properties pledged for a long-term bank loan, approximately US\$7.7 million (RMB 50 million). The maturity date of bank loan is July 19, 2024. The loan charges a floating rate of interest at 120% of the loan rate published by the People's Bank of China. The current benchmark rate for a business loan over 5 years is 4.9% per annum adjusted on October 24, 2015. The average interest rates were 5.88% and 5.9% for the year ended December 31, 2019 and 2018, respectively.

On May 18, 2017, totaled 140 square meters (1,507 square feet), owned by the Company as collaterals to help one unrelated individual to acquire a US\$770,000 (RMB5,000,000) 12 months bank loan. The loan requires interest at 8.568% per annum.

In addition, the Company has 3 short-term outstanding loans with the Bank including RMB 23,000,000, RMB19,900,000, and RMB10,240,000 respectively. As of the date of this Annual Report, the Short-Term Loans have become due while the Company has not made the corresponding payment. The Company is not aware that the Bank has taken any legal action against the Company. In the event that the Bank rejects our Refinancing Loans and/or commence any legal proceeding against us regarding the Short-term Loans, we may lose our collateralized assets which will cause a material adverse effect on our results of operations. Furthermore, if the collateral on those loans cannot satisfy our payment obligation, we may be forced to commence liquidation process if we do not have sufficient liquidity or cannot raise sufficient fund at that time, if any at all.

On the same day, DVPD allowed one of its board members to use 7 units of its rental properties, totaling 138 square meters (1,485 square feet), as collateral to borrow US\$770,000 (RMB 5,000,000), for one year. The loan requires interest at 8.568% per annum. DVPD further provided 2 units of rental properties, totaling 15 square meters (161 square feet), owned by the Company as collateral to help an employee of DVPD (now a former employee) to acquire a US\$770,000 (RMB 5,000,000) 12 month bank loan. The loan requires interest at 8.568% per annum.

The aggregate amount of the loan acquired by the three individuals is RMB 15 million (the "15M Loan"). There was no profit or gain received by for the Company to provide properties as collateral. These three individuals have not yet repaid the loans to the Harbin Bank, which exposes the Company to a loss of its 293 square meters properties if the individuals are insolvent and fail to repay the bank loans. On December 30, 2019, the Company entered into three separate repayment agreements with such individuals (the "Repayment Agreements"), pursuant to which, the parties agree that the Company's guarantee period for the 15M Loan shall be extended to December 31, 2020 (the "Expiration Date"). After the Expiration Date, the three individuals shall replace the Company's collateral or repay the 15M Loan to release the Company's assets. Otherwise, the three individuals shall pay the Company a penalty of 1% of the 15M Loan to the Company. The three individuals also agreed to provide the Company 1% of the 15M Loan as compensation (the "Compensation") in a one-time payment on May 30, 2020. An overdue payment of such Compensation will lead to daily late fees of 0.5% of such Compensation.

#### Vacancy Rate in Latest 5 Years

<u>In the month of December</u>	<u>Total Available Area for Rent (SQFT)</u>	<u>Total Rented Area (SQFT)</u>	<u>Vacancy (SQFT)</u>	<u>Vacancy (%)</u>
2015	263,683	218,507	45,176	17.13%
2016	202,372	170,715	31,657	15.64%
2017	211,758	153,235	58,523	27.64%
2018	192,016	121,509	70,508	36.72%
2019	200,602	97,280	103,322	51.51%

#### Average Rent in Recent 5 Years

<u>In the month of December</u>	<u>Average Rent Per Month Per SQFT in US\$</u>
2015	\$ 2.48
2016	\$ 1.97
2017	\$ 1.83
2018	\$ 2.34
2019	\$ 2.42

## Tenants

The Company received its rental income and management fee income from approximately 700 tenants. Revenue from the top ten tenants accounted for 18.23% and 19.29% of total revenue for the year ended December 31, 2019 and 2018, respectively. No individual tenant's revenue accounts for more than 10% of the total revenue in both years.

### Top 10 Tenants in the year ended December 31, 2019

Top 10	Revenue in US\$	% of Total Revenue
1	\$ 578,499	7.06%
2	394,444	4.82%
3	198,118	2.42%
4	130,220	1.59%
5	36,006	0.44%
6	35,905	0.44%
7	32,073	0.39%
8	30,186	0.37%
9	30,146	0.37%
10	27,292	0.33%
Total top 10	\$ 1,492,889	18.23%
Total Revenue for the year ended December 31, 2019	\$ 8,191,130	

### Top 10 Tenants in the year ended December 31, 2018

Top 10	Revenue in US\$	% of Total Revenue
1	\$ 592,333	5.93%
2	498,587	4.99%
3	273,950	2.74%
4	181,002	1.81%
5	121,122	1.21%
6	90,652	0.91%
7	58,924	0.59%
8	40,794	0.41%
9	37,335	0.37%
10	31,819	0.32%
Total top 10	\$ 1,926,518	19.29%
Total Revenue for the year ended December 31, 2018	\$ 9,989,039	

### **ITEM 3. LEGAL PROCEEDINGS**

As of December 31, 2019, to our knowledge, there were 565 lawsuits in total filed against us 1) for unpaid rent by the lease-back owners and 2) for the failure to buy-back property from the current owners of properties that exercised their options. Total claims amounted to approximately \$24,821,000. Management believes that the amount claimed by these litigants approximates the amount that the Company has already recorded under the caption of "Property financing agreements payable", Lease liabilities payable" and "Other payables" in the accompanying consolidated financial statements.

We may be party from time to time to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. There can be no assurance that these matters that arise in the future, individually or in aggregate, will not have a material adverse effect on our financial condition or results of operations in any future period.

### **ITEM 4. MINE SAFETY DISCLOSURE.**

As the Company is a smaller reporting company, this item is not applicable.

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

#### **Market Information**

There is presently no public market for our shares of Common Stock. We are considering applying to have our shares quoted on OTCQB. We cannot guarantee that when we will apply and if we do, our securities will be approved for quoting on OTCQB. We cannot assure you that our securities will continue to be quoted on OTCQB, if approved, after this annual report.

As of the date hereof, no shares of our Common Stock have been traded.

### **Stockholders of Record**

As of the date hereof, there are 21,711,000 issued and outstanding shares of Common Stock, among these shares, 20,700,000 shares were held by one shareholder of record.

Our registered transfer agent for our Common Stock is Vstock Transfer Inc.

### **Options, Warrants, Convertible Securities**

Currently, we do not have any warrants, options or convertible securities outstanding.

### **Dividends**

We have never declared or paid any cash dividends on our Common Stock. We currently intend to retain future earnings, if any, to finance the expansion of our business. As a result, we do not anticipate paying any cash dividends in the foreseeable future.

### **Securities Authorized for Issuance under Equity Compensation Agreements**

We do not have in effect any compensation plans under which our equity securities are authorized for issuance and we do not have any outstanding stock options.

### **Recent Sales of Unregistered Securities**

During the fiscal year ended December 31, 2019, we did not have sales of unregistered securities.

### **Recent Purchases of Equity Securities by us and our Affiliated Purchasers**

None.

### **Where You Can Find Additional Information**

We are a reporting company and file annual, quarterly and current reports, proxy statements and other information with the SEC. For further information with respect to the Company, you may read and copy its reports, proxy statements and other information, at the SEC public reference rooms at 100 F. Street, N.E., Washington, D.C. 20549. You can request copies of these documents by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference rooms. The Company's SEC filings are also available at the SEC's web site at <http://www.sec.gov>.

### **ITEM 6. SELECTED FINANCIAL DATA**

Not applicable.

### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of the results of operations and financial for the years ended December 31, 2019 and 2018 should be read in conjunction with our financial statements and the notes to those financial statements that are included elsewhere in this Report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors.*

#### **Overview**

Victory Commercial Management Inc. (hereinafter referred to as the "Company", "VCM") was incorporated on July 5, 2017 under the laws of Nevada. On July 13, 2017, VCM formed a wholly owned subsidiary, Victory Commercial Investment Ltd. ("VCI") under the laws of British Virgin Islands. VCI owns 100% of Sino Pride Development Co., Ltd ("Sino Pride"), a company incorporated in Hong Kong on May 26, 1989.

Dalian Victory Plaza Development Co. Ltd. (“DVPD”) was incorporated on March 29, 1993 as a joint venture under the laws of the People’s Republic of China (“PRC” or “China”), of which a 80% equity interest in DVPD is owned by Sino Pride and 20% is owned by Dalian Victory Development Co., Ltd (“DVDC”), a stated owned enterprise in China. Dalian Victory Business Management Co. Ltd. (“DVBM”) was incorporated on September 12, 2000 as a joint venture under the laws of PRC. A 95% of equity interest in DVBM is owned by Sino Pride and 5% is owned by DVPD. Dalian Victory Property Management Co. Ltd. (“DVPM”) is 100% owned by Sino Pride. VCM controls DVPD, DVBM and DVPM via ownership structures.

VCM and its subsidiaries are primarily engaged in the business of commercial real estate rental and management in the PRC. DVPD and DVBM manage Dalian Victory Plaza Shopping Center (“Victory Plaza”), a multi-functional underground shopping center, located at Dalian City, Liaoning Province of China. Victory Plaza has approximately 137,577 square meters (1,480,619 square feet) rental space. DVPD was the developer of Victory Plaza.

The following table summarizes ownership of Dalian Victory Plaza Shopping Center as of December 31, 2019:

Group	Description of Property	% of Total SQ Ft	Financial Statement Presentation	
			Assets	Liabilities
A	Owned with title by DVPD	16%	Rental properties	N/A
B	Sold properties with buy- back options or return is in process without paying off	9%	Rental properties	Property financing agreements payable
C *	Properties with buy- back options transferred to SML in 2017 and 2018**	6%	Rental properties	Loan payable SML
D	Sold properties	69%	N/A	N/A
	Total properties	100%		

\* In the filing of Form S-1/A dated February 12, 2019, the Company had a C-2 property group category, “Third party has title acquired from previous owner”. The purchase and sale transactions between the previous owner and new owner - “third party” will not remove the burden of the Company to buy back the property per the buy-back option. The nature of the C-2 group was the same as Group B. Therefore, we removed Group C-2 (approximately 1%) and combined it with Group B in current filing.

\*\*On December 29, 2017, the Company executed the SML Agreement, pursuant to which, SML has bought certain properties from the individual property owners and the Company has agreed to buy back those properties from SML at the original purchase price under the buy-back options plus annual interest of 8% commencing on January 1, 2018 to be paid later than May 15, 2020. Acknowledging the impact by outbreak of COVID-19, on January 15, 2020, the Company entered into a supplemental agreement with SML to extend the original repayment date from May 15, 2020 to May 15, 2023.

Group A represents property that the Company owns 100% ownership. Group B represents property we sold to individual owners with buy-back options which are pending. Group C represents property owned by SML, but the Company is still liable under the buy-back options. Pursuant to the SML Agreement, the Company is required to buy back the properties plus interest at 8%, no later than May 15, 2023. Group D represents property we sold to various individual owners without additional rights attached.

As part of our business operations, the Company may lease back properties from the owners of Group B, C and D properties and sublease these properties to un-related third parties with a new lease term. Our rental income is generated from leasing of our owned properties and lease-back properties. Rental income is reported including rent income from our owned properties and lease-back properties. Lease-back expenses are recorded as amortization, interest and lease-back expenses separately.

We currently also provide common area management services to all tenants and shop owners. Common area management services include utilities, security, cleaning, fire service, landscaping, public facilities maintenance and other traditional services provided by our property management office. Management fees range from \$17 to \$20 per square foot per annum. The management fee income is recognized over the term of the lease. Utility charges collected from tenants will offset our utility expenses paid to utility companies. We report the net amount of utility charges as other income.

#### **Temporary Suspension of the Renovation of Victory Plaza (the “Renovation”)**

We initially planned to renovate and upgrade Victory Plaza to become a large-sized multifunctional shopping center, which would differ significantly from a traditional retail shopping center. Under the Renovation Plan, the direct renovation cost including the construction, regulatory approval, labor and administration & miscellaneous is estimated at \$11.2 million. We would need an additional \$83.9 million to buy back the properties that we sold to third parties with the buy-back option in order to conduct our Renovation. The total anticipated cost to complete the buy-backs and Renovation is approximately \$95.1 million. As of the date hereof, we have obtained a construction license and fire department permit and completed the Renovation of certain public areas and commenced Renovation for some individual units. As the date hereof, we have not obtained any loans to be used for direct Renovation.

However, as a result of the outbreak of COVID-19 in China, the local market condition for shopping malls have substantially changed which brings uncertainty that if such Renovation is completed, we would be able to generate sufficient revenue to pay off the costs and expenses associated with the Renovation and provide us sustainable income for future development, not to mention the negative impact by COVID-19 to our current operation and liquidity. For more details of the impact caused by the outbreak of COVID, please refer to risk factor “*The coronavirus breakout has a relatively big impact on the economy and society.*” on page 22.

As the date hereof, management is taking prudent measures to reassess the feasibility of the Renovation based on current market conditions, the Company’s liquidity and potential of future financing. Until a determination is made, the Renovation is temporarily suspended.

#### **Factors That May Influence our Future Results**

We generate our revenues primarily from rental and management fee income from tenants under existing leases at Victory Plaza. The management fee income includes the charges mainly for property management, maintenance and repair, and security, and is recognized over the terms of the leases. The amount of rental income and management fee income we receive is primarily dependent on our ability to maintain or increase rental rates and occupancy rates of our property. Factors that could affect our rental income include (i) changes in the economic environment; (ii) local competition from other shopping facilities similar to our shopping mall; (iii) the attractiveness of rental space; (iv) the financial stability of our tenants; (v) trend of market rental rates; (vi) the development of local transportation and (vii) the outbreak of highly contagious disease like the VOCID 19 virus.

#### **Economic Conditions and Outlook**

For a detailed discussion of economic conditions and the outlook regarding our industry, please see the section titled “Industry Overview”.



## Results of Operations

### Comparison of Results of Operations for the Years Ended December 31, 2019 and 2018.

#### Revenues

Our revenues, which consist of property rentals, property management fees and other income, were \$8,191,130 for the year ended December 31, 2019, compared to \$9,989,039 for the year ended December 31, 2018, a decrease of 1,797,909, or 18%.

	2019	2018	\$ change	% change
Revenues:				
Rental income	\$ 2,977,880	\$ 3,758,060	\$ (780,180)	-21%
Management fee income	4,470,061	5,653,687	(1,183,626)	-21%
Other income	743,189	577,292	165,897	29%
Total revenues	<u>\$ 8,191,130</u>	<u>\$ 9,989,039</u>	<u>\$ (1,797,909)</u>	<u>-18%</u>

Rental income was \$2,977,880 in fiscal 2019, a decrease of \$780,180, or 21%, compared to rental income of \$3,758,060 in 2018. The decrease in rental income was primarily due to the increase in vacancy rates. The vacancy rate in the month of December 2019 was 51.51%, an increase of 14.79% compared to the vacancy rate of 36.72% in the month of December 2018.

Management fee income for the year ended December 31, 2019 was \$4,470,061, a decrease of \$1,183,626, or 21%, compared to management fee income of \$5,653,687 in the corresponding period in 2018. The decrease in management fee income was primarily due to the increase in vacancy rates as previously discussed. The vacancy rate in the month of December 2019 was 51.51%, an increase of 14.79% compared to the vacancy rate of 36.72% in the month of December 2018.

Other income for the year ended December 31, 2019 was \$743,189, an increase of \$165,897, or 29%, compared to other income of \$577,292 during the year ended December 31, 2018. The increase in other income was primarily due the decrease in net utility expensed for tenants from the decrease of occupancy rates.

#### Operating Expenses

	2019	2018	\$ change	% change
Operating expenses				
Selling expenses	\$ 4,262,763	\$ 4,566,741	\$ (303,978)	-7%
Depreciation and amortization	1,231,787	1,361,867	(130,080)	-10%
Lease expenses	2,712	2,364,004	(2,361,292)	-100%
Payroll and payroll related expenses	1,954,530	1,759,585	194,945	11%
Business taxes	476,211	496,243	(20,032)	-4%
Operating lease expense	599,054	504,401	94,653	19%
Other general and administrative expenses	4,051,445	1,117,124	2,934,321	263%
Total operating expenses	<u>\$ 12,578,502</u>	<u>\$ 12,169,965</u>	<u>\$ 408,537</u>	<u>3%</u>

Selling expenses were \$4,262,763 for the year ended December 31, 2019, a decrease of \$303,978, or 7%, compared to \$4,566,741 in 2018. The decrease in selling expenses in 2019 was primarily due to a decrease in payroll and related payroll taxes.

Depreciation and amortization expenses were \$1,231,787 for the year ended December 31, 2019, a decrease of \$130,080, or 10%, compared to depreciation and amortization expenses of \$1,361,867 in 2018. The decrease in depreciation and amortization expenses was primarily due to the expiration of leases and de-recognition of right-of-use (“ROU”) assets during the year ended December 31, 2019.

Lease expenses consists of lease-back expenses and additional lease payments resulting from late payment or settlement payments to the property owners. Lease expense was \$2,712 for the year ended December 31, 2019, a decrease of \$2,361,292 or 100%, compared to \$2,364,004 in 2018. The decrease in lease expense in 2019 was primarily due to an accrued lease expense for additional possible litigation charges for the year ended December 31, 2018.

Payroll and payroll related expenses were \$1,954,530 for the year ended December 31, 2019, an increase of \$194,945, or 11%, compared to payroll and payroll related expenses of \$1,759,585 in 2018. The increase in payroll and payroll related expenses were primarily due to a \$352,422 increase in our New York office operations, partially offset by a \$157,477 decrease in China’s and Hong Kong’s payroll and payroll related expenses.

Business taxes consists of value added tax (“VAT”), taxes related to rental, property tax, land use rights tax and other surcharges and fees. Business taxes were \$476,211 for the year ended December 31, 2019, a decrease of \$20,032, or 4%, as compared to business taxes of \$496,243 in 2018. The decrease in business taxes resulted mostly from decrease in local and property taxes of \$102,400 partially offset by an increase of tax penalties of \$82,368 in 2019.

The operating lease expenses were \$599,054 for the year ended December 31, 2019, an increase of \$94,653, or 19%, compared to the operating lease expenses of \$504,401 in 2018. The increase in operating lease expense was primarily due to the increase of rent expenses in 2019, principally due to our new offices located in the U.S.

Other general and administrative expenses were \$4,051,445 for the year ended December 31, 2019, an increase of \$2,934,321, or 263%, compared to other general and administrative expenses of \$1,117,124 in 2018. The increase in other general and administrative expenses was primarily due to (i) higher attorney and consulting fees in 2018, approximately \$500,000, in connection with litigation cases, and (ii) a decrease in other expenses.

Other Income (Expenses)

	2019	2018	\$ change	% change
Other income (expenses)				
Interest income	\$ 725,778	\$ 509,619	\$ 216,159	42%
Interest - loans	(4,147,614)	(4,131,313)	(16,301)	0%
Interest - ROU and other capitalized liabilities	(2,773,739)	(1,672,119)	(1,101,620)	66%
Interest - related parties	(537,210)	(519,970)	(17,240)	3%
Gain (loss) from foreign currency transactions	(271,447)	(1,220,769)	949,322	-78%
Gain (loss) from disposal of fixed assets	119	1,337,124	(1,337,005)	-100%
Other income	276,564	3,129,585	(2,853,021)	-91%
Total other expenses, net	<u>\$ (6,727,549)</u>	<u>\$ (2,567,843)</u>	<u>\$ (4,159,706)</u>	<u>162%</u>

Interest income was \$725,778 for the year ended December 31, 2019, an increase of 42% or \$216,159, compared to interest income of \$509,619 in 2018. Increase in interest income mainly resulted from interest charged on short-term loan receivables in 2019.

Interest – loans was \$4,147,614 for the year ended December 31, 2019, an increase of \$16,301, or 0%, compared to \$4,131,313 in 2018.

Interest – ROU assets and other capitalized liabilities was \$2,773,739 for the year ended December 31, 2019, an increase of \$1,101,620, or 66%, compared to \$1,672,119 in 2018. The increase in interest – ROU and other capitalized liabilities in 2019 was primarily due to the interest accrued for SML.

Interest – related parties was \$537,210 for the year ended December 31, 2019, an increase of \$17,240, or 3%, compared to \$519,970 in 2018.

Loss from foreign currency transactions was \$271,447 for the year ended December 31, 2019; a decrease of \$949,322 or 78%, compared to \$1,220,769 for the year ended December 31, 2018.

The unpaid loan balance due to Sino Pride, a related party, was approximately \$13 million. This loan and related interest payable are denominated in US dollars. The Company uses the bank spot exchange rate to record proceeds and repayments in RMB on the Company's books. By the end of the year, the loan balance and interest payable in US dollars is translated to RMB recorded on the Company's books. The gain or loss will be recognized in the statements of operations. \$271,447 currency exchange loss in the year ended December 31, 2019 was primarily due to the change of US\$/RMB rate. As of December 31, 2019, one US dollar translated to RMB 6.9615, while at December 31, 2018, one US dollar translated to RMB 6.8778. Exchange gain means that the Company needs less RMB to repay the loan and interest payable denominated in US dollars due to the change of the exchange rate.

Other income was \$276,564 for the year ended December 31, 2019, compared to \$3,129,585 in 2018. The decrease in other income is mainly due to refund of \$3,129,585 received in 2018 for property and business taxes paid in previous years.

As a result of the above-mentioned discussion, the Company's net loss was \$11,114,921 for the year ended December 31, 2019, an increase of \$6,366,152, or 134%, compared to net loss of \$4,748,769 in 2018.

### **Liquidity and Capital Resources**

The Cash flow generated from our operations is not sufficient to meet our daily operations, including the interest payments on bank loans. The current cash balance is not sufficient to support our Renovation plan (currently terminated) and repayment of bank loans. The Company will need to seek additional capital resources from our current shareholder, management or employees, outside sources, including through the sale of our equity securities, or from bank loans if available. There is no assurance that additional financing will be available to us. As explained elsewhere, DVPD has been listed as a "dishonest debtor" by the PRC courts and such designation may negatively impact our ability to obtain additional financing. In addition, we are currently in default of certain of our loans with Harbin Bank.

The Company had cash and cash equivalents of \$122,884 and \$188,921 as of December 31, 2019 and 2018, respectively. Most of the Company's funds are kept in financial institutions in China. The Company is subject to the regulations of the PRC, which restrict the transfer of cash from China, except under certain circumstances. Accordingly, such funds may not be readily available to satisfy obligations which are outside the PRC.

On June 28, 2018, DVBM entered into a loan agreement to lend RMB 50,000,000 or US\$7,265,647 (the “Principal”) to Zhong Ke Chuang Zhan Investment, Ltd, an independent third party (“ZKCZ”). The maturity date of the unsecured loan was June 30, 2019 (the “Maturity Date”). The interest (the “Interest”) accrued on the unpaid Principal amount of the loan from July 1, 2018 to September 30, 2018 at 2% per month and from October 1, 2018 to June 30, 2019 0.7% per month. All computations of the Interest rate were based on the daily balance of the Principal amount of the loan. Accrued, but unpaid, interest was be paid on the Maturity Date. The outstanding loan principal to ZKCZ was approximately \$7.5 million at December 31, 2019.

On June 30, 2019, the Company signed a new loan agreement with ZKCZ to amend the loan amount from RMB 50,000,000 to RMB 75,000,000 or US\$10,773,540 and extended the Maturity Date to September 30, 2020. At the request of the Company, ZKCZ has provided the Company a Promissory Note and payment plan related to the outstanding loan. As of June 30, 2019, the Company has recorded a reserve allowance of RMB 18,144,100 in the accompanying consolidated financial statements. From January 1, 2020 to March 31, 2020, ZKCZ has made payments of approximately RMB 6.2 million back to the Company.

On July 20, 2014, the Company’s subsidiary, DVPD entered into a 10-year loan agreement (the “RMB 390M Loan”) US\$56,022,409 (RMB 390,000,000 translated at the December 31, 2019 exchange rate) long-term borrowing from Harbin Bank (the “Bank”). The RMB 390M Loan was used for “repayment of other bank loans, repayment of shareholder loans and renovations”. The RMB 390M Loan charges a floating rate of interest at 120% of the loan rate published by the People’s Bank of China for similar loans. The current benchmark rate for a business loan over 5 years is 4.9% per annum adjusted on October 24, 2015. The effective interest rate was 5.88% for years ended December 31, 2019 and 2018. Originally, the RMB 390M Loan was to mature on June 19, 2024. On August 17, 2017, the Bank agreed to the following: (i) to extend the maturity date of the RMB 390M Loan from July 19, 2024 to July 18, 2027; (ii) to extend the initial monthly repayment date from August 20, 2017 to July 20, 2020, however, during the extended period, the Company has to repay principal of US\$71,824 (RMB 500,000 translated at December 31, 2019 exchange rate ) per quarter plus monthly interest; and (iii) add Mr. Alex Brown, our controlling shareholder and founder of VCI, as a joint and several guarantor. The RMB 390M Loan agreement includes customary events of default, including DVPD’s failure to pay any principal or interest when due, becoming insolvent, or ceasing operations, or if there is a material adverse change in the assets, business, commitments, or prospects of DVPD. Upon the Bank’s declaration of an event of default under the Loan agreement, they can demand payment in full of all outstanding principal and accrued interest. The RMB 390M Loan balance was US\$55,519,644 (RMB 386,500,000) as of December 31, 2019.

The RMB 390M Loan is secured substantially by the 18,650 square meters (200,747 square feet) of rental properties owned by DVPD and guaranteed jointly by Sino Pride, DVPD, DVBM, and Mr. Alex Brown. If DVPD fails to fulfill the obligations of the relevant provisions of the RMB 390M Loan agreement, each guarantor shall be liable and pay liquidated damages to the Bank.

According to the loan agreement with the Bank dated August 17, 2017, the Company had paid to the Bank the quarterly principal plus monthly interest through the first quarter of 2019. As of December 31, 2019, the accrued principal and interest totaled approximately \$2.7 million (the “RMB 390M Loan Balance Due”).

On March 24, 2015, DVPD entered into a loan agreement with the same Bank for US\$7,182,360 (RMB50, 000,000) (the “RMB 50M Loan”). The RMB 50M Loan was used for Renovation. The RMB 50M Loan charges a floating rate of interest at 120% of the loan rate published by the People’s Bank of China. The current benchmark rate for a business loan over 5 years is 4.9% per annum adjusted on October 24, 2015. The effective interest rate for the year ended December 31, 2019 and 2018 was 5.88%. The maturity date of the RMB 50M Loan is July 19, 2024. The RMB 50M Loan Agreement includes customary events of default, including DVPD’s failure to pay any principal or interest when due, becoming insolvent, or ceasing operations , or if there is a material adverse change in the assets, business, commitments, or prospects of DVPD. Upon the Bank’s declaration of an event of default under the loan agreement, the Bank Loan can demand payment in full of all outstanding principal and accrued interest. The RMB 50M Loan balance was US\$4,104,206 (RMB 28,571,429) as of December 31, 2019.

The RMB 50M Loan is secured substantially by the 2,053 square meters (22,098 square feet) of rental properties owned by DVPD and guaranteed jointly by Sino Pride, DVPD and DVBM. If DVPD fails to fulfill the obligations of the relevant provisions of the Loan agreement, each guarantor shall be liable and pay liquidated damages to the Bank. The damages are 20% of the principal amount of the loan. The Company is required to make the principal and interest payments from April 20, 2015 through the Maturity Date.

According to the loan agreement with the Bank dated March 24, 2015, the Company had paid to the Bank the been making principle quarterly principal plus related monthly interest through the first quarter of 2019. The Company, however, has not paid the principle and interest since April 2019 which can be considered as an event of default. As of December 31, 2019, the accrued principal and interest totaled approximately US\$0.8 million (the “RMB 50M Loan Balance Due”).

On December 21, 2017, DVPD entered into a liquidity loan agreement (the “RMB 23M Loan”) for US \$3,303,886 (RMB 23,000,000 translated at December 31, 2019 exchange rate) from the Bank with interest at 6.5%, payable monthly. The RMB 23M Loan was used for short term liquidity needs. On December 28, 2017, DVPD borrowed US\$1,723,766 (RBM 12,000,000 translated at December 31, 2019 exchange rate). The term of the loan was one year and was due on December 20, 2018. On January 19, 2018, DVPD borrowed an additional US\$1,580,119 (RBM 11,000,000 translated at December 31, 2019 exchange rate). The loan agreement includes customary events of default, including DVPD’s failure to pay any principal or interest when due, becoming insolvent, or ceasing operations, or if there is a material adverse change in the assets, business, commitments, or prospects of DVPD . Upon the bank’s declaration of an event of default under the loan agreement, the Bank can demand repayment in full of principal and accrued interest. The Loan also prohibits the payment of dividends. The RMB 23M loan is secured by the same collateral as the RMB 50M loan and is guaranteed jointly by DVBM and Sino Pride. The Company did not make repayment at the due date and is currently in default , DVPD is negotiating the bank to extend the term of the loan.

The RMB 23M loan is secured by the same collateral as the RMB 50M loan and is guaranteed jointly by DVBM and Sino Pride.

As of the date of this Annual Report, the RMB 23M Loan has not been paid.

On September 27, 2018, DVPD borrowed \$2,858,579 (RMB19,900,000), translated at December 31, 2019 rate, in a short-term loan from Harbin Bank (the “RMB 19.9M Loan”). The loan requires interest at 6.50% per annum and expires on September 12, 2019. The use of loan proceeds is restricted to pay principal and interest amounts owed to Harbin Bank. As of the date of this Annual Report, the RMB 19.9M Loan has been expired while the Company has not made the corresponding repayment.

On March 26, 2019, DVPD borrowed \$1,470,947 (RMB10,240,000) in a short-term loan from Harbin Bank (the “RMB 10.24M Loan”, together with the RMB 23M Loan and RMB 19.9M Loan, the “Liquidity Loan Balance Due”). The loan requires interest at 6.50% per annum and expires on March 11, 2020. The use of loan proceeds is restricted to pay principal and interest amounts owed to Harbin Bank. As of December 31, 2019 and as of the date of this Annual Report, the RMB 10.24M Loan has been expired while the Company has not made the corresponding repayment.

As of the date of this Annual Report, the Short-Terms Loans including RMB 23,000,000, RMB19,900,000, and RMB10,240,000 respectively have become due while the Company has not made the corresponding payment. The Company is not aware that the Bank has taken any legal action against the Company. In the event that the Bank rejects our Refinancing Loans and/or commence any legal proceeding against us regarding the Short-term Loans, we may lose our collateralized assets which will cause a material adverse effect on our results of operations. Furthermore, if the collateral on those loans cannot satisfy our payment obligation, we may be forced to commence liquidation process if we do not have sufficient liquidity or cannot raise sufficient fund at that time, if any at all.

The Bank and the Company are currently discussing potential grant to convert the principal and interests due, including the RMB 390M Loan Balance Due, the RMB 50M Loan Balance Due, and the Liquidity Loan Balance Due into a new loan and an additional liquidity loans in an amount of RMB 50 million (collectively, the “Refinancing Loans”). The collateral for the potential RMB 50 million loan will be the remaining values of same collateral for the RMB 390M Loan and RMB 50M Loan but ranking junior to the RMB 390MB Loan and RMB 50M Loan. In addition, the Company has been negotiating with the Bank for a waiver of the penalty for late payment of related loan interest (the “Penalty Waiver”). The Company has already submitted the application for the Refinancing Loans at the request of the Bank. It usually takes about 2 to 3 months for the Bank to review and approve the Refinancing Loans and the Penalty Waiver which can be potentially longer as a result of the outbreak of the COVID-19. However, there is no assurance or certainty that such Refinancing Loans or Penalty Waiver will be approved by the Bank.

Sino Pride is a major cash source to the operations of DVPD and DVBM. In the period from 1996 to 2008, DVPD received total loans of \$38,683,297 from Sino Pride and repaid \$20,710,919 in the period from 1998 to 2014. In 2015, repayment amount was \$4,068,630. Loan payable to Sino Pride bears interest at 8% per annum. As of December 31, 2019, remaining principal payable was \$13,303,748 and interest payable was \$9,611,023. Related party loan has been eliminated in accompanying consolidated financial statements.

DVDC contributed land use rights and infrastructures totaling \$20,000,000 to DVPD in December 2000. Among this \$20,000,000 contribution, \$6,800,000 was recorded as registered capital, and \$13,200,000 was recorded as loan payable by DVDC per December 2000 agreement. The loan is payable when DVPD is profitable. Loan principal \$3,300,000 (25% of \$13,200,000) bears interest at 8% per annum. The remaining balance of principal bears interest at benchmark bank rate of China, which was 5.88% at December 31, 2019.

Due to shareholder represents the investment amount that Sino Pride received from its former shareholders, which was assigned to current shareholder Mr. Alex Brown. Loan payable to shareholder was \$65,931,644 and \$64,151,148, respectively at December 31, 2019 and 2018. The balance due to shareholder bears no interest. If the interest was calculated at 5% (December 2019 US (Fed) Prime rate) for the loan payable to shareholder, the balance for interest expense would have been approximately \$3.3M and \$3.2M for the twelve months ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, the Company had property financing agreements payable of \$77,464,781, lease liabilities payable of \$521,264, expired lease-back payables of \$5,529,680, and buy-back payables of \$4,152,344. As of December 31, 2019, there were total of 565 lawsuits against the Company in Dalian City, China. Litigants claimed that the Company did not buy back the property pursuant to the sales contract or the Company did not pay the promised lease-back rent on time. These claims amounted to \$24,820,625 (RMB 172,788,781). These payables were included in and reported under the caption of "Property financing agreements payable", "Lease liabilities payable" and "Other payables". As of December 31, 2019, the Company accrued \$4,742,632 for possible extra litigation charges. The Company will record attorney fees when invoiced. The attorney fees in connection with litigation cases was \$21,869 and \$97,071 for December 31, 2019 and 2018, respectively.

These lawsuits are caused by our failure to buy back the properties when requested to or our failure to pay rents for certain lease-back units. Subsequently, certain units owned by DVPD have been frozen from transfer or disposition by the courts. DVPD has been restricted from free transfer, disposal and pledged its 5% equity interest in DVBM from March 2, 2017 to March 1, 2019. The 5% equity interest in DVBM is still restricted currently. In addition, DVPD has been listed as a "dishonest debtor" by the courts. Once listed as a dishonest debtor, DVPD can be imposed with certain restrictions in connection with commercial loans at the banks' discretion; the purchase or transfer of properties and land use rights; and renovation, upgrade or renovation of properties. In addition, the bank accounts of DVPD are frozen by the courts which allows the inflow of cash to the bank accounts but prohibits the outflow of cash.

Management believes that the recorded total property financing agreements payable, buy-back payables, lease-back liabilities payable and expired lease payable liabilities of \$92,410,701 is a reasonable estimation. Should the settlement of these liabilities exceed management's estimates, additional accruals will be necessary.

To address our capital needs in 2018 and going forward, we have engaged SML to buy back certain properties and have been actively negotiating with owners to resolve the litigation cases. In addition, we plan to raise capital through an equity or debt offering and obtain loans from the banks once DVPD is removed from the dishonest debtor listing and borrow from our shareholders if necessary to implement our Renovation plan to develop Victory Plaza into a modern multi-functional shopping center and fund future operations. Failure to raise adequate capital and generate adequate revenues could result in the Company having to curtail or cease operations.

In addition, the PRC government imposes controls on the convertibility of the renminbi, or "RMB" into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Please see "*Regulations Regarding Foreign Exchange*" on page 13-14.

Pursuant to the Registration Statement on Form S-1 initially filed with the SEC on November 7, 2018, which was declared effective on February 14, 2019, the Company closed its initial public offering on March 28, 2019. As of March 28, 2019, there were total of 30 individual investors signed "Subscription Agreement" to purchase the shares of the Common Stock of the Company. The offering price was \$1 US dollar per share, and 1,011,000 shares were sold. As of April 16, 2019, \$262,000 has been wired into our US bank account and \$749,000 has been deposited into DVBM's bank account.

#### *Cash Flows*

Cash and cash equivalents were \$122,884 and \$188,921, as of December 31, 2019 and 2018, respectively. Cash and cash equivalents decreased by \$169,012 and \$554,798 during 2019 and 2018, respectively. The following table shows the changes in cash flows.

	2019	2018	\$ Change
Net Cash Provided by (Used in) Operating Activities	\$ (413,257)	\$ 1,787,675	\$ (2,200,932)
Net Cash Used in Investing Activities	(2,664,404)	(7,412,372)	4,747,968
Net Cash Provided by Financing Activities	2,894,432	5,076,475	(2,182,043)
Effect of exchange rate changes on cash and cash equivalents	14,217	(6,576)	20,793
Net increase (decrease) in cash and cash equivalents	<u>\$ (169,012)</u>	<u>\$ (554,798)</u>	<u>\$ 385,786</u>

#### *Operating Activities*

Cash flows from operating activities primarily consist of cash inflows from tenant rentals and management fee income payments, and tenant property expense reimbursements and cash outflows for property operating costs, selling expenses, business taxes, and general and administrative expenses.

In 2019, net cash used in operating activities was \$413,257. The net cash used in operating activities was primarily from an increase in account payables and accrued liabilities of \$5,039,015, non-cash depreciation and amortization of \$1,231,787, allowance for doubtful accounts of \$3,090,825, an increase in SML loan interest payable of \$1,688,217, offset by \$11,114,921 in net loss, \$513,862 in short-term loan interest receivable, and \$677,485 decrease in deferred rental income.

In 2018, net cash provided by operating activities was \$1,787,675. The net cash provided by operating activities was primarily from \$1,361,866 in non-cash depreciation and amortization, \$1,220,769 in non-cash foreign currency exchange loss on loan and interest repayments to a related party, an increase in other payables of \$2,942,626, and increase in property financing agreements payables of \$1,665,273, offset by \$4,748,769 in net loss, \$1,337,124 in gain on sale/disposal of fixed assets, and short-term loan interest receivable of \$495,943.

#### *Investing Activities*

Cash flows from investing activities are impacted by the nature, timing and extent of investments and improvement in our shopping center, including capital expenditures associated with leasing and renovation efforts, and our acquisition and disposition plans. Capital used in or provided from these activities can vary significantly from period to period based on the volume and timing of these activities.

In 2019, net cash used in investing activities was \$2,664,404 which was primarily from an advance of \$2,642,563 for a short-term loan receivable, \$21,841 in capital expenditures – fixed assets and improvements,

In 2018, net cash used in investing activities was \$7,412,372 which was primarily from an advance of \$8,923,642 for a short-term loan receivable, \$150,688 in capital expenditures – fixed assets and improvements, offset by cash of \$1,661,958 received for disposition of fixed assets. During 2018, the Company sold 26 properties with 7,460 square feet (693 square meters) to third parties without buy-back options. Those sales were considered as final.

#### *Financing Activities*

Cash flows from financing activities are impacted by the nature, timing and extent of borrowings and repayments of loans and advances from banks and related parties.

In 2019, net cash provided by financing activities was \$2,894,432 which was due to \$1,943,830 in repayment from short-term loan receivable, \$1,774,621 in advances from our principal shareholder, and \$1,481,610 in proceeds from bank loans, \$1,011,000 in proceeds from initial public offering, and \$172,300 in advance from related individual, offsets by \$3,222,806 in decrease in property financing agreements payable, and \$266,123 in repayment of bank loans.

In 2018, net cash provided by financing activities was \$5,076,475 which was due to \$4,668,591 in proceeds from bank loans, \$1,362,472 in advances from our principal shareholder, and \$156,981 in advances from a related individual, offsets by \$1,111,569 in repayment of bank loans.

Cash, cash equivalents and restricted cash consist of following at December 31, 2019 and 2018, respectively.

	December 31, 2019	December 31, 2018
Cash	\$ 122,884	\$ 188,921
Restricted cash	27,223	130,199
Cash, cash equivalents and restricted cash	<u>\$ 150,107</u>	<u>\$ 319,120</u>

In the normal course of business, we also face risks that are either non-financial or non-qualitative. Such risks from the numerous lawsuits that the Company is involved with principally include legal risk. For a discussion of other factors which may adversely affect our liquidity and capital resources, please see the section titled “Risk Factors” in this prospectus.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The audited financial statements of the Company for the fiscal year ended December 31, 2019, and the notes thereto are set forth on page F-1 through F-37 of this Annual Report.



## ITEM 9. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

### *Dismissal of RBSM LLP ("RBSM")*

On February 28, 2019, the Board of Directors (the "Board") of Victory Commercial Management Inc. (the "Company") decided not to re-elect RBSM LLP ("RBSM") as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2018, effective immediately. The reports issued by RBSM with respect to the Company's consolidated financial statements as of December 31, 2017 and 2016, and for the two years then ended did not contain an adverse opinion or a disclaimer of opinion, except that the reports stated that substantial doubt was raised about the Company's ability to continue as a going concern as of December 31, 2017.

During the Company's years ended December 31, 2017 and 2016, and through the subsequent interim period preceding RBSM's dismissal, there were (i) no "disagreements" (as that term is described in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between the Company and RBSM on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to RBSM's satisfaction, would have caused RBSM to make reference thereto in their reports, and (ii) no "reportable events" (as that term is described in Item 304(a)(1)(v) of Regulation S-K).

Effective February 28, 2019, the Company appointed Wei Wei & Co., LLP ("Wei Wei") as the Company's independent registered public accounting firm. The Board approved of the appointment of Wei Wei as of February 28, 2019. Wei Wei audited the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2018 and reviewed the Company's unaudited quarterly consolidated financial information for the quarters ended March 31, 2019, June 30, 2019 and September 30, 2019.

During the two most recent fiscal years and through the subsequent interim period preceding Wei Wei's engagement, the Company has not consulted with Wei Wei regarding (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report was provided to the Company nor oral advice was provided that WWC concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

## ITEM 9A. CONTROLS AND PROCEDURES

### *Evaluation of Disclosure Controls and Procedures*

An evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2019. Based on that evaluation, our management concluded that our disclosure controls and procedures were not effective as of such date to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Such officers also confirmed that there was no change in our internal control over financial reporting during the year ended 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our president (our principal executive officer, principal financial officer and principal accounting officer), as appropriate, to allow timely decisions regarding required disclosure. We conducted an evaluation, under the supervision and with the participation of our president (our principal executive officer, principal financial officer and principal accounting officer) of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15 of the Exchange Act. The evaluation of our disclosure controls and procedures included a review of the disclosure controls' and procedures' objectives, design, implementation and the effect of the controls and procedures on the information generated for use in this report. In the course of our evaluation, we sought to identify data errors, control problems or acts of fraud and to confirm the appropriate corrective actions, if any, including process improvements, were being undertaken. Our management concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were not effective.

### *Management Report on Internal Control Over Financial Reporting*

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

Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected in a timely manner. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation. In addition, the design of any system of controls is based in part on 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, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Therefore, any current evaluation of controls cannot and should not be projected to future periods.

Management assessed our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the report entitled "2013 Internal Control-Integrated Framework."

Based on management's assessment using the COSO criteria, management has concluded that the Company's internal control over financial reporting was not effective as of December 31, 2019, due to the existence of the following material weaknesses:

- As of December 31, 2019, there was a lack of accounting personnel with the requisite knowledge of Generally Accepted Accounting Principles ("GAAP") in the U.S. and financial reporting requirements of the Securities and Exchange Commission;
- As of December 31, 2019, there were insufficient written policies and procedures to ensure the correct application of accounting and financial reporting with respect to the current requirements of GAAP and SEC disclosure requirements.
- As of December 31, 2019, there was a lack of segregation of duties.
- As of December 31, 2019, the Company found errors in previous reported financial statements and restated financial statements as of and for the year ended December 31, 2016.
- As of December 31, 2019, there was no independent audit committee.

Notwithstanding the existence of these material weaknesses in our internal control over financial reporting, our management believes that the financial statements included in its reports fairly present in all material respects the Company's financial condition, results of operations and cash flows for the periods presented. We continue to evaluate the effectiveness of internal controls and procedures on an on-going basis. Once our cash flows from operations improve to a level where we are able to hire additional personnel in financial reporting, we plan to improve our internal controls and procedures by hiring the seasoned professionals to form an accounting team with sufficient in-house expertise in internal control and US GAAP reporting. However, due to the limited cash flow, we cannot assure you when we will be able to implement those remediation methods.

***Changes in Internal Control over Financial Reporting***

There has been no change in our internal control over financial reporting identified in connection with our evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019, that occurred during our fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION.**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The following table presents information with respect to our officers and directors as of the date of the filing:

**Directors and Executive Officers**

<b>Name</b>	<b>Age</b>	<b>Position</b>
Alex Brown	47	President, Chief Executive Officer, Treasurer and Chairman
Jiang Wang	38	Director
Guiqing Liu	75	Director
Robert Chen	61	Chief Financial Officer and the Principal Accounting Officer

Mr. Brown (a.k.a. “You Chang”), President, Chief Executive Officer, Treasurer and Chairman. Alex Brown is the founder of Victory Commercial International Ltd, Skyview Holdings LLC, Victory Commercial Management Inc., and Victory Commercial Investment Ltd. and he acquired ownership of Sino Pride through his indirect holding of Victory Commercial Investment Ltd. in November 2016. Mr. Brown was the accountant and then Chief Marketing Officer at Dalian Limeishun Coating & Resin Co., Ltd. from September 1995 to September 2005. In October 2005, Mr. Brown founded Dalian Yiwen International Trade Co., Ltd. in the business of international trading. Mr. Brown has been a Director of Sino Pride since December 2016 after he acquired Sino Pride. Mr. Brown graduated from Dongbei University of Finance and Economics in December 1995 with a College Degree majoring in Accounting.

Jiang Wang, Director. Mr. Wang has been a manager of Human Resources Department at DVPD since March 2011. Before joining the Company, he worked at Fuxin Chemical Equipment Limited responsible for Human Resources from July 2006 to February 2011. Mr. Wang graduated from Fuxin College with a College Degree majoring in Management.

Guiqing Liu, Director. Mrs. Guiqing Liu has been an administration manager for the Purchase Department at DVPD since September 2007. Before joining the Company, she worked as a manager at Logistics Department of Jingzhou Railway Bureau from May 1986 to June 1993. Mrs. Liu graduated from Liaoning Xiongxue Agriculture College with a College Degree majoring in Agriculture.

Mr. Robert Chen, age 61, Chief Financial Officer and the Principal Accounting Officer since September 2019. Mr. Chen served as the Senior Director of finance at Wuxi Advanced Therapies from January 2019 to June 2019, where he managed both the company's accounting and FP&A functions. Prior to that, Mr. Chen worked for Taiho Oncology Inc. from September 2014 to October 2018, where he supervised the accounting, financial reporting, and FP&A functions of the company. In January 2018, due to his outstanding performance, Mr. Chen was promoted to the Senior Director of Finance of Taiho Oncology Inc. From January 2010 to September 2014, Mr. Chen served as the Corporate Controller of Medimetriks Pharmaceuticals Inc., where he devised and established the system flows, internal control, and financial infrastructures for the pharmaceutical startup company. From November 2007 to October 2009, Mr. Chen worked as Vice President for Domestic Operations at Clark Holding Inc., where he led Clark Holding Inc. to transit from a private entity to a public Nasdaq-listed corporation. From January 2007 to October 2007, Mr. Chen worked for Novartis Pharmaceuticals Inc. as an Associate Director. From June 1998 to January 2007, Mr. Chen served as the Corporate Controller at Bradley Pharmaceuticals Inc., where he monitored the financial accounting of monthly closings, reporting, operational results and SG&A analysis. Mr. Chen received his Bachelor of Science in business administration in accounting in 1987 and his master's degree of professional accountancy in 1989 from the University of Southern Mississippi. Mr. Chen is a Certified Public Accountant.

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

All proceedings of our board of directors were conducted by resolutions consented to in writing by all the directors and filed with the minutes of the proceedings of the directors. Such resolutions consented to in writing by the directors entitled to vote on that resolution at a meeting of the directors are, according to the corporate laws of the state of Nevada and the bylaws of our Company, as valid and effective as if they had been passed at a meeting of the directors duly called and held.

Our Company currently does not have nominating, compensation committees or committees performing similar functions nor does our company have a written nominating, compensation or audit committee charter.

Our Company does not have any defined policy or procedure requirements for shareholders to submit recommendations or nominations for directors. The directors believe that, given the early stage of our development, a specific nominating policy would be premature and of little assistance until our business operations develop to a more advanced level. Our company does not currently have any specific or minimum criteria for the election of nominees to the board of directors and we do not have any specific process or procedure for evaluating such nominees. Our directors assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment.

A shareholder who wishes to communicate with our board of directors may do so by directing a written request addressed to our president, at the address appearing on the first page of this Registration Statement.

We believe that the members of our Board of Directors are capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. We believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated any material revenues to date. In addition, we currently do not have nominating, compensation or audit committees or committees performing similar functions nor do we have a written nominating, compensation or audit committee charter. Our board of directors does not believe that it is necessary to have such committees because it believes the functions of such committees can be adequately performed by our board of directors.

### **Code of Ethics**

The Company has not adopted a code of business conduct and ethics that applies to their director, officers, and all employees, but is in the process of preparing to do so.

### **Family Relationships**

There are no family relationships among the directors and executive officers of the Company.

### **Directors' Compensation**

We have not paid any cash compensation to our Board of Directors ("Board") for their services as our directors.

The Company will reimburse its Board for reasonable expenses in connection with attendance at board and committee meetings. The Board will also be eligible to receive stock options offered by our Company from time to time. No options have been granted to our Board.

### **Involvement in Certain Legal Proceedings**

To the best of our knowledge, none of our directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, by any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

### **Corporate Governance**

The business and affairs of the Company are managed under the direction of our Board. We have conducted Board meetings regularly since inception. Each of our directors has attended all meetings either in person, via telephone conference, or through written consent for special meetings. In addition to the contact information in this annual report, the Board has adopted procedures for communication with the officers and directors as the date hereof. Each stockholder will be given specific information on how he/she can direct communications to the officers and directors of the Company at our annual stockholders' meetings. All communications from stockholders are relayed to the members of the Board.

### **Board Leadership Structure and Role in Risk Oversight**

Our Board is primarily responsible for overseeing our risk management processes. The Board receives and reviews periodic reports from management, auditors, legal counsel, and others, as considered appropriate regarding our company's assessment of risks. The Board focuses on the most significant risks facing our company and our company's general risk management strategy, and also ensures that risks undertaken by our company are consistent with the Board's appetite for risk. While the Board oversees our company's risk management, management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our company and that our Board leadership structure supports this approach.

Our Board oversees, among other things, the company's policies, guidelines and related practices regarding risk assessment and risk management, including the risk of fraud. As part of this endeavor, the Board reviews and assesses the Company's major financial, legal, regulatory, environmental and similar risk exposures and the steps that management has taken to monitor and control such exposures. The Board also reviews and assesses the quality and integrity of the Company's public reporting, the company's compliance with legal and regulatory requirements, the performance and independence of the Company's independent auditors, the performance of the Company's internal audit department, the effectiveness of the Company's disclosure controls and procedures, and the adequacy and effectiveness of the company's risk management policies and related practices.

### **Compliance with Section 16(a) of the Securities Exchange Act of 1934**

We believe that our executive officers and directors and persons who own more than 10% of a registered class of our equity securities are not subject to reporting requirements under Section 16(a) of the Securities Exchange Act.

### **ITEM 11. EXECUTIVE COMPENSATION.**

The particulars of the compensation paid to the following persons:

- (a) principal executive officer;
- (b) each of our three most highly compensated executive officers who were serving as executive officers at the end of the years 2019 and 2018.

### Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity			Total(\$)
						Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	
Alex Brown, President, CEO and Chairman(1)	December 31, 2019	\$119,600	-	-	-	-	-	-	\$119,600
	December 31, 2018	\$ 87,900	-	-	-	-	-	-	\$ 87,900
Xiaolong Zhou, Former Chief Financial Officer and Principal Accounting Officer(2)	December 31, 2019	\$ 62,500	-	-	-	-	-	-	\$ 62,500
	December 31, 2018	\$125,000	-	-	-	-	-	-	\$125,000
Rober Chen, Chief Financial Officer and Principal Accounting Officer	December 31, 2019	\$ 69,000	-	-	-	-	-	-	\$ 69,000
	December 31, 2018	-	-	-	-	-	-	-	-
	(3)								

(1) Mr. Alex Brown was appointed as the CEO and Chairman of the Company on November 10, 2017, and Interim Chief Financial Officer and Interim Principal Accounting Officer on May 7, 2019. Mr. Brown resigned from the position of Interim Chief Financial Officer and Interim Principal Accounting Officer on September 11, 2019.

(2) Mr. Xiaolong Zhou, former CFO of the Company, was appointed on December 12, 2017 and resigned on May 9, 2019.

(3) Mr. Chen was appointed as the Chief Financial Officer and the Principal Accounting Officer on September 11, 2019.

### **Option Grants in Last Fiscal Year**

The company did not grant any options in the fiscal year ended December 31, 2019.

### **Pension, Retirement or Similar Benefit Plans**

There are no arrangements or plans in which we provide pension, retirement, or similar benefits for directors or executive officers. We have no material bonus or profit-sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of the Board of Directors.

### **Employment Agreements**

The Company does not currently have employment agreements with any of the named executives' officers but plans to enter into employment agreements with certain executive officers, as deemed appropriate by the Company. Each of the named executive officers has a full-time position with the Company and performs its duties and services customary and appropriate to its position and as the Company may from time-to-time assign.

### **Equity Compensation Plan**

None of the Named Executive Officers currently hold equity compensation awards.

### **Directors' and Officers' Liability Insurance**

The Company currently does not have insurance for directors and officers against liability; however, the Company is in the process of investigating the availability of such insurance.

### **Change of Control Compensatory Plans**

As of December 31, 2019, we had no pension plans or compensatory plans or other arrangements which provide compensation in the event of termination of employment or change in control of us.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information regarding our shares of Common Stock beneficially owned as of the date hereof, for (i) each stockholder known to be the beneficial owner of 5% or more of the Company's outstanding shares of Common Stock, (ii) each named executive officer and director, and (iii) all executive officers and directors as a group. A person is considered to beneficially own any shares: (i) over which such person, directly or indirectly, exercises sole or shared voting or investment power, or (ii) of which such person has the right to acquire beneficial ownership at any time within 60 days through an exercise of stock options or warrants. Unless otherwise indicated, voting and investment power relating to the shares shown in the table for our directors and executive officers is exercised solely by the beneficial owner or shared by the owner and the owner's spouse or children.

Unless otherwise specified, the address of each of the persons set forth below is in care of the Company, at the address of 424 Madison Ave. Suite 1002, New York, NY 10017.



<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Common Stock (1)</b>
Alex Brown (2)	20,700,000	95%
Robert Chen	0	-
Jiang Wang	0	-
Guiqing Liu	0	-
Skyview Holdings LLC (2)	20,700,000	95%
All directors and executive officers as a group (2 people)	20,700,000	95%
<b>5% Shareholders:</b>		
Victory Commercial International Ltd.	20,700,000	95%

(1) Based on 21,711,000 shares of Common Stock outstanding as of the date hereof.

(2) Alex Brown indirectly owns and controls 20,700,000 shares of Common Stock through his 100% ownership of Victory Commercial International Ltd., a British Virgin Islands company which is the sole member of Skyview Holdings LLC, a Wyoming limited liability company, who is the record holder of 20,700,000 shares of Common Stock.

### **Changes in Control**

Iven International Group Limited, a company registered in Hong Kong, acquired the 100% ownership interest of Sino Pride in November 2016 and in September 2017, Iven transferred such ownership interest to VCI. Alex Brown owned and continues to own 100% equity interest of Iven when Iven acquired ownership interest of Sino Pride, transferred such ownership interest to VCI and as of the date of this registration statement.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

#### **Transactions with Related Persons**

*The following includes a summary of certain transactions in the years ended December 31, 2019 and 2018, of which we were or are to be a participant and the amount involved exceeded or exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest (other than compensation described in Item 11 of this Report). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.*

#### Loans from a Related Party

The Company had been financing its operations from Sino Pride, DVDC, the holder of the 20% equity interest of DVPD and its shareholder.

#### Loan payable to related party consists of following as of December 31, 2019 and 2018

	2019	2018
Loan payable to DVDC	\$ 10,594,843	\$ 10,723,778
Due to related individual	1,339,948	792,502
Loan payable to related parties	<u>\$ 11,934,791</u>	<u>\$ 11,516,280</u>

### Loan Payable to DVDC

DVDC contributed land use rights and infrastructures valued at \$20,000,000 to DVPD. Among this \$20,000,000 contribution, \$6,800,000 was recorded as registered capital, \$13,200,000 was recorded as loan payable to DVDC per the December 25, 2000 agreement. The loan is payable when DVPD is profitable. Loan principal \$3,300,000 (25% of \$13,200,000) bears interest at 8% per annum. The interest rate for remaining balance of principal is the bank loan rate published by Bank of China, which was 5.88% at December 31, 2019.

Loan payable to DVDC was initiated in US dollars and related interest calculations are based on the principal in US dollar per the loan agreement. However, the loan agreement did not specify which currency will be used when the loan is repaid. Considering that DVDC is a Chinese entity and located in China, loan and interest payments must be in RMB, therefore, RMB is the currency to record the principal and interest payable in the Company's book. Any gain or loss resulted from translation of the financial statements will be recorded at "accumulated comprehensive income (loss)" section. RMB109,356,000 loan payable to DVDC was translated from \$13,200,000 US dollar at the historical rate.

Loan payable to DVDC consists of following at December 31, 2019 and 2018.

	2019	2018
Loan principal	\$ 13,200,000	\$ 13,200,000
Advance payments for infrastructure construction	(5,685,747)	(5,685,747)
Other payable to DVDC	215,136	215,136
Net loan payable to DVDC in RMB	7,729,389	7,729,389
Foreign exchange effect	2,865,454	2,994,389
Net loan payable to DVDC in US\$	<u>\$ 10,594,843</u>	<u>\$ 10,723,778</u>

Accrued interest expense – related parties were \$532,210 and \$519,970 for the years ended December 31, 2019 and 2018, respectively. Total accrued interest payable to related parties was \$11,520,609 and \$11,121,817 at December 31, 2019 and 2018, respectively.

### Due to Related Individual

One related individual, the spouse of our major shareholder provided working capital for our US office expenses. As of December 31, 2019, and 2018, the amount due to this individual were \$1,339,948 and \$792,502, respectively. The amount due to the related individual is interest free and is due on demand.

### Loan Payable to Sino Pride

Sino Pride has been major source of fund for the operations of DVPD and DVBM. In the period from 1996 to 2008, DVPD received loans of \$38,683,297 from Sino Pride and repaid \$20,710,919 in the period from 1998 to 2014. In 2015, total repayments were \$4,068,630. Loan payable to Sino Pride bears interest at 8% per annum. Pursuant to FASB ASC 830-20-35-1, the intra-entity (intercompany transactions) foreign currency transactions whose terms are denominated in the currency other than the entity's functional currency and settlement is anticipated in the foreseeable future (hence not long-term investment nature), requires the increases or decreases in expected functional currency cash flows to be included in determining income (loss) in the periods as gain (loss) from foreign currency transactions.

The loan payable to Sino Pride is denominated in US dollars. The loan was for working capital and is not designed as an investment. The repayment is required when the Company is profitable or is available to make repayment. The transactions of loan proceeds and repayments are dominated in US dollars. The Company uses the bank spot exchange rate to record proceeds and repayments in RMB in the Company's books. By the end of the year, the US\$ loan balance and interest payable will be translated to RMB and recorded on DVPD's and DVBM's books.

Loan, repayment and accrued interest to Sino Pride as of December 31, 2019 and 2018 are as following.

<b>Loan Payable to Sino Pride</b>	
Loan balance at December 31, 2017	\$ 13,503,748
Repayment in 2018	(200,000)
Loan balance at December 31, 2018	\$ 13,303,748
Repayment in 2019	-
Loan balance at December 31, 2019	\$ 13,303,748
<b>Interest Payable to Sino Pride</b>	
Interest payable - 12/31/2017	\$ 7,451,973
Accrued interest in 2018	1,079,968
Repayments in 2018	-
Interest payable - 12/31/2018	\$ 8,531,941
Accrued interest in year ended December 31, 2019	1,079,083
Repayments in 2019	-
Interest payable – 12/31/2019	\$ 9,611,024

The above inter-company loan payable of \$13,303,748 and \$13,303,748, and accrued interest payable of \$9,611,024 and \$8,531,941 at the year ended December 31, 2019 and 2018, respectively, have been eliminated in the accompanying consolidated financial statements. The interest expense of \$1,079,926 and \$1,104,344 for the years ended December 31, 2019 and 2018, respectively, has been eliminated in the accompanying consolidated financial statements.

#### Loan Payable to Shareholder/Due to Shareholder

Due to shareholder represents the investment amount that Sino Pride received from its former shareholders, which was assigned to the Company's major shareholder Mr. Alex Brown. Loan payable to shareholder was \$65,931,644 and \$64,151,148, at December 31, 2019 and 2018, respectively. The balance due to shareholder bears no interest. If the interest was calculated at 5% (December 2019 US (Fed) Prime rate) for the loan payable to shareholder, the balance for interest expense would have been approximately \$3.3M and \$3.2M for the twelve months ended December 31, 2019 and 2018, respectively.

#### Transfer of Ownership of Sino Pride

Iven International Group Limited, is a company registered in Hong Kong ("Iven"). From October 31, 2016 to June 30, 2017, Alex Brown beneficially owned 100% of Iven, among which, a 70% equity interest was held directly, and a 30% equity interest was held indirectly through Dalian Yiwen New Materials Technology Development Co., Ltd, a PRC entity 80% owned by Alex Brown and 20% owned by his spouse. On June 30, 2017, Alex Brown and Dalian Yiwen New Material Technology Development Co., Ltd transferred their respective ownership of Iven to Winner Ascent Investment Limited, a Hong Kong limited liability company solely owned by Alex Brown.

On November 2016, Iven entered and executed an agreement of “Assignment of Common Stock and Debt Rights” (“the Original Agreement”) from VP Holding. Pursuant to the Original Agreement, Iven acquired all 30,000,000 shares of common stocks of Sino Pride then outstanding and assumed debt rights (Sino Pride owned to VP Holding) for a nominal consideration of HK\$ 1 (approximately US\$0.13) from VP Holding.

On September 4, 2017, VCI signed “Assignment of All Outstanding Shares and All Debt Right Agreement” (“the Agreement”) with Iven. Pursuant to the Agreement, VCI acquired all 30,000,000 shares of common stock of Sino Pride then outstanding and assumed shareholder debt and loan rights of HK\$493,807,633 (approximately US\$64,208,000) (Sino Pride owed to VP Holding) included outstanding shareholder loan of HK\$ 408,409,628 (approximately US\$53,093,000) for nominal consideration of HK\$ 1 (approximately US\$0.13) from Iven. The transfer was part of the restructuring to prepare the Company for listing in the U.S. capital market.

#### Collateral of Company’s Asset

On May 18, 2017, 140 square meters (1,507 square feet), owned by the Company was used as collateral to help one unrelated individual to acquire a US\$770,000 (RMB5,000,000) 12 month bank loan. There was no profit or gain for the Company to provide collateral for the bank loan. The loan was not repaid and is past due. The Company’s property as collateral exposes the Company to a loss of the property if the individual is insolvent and failed to repay the bank loan.

On the same day, the Company provided 7 units of rental properties, totaling 138 square meters (1,485 square feet), owned by the Company as collateral to help one related individual, who is a board member of DVPD, to acquire a US\$770,000 (RMB 5,000,000) 12-month bank loan. There was no gain or profit for the Company to provide collateral to this individual. The loan was not repaid and is past due. The Company’s property as collateral exposes the Company to a loss of the property if the individual is insolvent and failed to repay the bank loan.

The Company further provided 2 units of rental properties, totaled 15 square meters (161 square feet), owned by the Company as collateral to help one individual, an employee of DVPD (now a former employee), to acquire a US\$770,000 (RMB 5,000,000) 12-month bank loan. There was no profit or gain for the Company to provide collateral for such bank loan. The 12 months period is now past due. The Company’s property as collateral exposes the Company to a loss of the property if the individual is insolvent and failed to repay the bank loan.

The aggregate amount of the loans acquired by the three individuals is RMB 15 million (the “15M Loan”). These three individuals have not yet repaid the loans to the Harbin, which exposes the Company to a loss of its 293 square meters properties if the individuals are insolvent and fail to repay the bank loans. On December 30, 2019, the Company entered into three separate repayment agreements with such individuals (the “Repayment Agreements”), pursuant to which, the parties agree that the Company’s guarantee period for the 15M Loan shall be extended to December 31, 2020 (the “Expiration Date”). After the Expiration Date, the three individuals shall replace the Company’s collateral or repay the 15M Loan to release the Company’s assets. Otherwise, the three individuals shall pay the Company a penalty of 1% of the 15M Loan to the Company. The three individuals also agreed to provide the Company 1% of the 15M Loan as compensation (the “Compensation”) in a one-time payment on May 30, 2020. An overdue payment of such Compensation will be charged daily late fees in an amount of 0.5% of such Compensation.

## **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

### **Audit Fees**

For the Company’s fiscal years ended December 31, 2019 and 2018, we were billed approximately \$270,000 and \$240,000 for professional services rendered for the audit and review of our financial statements, respectively.

### **Audit Related Fees**

There were no fees for audit related services for the years ended December 31, 2019 and 2018.

### **Tax Fees**

We did not pay Wei Wei & Co., LLP (“Wei Wei”) for tax planning and tax advice for the years ended December 31, 2019 and 2018.

### **All Other Fees**

The Company did not incur any other fees related to services rendered by our principal accountant for the fiscal years ended December 31, 2019 and 2018.

Effective May 6, 2003, the SEC adopted rules that require that before our independent registered public accounting firm is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

- approved by our audit committee; or
- entered into pursuant to preapproval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee’s responsibilities to management.

We do not have an audit committee. Our Board of Directors preapproves all services provided by our independent registered public accounting firm. All of the above services and fees were reviewed and approved by the Board of Directors before the respective services were rendered.

## Part IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

#### (1) Financial Statements

Financial Statements and Report of Independent Registered Public Accounting Firms are set forth on pages F-1 through F-37 of this report.

<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Consolidated Balance Sheets</a>	F-3
<a href="#">Consolidated Statements of Operations and Comprehensive Loss</a>	F-4
<a href="#">Consolidated Statements of Changes in Shareholders' Deficit</a>	F-5
<a href="#">Consolidated Statements of Cash Flows</a>	F-6
<a href="#">Notes to Consolidated Financial Statements</a>	F-7

#### (2) Financial Statement Schedules

Schedules are omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is given in the consolidated financial statements or the notes thereto.

#### (3) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
3.1	<a href="#">Articles of Incorporation (incorporated by reference to our Form S-1 (file No. 333-228242) filed with the Securities and Exchange Commission on November 7, 2018)</a>
3.2	<a href="#">Bylaws (incorporated by reference to our Form S-1 (file No. 333-228242) filed with the Securities and Exchange Commission on November 7, 2018)</a>
10.1	<a href="#">Subscription Agreement (incorporated by reference to our Form S-1 (file No. 333-228242) filed with the Securities and Exchange Commission on November 7, 2018)</a>
10.2	<a href="#">Strategy Cooperation Agreement with Dalian Sheng Ma Lin Trading Ltd., dated December 29, 2017 (incorporated by reference to our Form S-1 (file No. 333-228242) filed with the Securities and Exchange Commission on November 7, 2018)</a>
10.3*	<a href="#">English translated copy of Repayment Agreement by and between the Company and Xiufen Chang dated as of December 30, 2019</a>
10.4*	<a href="#">English translated copy of Repayment Agreement by and between the Company and Weitong Zhang dated as of December 30, 2019</a>
10.5*	<a href="#">English translated copy of Repayment Agreement by and between the Company and Xiuhua Chang dated as of December 30, 2019</a>
10.6*	<a href="#">English translated copy of Supplemental Agreement to the Strategic Cooperation Agreement by and between Dalian Victory Plaza Shopping Center and Dalian Sheng Ma Lin Trading Ltd. dated as of January 15, 2020</a>
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</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 Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *

\* Filed herewith.

\*\* Furnished herewith.

## SIGNATURES

Pursuant to the requirements of section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Victory Commercial Management Inc.**  
(Registrant)

Date: July 10, 2020

By: /s/ Alex Brown

Alex Brown  
President, Chief Executive Officer, Treasurer and Chairman  
(Principal Executive Officer)

By: /s/ Robert Chen

Robert Chen  
Chief Financial Officer  
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Name</u>	<u>Position</u>	<u>Date</u>
<u>/s/ Alex Brown</u> Alex Brown	President, Chief Executive Officer, Treasurer and Chairman	July 10, 2020
<u>/s/ Robert Chen</u> Robert Chen	Chief Financial Officer	July 10, 2020
<u>/s/ Jiang Wang</u> Jiang Wang	Director	July 10, 2020
<u>/s/ Guiqing Liu</u> Guiqing Liu	Director	July 10, 2020

**VICTORY COMMERCIAL MANAGEMENT INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019 AND 2018 AND FOR THE YEARS THEN ENDED**  
**AND**  
**REPORT OF INDEPENDENT REGISTERED**  
**PUBLIC ACCOUNTING FIRM**



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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of  
Victory Commercial Management Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Victory Commercial Management Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the 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 two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has generated recurring losses from operations, has significant working capital and shareholders' deficits, and is in default of its bank loans. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in the Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

*/s/ Wei, Wei & Co. LLP*

Flushing, New York  
May 28, 2020

We have served as the Company's auditor since 2019.



VICTORY COMMERCIAL MANAGEMENT INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 122,884	\$ 188,921
Restricted cash	27,223	130,199
Tenant and sundry receivables, net of allowance for doubtful accounts	469,317	1,132,691
Prepaid expenses and other assets	526,834	697,756
<b>NON CURRENT ASSETS:</b>		
Rental properties, net	21,334,015	22,519,082
Property and equipment, net	430,063	634,589
Intangible assets, net	17,640	23,083
ROU assets, net	484,178	422,905
Loan and interest receivable, net	6,087,914	7,616,300
<b>TOTAL ASSETS</b>	<b>\$ 29,500,068</b>	<b>\$ 33,365,526</b>
<b>LIABILITIES AND DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Bank loans payable, net - in default	\$ 7,633,412	\$ 60,221,474
Accounts payable and accrued liabilities	8,938,941	4,747,604
Deferred rental income	3,882,434	4,610,478
Lease liabilities payable - current	22,755	154,129
<b>NON CURRENT LIABILITIES:</b>		
Bank loans payable, net	59,288,001	6,237,460
Property financing agreements payable	77,464,781	79,904,620
Lease liabilities payable - non current	498,509	457,996.00
Other payables	19,906,698	19,594,875
Loans payable to related parties	11,934,791	11,516,280
Due to shareholder	65,931,644	64,151,148
Interest payable to related parties	11,520,609	11,121,817
<b>TOTAL LIABILITIES</b>	<b>267,022,575</b>	<b>262,717,881</b>
Commitments and Contingencies	-	-
<b>DEFICIT:</b>		
Victory Commercial Management Inc. Shareholder's Deficit		
Common stock, \$0.0001 par value, 600,000,000 shares authorized; 21,711,000 and 20,700,000 shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively	2,171	2,070
Paid-in capital	11,827,188	10,816,289
Subscription receivable	-	-
Accumulated deficit	(203,808,349)	(194,188,636)
Accumulated other comprehensive loss	(2,242,729)	(3,739,981)
Total shareholders' deficit attributable to the Company's common shareholders	(194,221,719)	(187,110,258)
Noncontrolling interest	(43,300,788)	(42,242,097)
<b>TOTAL DEFICIT</b>	<b>(237,522,507)</b>	<b>(229,352,355)</b>
<b>TOTAL LIABILITIES AND DEFICIT</b>	<b>\$ 29,500,068</b>	<b>\$ 33,365,526</b>

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

**VICTORY COMMERCIAL MANAGEMENT INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEARS ENDED DECEMBER 31,**

	2019	2018
<b>Revenues</b>		
Rental income	\$ 2,977,880	\$ 3,758,060
Management fee income	4,470,061	5,653,687
Other income	743,189	577,292
<b>Total revenues</b>	<b>8,191,130</b>	<b>9,989,039</b>
<b>Operating expenses</b>		
Selling expenses	4,262,763	4,566,741
Depreciation and amortization	1,231,787	1,361,867
Leases expenses	2,712	2,364,004
Payroll and payroll related	1,954,530	1,759,585
Business taxes	476,211	496,243
Operating lease expense	599,054	504,401
Other general and administrative expenses	4,051,445	1,117,124
<b>Total operating expenses</b>	<b>12,578,502</b>	<b>12,169,965</b>
<b>Loss from operations</b>	<b>(4,387,372)</b>	<b>(2,180,926)</b>
<b>Other income (expenses)</b>		
Interest income	725,778	509,619
Interest expense - loans	(4,147,614)	(4,131,313)
Interest expense - ROU and other liabilities	(2,773,739)	(1,672,119)
Interest expense - related parties	(537,210)	(519,970)
Loss from foreign currency transactions	(271,447)	(1,220,769)
Gain on disposal of fixed assets	119	1,337,124
Other income	276,564	3,129,585
<b>Total other income (expenses), net</b>	<b>(6,727,549)</b>	<b>(2,567,843)</b>
<b>Loss before provision for income taxes</b>	<b>(11,114,921)</b>	<b>(4,748,769)</b>
Provision for income taxes	—	—
<b>Net Loss</b>	<b>(11,114,921)</b>	<b>(4,748,769)</b>
Net loss attributable to noncontrolling interest	(1,495,208)	(971,370)
<b>Net loss attributable to the Company's common shareholders</b>	<b>\$ (9,619,713)</b>	<b>\$ (3,777,399)</b>
<b>Per Common Share - basic and diluted:</b>		
Net loss per Company's common share	\$ (0.45)	\$ (0.18)
Weighted-average shares outstanding, basic and diluted *	21,472,792	20,700,000
<b>Other comprehensive income (loss)</b>		
Net loss	\$ (11,114,921)	\$ (4,748,769)
<b>Other comprehensive income (loss)</b>		
Foreign currency translation adjustments	1,933,769	10,697,932
<b>Total other comprehensive income (loss)</b>	<b>(9,181,152)</b>	<b>5,949,163</b>
Comprehensive income (loss) attributable to non-controlling interest	(1,058,691)	1,026,572
<b>Comprehensive income (loss) attributable to the Company's common shareholders</b>	<b>\$ (8,122,461)</b>	<b>\$ 4,922,591</b>

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

VICTORY COMMERCIAL MANAGEMENT INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT  
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Deficit
	Shares	Amount					
Balance -December 31, 2017 (Restated)	20,700,000	\$ 2,070	\$10,814,219	\$(190,411,237)	\$ (12,439,971)	\$ (43,268,669)	\$(235,301,518)
Common stock issued in 2018							
Net loss for the year ended December 31, 2018				(3,777,399)		(971,370)	(4,748,769)
Other comprehensive (loss): foreign currency translation adjustment					8,699,990	1,997,942	10,697,932
Balance -December 31, 2018	20,700,000	2,070	10,816,289	(194,188,636)	(3,739,981)	(42,242,097)	(229,352,355)
Initial public offering closed on March 28, 2019	1,011,000	101	1,010,899				1,011,000
Net Loss for the year ended December 31, 2019				(9,619,713)		(1,495,208)	(11,114,921)
Other comprehensive income: foreign currency translation adjustment					1,497,252	436,517	1,933,769
Balance -December 31, 2019	<u>21,711,000</u>	<u>\$ 2,171</u>	<u>\$11,827,188</u>	<u>\$(203,808,349)</u>	<u>\$ (2,242,729)</u>	<u>\$ (43,300,788)</u>	<u>\$(237,522,507)</u>

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

VICTORY COMMERCIAL MANAGEMENT INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31

	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (11,114,921)	\$ (4,748,769)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,231,787	1,361,866
Amortization of debt issuance costs	55,190	52,331
Foreign currency exchange (gain) loss on loan and interest repayments to related party	271,470	1,220,769
Gain on sale of rental properties and disposal of other assets		(1,337,124)
Allowance for doubtful accounts	3,090,825	15,035
Non cash operating lease expenses	(10,299)	235,623
Change in operating assets and liabilities		
Decrease (Increase) in tenant and sundry receivables	206,205	(450,133)
Decrease (Increase) in prepaid expense and other assets	165,493	(251,340)
(Increase) in loan interest receivable	(513,862)	(495,943)
Increase in property financing agreements payable	1,688,217	1,665,273
Increase in accounts payable and accrued liabilities	5,039,015	668,951
(Decrease) Increase in deferred rental income	(677,487)	601,772
Increase in interest payable to related party	536,373	522,083
(Decrease) Increase in other payables	(200,156)	2,942,626
(Decrease) in lease liabilities payable	(181,109)	(215,345)
Net Cash (Used in) Provided by Operating Activities	<u>(413,257)</u>	<u>1,787,675</u>
<b>Cash Flows from Investing Activities:</b>		
Cash received from sale of rental properties		1,661,958
Capital expenditures - fixed assets and improvements	(21,841)	(150,688)
Short-term loan repayment	(2,642,563)	(8,923,642)
Net Cash (Used in) Investing Activities	<u>(2,664,404)</u>	<u>(7,412,372)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from bank loans	1,481,610	4,668,591
Proceeds from initial public offering	1,011,000	
Repayment from short-term loan	1,943,830	
Repayment of bank loans	(266,123)	(1,111,569)
Advance from shareholder	1,774,621	1,362,472
Advance from related individual	172,300	156,981
Repayment of property financing agreements payable	(3,222,806)	
Net Cash Provided by Financing Activities	<u>2,894,432</u>	<u>5,076,475</u>
Effect of exchange rate changes on cash and cash equivalents	14,218	(6,576)
Net (decrease) increase in cash, cash equivalents and restricted cash	(169,013)	(554,798)
Cash, cash equivalents and restricted cash at beginning of year	319,120	873,918
Cash, cash equivalents and restricted cash at end of year	<u>\$ 150,107</u>	<u>\$ 319,120</u>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash</b>		
Cash and cash equivalents at beginning of year	\$ 188,921	\$ 755,027
Restricted cash at beginning of year	130,199	118,891
Cash, cash equivalents and restricted cash at beginning of year	<u>\$ 319,120</u>	<u>\$ 873,918</u>
Cash and cash equivalents at end of year	\$ 122,884	\$ 188,921
Restricted cash at end of year	27,223	130,199
Cash, cash equivalents and restricted cash at end of year	<u>\$ 150,107</u>	<u>\$ 319,120</u>
<b>Supplemental Disclosure Cash Flow Information:</b>		
Cash paid for:		
Interest	\$ 1,042,905	\$ 3,683,062
Income tax	\$ -	\$ -
<b>Supplementary Schedule: Non-cash Investing and Financing Activities:</b>		
Right of Use Assets	\$ 565,865	\$ 4,682,603

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

VICTORY COMMERCIAL MANAGEMENT INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019  
AND 2018

NOTE 1 – ORGANIZATION AND SEGMENT INFORMATION

Organization

Victory Commercial Management Inc. (hereinafter referred to as “VCM”, and where appropriate, the terms “Company”, “we”, “us” or “our” are also referred to VCM and its wholly owned and majority owned subsidiaries) was incorporated on July 5, 2017 under the laws of Nevada.

On July 13, 2017, VCM formed a wholly-owned subsidiary, Victory Commercial Investment Ltd. (“VCI”) under the laws of British Virgin Islands.

Sino Pride Development Limited (“Sino Pride”) is a Hong Kong company, incorporated on May 26, 1989. Sino Pride is a holding company that directly owns an 80% equity interest in Dalian Victory Plaza Development Co., Ltd. (“DVPD”) and directly owns a 95% equity interest in Dalian Victory Business Management Co., Ltd. (“DVBM”).

DVPD was incorporated as a Sino-foreign cooperative joint venture on March 29, 1993 under the laws of the People’s Republic of China (“PRC” or “China”). Sino Pride owns 80% equity interest of DVPD while Dalian Victory Development Co., Limited (“DVDC”), a state-owned enterprise in China, owns a 20% equity interest in DVPD.

DVBM was incorporated as a joint venture on September 12, 2000 under the laws of the PRC. Sino Pride owns a 95% equity interest in DVBM and DVPD owns a 5% equity interest in DVBM.

Dalian Victory Property Management Co., Ltd. (“DVPM”) was incorporated on June 6, 2018 as limited liability company under the laws of the PRC. Sino Pride owns 100% of the equity of DVPM. DVPM was formed as a property management company and will play a similar role as DVBM to improve the management of Victory Plaza. DVPM has not commenced operations.

Iven International Group Limited, is a company registered in Hong Kong (“Iven”). From October 31, 2016 to June 30, 2017, Alex Brown beneficially owned 100% of Iven, among which, a 70% equity interest was held directly, and a 30% equity interest was held indirectly through Dalian Yiwen New Materials Technology Development Co., Ltd, a PRC entity 80% owned by Alex Brown and 20% owned by his spouse. On June 30, 2017, Alex Brown and Dalian Yiwen New Material Technology Development Co., Ltd transferred their respective ownership of Iven to Winner Ascent Investment Limited, a Hong Kong limited liability company solely owned by Alex Brown.

Victory Plaza Holding Limited, (“VP Holding”) a BVI company, is the original owner of Sino Pride. VP Holding incurred significant losses from the operations of Sino Pride and its subsidiaries DVPD and DVBM. VP Holding and Sino Pride had no relationship or affiliation with us or Alex Brown prior to the corporate restructuring.

November 30, 2016 Transaction

In November 2016, Iven entered and executed an agreement of “Assignment of Common Stock and Debt Rights” (“the Original Agreement”) with VP Holding, the former shareholder of Sino pride. Pursuant to the Original Agreement, Iven acquired all 30,000,000 shares of common stock of Sino Pride then outstanding and assumed a shareholder loan and loan interest totaling \$52,750,000 (Sino Pride owed to VP Holding) for a nominal consideration of HK\$ 1 (approximately US\$0.13) from VP Holding. Change of ownership in Sino Pride from VP Holding to Iven had no impact on Sino Pride’s ownership in DVPD and DVBM (operating entities).

Iven was a private shell company with no operations and with nominal assets, which is 100% directly and indirectly owned by Mr. Brown. Iven was the legal acquirer in the November 30, 2016 acquisition. At the date of acquisition, Sino Pride was a holding company of two Chinese base operating entities, DVDP and DVBM. The accounting acquirer usually is the combining entity whose relative size (measured in, for example, assets, revenues, or earnings) is significantly larger than that of the other combining entity or entities as per Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Section 805-10-55-13. Thus, Sino Pride and Subsidiaries were treated as the accounting acquirer in connection with the November 2016 transaction.

The November 2016 transaction was treated as a reverse acquisition or recapitalization. The accounting is similar to that resulting from a reverse acquisition, except that no goodwill or other intangible assets should be recorded. Accordingly, the historical financial statements are those of Sino Pride and its Subsidiaries.

#### September 4, 2017 Transaction

On September 4, 2017, VCI signed an agreement of “Assignment of All Outstanding Shares and All Debt Rights Agreement” (“the Agreement”) with Iven. Pursuant to the Agreement, VCI acquired all 30,000,000 shares of common stock of Sino Pride then outstanding and assumed shareholder debt and loan rights totaling HK\$ 493,807,633 (approximately US\$64,208,000) (Sino Pride owed to VP Holding) including an outstanding shareholder loan of HK\$ 408,409,628 (approximately US\$53,093,000) for a nominal consideration of HK\$ 1 (approximately US\$0.13) from Iven. The change of ownership in Sino Pride from Iven to VCI had no impact on Sino Pride’s ownership in DVDP and DVBM (operating entities).

Iven and VCI were under common control of our controlling shareholder. The transfer of ownership in Sino Pride from Iven to VCI is a part of the corporate restructuring to prepare the Company to list in the U.S. capital markets.

The Company accounted for the September 2017 transaction as a transaction between entities under common control based on guidance provided by FASB ASC 805-50-25. Following the above transactions, VCI gained control over Sino Pride and its subsidiaries, and, as a result, VCM gained control over VCI, Sino Pride and its Subsidiaries.

The Company together with its wholly-owned subsidiaries, VCI, Sino Pride and majority owned subsidiaries, DVBM and DVPM were effectively controlled by the same shareholder, Mr. Brown before and after the September 2017 corporate restructuring, and is considered under common control, which has been accounted for similar to the pooling method of accounting. The accompanying consolidated financial statements have been prepared as if the current corporate structure had been in existence at the beginning of the periods presented. Accordingly, the historical financial statements are those of Sino Pride and its Subsidiaries.

#### Segment Information

The Company and its subsidiaries generate most of the income from rental and building management services. The Company manages one shopping center currently. Geographically, all income is generated from Dalian, China.

#### NOTE 2 – GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. As indicated in the accompanying consolidated financial statements, the Company had a net loss of \$11,114,921 and \$4,748,769 for the years ended December 31, 2019 and 2018, respectively; an accumulated deficit of \$203,808,349 at December 31, 2019. The Company has an unrestricted cash balance of \$122,884 as of December 31, 2019. The Company believes that if there is no additional investment or financing, the current cash balance available to the Company or its projected cash balance for the next 18 months will be very difficult to cover the required payments of the operating expenses arising from normal business operations and to meet the required payments of buy-backs and lease-backs if settled with the claims filed by the property owners during next 18 months from the issuance date of this report.

In light of our current operating state, management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive in a short period of time. Management believes that with its current capital resources, it will be very difficult to continue operating and maintaining its business for the next 18 months from the issuance date of this report.

As of December 31, 2019, we had a total of \$67,257,262 outstanding loans payable to Harbin Bank (the “Bank”). As of the date of this report, we are in default of three loans with the Bank in the aggregate amount of approximately \$53.1 million. These loans are secured by certain assets of the Company. The Company is currently in discussion with the Bank to convert the existing loans into a new loan and apply an additional liquidity loan in RMB 50 million (collectively, the “Refinancing Loans”) and waive the penalty of late payment of related loan interest. However, there is no assurance or certainty that such Refinancing Loans or Penalty Waiver will be approved by the Bank. In the event that the Bank rejects our Refinancing Loans and/or commence any legal proceeding against us regarding the Short-term Loans, we may lose our collateralized assets which will cause a material adverse effect on our results of operations. Furthermore, if the collateral on those loans cannot satisfy our payment obligation, we may be forced to commence liquidation process if we do not have sufficient liquidity or cannot raise sufficient fund at that time, if any at all.

As of December 31, 2019, the Company had property financing agreements payable of \$77,464,781, lease liabilities payable of \$521,264, expired lease-back payables of \$5,529,680, and buy-back payables of \$4,152,344. As of December 31, 2019, there were 565 lawsuits case against the Company in Dalian City, China. Litigants claimed that the Company failed to buy back the property pursuant to the sales contracts or the Company failed to pay the promised lease-back rent on time. As of December 31, 2019, such claims amounted to \$24,820,625. These payables were included in and reported under the caption of “Property financing agreements payable”, “Lease liabilities payable” and “Other payables”

These lawsuits are mostly caused by the failure of DVPD who fails to buy back the properties when requested to or to pay rents for certain lease-back stores. Subsequently, certain stores owned by DVPD have been frozen from transfer or disposition by the courts. DVPD has been prohibited from free transfer, disposal, and pledge of its equity interest in DVBM which accounts for 5% in DVBM from March 2, 2017 to March 1, 2019. The 5% equity interest in DVBM is still restricted currently as of the issuing date of this report. In addition, DVPD has been listed as a “dishonest debtor” by the local courts in the PRC. Once listed as a dishonest debtor, DVPD can be subject to certain restrictions in connection with commercial loans at the banks’ discretion; the purchase or transfer of properties and land use rights; and upgrade or renovation of properties. In addition, the bank accounts of DVPD are frozen by the courts which allow the inflow of cash to its bank accounts but prohibit the outflow of cash. The Company has been working actively to resolve these lawsuits since we acquired Sino Pride in November 2016. However, the company cannot guarantee that all litigation cases can be solved in the future or no new litigation cases will be generated.

Management believes that the recorded total property financing agreements payable, buy-backs payable, lease-back liabilities payable and expired lease payable liabilities of \$92,410,701 is a reasonable estimation.

In order to continue as a going concern, the Company will need, among other things, an additional capital injection and/or additional financing and the continued forbearance of its lender not to foreclose on their loans that are in default. Management’s plans to obtain such fund for the Company include (1) obtaining capital from the sale of its stock (2) short-term and long-term borrowings from banks and third-parties, and (3) short-term borrowings from stockholders or other related parties when needed.

As of the date of this Annual Report, the Short-Terms Loans have become due while the Company has not made the corresponding payment. The Bank has not taken legal action against the Company and the Bank and the Company are currently discussing potential grant to convert the principal and interests due into a new loan and an additional liquidity loans in an amount of RMB 50 million (collectively, the “Refinancing Loans”). In addition, the Company has been negotiating with the Bank for a waiver of the penalty for late payment of related loan interest (the “Penalty Waiver”). The Company has already submitted the application for the Refinancing Loans at the request of the Bank. It usually takes about 2 to 3 months for the Bank to review and approve the Refinancing Loans and the Penalty Waiver which can be potentially longer as a result of the outbreak of the COVID-19. However, there is no assurance or certainty that such Refinancing Loans or Penalty Waiver will be approved by the Bank. In the event that the Bank rejects our Refinancing Loans and/or commence any legal proceeding against us regarding the Short-term Loans, we may lose our collateralized assets which will cause a material adverse effect on our results of operations. Furthermore, if the collateral on those loans cannot satisfy our payment obligation, we may be forced to commence liquidation process if we do not have sufficient liquidity or cannot raise sufficient fund at that time, if any at all.

As a result of the coronavirus pandemic, our DVPD operations in Dalian remained closed from January 25, 2020 until March 5, 2020, which has adversely affected our operating revenues and cash flow in the first quarter of 2020. Moreover, after reopening of the shopping mall, we have much less shoppers and tenants in the shopping mall due to the continued effect of COVID-19, We cannot predict the full extent to which the COVID-19 pandemic will impact our business or operating results, which is highly dependent on inherently uncertain future developments, including the severity of COVID-19 and the actions taken by governments and private businesses in relation to COVID-19 containment. Additionally, even if the Company does raise sufficient capital to support its operations and generates adequate revenues, there can be no assurances that the revenue will be sufficient to a level where it will generate profits and positive cash flows from operations.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The accompanying consolidated financial statements do not include any adjustments related to the recoverability and or classification of the recorded asset amounts and or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of consolidation

The accompanying consolidated financial statements present the historical results of operations and cash flows of VCM and its subsidiaries.

The Company's consolidated financial statements include the accounts of VCM, VCI, Sino Pride, DVPD, DVBM, and DVPM. All inter-company accounts and transactions among the consolidation group have been eliminated in consolidation. Certain prior year balances have been reclassified to conform to current year's presentation.

#### Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures at the date of the consolidated financial statements and during the reporting periods. Actual results could materially differ from these estimates. Significant estimates include the liabilities recorded for financial agreements payable, buy-backs payable, lease back liabilities payable, expired lease payables and the estimated liability accrued for additional litigation charges related to the numerous lawsuits. Other estimates include the allowance for doubtful accounts on tenant receivables and other receivables, recoverability of long-lived assets, the useful life of rental properties, property and equipment and intangible assets, assumptions used in assessing impairment of long-term assets and the valuation of deferred tax assets.



## Foreign Currency Translation

The reporting currency of the Company is the U.S. dollar. The functional currency of VCM and VCI is the U.S. dollar. The functional currency of DVPD, DVBM, and DVPM is the Chinese Renminbi (“RMB”) whereas the functional currency of Sino Pride and DVPM is the Hong Kong Dollar (“HK\$”). The consolidated financial statements of the Company have been translated into U.S. dollars in accordance with FASB ASC 830-30 “Translation of Financial Statements”. The financial information is first prepared in RMB or HK\$ and then is translated into the U.S. dollar at the period-end exchange rates as to assets and liabilities and at average exchange rates as to revenue, expenses and cash flows. Equity accounts are translated at their historical exchange rates when the capital transactions occurred. As a result, amounts relating to assets and liabilities reported on the statements of cash flows may not necessarily agree with the changes in the corresponding balance sheets. Translation adjustments resulting from the process of translating the local currency financial statements into the U.S. dollar are included in accumulated other comprehensive income (loss). The cumulative translation adjustment and effect of exchange rate changes on cash for the years ended December 31, 2019 and 2018 were \$(2,242,729) and \$(3,739,981), respectively. Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at each balance sheet date with any transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

Pursuant to paragraph FASB ASC 830-20-35-1, the intra-entity (intercompany transactions) foreign currency transactions whose terms are denominated in the currency other than the Company’s functional currency and settlement is anticipated in the foreseeable future (hence not long-term investment nature), the increases or decreases in expected functional currency cash flows are included in determining net income (loss) for the period in which the exchange rate changes. The Company has an inter-company loan denominated in US dollars. The repayment of the loan is required when the Company is profitable. The loan proceeds, repayment and accrued interest were tracked in US dollars. The Company uses the bank spot exchange rate to record proceeds and repayments in RMB. By the end of the reporting period, the Company will adjust loan and interest payable balances from US dollars to RMB by using the period ending exchange rate. Any gain or loss from foreign currency exchange will be recognized in the consolidated statements of operations. There were \$271,447 and \$1,220,769 foreign currency transaction losses for the years ended December 31, 2019 and 2018, respectively.

Spot exchange rates and average exchange rates published by fxtop.com were used in the translation of the consolidated financial statements.

	2019	2018
US Exchange Rate		
Year-end RMB	6.9615	6.8778
Year average RMB	6.9114	6.6187
Year-end HK\$	7.7865	7.8319
Year average HK\$	7.8262	7.8377

All foreign exchange transactions must take place through authorized institutions of China. Management makes no representation that the RMB amounts could have been, or could be, converted into U.S. dollars at the rates used in translation.

## Revenue Recognition

### ***Rental Income-***

Our Victory Plaza currently has 3,173 rental units. Among these rental properties, the Company owned 433 units, 814 units were sold but with buy-back options, and 1,926 units were sold with no repurchase options. The Company will lease back some of these sold properties and rent them out to tenants. All contracts include a lease and contain information on rental income and payment term. Rental income is reported in the gross amount including rent income from our owned properties and lease-back properties. A predominately majority of the rental income comes from our owned properties and a very limited portion, estimated at less than 3%, from the lease-back properties. Existing lease-back expenses were recorded as amortization and interest expenses. Expired lease-back expenses were included in the lease-back expenses.

The Company recognizes the rental income on a straight-line basis over the terms of the leases. The cumulative differences between rental income recognized in the Company’s consolidated statements of operations and contractual payment terms have been recorded as deferred rental income and presented on the accompanying consolidated balance sheets.

### Property Management Fee Income

We currently provide common area management services to all tenants and shop owners. Common area management services include security, cleaning, fire service, landscaping, public facilities maintenance and other traditional services provided by a property management office. The terms of the property management agreements are usually consistent with the tenants' lease term. Property management fees are charged based on the area of property ranging from \$16 to \$20 per square foot per annum.

Since the performance obligations in the property management agreement are identical with the terms of property management agreement, the Company recognizes the property management income on a straight-line basis over the terms of the management agreement. The cumulative differences between property management income recognized in the Company's consolidated statements of operations and contractual payment terms have been recorded as deferred income and presented on the accompanying consolidated balance sheets.

### Expense Recovery

The Company will pay utility, repair and insurance expenses to third party vendors in order to fulfill its management obligations. The Company will charge all or part of these expenses to tenants in addition to property management fees. The charge will depend on the size of tenant and terms of property management agreement. The Company is acting as an agent to arrange for the provision of utilities, repairs and other services by third parties. The Company will recognize the fees collected as income after the Company's service is provided. The recovered expenses will offset the income the Company is paid and be reported net under the caption of other income in accompanying consolidated financial statements.

### Rental Properties

Rental properties are carried at cost less accumulated depreciation and amortization. Betterments, major renovations and certain costs directly related to the improvements of rental properties are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is recognized on a straight-line basis over estimated useful lives of the assets. Improvements are capitalized and amortized over the shorter of their estimated useful lives or the terms of the respective leases, if any. When rental properties are sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in the results of operations.

The following table summarized the ownership of rental properties.

Group	Description of Property	% of Total SQ Ft	Financial Statement Presentation	
			Assets	Liabilities
A	Owned with title by DVPD	16%	Rental properties	N/A
B	Sold properties with buy-back options or return is in process without paying off	9%	Rental properties	Property financing agreements payable
C *	Properties with buy-back options transferred to SML in 2017 and 2018	6%	Rental properties	Loan payable SML
D	Sold properties	69%	N/A	N/A
	Total properties	100%		

\* In the filing of Form S-1/A dated February 12, 2019, the Company had a C-2 property group category, "Third party has title acquired from previous owner". The purchase and sale transactions between the previous owner and new owner - "third party" will not remove the burden of the Company to buy back the property per the buy-back options. The nature of C-2 group is the same as Group B. Therefore, we removed group C-2 (approximately 1%) and combined it with Group B.

Group A represents property that the Company owns 100%. Group B represents property we sold to individual owners with buy-back options which are pending. Group C represents property owned by SML, but the Company is still liable for the buy-back options. Pursuant to the SML Agreement, the Company is obligated to buy back these properties plus accrued interest no later than May 15, 2020. Group D presents property we sold to various individual owners without additional rights attached.

### ***Sold Rental Properties with Financing Agreements (Group B and C Properties)***

Pursuant to the sales contracts, the buyers' obtained legal title to the property and also had an option to sign a separate buy-back agreement. The purchase agreement granted the buyer an option to request the Company to buy back sold properties at a stated buy-back price once the option vested and the Company has received the payments for the sold property. As of December 31, 2019, approximately 15% of total rental spaces of Victory Plaza were sold to various unrelated individuals and entities with buy-back options. The majority of these properties were sold during the period from 1998 to 2014. The vesting dates of the buy-back options ranged from 2014 to 2018.

Pursuant to FASB ASC 360-20-40-38, if a property seller has an obligation to repurchase the property, or the terms of the transaction allow the buyer to compel the seller or give an option to request the seller to repurchase the property, the transaction shall be accounted for as financing, lease, or profit-sharing arrangement rather than as a sale. It is aligned with FASB ASC 842-40-25-3, an option for the seller-lessee to repurchase the asset would preclude accounting for the transfer of the asset as a sale of the asset. The Company's accounting policy is to treat this type of sales as a financing agreement. The Company continues to report its ownership of the property sold as an asset (within Rental Properties) and continues to depreciate the property based on the estimated useful lives. The Company recorded sales proceeds as "property financing agreements payable" in the consolidated financial statements and accrues the interest payable during the periods of the vesting. The interest rate is determined by the price spread of each unit's sale price and buy-back price, and the time span from the date of sale to the maturity date (last date to execute the option). The Company will derecognize the liability when the Company purchases back the properties, or the owners of these properties have settled with the Company or gave up the buy-back options, or upon the expiration of the option if not exercised. If the settlement is greater than the book amount (including principal and interest), a loss will be recognized. If the amount of settlement is less than book amount (including principal and interest), a gain will be recognized. See Note 10, Property Financing Agreement Payable for further information.

### ***Sold Properties (Group D Properties)***

As of December 31, 2019, approximately 69% of the total space of Victory Plaza was sold and owned by various unrelated individuals and entities with legal title to the respective properties. Pursuant to the sale contracts, at the date of the sales, buyers obtained integrated legal ownership to the sold properties and assumed the significant risks and rewards of ownership of the property (had the ability to rent and sell the property at-will) while the Company received the payments of the purchase price. These sales are considered final sales.

As part of our operations, the Company may from time to time lease back properties from the owners of Group D properties and subleases these properties to un-related third parties with new lease terms. As of December 31, 2019, there was no sublease from the owner of Group D properties. Sales and lease-back are two separate business transactions. Lease-back is at the owner's will and is not a condition of sale. Lease-back could happen immediately after the sale of property or at any time after the sale if the owner of the property is interested in rental services provided by the Company.

Under FASB ASC Topic 842, a sale and lease-back arrangement will be accounted for as a sale if all of the following conditions are met: (i) control of the underlying asset is transferred to the buyer-lessor in accordance with the revenue recognition guidelines in FASB ASC Topic 606, Revenue from Contracts with Customers, (ii) the classification of the sublease is not a finance lease from the perspective of the lessee, or a sales-type lease from the perspective of the lessor, and (iii) there is no repurchase option.

There were 2 and 4 outstanding leases that the Company leased back from the owners of Group D properties as of December 31, 2019 and 2018, respectively. All these lease-back arrangements met the above criteria and have been accounted for as a sale. The allocated net book value and land use rights were derecognized, and a gain or loss was recognized when each of the sales was completed.

### **Lessee Accounting**

We have elected to early adopt FASB ASC Topic 842, the recent accounting update related to leases. FASB ASC 842 requires us to determine whether a contract is a lease or contains a lease at the inception of the contract, considering all relevant facts and circumstances. A contract is a lease or contains a lease if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration.

A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee should include payments to be made in optional periods only if the lessee is reasonably certain to exercise its option to extend the lease or not exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option.

A lease is classified as a finance lease when the lease meets any of the following criteria: (i) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, (ii) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, (iii) the lease term is for the major part of the remaining economic life of the underlying asset, (iv) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all (90% or more) of the fair value of the underlying asset, or (v) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. A lease not classified as a finance lease is classified as an operating lease.

The lease liability is initially measured at the present value of lease payments to be paid as of lease commencement. Lease payments should be discounted at the rate implicit in the lease or lessee's incremental borrowing rate. The right-of-use asset is initially measured as: (i) the lease liability determined, (ii) lease payments made to the lessor at or before lease commencement, minus lease incentives received from the lessor, and (iii) initial direct costs incurred by the lessee.

A lessee will measure the lease liability by (a) accreting interest expense on the carrying value of the lease liability using the effective interest rate method, and (b) reducing the carrying value of the lease liability for lease payments made. A lessee will measure the right-of-use asset by amortizing that asset over the lease term. Amortization is recorded on a straight-line basis. The right-of-use asset will also be tested for impairment based on the asset impairment rules that apply to property, plant and equipment in FASB ASC Topic 360.

For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying assets not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

#### Lessor Accounting

The Company currently owns 433 rental units and leased these rental properties to various tenants. Pursuant to FASB ASC 842 – 30, the Company will classify a lease as a sales – type lease if: (i) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, (ii) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, (iii) the lease term is for the major part of the remaining economic life of the underlying asset, (iv) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all (90% or more) of the fair value of the underlying asset, or (v) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. As of December 31, 2019, none of our leases, as a lessor, met the above criteria to be classified as a sales–type lease.

Pursuant to FASB ASC 842 – 30, when none of the sales-type lease classification criteria are met, a lessor would classify the lease as a direct financing lease when both of the following criteria are met: (i) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments and/or any other third party unrelated to the lessor equals or exceeds substantially all (90% or more) of the fair value of the underlying asset and (ii) it is probable that the lessor will collect the lease payments plus any amount necessary to satisfy a residual value guarantee. As of December 31, 2019, none of our leases, as a lessor, met the above criteria to be classified as a financing lease.

Pursuant to FASB ASC 842 – 30, a lessor would classify a lease as an operating lease when none of the sales-type lease or direct financing lease classification criteria are met. As of December 31, 2019, all leases of the Company's rental properties were classified as operating leases. The Company will maintain the underlying asset and recognizes lease income over the lease term.

### Disposition of Real Estate and Real Estate Investments

Sales of real estate include operating properties and investments in real estate joint ventures. Gains from dispositions are recognized using the full accrual or partial sale methods, provided that the Company has met various criteria relating to the terms of sale and any subsequent involvement. If the criteria for sales recognition or gain recognition are not met because of a form of continuing involvement, the accounting for such transactions is dependent on the nature of the continuing involvement. In certain cases, a sale might not be recognized, and in others all or a portion of the gain might be deferred.

### Real Estate Held for Sale

The Company generally considers assets to be held for sale when management believes that a sale is probable within a year. This generally occurs when a sales contract is executed with no substantive contingencies and the prospective buyer has significant funds at risk. Assets that are classified as held for sale are recorded at the lower of their carrying amount or fair value, less cost to sell. The Company evaluated its property portfolio and did not identify any properties that would meet the criteria for held for sale as of December 31, 2019 and December 31, 2018.

### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits in accounts maintained with commercial banks within the PRC, Hong Kong and United States. The Company considers all short-term highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents.

### Restricted Cash

Restricted cash represents cash deposits required by the bank to be used for interest and loan repayments only.

### Tenant and Sundry Receivables, net of Allowance for Doubtful Accounts

Tenant receivables are recorded at original invoice amount, less an estimated allowance for doubtful accounts. The allowance for doubtful accounts represents management's estimate of the amount of probable credit losses, determined by reviewing past due balances and other information. The Company makes judgments as to the collectability of tenant receivables based on historical trends and future expectations. Management estimates an allowance for doubtful accounts and adjusts gross tenant receivables downward based on their expectation of specific tenant risks and the Company's tenant receivable aging and collection analysis. Management considers accounts past due on a tenant-by-tenant basis. Based on its review, management has provided an allowance for doubtful accounts as of December 31, 2019 and 2018 of \$632,768 and \$123,467, respectively.

### Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Cost includes any incremental costs that are directly attributable to the construction or acquisition of the item of property and equipment. Maintenance and repairs are expensed as incurred, while major maintenance and remodeling costs are capitalized if they extend the useful life of the asset. Depreciation is computed using the straight-line method over the estimated useful lives.

When properties and equipment are sold or otherwise disposed of, the costs and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in the results of operations.

### Impairment of Long-Lived Assets

Long-lived assets, primarily rental properties and machinery and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. For long-lived assets to be held and used, the Company recognizes an impairment loss only if its carrying amount is not recoverable through its estimated undiscounted future cash flows over the anticipated holding period and measures the impairment loss based on the amount by which the carrying amount of the asset exceeds its estimated fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values or third-party independent appraisals, as considered necessary. There were no impairment losses recognized during the years ended December 31, 2019 and 2018.

### Debt Issuance Costs

Costs related to bank loans payable consist of fees and direct costs incurred in obtaining such financings. These costs are presented as a reduction of bank loans payable and are amortized on a straight-line basis over the terms of the related loan payable which approximates the effective interest rate method. Such amortization is included in "Interest – loans" in the accompanying consolidated statements of operations, which amounted to \$55,190 and \$52,331 for the years ended December 31, 2019 and 2018, respectively.

### Per Share Amounts

The Company computes per share amounts in accordance with FASB ASC Topic 260 "Earnings per Share" (EPS) which requires presentation of basic and diluted EPS. Basic EPS is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company, if any. This is computed by dividing net earnings by the combination of basic and dilutive common share equivalents. Since the Company is in a net loss position, all common stock equivalents would be anti-dilutive and are, therefore, not included in the determination of diluted loss per share. Accordingly, basic and diluted net loss per share are the same. There were no common stock equivalents as of December 31, 2019 and 2018.

Years Ended December 31,	2019	2018
<b>Numerator for earnings per share:</b>		
Net loss attributable to the Company's common shareholders	\$ (9,619,713)	\$ (3,777,399)
<b>Denominator for basic and diluted earnings per share:</b>		
Basic weighted average common shares	21,472,792	20,700,000
Diluted weighted average common shares	21,472,792	20,700,000

### Non-Controlling Interest

Non-controlling interest is classified as a separate line item in the equity section and disclosures in the Company's consolidated financial statements. This amount represents the 20% non-controlling interest in DVPD owned by DVDC.

### Comprehensive Income (Loss)

The Company follows ASC 220-10, "Reporting Comprehensive Income" FASB ASC 220-10 requires the reporting of comprehensive income (loss) in addition to net income (loss). Comprehensive income (loss) is a more inclusive financial reporting methodology that includes disclosure of information that historically has not been recognized in the calculation of net income (loss). Comprehensive income (loss) generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to shareholders. Comprehensive income (loss) reflects the gain (loss) due to foreign currency translation adjustments.

### Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the provision of FASB ASC 825-10-65, "Financial Instruments – Transition and Open Effective Date Information". Although the estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies, the estimates presented are not necessarily indicative of the amounts that the Company could realize in current market exchanges. The carrying amounts reported in the consolidated balance sheets for cash, accounts receivables and accounts payable approximate fair value because of the short-term nature of these financial instruments.

## Income Taxes

The Company is governed by the Income Tax Law of the PRC, the Special Region of Hong Kong and the U.S. Internal Revenue Code of 1986, as amended. The Company accounts for income taxes using the asset/liability method prescribed by FASB ASC 740, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. Deferred tax assets are also provided for net operating loss carryforwards that can be used to offset taxable income in the future. The Company records a valuation allowance to offset deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income or loss in the period that includes the enactment date.

The Company follows the provisions of ASC 740-10-50, "Accounting for Uncertainty in Income Taxes," which provides clarification related to the process associated with accounting for uncertain tax positions recognized in the Company's financial statements. Audit periods remain open for review until the statute of limitations has passed. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company's liability for income taxes. Any such adjustment could be material to the Company's results of operations for any given quarter or annual period based, in part, upon the results of operations for the given period. As of December 31, 2019, and 2018, the Company had no uncertain tax positions, and will continue to evaluate for uncertain positions in the future.

## Fair Value Measurements

The Company complies with the provisions of FASB ASC 820 "*Fair Value Measurements and Disclosure*" (ASC 820) in measuring fair value and in disclosing fair value measurements. FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements. FASB ASC 820-10-35, Fair Value Measurements and Disclosures – Subsequent Measurement (ASC 820-10-35), clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurement reflects the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique and/or the risks inherent in the inputs to the model.

ASC 820-10-35 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

**Level 1 Inputs** – Level 1 inputs are unadjusted quoted prices in active markets for assets or liabilities identical to those to be reported at fair value. An active market is a market in which transactions occur for the item to be fair valued with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2 Inputs** – Level 2 inputs are inputs other than quoted prices included within level 1. Level 2 inputs are observable either directly or indirectly. These inputs include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active, such as when there are few transactions for the asset or liability, the prices are not current, price quotations vary substantially over time or in which little information is released publicly; (c) Inputs other than quoted prices that are observable for the asset or liability and (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3 Inputs** – Level 3 inputs are unobservable inputs for an asset or liability. These inputs should be used to determine fair value only when observable inputs are not available. Unobservable inputs should be developed based on the best information available in the circumstances, which might include internally generated data and assumptions being used to price the asset or liability.

When determining the fair value measurements for assets or liabilities required or permitted to be recorded at and/or marked to fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets. When identical assets are not traded in active markets, the Company looks to market observable data for similar assets. Nevertheless, certain assets are not actively traded in observable markets and the Company must use alternative valuation techniques to derive a fair value measurement.

### Related Parties

Parties are considered to be related to the Company if they, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its separate interests. The Company discloses all related party transactions.

### Deferred Rental Income

Rental and management fee income from leases are recognized on a straight-line basis over the term of the relevant leases. The cumulative difference between the rental income/management fees recognized in the Company's consolidated statements of operations and actual annual contractual lease payments are recorded as deferred rental income and presented on the consolidated balance sheets. Additionally, prepaid lease payments from the tenant is included in deferred income.

### Advertising

Advertising is expensed as incurred and is included in other general and administrative expenses. There were \$472 and \$680 advertising expenses for the years ended December 31, 2019 and 2018.

### Recently Issued Accounting Pronouncements

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in this Update affect any entity that is required to apply the provisions of Topic 220, Income Statement – Reporting Comprehensive Income, and has items of other comprehensive income for which the related tax effects are presented in other comprehensive income as required by GAAP. The amendments in this Update are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of the amendments in this Update is permitted, including adoption in any interim period, (1) for public business entities for reporting periods for which financial statements have not yet been issued and (2) for all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this Update should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The adoption of this ASU did not have a material effect on the Company's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07 – Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, which to include share-based payment transactions for acquiring goods and services from non-employees, which nonemployee share-based payment awards within the scope of Topic 718 are measured at grant-date fair value of the equity instruments that an entity is obligated to issue when the goods have been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied. The definition of the term grant date is amended to generally state the date at which a grantor and a grantee reach a mutual understanding of the key terms and conditions of a share based payment award. The amendments are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. The adoption of this ASU did not have a material effect on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 removes, modifies and adds certain disclosure requirements in Topic 820 "Fair Value Measurement". ASU 2018-13 eliminates certain disclosures related to transfers and the valuations process, modifies disclosures for investments that are valued based on net asset value, clarifies the measurement uncertainty disclosure, and requires additional disclosures for Level 3 fair value measurements. ASU 2018-13 is effective for the Company for annual and interim reporting periods beginning July 1, 2020. The Company does not believe the adoption of this ASU will have a material effect on the Company's consolidated financial statements.

In May 2019, the FASB issued ASU 2019-05, which is an update to ASU Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced the expected credit losses methodology for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. The amendments in Update 2016-13 added Topic 326, Financial Instruments—Credit Losses, and made several consequential amendments to the Codification. Update 2016-13 also modified the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with Subtopic 326-30, Financial Instruments—Credit Losses—Available-for-Sale Debt Securities. The amendments in this Update address those stakeholders' concerns by providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in Update 2016-13 while still providing financial statement users with decision-useful information. ASU 2019-05 is effective for the Company for annual and interim reporting periods beginning July 1, 2020. The Company is currently evaluating the impact of ASU 2019-05 will have on its consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the Company's consolidated financial statements.



NOTE 4 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following:

	2019	2018
Supplies on hand	\$ 100,156	\$ 79,478
Prepaid expenses	331,454	498,043
Deposits	95,224	120,235
Total prepaid expenses and other assets	<u>\$ 526,834</u>	<u>\$ 697,756</u>

NOTE 5 – RENTAL PROPERTIES, NET

Victory Plaza is located in Dalian City, Liaoning Province of China. It was built by DVPD from 1993 to 1998.

The Company leases its own properties and lease-backed properties to tenants and manages the Victory Plaza.

The following table summarized ownership of rental properties.

As of December 31, 2019

Group	Description of Property	Cost	In Square Feet	% of Total Square Feet	Units
A	Owned by DVPD	\$ 21,704,162	240,455	16%	433
B	Sold properties with buy- back options or return is in process without paying off	11,703,248	130,394	9%	495
C	Properties with buy- back options transferred to SML in 2017 and 2018 *	7,660,568	86,251	6%	319
D	Sold properties without buy- back options	-	1,023,519	69%	1,926
	Rental properties at cost	<u>41,067,978</u>	<u>1,480,618</u>	<u>100%</u>	<u>3,173</u>
	Less: accumulated depreciation	<u>(19,733,963)</u>			
	Rental properties, net	<u>\$ 21,334,015</u>			

As of December 31, 2018

Group	Description of Property	Cost in US \$	In Square Feet	% of Total Square Feet	Units
A	Owned by DVPD	\$ 21,968,292	240,799	16%	434
B	Sold properties with buy- back options or return is in process without paying off	11,845,672	130,049	9%	493
C	Properties with buy- back options transferred to SML in 2017 and 2018 *	7,753,794	86,251	6%	319
D	Sold properties without buy- back options	-	1,023,519	69%	1,927
	Rental properties at cost	<u>41,567,758</u>	<u>1,480,618</u>	<u>100%</u>	<u>3,173</u>
	Less: accumulated depreciation	<u>(19,048,676)</u>			
	Rental properties, net	<u>\$ 22,519,082</u>			

\*See Note 11, Property Financing Agreement Payable

Depreciation expense for the rental properties was \$920,943 and \$974,548 for the years ended December 31, 2019 and December 31, 2018 respectively. As of December 31, 2019 and 2018, 1,023,519 square feet (95,088 square meters) of total rental properties (Group D property), or 69% of rental properties were sold. These sold properties are owned by various unrelated individuals and entities. The majority of these properties were sold during the period from 1998 to 2012. Pursuant to the sale contracts, at the date of the sale, buyers obtained legal ownership to the sold properties and assumed the significant risks and rewards of ownership of the property (had the ability to rent and sell the property at-will) while the Company received the payments of the purchase prices. These sales were considered final sales. The allocated carrying cost and land use rights costs were derecognized and gains or losses were recognized when the sales were completed.

As of December 31, 2019, DVPD owned 240,455 Square feet (22,339 square meters) of total rental properties (Group A property) (approximately 16%) with legal title. As of December 31, 2018, DVPD owned 240,799 square feet (22,371 square meters) of total rental properties (Group A property) (approximately 16%) with legal title. Rental properties are carried at cost, which includes allocated construction costs and allocated original purchased land use right costs. These properties were recorded under the caption of “rental properties”.

Among the properties owned by the Company, 200,747 square feet (18,650 square meters) of properties were used as collateral for a 390M RMB Loan (\$56.2 million) and 22,098 square feet (2,053 square meters) were used as collateral for 50M RMB Loan (\$7.2 million) and 23M RMB Loan (\$3.5 million). (see Note 10, Bank Loans Payable)

Group B and Group C properties were properties sold to various unrelated individuals and entities with a buy-back option. The majority of these properties were sold during the period from 1998 to 2012. The vesting dates of the buy-back options ranged from 2014 to 2018. The Company has no legal title to these properties until the Company purchases back these properties upon the exercise of the buy-back option. The Company’s accounting policy is to treat these types of sales as a financing agreement. The cost of property sold has been measured under the caption of “rental property” in the consolidated financial statements and continue to be depreciated. The Company recorded the sales proceeds as “property financing agreements payable” in the consolidated financial statements and accrues the interest expense during the period of the lease. The interest rate is determined by the price spread of each unit’s sale price and re-purchase price, and the time span from the date of sale to the maturity date (last date to execute the option). At the date of repurchase, the amount of sales proceeds received plus interest accrued will be equal to the agreed purchase price. The Company will derecognize the liability at the earlier of (1) when the Company repurchases the property, (2) when the owner of the property and the Company reaches a settlement and the owner gives up the buy-back option, or (3) the expiration of the buy-back option. (See Note 10), Property Financing Agreement Payable for further information.

In the filing of Form S-1/A dated February 12, 2019, the Company had a C-2 property group category, “Third party has title acquired from previous owner”. The purchase and sale transactions between the previous owner and new owner - “third party” will not remove the burden of the Company to buy back the property per the buy-back option. The nature of the C-2 group was the same as Group B. Therefore, we removed group C-2 and combined it (approximately 1%), with Group B.

As of December 31, 2019, Group B properties had 130,394 square feet (12,114 square meters) 9% of total properties. As of December 31, 2018, Group B properties had 130,049 square feet (12,082 square meters) 9% of total properties.

Pursuant to the SML financing agreement (see Note 10, Property Financing Agreement Payable), SML will negotiate with each individual property owner who exercised their option to request the Company to buy back the property on a case by case basis and pay an agreed upon price to the property owner. SML will acquire the title to the property and settle with the previous owner and extend the buy-back option to May 15, 2020. The Company will honor the buy-back agreements and agreed to pay the same purchase price stated in the original buy-back agreements. SML will also negotiate with lease back owners and settle the balance due that the Company owed to lease owners. The Company will pay interest at 8% per annum of the balance (buy-back price) owed to SML. As of December 31, 2019 and 2018, 86,251 square feet (8,013 square meters) of properties were owned by SML.

There is no private ownership of land in the PRC. All land in the PRC is owned by the government and cannot be sold to any individual or company. The government grants a land use right that permits the holder of the land a right to use the land for a specified period. Our land use rights were granted with a term of 50 years. Any transfer of the land use right requires government approval. The acquisition cost of the land use right was allocated to each rental property and is amortized with the rental property. The land use rights expire in May 2043. Properties' estimated life was determined by the valid life of land use rights. Rental properties are depreciated over 45 years.

Expected future minimum rents to be received over the next five years and thereafter from leases in effect as of December 31, 2019 are as follows:

For the Years Ending December 31,	Amount in US\$
2020	\$ 679,390
2021	653,146
2022	63,497
2023	7,182
Total	<u>\$ 1,403,215</u>

During 2019, the Company didn't sell any unit. During 2018, the Company sold 26 units comprised of 7,460 square feet (693 square meters) to third parties without buy-back options. Those sales were considered as final. The Company realized a gain of \$1,340,035 from these sales.

Sales price	\$ 2,098,071
Less: carrying costs	(610,365)
Add: accumulated depreciation	279,703
Other cost adjustments	(427,374)
Net Gain	<u>\$ 1,340,035</u>

NOTE 6 –PROPERTY AND EQUIPMENT

Property and equipment are composed of the following:

	Estimated Useful Life	December 31, 2019	December 31, 2018
Rental Property	45 years	\$ 218,482	\$ 221,140
Office equipment	3-5 years	319,359	324,623
Business machinery and equipment	5-10 years	2,944,603	2,969,180
Auto	5 years	24,574	24,873
Improvements	5-10 years	9,997,516	10,118,913
Total properties, machinery and equipment		13,504,534	13,658,729
Less: accumulated depreciation and amortization		(13,074,471)	(13,024,140)
Property and equipment, net		<u>\$ 430,063</u>	<u>\$ 634,589</u>

Depreciation expense was \$222,813 and \$226,603 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 - INTANGIBLE ASSETS

Intangible assets consist of the software used in management. The cost and related amortization are as follows:

	Estimated Useful Life	December 31, 2019	December 31, 2018
Management software	5 years	\$ 25,819	\$ 26,134
Less: accumulated amortization		(8,179)	(3,051)
Intangible assets, net		<u>\$ 17,640</u>	<u>\$ 23,083</u>

Amortization expense was \$5,201 and \$3,171 for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 – RIGHT OF USE ASSETS

As part of its operations, the Company leases back sold properties in Victory Plaza and subleases the properties to un-related third parties with separate lease terms. Leases related to the property in Group B (see Note 5, Rental Properties, Net) which were sold with buy-back options are classified as financing leases. Leases related to the property in Group D (see Note 5) are classified as financing leases if the lease meets any of the following criteria: (i) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, (ii) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, (iii) The lease term is for the major part of the remaining economic life of the underlying asset, (iv) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all (90% or more) of the fair value of the underlying asset, or (v) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. A lease will be classified as an operating lease if it is not classified as a finance lease.

On March 27, 2018, Sino Pride leased office space which is to expire on March 26, 2020. Due to the cost consideration, on August 15, 2019, Sino Pride terminated its old lease and moved to a new location. The lease is classified as an operating lease. At the lease commencement date, the Company recognized a right-of-use asset and a lease liability, which is the present value of the total lease payments discounted at 5.25% - a premium bank lending rate per annum at the date. The right-of-use asset is amortized over the term of lease.

Lease Liability maturities as of December 31,

2020	\$	210,946
2021		191,530
2022		118,788
Thereafter		-
<b>Total Lease Liability maturities</b>	<b>\$</b>	<b>521,264</b>

Right of use assets consist of the followings as of December 31, 2019 and 2018:

Right of Use Assets- As of December 31, 2019 in US \$

Lease Type	Property Group	Lease Units	ROU Assets	Accumulated Amortization	ROU, Net
Financing lease	B	1	\$ 61,261	\$ (60,166)	\$ 1,095
Financing lease	D				
Operating lease - Rental	-	2	564,865	(81,782)	483,083
<b>Total</b>		<b>3</b>	<b>\$ 626,126</b>	<b>\$ (141,948)</b>	<b>\$ 484,178</b>

Right of Use Assets - As of December 31, 2018 in US \$

Lease Type	Property Group	Lease Units	ROU Assets	Accumulated Amortization	ROU, Net
Financing lease	B	4	\$ 315,067	\$ (284,848)	\$ 30,219
Financing lease	D	4	247,730	(237,948)	9,782
Operating lease - Rental	-	1	597,889	(214,985)	382,904
<b>Total</b>		<b>9</b>	<b>\$ 1,160,686</b>	<b>\$ (737,781)</b>	<b>\$ 422,905</b>

There were 6 and 15 lease-back leases that expired during the twelve months ended December 31, 2019 and December 31, 2018, respectively. The Company did not renew those leases.

Amortization of ROU assets were \$38,040 and \$110,602 for the years ended December 31, 2019 and 2018, respectively.

Operating lease expense was \$291,549 and \$235,623 for the years ended December 31, 2019 and 2018, respectively.

The short-term rent lease expense was also included in operating lease expense. In addition to the above operating lease expense, short-term rental expense was \$307,505 and \$268,778 for the year ended December 31, 2019 and 2018, respectively.

#### NOTE 9 - SHORT-TERM LOAN AND INTEREST RECEIVABLE

On June 28, 2018, DVBM entered into a loan agreement to lend RMB 50,000,000 or \$7,265,647 (the "Principal") to Zhong Ke Chuang Zhan Investment, Ltd, an independent third party ("ZKCZ"). The maturity date of the unsecured loan was June 30, 2019 (the "Maturity Date"). The interest (the "Interest") shall accrue on the unpaid Principal amount of the loan from July 1, 2018 to September 30, 2018 at a simple rate of 2% per month and from October 1, 2018 to June 30, 2019 at a simple rate of 0.7% per month. All computations of the Interest rate hereunder shall be made based on the daily balance of the Principal amount of the loan. Accrued, but unpaid, interest shall be paid on the Maturity Date. The outstanding loan principal to ZKCZ was approximately \$7.5 million at December 31, 2019.

On June 30, 2019, the Company signed a new loan agreement with ZKCZ to amend the loan amount from \$7,182,360 (RMB 50,000,000) to \$10,773,540 (RMB 75,000,000) and extend its Maturity Date to September 30, 2020. At the request of the Company, ZKCZ has provided to the Company a Promissory Note and payment plan related to the above outstanding loan. As of June 30, 2019, the Company has recorded a reserve allowance of \$2,606,349 (RMB 18,144,100) in the accompanying consolidated financial statements. From January 1, 2020 to March 31, 2020, ZKCZ has made payments of approximately RMB 6.2M back to the Company.

#### NOTE 10 – BANK LOANS PAYABLE

The following table sets forth the Company's loans payable as of December 31, 2019 and December 31, 2018:

	2019	2018
<b>Harbin Bank Loans</b>		
Interest at 5.46% per annum, payable 07/18/2027	\$ 55,519,644	\$ 56,267,993
Interest at 7.08% per annum, payable 07/19/2024	4,104,206	4,348,878
Interest at 6.50% per annum, payable 12/20/2018-In default	3,303,885	3,344,093
Interest at 6.50% per annum, payable 09/27/2019-In default	2,858,579	2,893,367
Interest at 6.50% per annum, payable 03/11/2020-In default	1,470,948	-
<b>Total principal</b>	<b>67,257,262</b>	<b>66,854,331</b>
Less:		
unamortized debt issuance cost	(335,849)	(395,397)
<b>Total bank loans payable</b>	<b>\$ 66,921,413</b>	<b>\$ 66,458,934</b>

On July 20, 2014, the Company's subsidiaries, DVPD entered into a 10-year loan agreement (the "RMB 390M Loan") US\$56,022,409 (RMB 390,000,000 translated at December 31, 2019 exchange rate) long-term borrowing from Harbin Bank (the "Bank"). The Loan was used for "repayment of other bank loans, repayment of shareholder loans and renovations". The Loan charges a floating rate of interest at 120% of the loan rate published by the People's Bank of China for similar loans. Current benchmark rate for a business loan over 5 years is 4.9% per annum adjusted on October 24, 2015. The average interest rates were 5.88% and 5.90% for the years ended December 31, 2019 and 2018, respectively. Originally, Loan was to mature on June 19, 2024. On August 17, 2017, the Bank agreed to the following: (i) to extend the maturity date of the Loan from July 19, 2024 to July 18, 2027; (ii) to extend the initial monthly repayment date from August 20, 2017 to July 20, 2020, however, during the extended period, the Company has to repay principal of US\$72,015 (RMB 500,000) per quarter plus monthly interest; and (iii) add Mr. Alex Brown, the controlling shareholder and founder of VCI, as a joint and several guarantor. The Loan agreement includes customary events of default, including DVPD's failure to pay any principal or interest when due, becoming insolvent, or ceasing operations, or if there is a material adverse change in the assets, business, commitments, or prospects of DVPD. Upon the Bank's declaration of an event of default under the Loan agreement, they can demand payment in full of all outstanding principal and accrued interest. The RMB 390M Loan balance was US\$55,519,644 (RMB 386,500,000) and US\$56,267,993 (RMB 387,000,000) as of December 31, 2019 and, 2018, respectively.



The Loan is secured substantially by 18,650 square meters (200,747 square feet) of rental properties owned by DVPD and guaranteed jointly by Sino Pride, DVPD, DVBM, and Mr. Alex Brown. If DVPD fails to fulfill the obligations of the relevant provisions of the RMB 390M Loan agreement, each guarantor shall be liable and pay liquidated damages to the Bank. The damages are 20% of the principal amount of the loan.

According to the loan agreement with the Bank dated August 17, 2017, the Company had paid to the Bank the quarterly principal plus monthly interest through the first quarter of 2019. The Company, however, has not made such payment since April 2019, which can be considered as an event of default. As of December 31, 2019, accrued principal and interest totaled approximately \$2.7 million (the “RMB 390M Loan Balance Due”).

On March 24, 2015, DVPD entered into a loan agreement (the “RMB 50M Loan”) for a US\$7,182,360 (RMB50,000,000 translated at December 31, 2019 exchange rate) long-term borrowing from the Bank. The RMB 50M Loan was used for renovations. The RMB 50M Loan charges a floating rate of interest at 120% of the loan rate published by the People’s Bank of China. The current benchmark rate for a business loan over 5 years is 4.9% per annum adjusted on October 24, 2015. The average interest rates for the years ended December 31, 2019 and 2018 were 5.89% and 5.88%, respectively. The maturity date of the RMB 50M Loan is July 19, 2024. The RMB 50M Loan Agreement includes customary events of default, including DVPD’s failure to pay any principal or interest when due, becoming insolvent, or ceasing operations, or if there is a material adverse change in the assets, business, commitments, or prospects of DVPD. Upon the Bank’s declaration of an event of default under the loan agreement, the Bank Loan can demand payment in full of all outstanding principal and accrued interest. The RMB 50M Loan balance was US\$4,104,206 (RMB 28,571,429) and US\$4,348,878 (RMB 29,910,714) at December 31, 2019 and December 31, 2018, respectively.

The RMB 50M Loan is secured substantially by 2,053 square meters (22,098 square feet) of rental properties owned by DVPD and guaranteed jointly by Sino Pride, DVPD and DVBM. If DVPD fails to fulfill the obligations of the relevant provisions of the Loan agreement, each guarantor shall be liable and pay liquidated damages to the Bank. The damages are 20% of the principal amount of the loan. The Company is required to make the principal and interest payments from April 20, 2015 through the Maturity Date.

As of December 31, 2019, the accrued principal and interest totaled approximately \$0.8 million (the “RMB 50M Loan Balance Due”).

On December 21, 2017, DVPD entered into a liquidity loan agreement (the “RMB 23M Loan”) for a principal amount of \$3,534,383 (RMB 23,000,000) from Harbin Bank (the “Bank”) with interest at 6.5%, payable monthly. The RMB 23M Loan is used for short term liquidity needs. On December 28, 2017, DVPD borrowed \$1,844,026 (RMB 12,000,000). The term of the loan was one year and was due on December 20, 2018. On January 19, 2018, DVPD borrowed an additional \$1,690,357 (RMB 11,000,000). DVPD may choose to extend the term of the loan after obtaining prior written consent from the Bank at least 15 days prior to the maturity date. Currently, The loan agreement includes customary events of default, including DVPD’s failure to pay any principal or interest when due, becoming insolvent, or ceasing operations, or if there is a material adverse change in the assets, business, commitments, or prospects of DVPD. Upon the bank’s declaration of an event of default under the loan agreement, the Bank can demand repayment in full of principal and accrued interest. The Loan also prohibits the payment of dividends. The RMB 23M loan is secured by the same collateral as the RMB 50M loan and is guaranteed jointly by DVBM and Sino Pride.

As the date of this Annual Report, the Company has not made the repayment and the loan is in default.

On September 27, 2018, DVPD borrowed US\$2,891,727 (RMB19,900,000) in a short-term loan from Harbin Bank (the “RMB 19.9M Loan”). The loan requires interest at 6.50% per annum and expired on September 12, 2019. The use of loan proceeds is restricted to pay principal and interest amounts owed to Harbin Bank.

As of the date of this Annual Report, the Company has not made the repayment and the loan is in default.

On March 26, 2019, DVPD borrowed US\$1,433,491 (RMB10,240,000 translated at September 30, 2019 exchange rate) in a short-term loan from Harbin Bank (the “RMB 10.24M Loan”, together with the RMB 23M Loan and RMB 19.9M Loan, the “Liquidity Loan Balance Due”). The loan requires interest at 6.50% per annum and expires on March 11, 2020. The use of loan proceeds is restricted to pay principal and interest amounts owed to Harbin Bank.

As of the date of this Annual Report, the RMB 10.24M Loan has been expired while the Company has not made the corresponding repayment.

As of the date of this Annual Report, the Short-Terms Loans including RMB 23,000,000, RMB19,900,000, and RMB10,240,000 respectively have become due while the Company has not made the corresponding payment. The Company is not aware that the Bank has taken any legal action against the Company. In the event that the Bank rejects our Refinancing Loans and/or commence any legal proceeding against us regarding the Short-term Loans, we may lose our collateralized assets which will cause a material adverse effect on our results of operations. Furthermore, if the collateral on those loans cannot satisfy our payment obligation, we may be forced to commence liquidation process if we do not have sufficient liquidity or cannot raise sufficient fund at that time, if any at all.

The weighted average short-term loan balance consisting of loans from financial institutions was \$7,388,091 and \$4,046,028 for the years ended December 31, 2019 and 2018, respectively. The weighted average interest rate for short term loans was 6.50 per annum for the years ended December 31, 2019 and 2018.

For the years ended December 31, 2019 and 2018, interest expense incurred for the above loans, including amortization of debt issuance costs amounted to \$4,147,614 and \$4,131,313, respectively.

The Bank and the Company are currently discussing potential grant to convert the principal and interests due, including the RMB 390M Loan Balance Due, the RMB 50M Loan Balance Due, and the Liquidity Loan Balance Due into a new loan and an additional liquidity loans in an amount of RMB 50 million (collectively, the “Refinancing Loans”). The collateral for the potential RMB 50 million loan will be the remaining values of same collateral for the RMB 390M Loan and RMB 50M Loan but ranking junior to the RMB 390MB Loan and RMB 50M Loan. In addition, the Company has been negotiating with the Bank for a waiver of the penalty for late payment of related loan interest (the “Penalty Waiver”). The Company has already submitted the application for the Refinancing Loans at the request of the Bank. It usually takes about 2 to 3 months for the Bank to review and approve the Refinancing Loans and the Penalty Waiver which can be potentially longer as a result of the outbreak of the COVID-19. However, there is no assurance or certainty that such Refinancing Loans or Penalty Waiver will be approved by the Bank.

#### Debt Maturities

As of December 31, 2019, scheduled maturities of the Company’s outstanding bank loans were as follows:

Year Ended December 31,	
2020	\$ 8,690,244
2021	1,056,832
2022	1,056,832
2023	1,056,834
2024	1,056,834
Thereafter	54,339,686
Total debt maturities	67,257,262
Less: unamortized debt issuance costs	(335,849)
Total debt obligations	<u>\$ 66,921,413</u>

#### NOTE 11 – PROPERTY FINANCING AGREEMENTS PAYABLE

Property financing agreements payable consists of the following as of December 31, 2019 and 2018.

	2019	2018
Buy-back financing agreements - Group B properties	\$ 42,680,410	\$ 46,438,364
SML financing agreements - Group C properties *	34,802,880	33,529,953
Net unamortized SML financing cost	(18,509)	(63,697)
Total property financing agreements, net	<u>\$ 77,464,781</u>	<u>\$ 79,904,620</u>

\* includes lease-back payables transferred to SML

#### Buy-back Financing Agreements

As of December 31, 2019, 216,230 square feet (20,127 square meters) of total properties (15%) (including Group B and Group C properties-the properties transferred to SML) were sold to various unrelated individuals and entities with a buy-back option. The majority of these properties were sold in the period from 1998 to 2012. The date of buy-back options ranged from 2014 to 2018.

The Company’s accounting policy is to treat these types of sales as financing agreements. The costs of properties sold were kept under the caption of “rental properties” in the consolidated financial statements and continue to depreciate the properties over their estimated life. (see Note 5, Rental Properties, Net) The Company recorded sales proceeds as “property financing agreements payable” in the consolidated financial statements and accrues interest during the period of the buy-back option. The interest rate is determined by the price spread of each unit’s sale price and buy-back price, and the time span from the date of sale to the expiration date (last date to execute the option). In the case where the buy-back price is equal to the sales price, a bank long term lending rate is used. The amount of buy-back financing agreements represents the original proceeds from the sale of the property plus accrued interest. At the date of expiration, the amount of the buy-back financing agreements will equal the buy-back price stated in the buy-back contract.



Detailed information on property buy-back financing agreements payable in Group B as of December 31, 2019 and 2018 as follows.

	Units	Square Feet	Selling Price	Buy-Back Price	Property Financing Agreements Payable
<b>December 31, 2019</b>					
Effective agreements	5	1,948	\$ 533,965	\$ 713,740	\$ 686,960
Past due agreements	490	128,446	37,267,543	41,996,688	41,993,450
<b>Total financing agreements</b>	<b>495</b>	<b>130,006</b>	<b>\$ 37,801,508</b>	<b>\$ 42,710,428</b>	<b>\$ 42,680,410</b>
<b>December 31, 2018</b>					
Effective agreements	14	5,047	\$ 1,765,972	\$ 2,501,614	\$ 2,420,513
Past due agreements	479	124,959	36,322,719	44,030,955	44,017,851
<b>Total financing agreements</b>	<b>493</b>	<b>130,006</b>	<b>\$ 38,088,691</b>	<b>\$ 46,532,569</b>	<b>\$ 46,438,364</b>

The buy-back price is the price that Company has to pay when the owner of property exercises their option to have the Company buy-back the property. This price is stated in the buy-back agreement. Property financing agreements payable is the amount that the Company accrued as a liability as of the reporting date. At the date of maturity, property financing agreements payable will equal the buy-back price. During the twelve months ended December 31, 2019, the Company paid a total of \$3,474,503 (RMB 24,197,759) to the owners of property, which was recorded as a reduction of the Property Financing Agreement Payable in the accompanying consolidated financial statements.

Property financing agreements payable will be derecognized when the buy-back amount is fully paid. In the case of settlement, the remaining unpaid balance will be reclassified from buy-back payable to other payables. The amount recorded as buy-back payables reclassified to other payables was \$4,152,344 and \$4,186,382 as of December 31, 2019 and 2018, respectively.

Following table set forth the expiration of buy-back options (Group B properties) and the buy-back amount.

Future Expiration	Units	Amount
Past due as of 12/31/2019	490	\$ 41,996,688
12/31/2020	3	460,576
12/31/2021	-	-
12/31/2022	2	253,164
12/31/2023	-	-
<b>Total</b>	<b>495</b>	<b>\$ 42,710,428</b>

#### SML Agreement

On December 29, 2017, the Company entered into an agreement “Strategy Cooperation Agreement”, as amended on February 22, 2018 (the “SML Agreement”) with Dalian Sheng Ma Lin Trading Ltd. (“SML”). Pursuant to the SML Agreement, SML will negotiate with each individual property owner who exercised their option to request the Company to buy back the property on a case by case basis and pay an agreed price to such owner. SML will subsequently become the owner of the property and the Company had agreed to buy back the property at the initial price under the buy-back option with the previous owner no later than May 15, 2020. The Company also agreed to pay interest of 8% per annum commencing on January 1, 2018. In addition, SML will settle the lease-back payables under the lease-back agreements with each individual property owner and the Company agrees to pay SML the amount of rent payable under the lease-back plus annual interest of 8% commencing on January 1, 2018 no later than May 15, 2020.

The SML Agreement helped the Company to temporarily relieve part of pressure from disputes and expedite the settlements which will help Company to improve its credit and financial position so that the Company can focus on the Renovation. However, as of December 31, 2019, the Company has temporarily suspended its renovation projects due to its inability to raise the needed fund. SML has no relationship or affiliation with the Company other than the SML agreement. As of December 31, 2019, the properties with buy-back options totaled 319 units, 86,244 square feet (8,013 meters). Acknowledging the impact of the outbreak of COVID-19, on January 15, 2020, the Company entered into a supplemental agreement with SML to extend the original repayment date from May 15, 2020 to May 15, 2023.

Amounts under the SML Agreement as of December 31, 2019 and 2018 consist of following:

	2019	2018
Buy-back related cases: including remaining balances	\$ 25,869,672	\$ 26,995,786
Lease-back related cases: including historical remaining balances	4,020,158	4,069,082
Accrued interest payable to SML	4,913,051	2,465,085
Total SML financing agreements	<u>\$ 34,802,881</u>	<u>\$ 33,529,953</u>

NOTE 12 – ACCOUNT PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	December 31, 2019	December 31, 2018
Accounts payable	\$ 3,461,758	\$ 2,839,967
Wages and employee benefits payable	679,189	370,151
Taxes payable*	806,380	584,693
Vat payable	745,935	455,962
Bank loan interest payable	3,245,679	496,831
Total accounts payable and accrued liabilities	<u>\$ 8,938,941</u>	<u>\$ 4,747,604</u>

\* Taxes payable consist of the following:

	December 31, 2019	December 31, 2018
Individual income taxes	27,150	30,674
Business taxes	169,336	136,725
Property and land use taxes	269,646	253,226
Tax penalties	247,732	90,473
Other surcharges and fees	92,516	73,595
Total	<u>\$ 806,380</u>	<u>\$ 584,693</u>

As of December 31, 2019, and 2018, the Company's taxes payable includes property tax, land use right taxes, income tax, taxes related to rental and other taxes in the aggregate amount of \$0.8 million and \$0.6 million, respectively. In accordance with Chinese tax authorities and tax laws, the Company accrued tax penalties payable of \$247,732 and \$90,473 as of December 31, 2019 and 2018, respectively.

NOTE 13 – LEASE LIABILITIES PAYABLE

Lease liabilities payable consisted of following as of December 31, 2019.

Lease Type	Property Group	Lease Units	Lease Payable
Financing lease	B	1	\$ 1,637
Financing leases	D	2	21,118
Operating leases	Office rent	2	498,509
Total		<u>5</u>	<u>\$ 521,264</u>

Leases liabilities payable consisted of following as of December 31, 2018.

Lease Type	Property Group	Lease Units	Lease Payable
Financing lease	B	4	\$ 176,902
Financing lease	D	4	38,878
Operating lease	D	1	396,345
Total		9	\$ 612,125

For the year ended December 31, 2019, 5 lease-backs expired. For the year ended December 31, 2018, 15 lease-back leases expired. The Company did not renew those leases. The unpaid lease liability was recorded as "Other payables" in the accompanying consolidated financial statements. Accumulated unpaid lease-back liabilities were \$5,529,680 and \$5,456,833 as of December 31, 2019 and 2018, respectively.

For the financing leases, the Company did not process any cash payments for the periods ended December 31, 2019 and 2018 respectively. During the same periods, their respective weighted average remaining lease term was about one year whereas the supplemental noncash on lease liabilities resulting from right-to-use assets were approximately \$779,000 and \$3,870,804. For the operating leases, the Company processed cash payments of approximately \$70,000 and \$227,000 for the periods ended December 31, 2019 and 2018 respectively. During the same periods, their respective weighted average remaining lease terms were about one year whereas the supplemental noncash on lease liabilities resulting from right-to-use assets were approximately \$566,000 and \$598,000.

A typical lease contract will include the: (i) the lease period – usually around 10 years, (ii) agreed lease payment amount, (iii) payment terms among others, The Company takes the risk after the lease is signed. The Company is liable for the agreed lease-back payment amount even if the property is vacant. Lease-back rental properties may be combined with Company owned properties together for rent depending on the needs of the tenant. The Company did not trace income separately from those lease-back properties. Rental income is reported gross including rental income from our owned properties and lease-back properties. Lease-back expenses were recorded as amortization, interest and lease-back expenses separately.

Financing lease expenses consisted of (i) amortization of the ROU asset; (ii) interest expense of the lease liability and (iii) other one-time payments including late payment reimbursement. The Company incurred \$38,040 and \$110,602 of amortization of ROU assets during years ended December 31, 2019 and 2018, respectively. The Company incurred \$1,290 and \$6,846 of interest expense in connection with financing leases for the years ended December 31, 2019 and 2018, respectively. The Company incurred additional expenses of \$2,712 and \$2,364,004 in connection with the lease-back operations for the years ended December 31, 2019 and 2018, respectively. The 2018 expenses are mainly guaranteed rental payments, late payment reimbursements and taxes paid on behalf of the property owners.

Operating lease expense including interest and amortization are reported as "operating lease expense" in the accompanying consolidated financial statements. Operating lease expense was \$599,054 and \$504,401 for the years ended December 31, 2019 and 2018, respectively, including the rental expenses from the short-term leases of \$307,505 and \$268,778 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease-back payables at December 31, 2019 were as follows:

Years Ended December 31,	Lease Units*	Square Feet	Minimum Lease Payable
2020	3	431	\$ 4,474
2021	2	108	433
2022	-	-	-
Total future minimum lease payable			\$ 4,907

\* Lease units represent total leases at the end of period

Sino Pride leases office space under an operating lease agreement which expires on August 31, 2021 and New York's office lease expires on August 31, 2022. The future minimum rental payments are as follows:

Years ending December 31,	
2020	\$ 209,865
2021	202,859
2022	119,372
	<u>\$ 532,096</u>

#### NOTE 14 – OTHER PAYABLES

Other payables consist of the following:

	December 31, 2019	December 31, 2018
Tenants deposits payable	2,624,528	2,652,706
Tenants escrow account	1,694,568	1,607,935
Guaranteed rent payable	282,950	286,394
Expired lease-back payable	5,529,680	5,456,883
Buy-back payable	4,152,344	4,186,382
Accrued liabilities for additional payables from lawsuits	4,742,632	4,800,348
Union, housing, heating and others	879,996	604,227
<b>Total Other Payables</b>	<u>\$ 19,906,698</u>	<u>\$ 19,594,875</u>

#### NOTE 15 – RELATED PARTY TRANSACTIONS

The Company has been financing its operations by borrowing funds from Sino Pride and DVDC, the holder of the 20% equity interest of DVPD.

Loan payable to related party consists of following as of December 31, 2019 and 2018:

	2019	2018
Loan payable to DVDC	\$ 10,594,843	\$ 10,723,778
Due to related individual	1,339,948	792,502
<b>Loan payable to related parties</b>	<u>\$ 11,934,791</u>	<u>\$ 11,516,280</u>

#### Loan Payable to DVDC

DVDC contributed land use rights and infrastructures valued at \$20,000,000 to DVPD. Among this \$20,000,000 contribution, \$6,800,000 was recorded as registered capital, \$13,200,000 was recorded as a loan payable to DVDC per the December 25, 2000 agreement. The loan is payable when DVPD is profitable. Loan principal \$3,300,000 (25% of \$13,200,000) bears interest at 8% per annum. The interest rate for the remaining balance of principal is equal to the loan rate published by Bank of China.

Loan payable to DVDC was initiated in US dollars and related interest calculations are based on the principal in US dollars per the loan agreement. However, the loan agreement did not specify which currency will be used when the loan is repaid. Considering that DVDC is a Chinese entity and located in China, loan and interest payments must be denominated in RMB, therefore, RMB is the currency utilized to record the principal and interest payable. Any gain or loss resulting the translation of the financial statements will be recorded in "accumulated comprehensive income (loss)" section. RMB109,356,000 loan payable to DVDC was translated from \$13,200,000 US dollars at the historical rate.

Loan payable to DVDC consists of following at December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018
Loan principal	\$ 13,200,000	\$ 13,200,000
Advance payments for infrastructure construction	(5,685,747)	(5,685,747)
Other payable to DVDC	215,136	215,136
Net loan payable to DVDC in RMB	7,729,389	7,729,389
Foreign exchange effect	2,865,454	2,994,389
Net loan payable to DVDC in US\$	\$ 10,594,843	\$ 10,723,778

Accrued interest expense – related parties was \$537,210 and \$519,970 for the years ended December 31, 2019 and 2018, respectively. Total accrued interest payable to related parties was \$11,520,609 and \$11,121,817 at December 31, 2019 and 2018, respectively.

#### Due to Related Individual

The spouse of our major shareholder provided working capital for our US office expenses. As of December 31, 2019, and December 31, 2018, the amount due to this individual was \$1,339,948 and \$792,502, respectively. The amount due earns no interest and is due on demand.

#### Loan Payable to Sino Pride

Sino Pride has been a major source of funds for the operations of DVPD and DVBM. In the period from 1996 to 2008, DVPD received loans of \$38,683,297 from Sino Pride and repaid \$20,710,919 in the period from 1998 to 2014. In 2015, total repayments were \$4,068,630. Loan payable to Sino Pride bears interest at 8% per annum. Pursuant to FASB ASC 830-20-35-1, the intra-entity (intercompany transactions) foreign currency transactions whose terms are denominated in the currency other than the entity's functional currency and settlement is anticipated in the foreseeable future (hence not long-term investment nature), requires the increases or decreases in expected functional currency cash flows to be included in determining income (loss) in the periods as gain (loss) from foreign currency transactions.

The loan payable to Sino Pride is denominated in US dollars. The loan is designated as funding for working capital and is not an investment. The repayment is required when the Company is profitable or has funds available to make repayments. The transactions of loan proceeds and repayments are dominated in US dollars. The Company uses the bank spot exchange rate to record proceeds and repayments in RMB in the Company's books. By the end of the year, the US\$ loan balance and interest payable will be translated to RMB and recorded on DVPD and DVBM's books.

Loans, repayments and accrued interest payable to Sino Pride as of December 31, 2019 and December 31, 2018 are as followed:

<b>Loan Payable to Sino Pride</b>	
Loan balance at December 31, 2017	\$13,503,748
Repayment in 2018	(200,000)
Loan balance at December 31, 2018	13,303,748
Repayment in 2019	-
Loan balance at December 31, 2019	<u>\$13,303,748</u>
<b>Interest Payable to Sino Pride</b>	
Interest payable at 12/31/2017	\$ 7,451,973
Accrued interest in 2018	1,079,968
Repayments in 2018	-
Interest payable - December 31, 2018	8,531,941
Accrued interest in 2019	1,079,083
Repayments in 2019	-
Interest payable - December 31, 2019	<u>\$ 9,611,024</u>

The above inter-company loan payable of \$13,303,748 and \$13,303,748, and accrued interest payable of \$9,611,024 and \$8,531,941 at December 31, 2019 and December 31, 2018, respectively, have been eliminated in the accompanying consolidated financial statements. The interest expenses of \$1,079,083 and \$1,079,926 for the years ended December 31, 2019 and 2018, respectively, have been eliminated in the accompanying consolidated financial statements.

#### Loan Payable to Shareholder/Due to Shareholder

Due to shareholder represents the investment amount that Sino Pride received from its former shareholders, which was assigned to the Company's current major shareholder, Mr. Alex Brown. Loan payable to shareholder was \$65,931,644 and \$64,151,148, respectively at December 31, 2019 and 2018. During the year ended December 31, 2019 and 2018, Mr. Alex Brown advanced \$1,774,621 and \$1,362,472 to the Company, respectively. The balance due to shareholder bears no interest. If the interest was calculated at 5% (December 2019 US (Fed) Prime rate) for the loan payable to shareholder, the balance for interest expense would have been approximately \$3.3M and \$3.2M for the ended December 31, 2019 and 2018, respectively.

#### Transfer of Ownership of Sino Pride

Iven International Group Limited, is a company registered in Hong Kong ("Iven"). From October 31, 2016 to June 30, 2017, Alex Brown beneficially owned a 100% equity interest of Iven, among which, a 70% equity interest was held directly and a 30% equity interest was held indirectly through Dalian Yiwen New Materials Technology Development Co., Ltd, a PRC entity 80% owned by Alex Brown and 20% owned by his spouse. On June 30, 2017, Alex Brown and Dalian Yiwen New Material Technology Development Co., Ltd transferred their respective ownership of Iven to Winner Ascent Investment Limited, a Hong Kong limited liability company solely owned by Alex Brown.

On November 2016, Iven signed an agreement of "Assignment of Common Stock and Debt Rights" ("the Original Agreement") from VP Holding. Pursuant to the Original Agreement, Iven acquired all 30,000,000 shares of common stock of Sino Pride then outstanding and assumed debt rights (Sino Pride owed to VP Holding) for nominal consideration of HK\$ 1 (approximately US\$0.13) from VP Holding.

On September 4, 2017, VCI signed "Assignment of All Outstanding Shares and All Debt Rights Agreement" ("the Agreement") with Iven. Pursuant to the Agreement, VCI acquired all 30,000,000 shares of common stock of Sino Pride then outstanding and assumed shareholder debt and loan rights of HK\$493,807,633 (approximately \$64,208,000) (Sino Pride owed to VP Holding) including outstanding shareholder loans of HK\$ 408,409,628 (approximately \$53,093,000) for nominal consideration of HK\$ 1 (approximately US\$0.13) from Iven. The Transfer was part of the restructuring to prepare the Company to list in the U.S. capital markets.

NOTE 16 - INCOME TAXES

The Company accounts for income taxes pursuant to FASB ASC 740 “Accounting for Income Taxes” which requires the recognition of deferred tax assets and liabilities for the differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carry forwards. Additionally, the accounting standards require the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Realization of deferred tax assets, including those related to the U.S. net operating loss carry forwards for income tax purposes as compared to financial statement purposes, are dependent upon future taxable income and timing of reversals of future taxable differences along with any other positive and negative evidence during the periods in which those temporary differences become deductible or are utilized.

DVPD and DVBM are located in China and governed by the Income Tax Law of the PRC. Under the Income Tax Laws of the PRC, Chinese companies are generally subject to an income tax at an effective rate of 25% on income reported in the statutory financial statements after appropriate tax adjustments. DVPD and DVBM are subject to these statutory rates. Operating losses can be carried forward for five years.

Sino Pride is located in Hong Kong and governed by the Tax Laws of Hong Kong. Assessable profits of corporations are taxed at the corporate tax rate of 16.5%. Tax losses can be carried forward to offset profits in future years until fully absorbed but cannot be carried back.

VCM was incorporated in the U.S. on July 5, 2017 and is governed by the U.S. Federal tax laws and the State of Nevada (Incorporation State).

On December 22, 2017, the Tax Cuts and Jobs Act (the “TCJA”), which significantly modified U.S. corporate income tax law, was signed into law by President Trump. The TCJA contains significant changes to corporate income taxation, including but not limited to the reduction of the corporate income tax rate from a top marginal rate of 35% to a flat rate of 21%, limitation of the tax deduction for interest expense to 30% of earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of the current year’s taxable income and generally eliminating net operating loss carrybacks, allowing net operating losses to be carryforward without expiration, one-time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, elimination of U.S. tax on foreign earnings (subject to certain important exceptions), immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the new federal tax law is uncertain, including to what extent various states will conform to the newly enacted federal tax law.

As of December 31, 2019, and 2018, DVPD, DVBM and Sino Pride had a combined net foreign operating loss carry forwards of approximately \$54,629,148 and \$58,213,409, respectively that may be available to reduce future years’ taxable income. These foreign losses may not offset US income taxes in the future. Management believes that it appears more likely than not that the Company will not realize these tax benefits.

As of December 31, 2019, and 2018, VCM had approximately \$2,667,043 and \$1,155,570 net operating loss carryforwards, respectively. In the U.S net operating losses incurred prior to December 31, 2017, can be carried forward 20 years. Under the TCJA, net operating losses incurred after December 31, 2017, can be carried forward indefinitely. The Company has no operating income in the US. Management believes that it appears more likely than not that the Company will not realize these tax benefits. VCM’s tax return for the years ended December 31, 2018 and 2017 are open to IRS inspection.

Future tax benefits which may arise as a result of net operating losses have not been recognized in the accompanying consolidated financial statements as their realization has not been determined likely to occur. Also, due to the change in control, there are annual limitations on future net operating loss carryforward deductions. As future earnings are uncertain, the Company has provided a valuation allowance for the entire amount of the deferred tax asset. The Company is required to evaluate the tax positions taken in the course of preparing its tax returns to determine whether tax positions are “more likely than not” of being sustained by the applicable tax authority “More likely than not” is defined as greater than a 50% chance.

At December 31, 2019 and December 31, 2018, deferred tax assets consisted of:

	December 31, 2019	December 31, 2018
Net operating loss carry forwards		
Foreign operations	\$ 13,366,178	\$ 18,153,562
US Operations	560,079	242,670
Valuation allowance	(13,926,257)	(18,396,232)
Deferred tax assets - net	<u>\$ -</u>	<u>\$ -</u>

The valuation allowance decreased by \$689,438 for the twelve months ended December 31, 2019.

The provisions for income taxes for the twelve months ended December 31, 2019 and 2018 are summarized as follows:

	December 31, 2019	December 31, 2018
Current	\$ -	\$ -
Deferred	2,500,205	753,069
Change in valuation allowance	(2,500,205)	(753,069)
Total	<u>\$ -</u>	<u>\$ -</u>

The reconciliation of the Company's effective tax rate as a percentage of income before taxes and Federal statutory rates for the two years ended December 31, 2019 and 2018, respectively, is as follows:

	2019	2018
China		
US statutory tax rate	21.00%	21.00%
Tax rate difference	4.00%	4.00%
Changes in valuation allowance	-25.00%	-25.00%
Effective rate	<u>0.00%</u>	<u>0.00%</u>

#### NOTE 17– STOCKHOLDERS' EQUITY

The Company is authorized to issue up to 600,000,000 shares of common stock, par value \$0.0001 per share. On November 13, 2017, the Company issued 20,700,000 shares of its common stock to Alex Brown, Chairman and Chief Executive Officer of the Company and received consideration of \$2,070 in cash.

##### Initial Public Offering

Pursuant to the Registration Statement on Form S-1 The Company closed its initial public offering on March 28, 2019. The offering price was \$1 US dollar per share. The Company sold 1,011,000 shares and received all proceeds from the investors of \$1,011,000.

#### NOTE 18 - STATUTORY RESERVE

Pursuant to the PRC law, entities must make appropriations from after-tax profits to a non-distributable "statutory surplus reserve fund". Subject to certain cumulative limits, the "statutory surplus reserve fund" requires annual appropriations of 10% of after-tax profit until such appropriations reach 50% of the registered capital (as determined under accounting principles generally accepted in the PRC ("PRC GAAP") at each yearend). DVDP and DVBM have not made any appropriations to the statutory reserve as of December 31, 2019 and December 31, 2018, as DVDP and DVBM have not yet generated any after-tax profits.

#### NOTE 19 – NONCONTROLLING INTEREST

Noncontrolling interest represents DVDC's 20% equity ownership interest in DVDP and DVDP's operating results including its 5% equity ownership interest in DVBM. Non-controlling interest consisted of the following as of December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Noncontrolling interest at beginning of the period	\$ (42,242,097)	\$ (43,268,669)
Net loss	(1,495,207)	(971,370)
Change in foreign currency translation adjustment	436,517	1,997,942)
Noncontrolling interest at end of the period	<u>\$ (43,300,787)</u>	<u>\$ (42,242,097)</u>

#### NOTE 20 - COMMITMENTS AND CONTINGENCIES

##### Country Risk

Our PRC subsidiaries are subject to laws and regulations applicable to various laws and regulations generally applicable to companies in China. As the Company's principal operations are conducted currently in the PRC, it is subject to contingencies and risks not typically associated with companies in North America and Western Europe. These risks include, among others, risks associated with the political, economic and legal environments and foreign currency exchange limitations encountered in the PRC. The Company's results of operations may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, among other things.



In addition, all the Company's transactions in the PRC are denominated in RMB, which must be converted into other currencies before remittance from the PRC. Both conversion of RMB into foreign currencies and remittance of foreign currencies abroad require approval of the PRC government.

#### Legal Proceedings

As of December 31, 2019, the Company had property financing agreements payable of \$77,464,781, lease liabilities payable of \$521,264, expired lease-back payables of \$5,529,680, and buy-back payables of \$4,152,344. As of December 31, 2019, there were 565 lawsuits case against the Company in Dalian City, China. Litigants claimed that the Company did not buy back the property pursuant to the sales contract or the Company did not pay the promised lease-back rent on time. These claims amounted to \$24,820,625 (RMB172,788,781) translated at the December 31, 2019 exchange rate). These payables were included in and reported under the caption of "Property financing agreements payable", "Lease liabilities payable" and "Other payables". In connection with the progress of these cases, the Company accrued \$4,742,632 for possible extra litigation charges. The Company will record attorney fees when invoiced. The attorney fees in connection with litigation was \$21,859 and \$97,071 for the years ended December 31, 2019 and 2018, respectively.

The nature of these lawsuits is to demand the Company buy-back property per agreements or to pay unpaid rent per lease-back agreements. The Company has been accruing the interest and included in property financing agreements payable and lease liabilities payable based on the lease agreements. The Company records the expired lease-back payables and unpaid buy-back payables in other payables and accrues additional estimated liabilities. The management believes that current recorded liabilities were reasonable estimates of the total final buy-back payments and total final lease-back payables. Should the ultimate settlement of these liabilities to exceed the amount already recognized, the Company will accrue additional estimated liabilities when known.

The Company has intended to settle the balance due relating to lease-back payables with the owners of the lease-back properties. The Company has formed a task group and has been negotiating with the plaintiffs and other owners of the lease-back properties.

#### Collateral of Company's Asset to Three Individuals

On May 18, 2017, 140 square meters (1,507 square feet), owned by the Company was used as collateral to help on unrelated individual borrow \$770,000 (RMB5,000,000) under a one-year bank loan. There was no profit or gain for the Company to provide this collateral. The one-year period is now past due. The Company is exposed to the loss of this property if the individual is insolvent and fails to settle the bank loan.

On May 18, 2017, the Company allowed one of its board members of DVPD to use 7 units of rental properties, totaling 138 square meters (1,485 square feet), owned by the Company as collateral to borrow \$770,000 (RMB5,000,000) under one-year bank loan. There was no profit or gain for the Company to provide this collateral. The one-year loan is now past due. The Company is exposed to the loss of this property if the individual is insolvent and fails to repay the bank loan.

On May 18, 2017, the Company allowed one of its board members of DVPD to use 2 units of rental properties, totaling 15 square meters (161 square feet), owned by the Company as collateral to borrow \$770,000 (RMB 5,000,000) under a one-year bank loan. There was no profit or gain for the Company to provide this collateral. The one-year period is past due. The Company exposed to the loss of these properties if the individual is insolvent and fails to settle the bank loan.

These individuals have not yet returned the loans back to Harbin Bank, which exposes the Company to a loss if the individuals are insolvent and fail to repay the bank loans. On December 30, 2019, the Company entered into three separate Repayment Agreements with these individuals. The agreements stipulate that these three individuals have to either pay back the loan of RMB 5M to the bank or provide their own collaterals so as to release the Company's property by December 31, 2020. In addition, the agreements require these three individuals pay RMB 50,000 to the Company by May 31, 2020 along with other penalty clauses if these three individuals fail to abide by the agreements. The Company has a risk of losing these properties if these individuals are not able to repay these bank loans.

NOTE 21 – CONCENTRATION OF CREDIT RISK

The Company maintains cash balances in various banks in China and the Special Region of Hong Kong. Per regulation of PRC, the maximum insured bank deposit amount is approximately \$72,700 (RMB 500,000) for each financial institution. As of December 31, 2019, the Company's uninsured cash balance was approximately \$50,184.

The Company receives rental and management fee income from approximately 700 tenants. Revenue from the top ten tenants accounted for 18.23% and 19.29% of total revenue, for the years ended December 31, 2019 and 2018, respectively, no individual tenant's revenue accounts for more than 10% of the total revenue in the above periods. Accounts receivable from the top ten tenants accounts for 12.6% and 13% for the years ended December 31, 2019 and 2018.

NOTE 22 - SUBSEQUENT EVENTS

Lawsuits

Subsequent to December 31, 2019, 9 new lawsuits with new claims amounting to \$365,111 were filed against the Company. As of the date of this Annual Report, there were a total of 574 lawsuits against the Company in Dalian City, China. Litigants claimed that the Company did not buy back the properties pursuant to the sales contracts or the Company did not pay the promised lease-back rental payments on time. These claims amounted to \$24,455,514 (RMB173,482,529). Management believes that the amount claimed by these litigants approximates the amount that the Company has already recorded in and under the caption of "Property financing agreements payable," "Lease liabilities payable" and "Other payables" in the accompanying consolidated financial statements.

Claims of Lawsuits as of the date of this Annual Report	Store Unit	Square Feet	Claimed Amount in US\$
Property buy- back related issues	242	51,870	\$ 19,620,632
Leases and leases back related issues	244	47,721	2,847,281
Other issues	88	5,348	1,987,601
Total in RMB	574	104,939	\$ 24,455,514

As of the date of this Annual Report, the Company settled the following cases.

Resolved cases as of the date of this Annual Report	Total Resolved Cases	Cases Resolved in 2019	Resolved after December 31, 2019
Property buy-back related issues	238	184	-
Leases payment related issues	241	139	-
Other issues	77	64	1
Total resolved cases	556	387	1

To deal with the litigation issues, the Company has formed a task group and have been actively engaged with the plaintiffs and other owners of the lease-back property. At the same time, SML has helped to resolve the litigation cases. The progress has been slow. As of the date of this Annual Report, the Company's task group and SML have collectively resolved a total of 558 cases out of which 386 cases were resolved during the twelve months ended December 31, 2019.

#### Surrender Possession of Company's New York Office

Due to the impact of the coronavirus pandemics, the Company has moved out of its New York office located in 424 Madison Avenue, New York, NY (the "Premise") on February 28 2020. The lease between the landlord (the "Landlord") and the Company, dated June 12, 2019 (the "Lease"), will expire on August 31, 2022. On February 28, 2020, the Company entered into a surrender agreement with the Landlord to surrender possession of the premises prior to the natural expiration of the Lease term (the "Surrender Agreement"), pursuant to which, the Company shall remain liable for all obligations under the Lease until the Landlord re-rents the Premises, which the Landlord will attempt to do, in good faith. The Company also represents that the Landlord may draw down on the security deposit, which totals \$85,215, to cover the rent, damages, and any other expenses. Judging by the current market condition in New York City and the ongoing stay-at-home order issued by the local government, the Company believes that the Landlord may not be able to re-rent the Premises and in such event, the Company will be liable for the remaining rent from March 1, 2020 to August 31, 2022, in an estimated amount of \$354,000.

#### Outstanding Bank Loans

As of December 31, 2019, the Company has 5 outstanding loans due from Harbin Bank (the "Bank") in an aggregate amount of approximately \$66.9 million. Pursuant to the loan agreements for the RMB 390M Loan and RMB 50M Loan, the Company shall pay the Bank the monthly interest in addition to the quarterly principal. The Company, however, has failed to make such payments since April 2019. As of December 31, 2019, the accrued principal and interest totaled approximately \$2.7 million for the RMB 390M Loan (the "RMB 390M Loan Balance Due") and approximately \$0.8 million for the RMB 50M Loan (the "RMB 50M Loan Balance Due"), respectively. Upon the Bank's declaration of an event of default under the corresponding loan agreements, the Bank can demand the full payment of all outstanding principal and accrued interest.

In addition to the RMB 390M Loan and RMB 50M Loan, the Company has failed to make payments to three short-term loans, including the RMB 23M Loan, the RMB 19.9M Loan, and the RMB 10.24M Loan (collectively, the "Liquidity Loan Balance Due"). As of the date of this Annual Report, the Short-Terms Loans have been expired while the Company has not made the corresponding payment.

The Bank and the Company are currently discussing potential grant to convert the principal and interests due, including the RMB 390M Loan Balance Due, the RMB 50M Loan Balance Due, and the Liquidity Loan Balance Due into a new loan and an additional liquidity loans in an amount of RMB 50 million (collectively, the "Refinancing Loans"). The collateral for the potential RMB 50 million loan will be the remaining values of same collateral for the RMB 390M Loan and RMB 50M Loan but ranking junior to the RMB 390MB Loan and RMB 50M Loan. In addition, the Company has been negotiating with the Bank for a waiver of the penalty for late payment of related loan interest (the "Penalty Waiver"). The Company has already submitted the application for the Refinancing Loans at the request of the Bank. It usually takes about 2 to 3 months for the Bank to review and approve the Refinancing Loans and the Penalty Waiver which can be potentially longer as a result of the outbreak of the COVID-19. However, there is no assurance or certainty that such Refinancing Loans or Penalty Waiver will be approved by the Bank.

#### Amendment Agreement with SML

Acknowledging the impact of COVID-19, on January 14,2020, the Company amended its agreement with SML to extend the original repayment date from May 15, 2020 to May 15, 2023

### Impact of COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Many uncertainties remain regarding the COVID-19 pandemic, and it is impossible at this time to predict the full economic impact and the impact on our business. Since the Company primarily engages in the business of the multi-functional shopping center are located in Dalian, Liaoning, China, the COVID-19 pandemic is expected to lead to a significant impact on our business operations. In late January 2020, the Dalian government released a stop order on all activities that involved gathering, including a temporary suspension of shopping malls. As a result, all retailers and service providers of our shopping center were shut down until further notice, subject to the containment of the COVID-19. Given that the outbreak has been gradually controlled in China, the Company’s Dalian office has resumed business since March 5, 2020. However, our business was and has continued to be adversely impacted by COVID-19. We have much less traffic in our shopping mall and less tenants after the reopening due to the concern of the virus. In wake of the impact on local market conditions and the economic environment by COVID-19, the Company temporarily suspended the Renovation. Consequently, the pandemic has negatively impacted our operating revenue during the first quarter of 2020, and the Company believe the negative impact on revenue will continue throughout year 2020. We continue to monitor and evaluate these and other developments with respect to the COVID-19 pandemic, though we cannot guarantee that any measures we take in response thereto will be entirely effective or effective at all. In addition, the continued negative impact of the pandemic could cause the Company to incur future impairment charges to the value of its properties.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security Act” (“CARES ACT”). The Company is evaluating the impact, if any, that the CARES Act may have on the Company’s future operations, financial position, and liquidity in fiscal year 2020.

**Compensation Agreement**

Party A: Dalian Victory Plaza Development Co., Ltd.  
Party B: Chang Xiufen  
Signing Date: December 30, 2019

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Party A: Dalian Victory Plaza Development Co., Ltd.  
Address: No. 28, Victory Plaza, Zhongshan District, Dalian, Liaoning  
Legal Representative: Guan Mengda

Party B: Chang Xiufen  
ID No.: 210921198208277524

Whereas: in the past friendly cooperative relationship between the two parties, Party A provided Party B with stores of Dalian Victory Plaza of an area of 140.01 m<sup>2</sup> as a mortgage guarantee for a loan of RMB 5 million Yuan in Dalian Jinzhou Lianfeng Rural Bank Co., Ltd. on May 19, 2017. Up to now, Party B has not repaid the above loan or replaced the collateral as required by Party A. It has a serious adverse impact on the operation and management of our company. Considering that Party B is unable to repay and replace the collateral at present, in order to protect Party A's legitimate rights and interests from loss, now Party A and Party B have reached the following agreement on matters related to Party A's provision of assets to Party B for bank mortgage loan through full consultation:

- I. According to the agreement between Party A and Party B, Party A's assets shall be mortgaged and guaranteed by Party B in the bank only until December 31, 2020. Upon maturity, Party B shall replace the collateral or repay the bank loan to release the assets.
- II. Compensation. Party B agrees to compensate Party A with 1% of the loan amount of 5 million Yuan, which is 50,000.00 Yuan (in words: RMB FIFTY THOUSAND YUAN only).
- III. The payment method and time of compensation: it shall be paid in one time before May 30, 2020. Overdue payment will be charged as per 5% of the amount per day. The information of the collection account designated by Party A is as follows:  
Account name: Dalian Victory Property Management Co., Ltd.  
Bank name: Bank of Harbin, Dalian Zhongshan Subbranch  
Account No.: 1291015045594353
- IV. Breach of contract, if Party B fails to repay to the bank or replace the collateral within the time limit stipulated by Party A, Party B shall not only compensate Party A for the loan amount in the bank, but also pay Party A 1% of the loan amount as liquidated damages.
- V. The agreement shall come into force after being signed and sealed by both parties. Party A and Party B shall fully perform the obligations stipulated in this agreement, and any party who fails to perform or fails to fully perform the obligations stipulated in this Agreement shall bear corresponding liabilities for breach of contract.
- VI. After this agreement is signed with written consent of both parties, if there is any supplement or modification, a supplementary agreement can be signed separately.
- VII. In case of any dispute during the performance of this agreement, both parties shall settle it through negotiation; if the negotiation fails, it can be submitted to the people's court where Party A is located for arbitration.
- VIII. This Agreement is made in duplicate, one copy respectively for each party.

Annex: "Detailed List of Collaterals"

Party A: Dalian Victory Plaza Development Co., Ltd. (*seal*)  
Seal (signature):

Party B: Chang Xiufen (*signature*)  
Seal (signature):

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**Detailed List of Collaterals**

No.	Name of Collateral	House No.	Ownership Certificate No.	Property Owner	Location	Area (m <sup>2</sup> )
1	House	B2FB005	Liao (2016) DLSNSQBDCQ No. 00063992	Dalian Victory Plaza Development Co., Ltd.	No. B005, B2F, No. 28, Victory Plaza, Zhongshan District	32.69
2	House	B2FB016	Liao (2016) DLSNSQBDCQ No. 00063991	Dalian Victory Plaza Development Co., Ltd.	No. B016, B2F, No. 28, Victory Plaza, Zhongshan District	26.55
3	House	B2FC005-1	Liao (2016) DLSNSQBDCQ No. 00075738	Dalian Victory Plaza Development Co., Ltd.	No. C005-1, B2F, No. 28, Victory Plaza, Zhongshan District	19.21
4	House	B3FB1B1012	Liao (2016) DLSNSQBDCQ No. 00059958	Dalian Victory Plaza Development Co., Ltd.	No. B1012, Zone B1, B3F, No. 28, Victory Plaza, Zhongshan District	33.35
5	House	B2FB027	Liao (2016) DLSNSQBDCQ No. 00093078	Dalian Victory Plaza Development Co., Ltd.	No. B027, B2F, No. 28, Victory Plaza, Zhongshan District	28.21
Total						<u>140.01</u>

**Compensation Agreement**

Party A: Dalian Victory Plaza Development Co., Ltd.  
Party B: Zhang Weitong  
Signing Date: December 30, 2019

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Party A: Dalian Victory Plaza Development Co., Ltd.  
Address: No. 28, Victory Plaza, Zhongshan District, Dalian, Liaoning  
Legal Representative: Guan Mengda

Party B: Zhang Weitong  
ID No.: 210904199408080011

Whereas: in the past friendly cooperative relationship between the two parties, Party A provided Party B with stores of Dalian Victory Plaza of an area of 14.58 m<sup>2</sup> as a mortgage guarantee for a loan of RMB 5 million Yuan in Dalian Jinzhou Lianfeng Rural Bank Co., Ltd. on May 19, 2017. Up to now, Party B has not repaid the above loan or replaced the collateral as required by Party A. It has a serious adverse impact on the operation and management of our company. Considering that Party B is unable to repay and replace the collateral at present, in order to protect Party A's legitimate rights and interests from loss, now Party A and Party B have reached the following agreement on matters related to Party A's provision of assets to Party B for bank mortgage loan through full consultation:

- I. According to the agreement between Party A and Party B, Party A's assets shall be mortgaged and guaranteed by Party B in the bank only until December 31, 2020. Upon maturity, Party B shall replace the collateral or repay the bank loan to release the assets.
- II. Compensation. Party B agrees to compensate Party A with 1% of the loan amount of 5 million Yuan, which is 50,000.00 Yuan (in words: RMB FIFTY THOUSAND YUAN only).
- III. The payment method and time of compensation: it shall be paid in one time before May 30, 2020. Overdue payment will be charged as per 5% of the amount per day. The information of the collection account designated by Party A is as follows:  
Account name: Dalian Victory Property Management Co., Ltd.  
Bank name: Bank of Harbin, Dalian Zhongshan Subbranch  
Account No.: 1291015045594353
- IV. Breach of contract, if Party B fails to repay to the bank or replace the collateral within the time limit stipulated by Party A, Party B shall not only compensate Party A for the loan amount in the bank, but also pay Party A 1% of the loan amount as liquidated damages.
- V. The agreement shall come into force after being signed and sealed by both parties. Party A and Party B shall fully perform the obligations stipulated in this agreement, and any party who fails to perform or fails to fully perform the obligations stipulated in this Agreement shall bear corresponding liabilities for breach of contract.
- VI. After this agreement is signed with written consent of both parties, if there is any supplement or modification, a supplementary agreement can be signed separately.
- VII. In case of any dispute during the performance of this agreement, both parties shall settle it through negotiation; if the negotiation fails, it can be submitted to the people's court where Party A is located for arbitration.
- VIII. This Agreement is made in duplicate, one copy respectively for each party.

Annex: "Detailed List of Collaterals"

Party A: Dalian Victory Plaza Development Co., Ltd. (*seal*)  
Seal (signature):

Party B: Zhang Weitong (*signature*)  
Seal (signature):

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**Detailed List of Collaterals**

No.	Name of Collateral	House No.	Ownership Certificate No.	Property Owner	Location	Area (m <sup>2</sup> )
1	House	B3FCL63	Liao (2016) DLSNSQBDCQ No. 00080202	Dalian Victory Plaza Development Co., Ltd.	No. CL63, B3F, No. 28, Victory Plaza, Zhongshan District	7.29
2	House	B3FCL63	Liao (2016) DLSNSQBDCQ No. 00080264	Dalian Victory Plaza Development Co., Ltd.	No. CL66, B3F, No. 28, Victory Plaza, Zhongshan District	7.29
Total						<u>14.58</u>

**Compensation Agreement**

Party A:	<u>Dalian Victory Plaza Development Co., Ltd.</u>
Party B:	<u>Chang Xiuhua</u>
Signing Date:	<u>December 30, 2019</u>

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Party A: Dalian Victory Plaza Development Co., Ltd.  
Address: No. 28, Victory Plaza, Zhongshan District, Dalian, Liaoning  
Legal Representative: Guan Mengda

Party B: Chang Xiuhua  
ID No.: 210921196410067548

Whereas: in the past friendly cooperative relationship between the two parties, Party A provided Party B with stores of Dalian Victory Plaza of an area of 137.79 m<sup>2</sup> as a mortgage guarantee for a loan of RMB 5 million Yuan in Dalian Jinzhou Lianfeng Rural Bank Co., Ltd. on May 19, 2017. Up to now, Party B has not repaid the above loan or replaced the collateral as required by Party A. It has a serious adverse impact on the operation and management of our company. Considering that Party B is unable to repay and replace the collateral at present, in order to protect Party A's legitimate rights and interests from loss, now Party A and Party B have reached the following agreement on matters related to Party A's provision of assets to Party B for bank mortgage loan through full consultation:

- I. According to the agreement between Party A and Party B, Party A's assets shall be mortgaged and guaranteed by Party B in the bank only until December 31, 2020. Upon maturity, Party B shall replace the collateral or repay the bank loan to release the assets.
- II. Compensation. Party B agrees to compensate Party A with 1% of the loan amount of 5 million Yuan, which is 50,000.00 Yuan (in words: RMB FIFTY THOUSAND YUAN only).
- III. The payment method and time of compensation: it shall be paid in one time before May 30, 2020. Overdue payment will be charged as per 5% of the amount per day. The information of the collection account designated by Party A is as follows:  
Account name: Dalian Victory Property Management Co., Ltd.  
Bank name: Bank of Harbin, Dalian Zhongshan Subbranch  
Account No.: 1291015045594353
- IV. Breach of contract, if Party B fails to repay to the bank or replace the collateral within the time limit stipulated by Party A, Party B shall not only compensate Party A for the loan amount in the bank, but also pay Party A 1% of the loan amount as liquidated damages.
- V. The agreement shall come into force after being signed and sealed by both parties. Party A and Party B shall fully perform the obligations stipulated in this agreement, and any party who fails to perform or fails to fully perform the obligations stipulated in this Agreement shall bear corresponding liabilities for breach of contract.
- VI. After this agreement is signed with written consent of both parties, if there is any supplement or modification, a supplementary agreement can be signed separately.
- VII. In case of any dispute during the performance of this agreement, both parties shall settle it through negotiation; if the negotiation fails, it can be submitted to the people's court where Party A is located for arbitration.
- VIII. This Agreement is made in duplicate, one copy respectively for each party.

Annex: "Detailed List of Collaterals"

Party A: Dalian Victory Plaza Development Co., Ltd. (*seal*)  
Seal (signature):

Party B: Chang Xiuhua (*signature*)  
Seal (signature):

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**Detailed List of Collaterals**

No.	Name of Collateral	House No.	Ownership Certificate No.	Property Owner	Location	Area (m <sup>2</sup> )
1	House	B2FD051	Liao (2017) DLSNSQBDCQ No. 00094200	Dalian Victory Plaza Development Co., Ltd.	No. D051, B2F, No. 28, Victory Plaza, Zhongshan District	22.42
2	House	B1FB193	Liao (2017) DLSNSQBDCQ No. 00094194	Dalian Victory Plaza Development Co., Ltd.	No. B193, B1F, No. 28, Victory Plaza, Zhongshan District	16.52
3	House	B1FB187	Liao (2017) DLSNSQBDCQ No. 00094213	Dalian Victory Plaza Development Co., Ltd.	No. B187, B1F, No. 28, Victory Plaza, Zhongshan District	16.39
4	House	B1FB100	Liao (2017) DLSNSQBDCQ No. 00094203	Dalian Victory Plaza Development Co., Ltd.	No. B100, B1F, No. 28, Victory Plaza, Zhongshan District	29.78
5	House	B1FB186	Liao (2017) DLSNSQBDCQ No. 00094210	Dalian Victory Plaza Development Co., Ltd.	No. B186, B1F, No. 28, Victory Plaza, Zhongshan District	16.39
6	House	B2FC104	Liao (2017) DLSNSQBDCQ No. 00094186	Dalian Victory Plaza Development Co., Ltd.	No. C104, B2F, No. 28, Victory Plaza, Zhongshan District	29.79
7	House	5143	Liao (2017) DLSNSQBDCQ No. 00094174	Dalian Victory Plaza Development Co., Ltd.	No. 5143, M1F, No. 28, Victory Plaza, Zhongshan District	6.5
Total						<u>137.79</u>

**Supplementary Agreement (II)  
of  
Strategic Cooperation Framework Agreement**

Party A: Dalian Shengmalin Trading Co., Ltd.  
Address: No. 29, West Huichang Street, Ganjingzi District, Dalian, Liaoning  
Legal Representative: Li Guizhen

Party B: Dalian Victory Plaza Development Co., Ltd.  
Address: No. 28, Victory Plaza, Zhongshan District, Dalian, Liaoning  
Legal Representative: Guan Mengda

Both parties agree to change the Supplementary Agreement signed on February 12, 2018 as follows through negotiation:

Repayment period of Party B shall be delayed to May 15, 2023 to pay off all principal and interest of the debt. Party A agrees that Party B can independently arrange the repayment time of principal and interest according to the operation and capital conditions.

Any matter not stipulated in this Supplementary Agreement shall still be executed according to the original Framework Agreement and Supplementary Agreement. In case of any conflict with this Supplementary Agreement, this Supplementary Agreement shall prevail. This Supplementary Agreement is made in duplicate, one copy respectively for each party, and comes into effect upon stamping by both parties.

Party A: Dalian Shengmalin Trading Co., Ltd. (seal)  
Signing date: January 15, 2020

Party B: Dalian Victory Plaza Development Co., Ltd. (seal)  
Signing date: January 15, 2020

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13A-14(A),  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alex Brown, certify that:

1. I have reviewed this Annual Report on Form 10-K/A for the fiscal year ended December 31, 2019 of Victory Commercial Management Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 10, 2020

By: /s/ Alex Brown

Alex Brown  
Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13A-14(A),  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Chen, certify that:

1. I have reviewed this Annual Report on Form 10-K/A for the fiscal year ended December 31, 2019 of Victory Commercial Management Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 10, 2020

By: */s/ Robert Chen*

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Robert Chen  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

I, Alex Brown, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Annual Report on Form 10-K/A of Victory Commercial Management Inc. (the "Company") for the fiscal year ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); 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: July 10, 2020

By: /s/ Alex Brown

Alex Brown  
Chief Executive Officer  
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.

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

I, Robert Chen, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Annual Report on Form 10-K/A of Victory Commercial Management Inc. (the "Company") for the fiscal year ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); 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: July 10, 2020

By: /s/ Robert Chen

Robert Chen  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.

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