

SENMIAO TECHNOLOGY LTD

FORM 10-K (Annual Report)

Filed 07/08/21 for the Period Ending 03/31/21

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

Form 10-K

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

For the fiscal year ended **March 31, 2021**

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: **001-38426**

SENMIAO TECHNOLOGY LIMITED

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

35-2600898

(I.R.S. Employer
Identification No.)

**16F, Shihao Square, Middle Jiannan Blvd., High-Tech Zone
Chengdu, Sichuan, People's Republic of China**

(Address of principal executive offices)

61000

(Zip Code)

Registrant's telephone number, including area code: **+86 28 61554399**

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

| Title of each class: | Trading Symbol | Name of each exchange on which registered: |
|--|----------------|--|
| Common Stock, par value \$0.0001 per share | AIHS | The Nasdaq Stock Market LLC |

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

The registrant's common stock trades on the Nasdaq Capital Market under the symbol "AIHS." The aggregate market value of the common stock held by non-affiliates computed by reference to the price at which registrant's common stock was last sold as of September 30, 2020, was approximately \$19,190,883. Common

stock held by each officer and director and by each person known to the registrant who owned 10% or more of the outstanding voting and non-voting common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of July 7, 2021, there were 55,409,930 shares of common stock, par value \$0.0001 per share, of the registrant issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

SENMIAO TECHNOLOGY LIMITED

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Unless otherwise stated in this Annual Report on Form 10-K (this “Report”), references to:

- “China” or the “PRC” refers to the People's Republic of China, excluding, for the purposes of this Report only, Hong Kong, Macau and Taiwan;
- “Didi” refers to Beijing Xiaoju Science and Technology Co., Ltd. and its affiliates, the world’s largest mobility technology platform, who operates the largest ride-hailing platform in China;
- “Hunan Ruixi” refers to Hunan Ruixi Financial Leasing Co., Ltd., our majority owned subsidiary in China;
- “Jinkailong” refers to Sichuan Jinkailong Automobile Leasing Co., Ltd., our variable interest entity;
- “Restructuring” refers to the establishment of a wholly foreign owned entity and the execution of a series of agreements among the Company, Senmiao Consulting, Sichuan Senmiao and the equity holders of Sichuan Senmiao, pursuant to which we have gained control of and become the primary beneficiary to Sichuan Senmiao;
- “RMB” and “Renminbi” refer to the legal currency of China;
- “Ruixi Leasing” refers to Hunan Ruixi Automobile Leasing Co., Ltd., the wholly owned subsidiary of Hunan Ruixi;
- “Senmiao,” “we,” “us,” “our company” and “our” refer to Senmiao Technology Limited., its subsidiaries and its consolidated variable interest entities;
- “Senmiao Consulting” refers to Sichuan Senmiao Zecheng Business Consulting Co., Ltd., our wholly owned subsidiary in China;
- “Sichuan Senmiao” refers to Sichuan Senmiao Ronglian Technology Co., Ltd., our variable interest entity;
- “US\$,” “U.S. dollars,” “\$,” and “dollars” refer to the legal currency of the United States;
- “variable interest entities” or “VIEs” refer to Sichuan Senmiao and Jinkailong; and
- “Yicheng” refers to Yicheng Financial Leasing Co., Ltd., our wholly owned subsidiary in China.

We use U.S. dollars as reporting currency in our financial statements and in this Report. Monetary assets and liabilities denominated in Renminbi are translated into U.S. dollars at the rates of exchange as of the balance sheet date, equity accounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the period. In other parts of this Report, any Renminbi denominated amounts are accompanied by translations. We make no representation that the Renminbi or U.S. dollar amounts referred to in this Report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. The PRC government restricts or prohibits the conversion of Renminbi into foreign currency and foreign currency into Renminbi for certain types of transactions.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report, including, without limitation, statements under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes,” “estimates,” “anticipates,” “expects,” “intends,” “plans,” “may,” “will,” “potential,” “projects,” “predicts,” “continues,” or “should,” or, in each case, their negative or other variations or comparable terminology. There can be no assurance that actual results will not materially differ from expectations. Such statements include, but are not limited to, any statements relating to our ability to consummate any acquisition or other business combination and any other statements that are not statements of current or historical facts. These statements are based on management’s current expectations, but actual results may differ materially due to various factors, including, but not limited to:

- our goals and strategies, including our ability to expand our automobile transaction and related services business and our online ride-hailing platform services business in China;
- our management’s ability to properly develop and achieve any future business growth and any improvements in our financial condition and results of operations;
- the impact by public health epidemics, including the COVID-19 pandemic as manifested in China, on the industries we operate in and our business, results of operations and financial condition;
- the growth or lack of growth in China of disposable household income and the availability and cost of credit available to finance car purchases;
- the growth or lack of growth of China’s online ride-hailing, automobile financing and leasing industries;
- taxes and other incentives or disincentives related to car purchases and ownership;
- fluctuations in the sales and price of new and used cars and consumer acceptance of financing car purchases;
- changes in online ride-hailing, transportation networks, and other fundamental changes in transportation pattern in China;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our customer base;
- our plans to invest in our automobile transaction and related services business and our online ride-hailing platform services business;
- our ability to maintain positive relationships with our business partners;
- competition in the online ride-hailing, automobile financing and leasing industries in China;
- macro-economic and political conditions affecting the global economy generally and the market in China specifically; and
- relevant Chinese government policies and regulations relating to the industries in which we operate.

The forward-looking statements contained in this Report are based on our current expectations and beliefs concerning future developments and their potential effects on us. Future developments affecting us may not be those that we have anticipated or over which we may not have any control. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) and other assumptions that may cause actual results or performance to be materially different from those that are expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading “Risk Factors” in this Report and our other periodic reports filed by us with the SEC. Should one or more of these risks or unanticipated risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. These risks and others described in our periodic reports are not exhaustive.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and developments in the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Report. In addition, even if our results or operations, financial condition and liquidity, and developments in the industry in which we operate are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods.

PART I

Item 1. Business

Overview

Senmiao Technology Limited (the “Company,” “we,” “us,” “our” or similar terminology) is a U.S. holding company incorporated in the State of Nevada on June 8, 2017. We provide automobile transaction and related services focusing on the online ride-hailing industry in the People’s Republic of China (“PRC” or “China”) through our wholly owned subsidiaries, Yicheng Financial Leasing Co., Ltd., a PRC limited liability company (“Yicheng”), Chengdu Corenel Technology Limited, a PRC limited liability company (“Corenel”), and its majority owned subsidiary, Hunan Ruixi Financial Leasing Co., Ltd., a PRC limited liability company (“Hunan Ruixi”), its wholly owned subsidiary, Hunan Ruixi Automobile Leasing Co., Ltd., a PRC limited liability company (“Ruixi Leasing”), and its variable interest entity (“VIE”), Sichuan Jinkailong Automobile Leasing Co., Ltd., a PRC limited liability company (“Jinkailong”). As described further below, since October 2020, we have been operating an online ride-hailing platform through Hunan Xixingtianxia Technology Co., Ltd., a PRC limited liability company (“XXTX”), which is a majority owned subsidiary of Sichuan Senmiao Zecheng Business Consulting Co., Ltd., a PRC limited liability company and wholly-owned subsidiary of us (“Senmiao Consulting”).

Our automobile transaction and related services (the “Automobile Transaction and Related Services”) are mainly comprised of (i) automobile operating lease where we provide car rental services to individual customers to meet their personal needs with lease term no more than twelve months (the “auto leasing”); (ii) automobile sales where we procure new cars from dealerships and sell them to our customers in the automobile financing facilitation business (the “auto sales”); (iii) facilitation of automobile transaction and financing where we connect the prospective ride-hailing drivers to financial institutions to buy, or get financing on the purchase of, cars to be used to provide online ride-hailing services (the “auto financing and transaction facilitation”); and (iv) automobile financing where we provide our customers with auto finance solutions through financing leases (the “auto financing”).

Our ride hailing platform enables qualified ride-hailing drivers to provide application based transportation services in China. XXTX holds a national online reservation taxi operating license and operates our platform by collaborating with two well-known aggregation platforms in China. The platform is presently servicing ride-hailing drivers in Chengdu City, Neijiang City, Nanchong City and Panzhihua City in Sichuan Province, Changsha City in Hunan Province, and Guangzhou City in Guangdong Province, China, providing them a platform to view and take customer orders for rides. We earn commissions for each completed order as the difference between an upfront quoted fare and the amount earned by a driver based on actual time and distance for the ride charged to the rider (the “Online Ride-hailing Platform Services”).

We previously operated an online lending platform in China through our VIE, Sichuan Senmiao Ronglian Technology Co., Ltd. (“Sichuan Senmiao”), which facilitated peer-to-peer (“P2P”) loan transactions between Chinese investors and individual and small-to-medium-sized enterprise borrowers. We ceased our online lending services business in October 2019.

Our executive offices are located in Chengdu City, Sichuan Province, China. Substantially all of our operations are conducted in China.

Our Corporate History

We were incorporated in the State of Nevada on June 8, 2017. We established a wholly owned subsidiary, Senmiao Consulting in China in July 2017. As of the date of this Report, Senmiao Consulting provides services to Sichuan Senmiao, one of our VIEs, pursuant to the VIE Agreements as defined below.

Sichuan Senmiao was established in China in June 2014. We have entered into a series of contractual arrangements (the “VIE Agreements”) with Sichuan Senmiao and each of its equity holders through Senmiao Consulting to obtain control and become the primary beneficiary of Sichuan Senmiao. The contractual arrangements have been in place since the establishment of Senmiao Consulting (the “Restructuring”).

On September 25, 2016, Sichuan Senmiao acquired a P2P platform (including website, internet content provider (“ICP”) registration, operating systems, servers, management system, employees and users) from Sichuan Chenghexin Investment and Asset Management Co., Ltd. (“Chenghexin”), which had established and operated the platform for two years prior to our acquisition (the “Acquisition”), for a total cash consideration of RMB69,690,000 (approximately US\$10.1 million). Prior to the Acquisition, Sichuan Senmiao was a holding company that owned a 60% equity interest in an equity investment fund management company. Sichuan Senmiao sold its 60% equity interest for a cash consideration of RMB60 million (approximately US\$8.9 million) immediately following the Acquisition, in order to focus on the online marketplace lending business.

On November 21, 2018, we entered into an Investment and Equity Transfer Agreement (the “Investment Agreement”) with Hunan Ruixi and all the shareholders of Hunan Ruixi, pursuant to which we acquired an aggregate of 60% of the equity interest of Hunan Ruixi for no consideration. We closed the acquisition on November 22, 2018 and agreed to make a cash contribution of \$6,000,000 to Hunan Ruixi, representing 60% of its registered capital, in accordance with the Investment Agreement. We have made the full cash contributions (in the aggregate amount of \$6,000,000) to Hunan Ruixi. Hunan Ruixi holds a business license for automobile sales and financial leasing and has been engaged in automobile financial leasing services and automobile sales since March 2019 and January 2019, respectively.

Hunan Ruixi has a wholly owned subsidiary, Ruixi Leasing, a PRC limited liability company formed in April 2018 with a registered capital of RMB10 million (approximately US\$1.5 million). Ruixi Leasing is licensed to engage in automobile sales and leasing and has not commenced operations as of the date of this Report.

Hunan Ruixi also owns 35% equity interest in Jinkailong and control the remaining 65% equity interest through two voting agreements with another four shareholders of Jinkailong. Jinkailong is an automobile transaction and related services company in Chengdu City, Sichuan Province, China, which primarily targets drivers in the ride-hailing service sector, focus on automobile operating lease, and facilitates sales and financing transactions for its clients and provides relevant after-transaction services to them.

In May 2019, we formed Yicheng Financial Leasing Co., Ltd. (“Yicheng”), a PRC limited liability company and wholly owned subsidiary of us, with a registered capital of \$50 million in Chengdu City, Sichuan Province, China. Yicheng obtained its business licenses for automobiles sale and financial leasing and has engaged in the sales of automobiles since June 2019. As of the date of this Report, we have made contributions in the aggregate amount of \$5,450,000 to Yicheng.

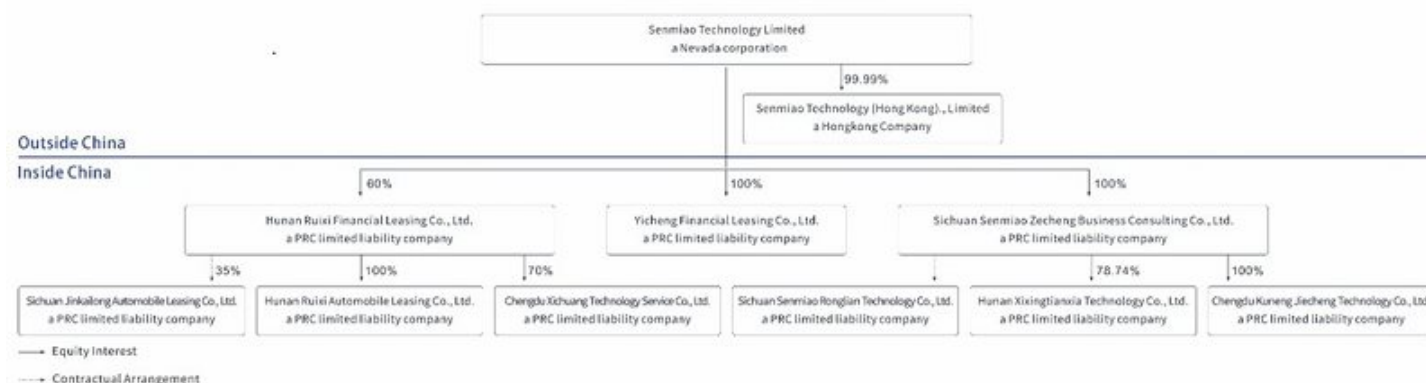
On September 11, 2020, Senmiao Consulting entered into an Investment Agreement relating to XXTX with all the original shareholders of XXTX, pursuant to which Senmiao Consulting would make an investment of RMB3.16 million (approximately \$0.5 million) in XXTX in cash and obtain a 51% equity interest accordingly. On October 23, 2020, the registration procedures for the change in shareholders and registered capital were completed and XXTX became a majority owned subsidiary of Senmiao Consulting. In February 2021, the registered capital of XXTX is increased to RMB50.8 million (approximately \$7.8 million) pursuant to a supplemental agreement signed by all shareholders of XXTX. Senmiao Consulting shall pay another investment amounted to RMB36.84 million (approximately \$5.7 million) in cash in exchange of additional 27.74% of XXTX’s equity interest. As of the date of this Report, Senmiao Consulting has made a capital contribution of RMB19.8 million (approximately \$3.0 million) to XXTX and the remaining amount is expected to be paid before December 31, 2025. As of March 31, 2021, XXTX had eight wholly owned subsidiaries and only one of them has operations.

In December 2020, Senmiao Consulting formed a wholly owned subsidiary, Corenel, with a registered capital of RMB10.0 million (approximately \$1.6 million) in Chengdu City, Sichuan Province. Corenel has engaged in automobile operating lease since March 2021.

In December 2020, Hunan Ruixi and a third party jointly formed a subsidiary, Chengdu Xichuang Technology Service Co., Ltd. (“Xichuang”), with a registered capital of RMB200,000 (approximately \$32,000) in Chengdu City, Sichuan Province. Hunan Ruixi holds 70% of the equity interests of Xichuang. In April 2021, we formed Senmiao Technology (Hong Kong), Ltd. (“Senmiao HK”), a limited liability company with a registered capital of \$10,000 in Hong Kong. We hold 99.99% of the equity interests of Senmiao HK.

Our Corporate Structure

The following diagram illustrates the Company’s corporate structure, including its subsidiaries, and VIEs, as of the date of this Report:



VIE Agreements with Sichuan Senmiao

According to the VIE Agreements, Sichuan Senmiao is obligated to pay Senmiao Consulting service fees equal to its net income. Sichuan Senmiao's entire operations are controlled by the Company. There are no unrecognized revenue-producing assets that are held by Sichuan Senmiao. Although the Company discontinued Sichuan Senmiao's online P2P lending services business commencing in October 2019, the VIE Agreements remain in place, and such agreements are described in detail below:

Equity Interest Pledge Agreement

Senmiao Consulting, Sichuan Senmiao and all the shareholders of Sichuan Senmiao (the "Sichuan Senmiao Shareholders") entered into an Equity Interest Pledge Agreement, pursuant to which the Sichuan Senmiao Shareholders pledged all of their equity interest in Sichuan Senmiao to Senmiao Consulting in order to guarantee the performance of Sichuan Senmiao's obligations under the Exclusive Business Cooperation Agreement as described below. During the term of the pledge, Senmiao Consulting is entitled to receive any dividends declared on the pledged equity interest of Sichuan Senmiao. The Equity Interest Pledge Agreement terminates when all contractual obligations under the Exclusive Business Cooperation Agreement have been fully performed.

Exclusive Business Cooperation Agreement

Pursuant to an Exclusive Business Cooperation Agreement entered by and among the Company, Senmiao Consulting, Sichuan Senmiao and each of Sichuan Senmiao Shareholders, Senmiao Consulting will provide Sichuan Senmiao with complete technical support, business support and related consulting services for 10 years ended September 18, 2027. The Sichuan Senmiao Shareholders and Sichuan Senmiao will not engage any third party for the same or similar consultation services without Senmiao Consulting's prior consent. Further, the Sichuan Senmiao Shareholders are entitled to receive an aggregate of 20,250,000 shares of common stock of the Company under the Exclusive Business Cooperation Agreement. Senmiao Consulting may terminate the Exclusive Business Cooperation Agreement at any time upon prior written notice to Sichuan Senmiao and the Sichuan Senmiao Shareholders.

Exclusive Option Agreement

Pursuant to an Exclusive Option Agreement entered by and among Senmiao Consulting, Sichuan Senmiao and the Sichuan Senmiao Shareholders, the Sichuan Senmiao Shareholders have granted Senmiao Consulting an exclusive option to purchase at any time their equity interests in Sichuan Senmiao at a purchase price equal to the capital paid by the Sichuan Senmiao Shareholders in whole or at a pro-rated price for any partial purchase. The Exclusive Option Agreement terminates after 10 years ending September 18, 2027 but can be renewed by Senmiao Consulting at its discretion.

Powers of Attorney

Each of the Sichuan Senmiao Shareholders has signed a power of attorney (the "Power of Attorney"), pursuant to which, each of the Sichuan Senmiao Shareholders has authorized Senmiao Consulting to act as his or her exclusive agent and attorney with respect to all rights of such individual as a shareholder of Sichuan Senmiao, including but not limited to: (a) attending shareholders' meetings; (b) exercising all the shareholder's rights that shareholders are entitled to under PRC laws and the Articles of Association of Sichuan Senmiao, including but not limited to voting, sale, transfer, pledge and disposition of the equity interests of Sichuan Senmiao; and (c) designating and appointing the legal representative, chairperson, director, supervisor, chief executive officer and other senior management members of Sichuan Senmiao. The Power of Attorney has the same term as the Exclusive Option Agreement.

Timely Report Agreement

The Company and Sichuan Senmiao entered into a Timely Report Agreement, pursuant to which, Sichuan Senmiao agrees to make its officers and directors available to the Company and promptly provide all information required by the Company so that the Company can make necessary filings to the U.S. Securities and Exchange Commission ("SEC") and other regulatory reports in a timely fashion.

The Company has concluded that it should consolidate the financial statements with Sichuan Senmiao because it is Sichuan Senmiao's primary beneficiary based on the Power of Attorney from the Sichuan Senmiao Shareholders, who assigned their rights as shareholders of Sichuan Senmiao to Senmiao Consulting, the Company's wholly-owned subsidiary. These rights include, but are not limited to, attending shareholders' meetings, voting on matters submitted for shareholder approval and appointing legal representatives, directors, supervisors and senior management of Sichuan Senmiao. As a result, the Company, through Senmiao Consulting, is deemed to hold all of the voting equity interests in Sichuan Senmiao. Pursuant to Exclusive Business Cooperation Agreement, Senmiao Consulting shall provide complete technical support, business support and related consulting services for 10 years. Though not explicit in the VIE Agreements, the Company may provide financial support to Sichuan Senmiao to meet its working capital requirements and capitalization purposes. The terms of the VIE Agreements and the Company's plan to provide financial support to Sichuan Senmiao were considered in determining that the Company is the primary beneficiary of Sichuan Senmiao. Accordingly, the financial statements of Sichuan Senmiao are consolidated in the accompanying consolidated financial statements.

Voting Agreements with Jinkailong's Other Shareholders

Hunan Ruixi entered into two voting agreements signed in August 2018 and February 2020, respectively, as amended (the "Voting Agreements"), with Jinkailong and other Jinkailong's shareholders holding an aggregate of 65% equity interests and obtained 35% equity interests in Jinkailong. Pursuant to the Voting Agreements, all other Jinkailong's shareholders will vote in concert with Hunan Ruixi on all fundamental corporate transactions in the event of a disagreement for periods of 20 years and 18 years, respectively, ending on August 25, 2038.

We have consolidated the financial statements of Jinkailong into our financial statements because we are Jinkailong's primary beneficiary based on the Voting Agreements. Though not explicit in the Voting Agreements by and among Jinkailong, Hunan Ruixi, and other shareholders of Hunan Ruixi, we may provide financial support to Jinkailong to meet its working capital requirements and capitalization purposes. The terms of the Voting Agreements and our plan to provide financial support to Jinkailong were considered in determining that we are the primary beneficiary of Jinkailong. Accordingly, we have determined that Jinkailong is a VIE and the financial statements of Jinkailong are consolidated in our consolidated financial statements. Although we are able to consolidate the financial statements of Jinkailong, we are only entitled to distribution of dividends and assets based on our ownership of 35% of the equity interest of Jinkailong.

Recent Developments

Information relating to our recent developments is incorporated by reference from our Prospectus Supplement filed with the SEC on May 11, 2021 pursuant to Rule 424(b)(5) "Recent Developments." The updates relating to our recent developments after May 11, 2021 are as follows:

May 2021 Offering

On May 11, 2021, we entered into a securities purchase agreement with certain accredited investors (the "Investors") in connection with a registered direct offering (the "May 2021 Offering") of 5,531,916 shares of our common stock at a price of \$1.175 per share for a purchase price of approximately \$6,500,000. On May 13, 2021, we closed the May 2021 Offering. In connection with the May 2021 Offering, we also issued warrants to the Investors to purchase a total of 5,531,916 shares of common stock at an exercise price of \$1.05 per share. The warrants have a term of five years and are exercisable at any time on or after the issue date.

The shares and warrants sold in the May 2021 Offering were issued pursuant to a prospectus supplement filed with the SEC on May 11, 2021 to our effective shelf registration statement on Form S-3 (Registration No. 333-230397), which was initially filed with the SEC on March 19, 2019, and was declared effective on April 15, 2019.

We used all of the net proceeds for general corporate purposes, including automobile purchases, the costs of providing leasing and other automobile transaction services, including financial leasing, costs of developing other types of financing businesses, investments in other entities, costs of technology development, costs of new hires, capital expenditures, working capital and the costs of operating as a public company.

FT Global Capital, Inc. ("FT Global") acted as the exclusive placement agent for the May 2021 Offering. Pursuant to a placement agency agreement between our company and FT Global dated May 11, 2021, FT Global received cash commission of approximately \$487,500 and warrants which are exercisable into 414,894 shares of common stock at an exercise price of \$1.05 per share and will expire on the fifth year anniversary of their issuance.

Cooperation with other Well-known Platforms

In April 2020 and June 2020, XXTX has signed cooperation agreements with two well-known aggregation platforms in China, Gaode Map, a map application owned and operated by AutoNavi Software, Co., Ltd. and Meituan, an e-commerce platform for services. In June 2021, XXTX signed a cooperation agreement with a top online ride-hailing platform in China. We have similar business model but different technology in data sharing and transforming in our cooperation with these platforms. We earn commissions for each completed order based on a certain percentage of the value of the order and settle its commissions with these platforms on a weekly basis.

Coronavirus (COVID-19) Update

Beginning in late 2019, an outbreak of a novel strain of coronavirus and related respiratory illness (which we refer to as COVID-19) was first identified in China and has since spread rapidly globally. The COVID-19 pandemic has resulted in quarantines, travel restrictions, and the temporary closure of stores and business facilities in China and globally. In March 2020, the World Health Organization (the “WHO”) declared COVID-19 a pandemic. Given the rapidly expanding nature of the COVID-19 pandemic, and because all of our business operations and our workforce are concentrated in China, our business, results of operations and financial condition have been adversely affected.

Due to the lockdown policy and travel restrictions, the demand for ride-hailing services has been materially and adversely impacted in our areas of operation in China, which reduced the demand of our Automobile Transaction and Related Services. We experienced a significant number of online ride-hailing drivers who exited the online ride-hailing business and tendered their automobiles to us in the three months ended March 31, 2020 as a result of less demand due to the public travel restrictions. As a result, our revenue and income for the first half of 2020 was negatively impacted to a significant extent. In an effort to mitigate the negative impact on our daily cash flow resulting from the tendering of automobiles from drivers who exited the online ride-hailing business during the epidemic period and develop a new income resource, we shifted our business focus to automobile rentals from facilitation of automobile transaction and financing. Since April 2020, the COVID-19 epidemic in China has been effectively controlled and the online ride-hailing markets in Chengdu and Changsha have been recovering. We have witnessed a quarterly increase in our revenue during the year ended March 31, 2021.

Recent local resurgences of COVID-19 cases in some areas have brought uncertainties to future economic recovery of China, but we anticipate that the impact may be limited as China has established plans to rapidly contain the spread of COVID-19 cases and minimize related economic losses. However, we have witnessed the decrease in online ride-hailing orders in mid-December 2020 and mid-May to June 2021, when Chengdu and Guangzhou reported over 10 and over 100 confirmed COVID-19 cases, respectively. The average daily rides completed through our platform decreased significantly compared to that before the reporting of the new COVID-19 cases due to the lockdown policy and travel restrictions in these cities. The number of orders recovered after the resurgences were fully under control. Consequently, the income of our online ride-hailing services also decreased during this period.

Any of these factors and other factors beyond our control could have an adverse effect on our overall business environment, cause uncertainties in the regions in China where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

JKL Investment Agreement

As fully disclosed in the 10-K for the year ended March 31, 2020, on July 4, 2020, Hunan Ruixi, Jinkailong and the other shareholders of Jinkailong entered into an agreement (the “JKL Investment Agreement”) with Hongyi Industrial Group Co., Ltd. (“Hongyi”). Pursuant to the JKL Investment Agreement, Jinkailong agreed to issue and Hongyi agreed to subscribe for a 27.03% equity interest in Jinkailong in consideration of RMB50 million (approximately \$7.0 million) (the “Investment”). As Hongyi did not make the payment in accordance with the investment, Hunan Ruixi, other shareholders of Jinkailong and Hongyi decided to terminate the investment by Hongyi with a termination agreement signed on July 2, 2021.

We are a provider of automobile transaction and related services targeting the online ride-hailing industry in China, as well as an operator of our own online ride-hailing platform. Our business includes Automobile Transaction and Related Services and Online Ride-hailing Platform Services, which is constituted with a series of services as follows:



Automobile Transaction and Related Services

Auto Operating Leasing

We have generated revenue since March 2019 from operating lease services, where we lease our own automobiles or sublease automobiles from certain online ride-hailing drivers we served before to other individuals, including new online ride-hailing drivers. With the authorization from online ride-hailing drivers who exited the online ride-hailing business, we sublease their automobiles to new online ride-hailing drivers for a lease term no more than twelve months. Due to the intense competition and the COVID-19 pandemic, as of March 31, 2021, approximately 1,289 online ride-hailing drivers (primarily in Chengdu City) have exited the online ride-hailing business. We are authorized to sublease or sell these drivers' automobiles in order to offset the repayments those drivers owed to us and the financial institutions. We sub-leased over 1,100 automobiles from these ride-hailing drivers and approximately 80 of our own automobiles with an average monthly rental income of \$441 per automobile, resulting in a rental income of \$3,434,615 for the year ended March 31, 2021.

Auto Financial Leasing

We began offering auto financing services in March 2019. In our self-operated financing, we act as a lessor and a customer (i.e., online ride-hailing driver) acts as a lessee. We offer to the lessee a selection of automobiles that were purchased by us in advance. The lessee will choose the desirable automobile to be purchased and enter into a financing lease with us. During the term of the financing lease, the lessee will have use rights with respect to the automobile. We will obtain title to the automobile upfront and retain such title during the term of the financing lease, as lessor. At the end of the lease term, the lessee will pay a minimal price and obtain full title to the automobile after the financing lease is repaid in full. In connection with the financing lease, the lessee will enter into a service agreement with us. Pursuant to this service agreement, the lessee will pay us a service fee ranging from approximately \$1,600 to approximately \$2,300 for our services, which covers, among others, payment of purchase taxes and insurance, license and plate registration, and training of ride-hailing drivers.

Auto Sales

We are also engaged in the sales of automobiles through Hunan Ruixi and Yicheng. As we are targeting to sell cars to online ride-hailing drivers, Hunan Ruixi and Yicheng procure new cars of model and specification acceptable to online ride-hailing industry in Chengdu and Changsha. Hunan Ruixi and Yicheng typically sets up periodic procurement plans based on the estimated transaction volume of Hunan Ruixi and Jinkailong and buy in bulk to obtain better pricing. Hunan Ruixi and Yicheng will then mark up the price and sell the cars to the online ride-hailing drivers who are typically customers in our auto financing facilitation services. However, due to the increased competition in the online ride-hailing markets in Chengdu and Changsha, and the adverse impact of COVID-19 across mainland China, we have shifted our business focus to automobile leasing so the sales of automobiles has significantly decreased in the year ended March 31, 2021.

Auto Financing and Transaction Facilitation

Leveraging the growing popularity of ride-hailing services in China, we facilitate the auto financing transactions between the online ride-hailing drivers and financial institutions. As of the date of this Report, over 95% of the customers we service are online ride-hailing drivers. Our services simplify the transaction process for both these drivers and the financial institutions. Specifically, our facilitation services include purchase services and management and guarantee services for new automobile transactions. As a result of the fierce competition of online ride-hailing industry in Chengdu and Changsha and the adverse impact from COVID-19 pandemic across the mainland China, we experienced a decrease of over 90% in the number of newly facilitated automobiles during the year ended March 31, 2021 as compared with last year.

Our purchase services cover a wide range of services provided to online ride-hailing drivers during the process of an automobile financing transaction, including but not limited to (i) credit assessment, (ii) preparation of financing application materials, (iii) assistance with closing of financing transactions, (iv) license and plate registration, (v) payment of taxes and fees, (vi) purchase of insurance, (vii) installment of GPS devices, (viii) ride-hailing driver qualification and (ix) other administrative procedures. Our service fees are based on the sales price of the automobiles and relevant services provided. Our service fees for automobiles purchase services ranged from \$140 to \$3,550 per vehicle during the year ended March 31, 2021.

Our management and guarantee services are provided to online ride-hailing drivers after the delivery of automobiles, covering (i) management services including, without limitation, ride-hailing driver training, assisting with purchase of insurances, insurance claims and after-sale automobile services, handling traffic violations and other consulting services; and (ii) guarantee services for the obligations of online ride-hailing drivers under their financing arrangement with financial institutions.

As of March 31, 2021, the maximum contingent liabilities we would be exposed to was approximately \$12.8 million (including approximately \$68,000 related to the discontinued P2P business), assuming all the automobile purchasers were in default, which may cause an increase in guarantee expense and cash outflow in financing activities. As of March 31, 2021, approximately \$3.9 million, including interests of \$233,000, due to financial institutions, of all the automobile purchases we serviced were past due. Our management and guarantee fees are based on the costs of our services and the results of our credit assessment of the automobile purchasers.

We have established collaborations with a number of financial institutions in China, including commercial banks, financial leasing companies as well as online peer-to-peer lending platforms, which finance the purchase of automobiles by our automobile purchasers through the Financing Agreements. During the year ended March 31, 2021, due to our shift on business focus, we did not engage new financial institutions for our Auto have Financing and Transaction Facilitation.

Auto Transaction Facilitation Services

Through Hunan Ruixi and Jinkailong, we also facilitate automobile purchase transactions between dealers, our cooperative third party sales teams and the automobile purchasers, primarily online ride-hailing drivers. We provide sales venue and vehicle sourcing for the transactions. We charge third party sales teams and automobile purchasers a facilitation fee based on the type of vehicle and negotiation with each dealer, third party sales team and purchaser, generally no more than \$2,000 per automobile from third party sales team and \$2,160 from the purchaser.

We also provide a series of services for the purchasers throughout the automobile purchase transaction process, including registration of license plates and permits from the relevant government authorities, insurance facilitation and assistance with applications to financial institutions to finance the purchase. Our service fees are based on the sales price of the automobiles and relevant services provided. As of March 31, 2021, we provided facilitation services for an aggregate of 1,687 automobiles. During the year ended March 31, 2021, we provided facilitation services for 61 automobiles.

Online Ride-hailing Platform Services

As part of our goal to provide an all-encompassing solution for online ride-hailing drivers as well as to increase our competitive strengths in an increasing competitive online ride-hailing industry and to take advantage the market potential, in October 2020, we began operating our own online ride-hailing platform in Chengdu. The platform (called Xixingtianxia) was owned and operated by XXTX. As the date of this Report, the platform is presently servicing online ride-hailing drivers in Chengdu, Changsha, Neijiang, Guangzhou, Nanchong and Panzhihua, China, providing them a platform to view and take customer orders for rides.

We currently collaborate with two well-known aggregation platforms in China, Gaode Map, a map application owned and operated by AutoNavi Software, Co., Ltd. and Meituan, an e-commerce platform for services. Under our collaboration, when a rider using the platform searches for taxi/ride-hailing services on the aggregation platform, the platform provides such rider a number of online ride-hailing platforms for selection, including ours and if our platform is specifically selected by the rider, the order will then be distributed to registered drivers on our platform for viewing and acceptance. The rider may also simultaneously select multiple online ride-hailing platforms in which case, the aggregation platform will distribute the requests to different online ride-hailing platforms which they cooperate with, based on the number of available drivers using the platform in a certain area and these drivers' historical performance, among other things. We generate revenue from providing services to online ride-hailing drivers to assist them in providing transportation services to the riders looking for taxi/ride-hailing services. We earn commissions for each completed order as the difference between an upfront quoted fare and the amount earned by a driver based on actual time and distance for the ride charged to the rider. We settle our commissions with the aggregation platforms on a weekly basis.

Since October 23, 2020, the acquisition date, to March 31, 2021, we have expanded marketing of our online ride-hailing platform to a larger pool of potential drivers and riders in Chengdu, Changsha, Neijiang and Guangzhou through cooperation with certain local car rental companies and through offering attractive incentives and awards to drivers. During the period from the acquisition date to March 31, 2021, approximately 4.4 million rides with gross fare of approximately \$12.4 million were completed through our platform and an average of over 6,000 ride-hailing drivers completed rides and earned income through our platform (the "Active Drivers") each month. Among the Active Drivers, approximately 6% also leased automobiles from us, which is in line with our strategy to cross sell our core ride-hailing focused automobile finance and leasing business with the newer online ride-hailing platform business. During the period since the acquisition date to March 31, 2021, we achieved revenue of approximately \$0.9 million from our Online Ride-hailing Platform Services, after taking into account approximately \$1.8 million incentives paid by us to Active Drivers, which were recorded as a reduction to our revenue.

Transaction Process

The following chart illustrates our typical process of our ride-hailing platform services:



Customers

The significant majority of our customers are online ride-hailing drivers. Due to the complexity and difficulty of obtaining registration of various licenses required for driving an online ride-hailing car, our customers choose to lease automobile from us or become affiliated with us who offer them a simplified and smooth process to become qualified. Our automobile leasees typically lease automobiles which meet the criteria of cars used for online ride-hailing for their own business in the industry. Our automobile purchasers typically become affiliated with us through affiliation agreements pursuant to which we, as a qualified management company, provide them post-transaction management services during the affiliation period, which is usually the same as the term of the Financing Agreements. Our platform users typically use our online ride-hailing platform to view and take customer orders for rides.

We acquire customers through the network of third-party sales teams, cooperated lease companies and our own efforts including online advertising and billboard advertising. We also send out fliers and participate in trade shows to advertise our services. During the year ended March 31, 2021, we have serviced over 2,500 customers for our Automobile Transaction and Related Services. From the acquisition date of our platform to March 31, 2021, approximately 4.4 million rides with gross fare of approximately \$12.4 million were completed through our platform orders.

Risk Management

To mitigate risk associate with our Automobile Transaction and Related Services and Online Ride-hailing Platform Services, we conduct assessments and evaluations of prospective online ride-hailing drivers and leases separately, including identity verification and background checks. For an online ride-hailing platform driver who uses our platform as well as purchases or leases automobile from us, our assessments typically involve two rounds from our subsidiaries who operate Automobile Transaction and Related Services and Online Ride-hailing Platform Services, respectively. We believe our manual review and verification process is sufficient for the requirements of our current operations.

We conduct an initial screening when we receive an application from a prospective automobile buyer/leasee based on credit reports from People's Bank of China ("PBOC") and third party credit rating companies, and personal information including residence, ethnicity group, driving history and involvement in legal proceeding. An automobile buyer/leasee must meet the following preliminary criteria:

- be between 18-65 years old;
- reside in the mainland of China and have the local residential identification;
- have a driving history of at least three years;
- not be subject to on-going legal proceedings or enforcement;
- not be listed on a national delinquent debtor's list;
- the value of purchased automobile matches the income of the candidate.

Additionally, we arrange a simple in-person interview with the applicant where we gather information on marital/family status, income, assets, borrowing history and default history, if any. This interview is typically conducted by our risk management staff who will verify the accuracy of information on the prospective driver by cross-checking information provided by the applicant with other sources. We will also assess the prospective customer's potential repayment ability.

Applicants with any of the follow attributes will be rejected for:

- engaging in illegal or criminal activities;
- involvement in pornography, gambling, drug dealing and gangster activities and experiences;
- engaging in usury lending; or
- providing fraudulent information.

We also conduct an assessment and evaluation when we receive an application from a prospective online ride-hailing driver. Under our online ride-hailing platform's standards, a qualified driver must meet certain minimum criteria:

- have obtained online booking taxi driver's license with age of 21 to 60 years old for males; 21 to 55 years old for females;
- have a driving history of at least three years with driving license of (i) A1, A2, A3, B1, B2, C1 and C2 (referring to the different classes of driver's license in China based on vehicle types);
- must not have committed any hit-and-run accidents;
- have no record of dangerous driving, drug use, driving under alcoholic influence, and violent crime;
- have no traffic violation of 12 demerit points or more in any year of the past three years; and
- have not been investigated or disciplined for unlawfully engaging in taxi services or other passenger transportation operations in Chengdu City within the past five years.

Our online ride-hailing platform also set criteria for the automobiles used for online ride-hailing business, which need to be completed before the driver commences to use the automobile for online ride-hailing business:

- has obtained online booking taxi transportation certificate and be registered as "reserved taxi service" with less than 7 seats and local registered number; or in accordance with the requirements by local government;
- has installed vehicle satellite positioning device and emergency alarm device with driving record function;
- motor vehicle driving permit is still in use;
- has been covered with compulsory insurance for motor vehicle traffic accident liability and compulsory insurance for third party liability of motor vehicle, and within the insurance period, or in accordance with the requirements by local government;
- vehicle miles traveled is less than 600,000 km and the service life is less than 8 years;
- other requirements by local government.

Post-Financing Services

Our post financing management department is in charge of monitoring and managing monthly payments by the purchaser/leasee. We send text messages and make phone calls as reminders three business days prior to the payment due date. If a purchaser/leasee fails to pay on the due day, we will pay the financial institution on behalf of the defaulted automobile purchaser but continue to contact the automobile purchaser and request for payments. If the delinquency continues for more than 15 days, we then seek to repossess the car. Every car purchased through us has a GPS device installed, which helps us locate the car. After a car is repossessed, we store it in a warehouse and later dispose of the automobile in accordance with law and relevant financing documents. If we are unable to repossess collateral from a delinquent automobile purchaser/leasee, we may commence a lawsuit against such purchaser.

Competition

The online ride-hailing industry in China is large and evolving. There were approximately 80 automobile financing and leasing companies that provide automobile purchasing and leasing services to online ride-hailing drivers in Chengdu and Changsha City as of June 2021. We face significant competition primarily from companies that operate in Chengdu City, such as Chengdu Jingtengjian Business Consulting Co., Ltd., FAW Huidi Automotive Technology Co., Ltd. and Jingming Automobile Leasing Co., Ltd.

The acquisition of XXTX has brought us a new business of online ride-hailing platform services and enhanced our goal of providing an all-encompassing solution for online ride-hailing drivers. However, Didi takes approximately 90% market share of the online ride-hailing platforms according to a research issued by Forward Research. We choose to cooperate with well-known aggregation platforms to commence our online ride-hailing platform business rather than competing with Didi directly. As of June 2021, there were approximately 80 companies who operate their own online ride-hailing platforms and have established business relationships with Gaode and Meituan in Chengdu, Changsha, Neijiang and Guangzhou City and are engaged in the same business as ours. We face significant competition primarily from platforms that have operation in Chengdu and Changsha City, such as Caocao, Jishiyongche and Xiehua Chuxing. We expect to have more cooperation with other aggregation platforms in the online ride-hailing industries to have more competitive advantage in the industry.

Regulations

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or the rights of our stockholders to receive dividends and other distributions from us.

Regulations Related to Online Ride-Hailing Services

In order to manage the rapidly growing online ride-hailing service market and control relevant risks, on July 27, 2016, seven ministries and commissions, including the Ministry of Transport (the “MOT”), jointly promulgated the Interim Measures for the Administration of Online Taxi Booking Business Operations and Services and amended on December 28, 2019, which legalizes online ride-hailing services such as Didi and requires the online ride-hailing services to meet the requirements set out by the Interim Measures and obtain requisite service licenses and take full responsibility of the ride services to ensure the safety of riders.

On November 5, 2016, the Municipal Communications Commission of Chengdu City and a number of municipal departments jointly issued the Implementation Rules for the Administration of Taxi Management Services for Chengdu Network. On August 10, 2017, the Transportation Commission of Chengdu further issued guidelines on compliance requirements for online ride-hailing businesses, including Working Process for the Online Appointment of Taxi Drivers Qualification Examination and Issuance and Online Appointment Taxi Transportation Certificate Issuance Process. According to these regulations and guidelines, three licenses or certificates are required for operating the online ride-hailing business: (1) the online ride-hailing service platform such as Didi is required to obtain the online reservation taxi operating license; (2) the automobiles used for online ride-hailing are required to obtain the online reservation taxi transport certificate (the “automobile certificate”); (3) the drivers are required obtain the online reservation taxi driver's license (the “driver's license”).

On July 23, 2018, the General Office of Changsha Municipal People's Government issued the “Detailed Rules for the Administration of Online Booking Taxi Management Services for Changsha.” According to those regulations and guidelines, licenses, which are online reservation taxi operating license, automobile certificate and driver's licenses, are required to operate a ride-hailing business in Changsha, and automobiles used for online ride-hailing services are required to meet certain standards, including that the sales price (including taxes) of the qualified automobile is over RMB120,000.

In addition to the national online reservation taxi operating license, XXTX and its subsidiaries also obtained the local online reservation taxi operating license in Chengdu, Changsha, Neijiang, Panzhihua, Nanchong and Guangzhou, from June 2020 to March 2021 issued by local authority, to operate the online ride-hailing platform services. Without a requisite automobile certificate or driver's license, ride-hailing drivers may be suspended from providing online ride-hailing services, their illegal income may be confiscated and they may be subject to fines amounting to RMB5,000 (US\$730) to RMB30,000 (US\$4,370) for each offense.

However, approximately 55% of our online ride-hailing drivers had not obtained the driver's license as of March 31, 2021 while all of the cars used for online ride-hailing services which we provided management services to have the automobile certificate. Without requisite automobile certificate or driver's license, these drivers may be suspended from providing online ride-hailing services, confiscated their illegal income and subject to fines of up to 10 times of their illegal income. Starting in December 2019, Didi began to enforce such limitation on drivers in Chengdu who have a driver's license but operate automobiles without the automobile certificate.

Furthermore, according to the Interim Measures, no enterprise or individual is allowed to provide information for conducting online ride-hailing services to unqualified vehicles and drivers. In December 2020, Chengdu Transportation Bureau has taken a series of investigations into actions violating the Interim Measures and imposed fines for such violations. Among the 226 cases, two cases involved drivers of our Xixingtianxia online ride-hailing platform who failed to obtain the ride-hailing driver's licenses. As a result, we were fined RMB10,000. Pursuant to the Interim Measures, XXTX and its subsidiaries may be fined between RMB5,000 to RMB30,000 (approximately \$714 to \$4,300) for violations of the Interim Measures, including providing online ride-hailing platform services to unqualified drivers or vehicles. During the year ended March 31, 2021, we have been fined by approximately \$36,000 by Traffic Management Bureaus in Chengdu and Changsha, of which, approximately \$5,900 was further compensated by drivers or cooperated third parties. If we are deemed in serious violation of the Interim Measures, our Online Ride-hailing Platform Services may be suspended and the relevant licenses may be revoked by certain government authorities. We are in the process of assisting the drivers to obtain the required certificate and license, such as providing registered and training services. However, there is no guarantee that all of the drivers who run their online ride-hailing business through our platform would be able to obtain all the certificates and licenses.

Regulations Related to Financial Leasing

In September 2013, the Ministry of Commerce of the People's Republic of China ("MOFCOM") issued the Administration Measures of Supervision on Financing Lease Enterprises (the "Leasing Measures"), to regulate and administer the business operations of financial leasing enterprises. According to the Leasing Measures, financial leasing enterprises are allowed to carry out financial leasing businesses in such forms as direct lease, sublease, sale-and-lease-back, leveraged lease, entrusted lease and joint lease in accordance with the provisions of relevant laws, regulations and rules. However, the Leasing Measures prohibit financial leasing enterprises from engaging in financial businesses such as accepting deposits, and providing loans or entrusted loans. Without the approval from relevant authorities, financial leasing enterprises may not engage in inter-bank borrowing and other businesses. In addition, financial leasing enterprises are prohibited from carrying out illegal fund-raising activities in the name of financial leases. The Leasing Measures require financial leasing enterprises to establish and improve their financial and internal risk control systems, and a financial leasing enterprise's risk assets may not exceed ten times that of its total net assets.

In April 2018, China Banking and Insurance Regulatory Commission ("CBIRC") took over the authority over supervision of financing lease companies from MOFCOM.

On May 26, 2020, CBIRC issued the Interim Measures for Supervision and Administration of Financial Leasing Companies (the "Financial Leasing Measures"), which clarified the business scope, the scope of the leased property and the prohibited business or activity of the financial leasing company, as well as other business-related definitions, such as purchase, registration, retrieval and value management of financial leasing products. Financial leasing companies may conduct some or all of the following businesses: (1) financial leasing business; (2) leasing business; (3) purchase, disposal of residual value and repair of leased assets related to financial leasing and leasing business, consulting of the leasing transaction, receipt of leasing deposit; (4) transfer of financial leases or leased assets or acceptance of financial leases or leased assets transferred; (5) fixed income securities investment business. The measures have also discussed certain regulatory standards, including the proportion of financial leasing assets, the proportion of fixed income securities investment business, business concentration and so on. Financial leasing companies shall not conduct the following businesses or activities: (1) illegal fund-raising, acceptance or disguised acceptance of deposits; (2) extension of loans or entrusted loans; (3) placements with or from other financial leasing companies or in disguise; (4) financing or transferring assets through Internet Lending Information Intermediaries, private equity funds; (5) other businesses or activities prohibited by laws and regulations, the CBIRC and local financial regulatory authorities in provinces, autonomous regions and municipalities.

Financial leasing companies are required to comply with the following regulatory indicators: (1) degree of concentration of single client financing, meaning the balance of all financial leasing business of a financial leasing company to a single lessee shall not exceed 30% of its net assets; (2) degree of concentration of single group client financing, meaning the balance of all financial leasing business of a financial leasing company to a single group shall not exceed 50% of its net assets; (3) ratio of a single related client, meaning the balance of all financial leasing business of a financial leasing company to a related party shall not exceed 30% of its net assets; (4) ratio of all related parties, meaning the balance of all financial leasing business of a financial leasing company to all related parties shall not exceed 50% of its net assets, and (5) ratio of a single related shareholder, meaning the financing balance to a single shareholder and all its related parties shall not exceed the shareholder's capital contribution in the financial leasing company, and at the same time meet the provisions of the measures on the ratio of a single related client. The CBIRC may make adjustments to the above indicators according to regulatory needs.

Financial leasing companies that were established before the implementation of the Interim Measures for the Supervision and Administration of Financial Leasing Companies are required meet the requirements stipulated in the Measures within the transition period prescribed by the provincial local financial supervision department. In principle, the transition period shall not exceed three years. Provincial local financial supervision departments can appropriately extend the transition period arrangement according to the actual situation of specific industries.

As the date of this Report, Hunan Ruixi, our proprietary financing lease subsidiary, has utilized our own capital to fund financing leases to automobile purchasers. However, Yicheng has not carried out any financial leasing business. Hunan Ruixi has not complied with all the requirements stipulated under the Financial Leasing Measures. Those two companies intend to rectify and to comply with all the requirements stipulated under the Financial Leasing Measure during the transition period, failing which, Hunan Ruixi and/or Yicheng cannot carry out financial leasing business.

The PRC Civil Code promulgated by the National People's Congress effective from January 1, 2021 regulates the civil contractual relationship among natural persons, legal persons and other organizations. Chapter 15 of the PRC Civil Code sets forth related rules about financing lease contracts including that financing lease contracts shall be in written form and normally include terms such as the name, quantity, specifications, technical performance and inspection method of the leased property, the lease term, the composition, payment term, payment method and currency of the rent and the ownership of the leased property upon expiration of the lease. The PRC Civil Code further provides that the lessor and the lessee may agree on the ownership of the leased property upon expiry of the lease term. If the ownership of the leased property is not or is not clearly agreed between the parties, and is still cannot be determined pursuant to the PRC Civil Code, the leased property shall be owned by the lessor.

Regulation Related to Financing Guarantee Companies

The State Council of China promulgated the Regulations on the Administration of Financing Guarantee Companies on August 2, 2017, and on April 2, 2018, the CBIRC, together with several other governmental authorities, jointly adopted four supplemental rules over the Administration of Financing Guarantee Companies: (i) the Administrative Measures for the Financing Guarantee Business Permit, (ii) Measures for Measuring the Outstanding Amount of Financing Guarantee Liabilities, (iii) Administrative Measures for the Asset Percentages of Financing Guarantee Companies and (iv) Guidelines on Business Cooperation between Banking Financial Institutions and Financing Guarantee Companies, or the Four Supporting Measures of the Financing Guarantee Rules. In addition, the CBIRC, together with several other governmental authorities, jointly issued the Supplementary Provisions on the Supervision and Administration of Financing Guarantee Companies on October 9, 2019.

According to the above rules on financing guarantee companies, or the Financing Guarantee Rules, “financing guarantee” refers to the activities that guarantors provide guarantee to the guaranteed parties as to loans, bonds or other types of debt financing, including, among other things, the activities whereby a guarantor provides guarantee for loans, online lending, financial leasing, commercial factoring, bill acceptance, letters of credit or other forms of debt financing. “Financing guarantees companies” refer to companies legally established and engaged in financing guarantee business. According to those rules, the establishment of a financing guarantee company is subject to the approval by the competent government authority, and unless otherwise stipulated, no entity may operate financing guarantee business without such approval. If any entity violates these regulations and operates financing guarantee business without approval, the entity may be subject to penalties including ban or suspension of business, fines of RMB500,000 to RMB1,000,000, and confiscation of illegal gains, if any. If the violation constitutes a criminal offense, criminal liability will be imposed in accordance with the law.

In connection with our automotive financing facilitation business, we provide guarantees to our financing partners in connection with the financing of the purchase of automobiles and such guarantee business is not our principal business. It is uncertain whether this practice would be deemed as operations in financing guarantee business. See “*Risk—Risks Relating to Our Industry and Business—We are required to obtain certain licenses and permits for our business operations, and we may not be able to obtain or maintain such licenses or permits.*”

Regulations Related to Value-Added Telecommunication Business Certificates and Foreign Investment Restrictions

PRC regulations impose sanctions for engaging in Internet information services of a commercial nature without having obtained an ICP certificate or engaging in the operation of online data processing and transaction processing (“ODPTP”) without having obtained an ODPTP certificate. These sanctions include corrective orders and warnings from the PRC communication administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, the websites may be ordered to close.

According to the Provisions on the Administration of Foreign-invested Telecommunication Enterprises, the ratio of investment by foreign investors in a foreign-invested telecommunication enterprise that engages in the operation of a value-added telecommunication business shall not exceed 50%. The Circular of Ministry of Industry and Information Technology Concerning Lifting Restrictions on the Proportion of Foreign Equity in Online Data Processing and Transaction Processing Business (E-commerce) (the “Circular 196”), which was promulgated on June 19, 2015, provides that foreign investors are permitted to invest up to 100% of the registered capital in a foreign-invested telecommunication enterprise engaging in the operation of online data processing and transaction processing (E-commerce). However, foreign investors are only permitted to invest up to 50% of the registered capital in a foreign-invested telecommunication enterprise that engages in the operation of Internet information services. Under either circumstance, the largest foreign investor will be required to have a satisfactory business track record and operational experience in the value-added telecommunications business.

While Circular 196 permits foreign ownership, in whole or in part, of online data and deal processing businesses (E-commerce), a sub-set of value-added telecommunications services, it is not clear whether our online ride-hailing platform would be deemed as online data and deal processing. See “*Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.*”

Regulations Related to Internet Advertising

The Interim Measures for Administration of Internet Advertising (the “Internet Advertising Measures”), were adopted by the SAIC and became effective on September 1, 2016. The Internet Advertising Measures regulate Internet advertising activities. According to the Internet Advertising Measures, Internet advertisers are responsible for the authenticity of the content of advertisements. The identity, administrative license, cited information and other certificates that advertisers are required to obtain in publishing Internet advertisements shall be true and valid. Internet advertisements shall be distinguishable and prominently marked as “advertisements” in order to enable consumers to identify them as advertisements. Publishing and circulating advertisements through the Internet shall not affect the normal use of the Internet by users. It is not allowed to induce users to click on the content of advertisements by any fraudulent means, or to attach advertisements or advertising links in the emails without permission. The Internet Advertising Measures also impose several restrictions on the forms of advertisements and activities used in advertising. “Internet advertising” as defined in the Internet Advertising Measures refers to commercial advertisements that directly or indirectly promote goods or services through websites, web pages, Internet applications or other Internet media in various forms, including texts, pictures, audio clips and videos. Where Internet advertisements are not identifiable and marked as “advertisements”, a fine of not more than RMB100,000 (approximately US\$15,378) may be imposed in accordance with Advertising Law. A fine ranging from RMB5,000 (approximately US\$769) to RMB30,000 (approximately US\$4,613) may be imposed for any failure to provide a prominently marked “CLOSE” button to ensure “one-click closure”. Advertisers who induce users to click on the content of advertisements by fraudulent means or without permission, attach advertisements or advertising links in the emails shall be imposed a fine ranging from RMB10,000 (approximately US\$1,538) to RMB30,000 (approximately US\$4,613). Our marketplace is in the process of complying with the new Internet Advertising Measures during our advertising activities.

Regulations Related to Information Security and Confidentiality of User Information

Internet activities in China are regulated and restricted by the PRC government and are subject to criminal penalties under the Decision Regarding the Protection of Internet Security.

The MPS has promulgated measures that prohibit use of the Internet in ways that, among other things, result in leaks of government secrets or the spread of socially destabilizing content. The MPS and its local counterparts have authority to supervise and inspect domestic websites to carry out its measures. Internet information service providers that violate these measures may have their licenses revoked and their websites shut down.

On June 22, 2007, the MPS, the State Secrecy Administration and other relevant authorities jointly issued the Administrative Measures for the Hierarchical Protection of Information Security, which divides information systems into five categories and requires the operators of information systems ranking above Grade II to file an application with the local Bureau of Public Security within 30 days of the date of its security protection grade determination or since its operation. The Company completed its registration with the local Bureau of Public Security in April, 2017.

The PRC government regulates the security and confidentiality of Internet users’ information. The Administrative Measures on Internet Information Service, the Regulations on Technical Measures of Internet Security Protection and the Provisions on Protecting Personal Information of Telecommunication and Internet Users, which were issued on July 16, 2013 by the MIIT, set forth strict requirements to protect personal information of Internet users and require Internet information service providers to maintain adequate systems to protect the security of such information. Personal information collected must be used only in connection with the services provided by the Internet information service provider. Moreover, the Rules for Regulating the Order in the Market for Internet Information Service also protect Internet users’ personal information by (i) prohibiting Internet information service providers from unauthorized collection, disclosure or use of their users’ personal information and (ii) requiring Internet information service providers to take measures to safeguard their users’ personal information. In December 2012, the Standing Committee of the National People’s Congress passed the Decision on Strengthening Internet Information Protection, which provides that all Internet service providers in China, including Internet information service providers, must require that their users provide identification information before entering into service agreements or providing services.

On November 7, 2016, the Standing Committee of the National People's Congress released the Cyber Security Law, which came into effect on June 1, 2017 ("Cyber Security Law"). The Cyber Security Law requires network operators to perform certain functions related to cyber security protection and the strengthening of network information management. For instance, under the Cyber Security Law, network operators of key information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of PRC.

Besides, mobile internet applications and the internet application store are specifically regulated by the Administrative Provisions on Mobile Internet Application Information Services (the "Mobile Application Administrative Provisions") which were promulgated by the Cyberspace Administration of China (the "CAC") on June 28, 2016 and effective on August 1, 2016. Pursuant to the Mobile Application Administrative Provisions, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information security management responsibilities and carry out certain duties, including establish and complete user information security protection mechanism and information content inspection and management mechanisms, protect users' right to know and right to choose in the process of usage, and to record users' daily information and preserve it for 60 days. Furthermore, internet application store service providers and internet application information service providers shall sign service agreements to determinate both sides' rights and obligations.

Furthermore, on December 16, 2016, MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (the "Mobile Application Interim Measures"), effective on July 1, 2017. The Mobile Application Interim Measures requires, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

On April 11, 2017, the CAC announced the Measures for the Security Assessment of Personal Information and Important Data to be Transmitted Abroad (consultation draft) (the "Consultation Draft of Security Assessment Measures"). The Consultation Draft of Security Assessment Measures requires network operators to conduct security assessments and obtain consents from owners of personal information prior to transmitting personal information and other important data abroad. Moreover, under the Consultation Draft of Security Assessment Measures, the network operators are required to apply to the relevant regulatory authorities for security assessments under several circumstances, including but not limited to: (i) if data to be transmitted abroad contains personal information of more than 500,000 users in aggregate; (ii) if the quantity of the data to be transmitted abroad is more than 1,000 gigabytes; (iii) if data to be transmitted abroad contains information regarding nuclear facilities, chemical biology, national defense or military projects, population and health, or relates to large-scale engineering activities, marine environment issues or sensitive geographic information; (iv) if data to be transmitted abroad contains network security information regarding system vulnerabilities or security protection of critical information infrastructure; (v) if key information infrastructure network operators transmit personal information and important data abroad; or (vi) if any other data to be transmitted abroad contains information that might affect national security or public interest and are required to be assessed as determined by the relevant regulatory authorities.

On November 28, 2019, the Security Bureau of the CAC, the General Office of the MIIT, the General Office of the Ministry of Public Security and the General Office of the State Market Supervision and Administration (the "MSA") jointly issued the Notice on Measures for Determining the Illegal Collection and Use of Personal Information through Mobile Applications, which aims to provide reference for supervision and administration departments of the PRC government and provide guidance for mobile applications operators' self-examination and self-correction and social supervision by avid internet users (so called "netizens"), and further elaborates the forms of behavior constituting the illegal collection and use of personal information through mobile applications including: (i) failing to publish the rules on the collection and use of personal information; (ii) failing to explicitly explain the purposes, methods and scope of the collection and use of personal information; (iii) collecting and using personal information without the users' consent; (iv) collecting personal information unrelated to the services the collector of the information provided and beyond the necessary principle of such services; (v) providing personal information to others without the users' consent; (vi) failing to provide the function of deleting or correcting personal information according to PRC laws or failing to publish information such as ways for internet users to file complaints and reports.

Regulations Related to Company Establishment and Foreign Investment

The establishment, operation and management of corporate entities in China is governed by the Company Law of the PRC (the “Company Law”). All of our subsidiaries and VIEs in China are subject to the Company Law. According to the Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The Company Law applies to both PRC domestic companies and foreign-invested companies. The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-Owned Enterprise Law of the PRC and the Implementation Regulation of the Wholly Foreign-Owned Enterprise Law. According to these regulations, foreign-invested enterprises in the PRC may only pay dividends out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside general reserves of at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment provide otherwise. In addition, PRC companies may allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves and employee welfare and bonus funds are not distributable as cash dividends. A PRC company may not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. In September 2016, the National People’s Congress Standing Committee published its decision to revise the laws relating to wholly foreign-owned enterprises and other foreign-invested enterprises. Such decision, which became effective on October 1, 2016, changes the “filing or approval” procedure for foreign investments in China such that foreign investments in business sectors not subject to special administrative measures will only be required to complete a filing instead of the existing requirements to apply for approval. The special entry management measures shall be promulgated or approved to be promulgated by the State Council. Pursuant to a notice issued by the National Development and Reform Commission (“NDRC”) and MOFCOM on October 8, 2016, the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Catalogue of Industries for Guiding Foreign Investment in relation to the restricted foreign investment industries, prohibited foreign investment industries and encouraged foreign investment industries. Pursuant to the Provisional Administrative Measures on Establishment and Modifications Filing for Foreign Investment Enterprises promulgated by MOFCOM on October 8, 2016, establishment and changes of foreign investment enterprises not subject to the approval under the special entry management measures shall be filed with the relevant commerce authorities.

The Provisions on Guiding the Orientation of Foreign Investment and the 2015 revision of the Catalogue of Industries for Guiding Foreign Investment classify foreign investment projects into four categories: encouraged projects, permitted projects, restricted projects and prohibited projects. The purpose of these regulations is to direct foreign investment into certain priority industry sectors and restrict or prohibit investment in other sectors. If the industry sector in which the investment is to occur falls into the encouraged category, foreign investment can be conducted through the establishment of a wholly foreign-owned enterprise. If a restricted category, foreign investment may be conducted through the establishment of a wholly foreign-owned enterprise, provided certain requirements are met, and, in some cases, the establishment of a joint venture enterprise is required with varying minimum shareholdings for the Chinese party depending on the particular industry. If a prohibited category, foreign investment of any kind is not allowed. Any industry not falling into any of the encouraged, restricted or prohibited categories is classified as a permitted industry for foreign investment. Our prior Online Lending Services are classified as permitted foreign investment projects.

The Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2018 Version) (the “2018 Negative List”), which was promulgated jointly by the MOFCOM and the NDRC on June 28, 2018 and became effective on July 28, 2018, replaced and partly abolished the Guidance Catalogue of Industries for Foreign Investment (2017 Revision) regulating the access of foreign investors to China. Foreign investors should refrain from making investing in any of prohibited sectors specified in the 2018 Negative List, and foreign investors are required to obtain the permit for access to other sectors that are listed in the 2018 Negative List but not classified as “prohibited.”

On June 30, 2019, the MOFCOM and the NDRC promulgated the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2019 Version) which came into effect on July 31, 2019 (the “2019 Negative List”) and replaced the 2018 Negative List.

On June 23, 2020, the MOFCOM and the NDRC promulgated the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2020 Version) which came into effect and replaced the 2019 Negative List from July 23, 2020 (the “2020 Negative List”). The 2020 Negative List further reduces the scope under the access management of foreign investment and expands the foreign investment scope.

Neither our Automobile Transaction and Related Services nor our Online Ride-hailing Platform Services is listed in 2018 Negative List, 2019 Negative List or 2020 Negative List.

According to the PRC Foreign Investment Law, “foreign investment” refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or otherwise organizations of a foreign country (collectively referred to as “foreign investor”) within China, and the investment activities include the following situations: (i) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other like rights and interests of an enterprise within China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project within China; and (iv) investments in other means as provided by laws, administrative regulations, or the State Council. Since we are incorporated in Nevada, our activities in China are subject to the PRC Foreign Investment Law.

According to the PRC Foreign Investment Law, the State Council will publish or approve to publish the “negative list” for special administrative measures concerning foreign investment. The PRC Foreign Investment Law grants national treatment to foreign-invested enterprises (“FIEs”), except for those FIEs that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list”. Because the “negative list” has yet to be published, it is unclear whether it will differ from the current Special Administrative Measures for Market Access of Foreign Investment (Negative List). The PRC Foreign Investment Law provides that FIEs operating in foreign restricted or prohibited industries will require market entry clearance and other approvals from relevant PRC governmental authorities. If a foreign investor is found to invest in any prohibited industry in the “negative list”, such foreign investor may be required to, among other aspects, cease its investment activities, dispose of its equity interests or assets within a prescribed time limit and have its income confiscated. If the investment activity of a foreign investor is in breach of any special administrative measure for restrictive access provided for in the “negative list”, the relevant competent department shall order the foreign investor to make corrections and take necessary measures to meet the requirements of the special administrative measure for restrictive access.

In addition, the PRC government has established a foreign investment information reporting system, according to which foreign investors or foreign-invested enterprises are required to submit investment information to the competent department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system, and a security review system under which the security review shall be conducted for foreign investment affecting or likely affecting the state security.

Furthermore, the PRC Foreign Investment Law provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the Foreign Investment Law.

In addition, the PRC Foreign Investment Law provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that a foreign investor may freely transfer into or out of China, in Renminbi or a foreign currency, its contributions, profits, capital gains, income from disposition of assets, royalties of intellectual property rights, indemnity or compensation lawfully acquired, and income from liquidation, among others, within China; local governments shall abide by their commitments to the foreign investors; governments at all levels and their departments shall enact local normative documents concerning foreign investment in compliance with laws and regulations and shall not impair legitimate rights and interests, impose additional obligations onto FIEs, set market access restrictions and exit conditions, or intervene with the normal production and operation activities of FIEs; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; and mandatory technology transfer is prohibited.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law, and on December 26, 2019, the State Council promulgated the Implementing Rules to Further Clarify and Elaborate the Relevant Provisions of the PRC Foreign Investment Law (the “Implementing Rules”). The PRC Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three major previous laws on foreign investments in China, namely, the Sino-foreign Equity Joint Venture Law, the Sino-foreign Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, and their respective implementing rules. Pursuant to the Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC are also governed by the PRC Foreign Investment Law and the Implementing Rules.

According to the Implementing Rules, the registration of foreign-invested enterprises is processed by the MSA or its authorized local counterparts. Where a foreign investor invests in an industry or field subject to licensing in accordance with laws, the relevant competent government department responsible for granting such license shall review the license application of the foreign investor in accordance with the same requirements and procedures applicable to PRC domestic investors unless it is stipulated otherwise by the laws and administrative regulations, and the competent government department may not apply discriminatory standards to the foreign investor in terms of licensing requirements, application materials, reviewing steps, deadlines and so on.

Pursuant to the Foreign Investment Law, the Implementing Rules, and the Information Reporting Measures for Foreign Investment jointly promulgated by the MOFCOM and the MSA, which took effect on January 1, 2020, a foreign investment information reporting system was established and foreign investors or foreign-invested enterprises must report investment information to competent commerce departments of the PRC government through the enterprise registration system, the enterprise credit information publicity system and the foreign investment information reporting system, and the relevant government authorities shall share such investment information to the competent commerce departments in a timely manner. We are subject to these regulatory requirements.

Regulations Related to Labor and Social Security

Pursuant to the PRC Labor Law, the PRC Labor Contract Law and the Implementing Regulations of the Employment Contracts Law, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

On December 28, 2012, the PRC Labor Contract Law was amended with effect on July 1, 2013 to impose more stringent requirements on labor dispatch. Under such law, dispatched workers are entitled to pay equal to that of full-time employees for equal work, but the number of dispatched workers that an employer hires may not exceed a certain percentage of its total number of employees as determined by the Ministry of Human Resources and Social Security. Additionally, dispatched workers are only permitted to engage in temporary, auxiliary or substitute work. According to the Interim Provisions on Labor Dispatch promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, the number of dispatched workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched workers). The Interim Provisions on Labor Dispatch require employers not in compliance with the PRC Labor Contract Law in this regard to reduce the number of its dispatched workers to below 10% of the total number of its employees prior to March 1, 2016. In addition, an employer is not permitted to hire any new dispatched worker until the number of its dispatched workers has been reduced to below 10% of the total number of its employees.

Under PRC laws, rules and regulations, including the Social Insurance Law, the Interim Regulations on the Collection and Payment of Social Security Funds and the Regulations on the Administration of Housing Accumulation Funds, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount. See *“Risk Factors — Risks Related to Doing Business in China — Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.”*

Anti-money Laundering Regulation

The PRC Anti-money Laundering Law, which became effective in January 2007, sets forth the principal anti-money laundering requirements applicable to financial institutions, as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients’ identification information and transactions records, and reports on large transactions and suspicious transactions. According to the PRC Anti-money Laundering Law, financial institutions subject to the PRC Anti-money Laundering Law include banks, credit unions, trust investment companies, stock brokerage companies, futures brokerage companies, insurance companies and other financial institutions as listed and published by the State Council, while the list of the non-financial institutions with anti-money laundering obligations will be published by the State Council. The PBOC and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and certain non-financial institutions, such as payment institutions. However, the State Council has not promulgated the list of the non-financial institutions with anti-money laundering obligations.

Regulation Related to the Payment Services of Non-financial Institutions

According to Measures for the Administration of Payment Services of Non-Financial Institutions which were promulgated by PBOC on June 14, 2010, effective on September 1, 2010 and amended on April 29, 2020, and Implementing Rules for the Measures for the Administration of Payment Services of Non-Financial Institution which were promulgated by the PBOC, effective on December 1, 2010 and amended on June 2, 2020, the payment services provided by non-financial institutions refer to some or all of the following monetary capital transfer services provided by the non-financial institutions as intermediary agencies between payers and payees: (1) payment through the internet; (2) issuance and acceptance of prepaid cards; (3) bankcard acquiring; and (4) other payment services as determined by the PBOC. Non-financial institutions which provide payment services shall obtain a “Payment Business License” and become a “payment institution.” Payment Business License is valid for five years from the date of issuance. Payment institutions shall carry out business activities in compliance with the scope of business approved by the Payment Business License, and shall not outsource any business, transfer, lease, or lend its Payment Business License. Any non-financial institution or individual shall not directly or indirectly engage in payment business without the approval of the PBOC.

On May 9, 2019, the MOT, the PBOC, the NDRC, the MPS, the SAMR and Banking and Insurance Regulatory Commission, jointly issued the Measures for the Administration of User Funds in New Forms of Transport Business (Trial) (the “Trial Measures on Administration of User Funds”) which became effective on June 1, 2019. According to the Trial Measures on Administration of User Funds, an operating enterprise shall open a special deposit account for user deposits and a special deposit account for prepayments, respectively, as are nationwide unique at the bank in the place of its registration in mainland China, and the bank where the special deposit accounts are opened shall be the depository bank to preserve user funds.

Regulations on Intellectual Property

The PRC has adopted legislation governing intellectual property rights, including copyrights, trademarks and patents. The PRC is a signatory to major international conventions on intellectual property rights and is subject to the Agreement on Trade Related Aspects of Intellectual Property Rights as a result of its accession to the World Trade Organization in December 2001.

The National People's Congress amended the Copyright Law in 2001 and 2010 to widen the scope of works and rights that are eligible for copyright protection. The amended, the Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. To address copyright infringement related to content posted or transmitted over the Internet, the National Copyright Administration and former Ministry of Information Industry jointly promulgated the Administrative Measures for Copyright Protection Related to the Internet in April 2005. These measures became effective in May 2005.

On December 20, 2001, the State Council promulgated the new Regulations on Computer Software Protection, effective from January 1, 2002, and revised in 2013, which are intended to protect the rights and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal persons or other organizations is automatically protected immediately after its development, without an application or approval. Software copyrights may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the primary evidence of the ownership of the copyright and other registered matters. On February 20, 2002, the National Copyright Administration of the PRC introduced the Measures on Computer Software Copyright Registration, which outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Center of China is mandated as the software registration agency.

The PRC Trademark Law, adopted in 1982 and revised in 1993, 2001, 2013 and 2019, respectively, protects the proprietary rights to registered trademarks. The Trademark Office under the SAIC handles trademark registrations and may grant a term of ten years for registered trademarks, which may be extended for another ten years upon request. Trademark license agreements shall be filed with the Trademark Office for record. In addition, if a registered trademark is recognized as a well-known trademark, the protection of the proprietary right of the trademark holder may reach beyond the specific class of the relevant products or services.

The Patent Law of the PRC and its Implementation Rules provide for three types of patents: invention, utility model and design. The duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right.

Regulations Related to 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 account items, such as profit distributions and trade and service-related foreign exchange transactions, can usually be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (“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 (“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 Relating to Offshore Special Purpose Companies Held by PRC Residents

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 subsidiaries. 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.

See "*Risk Factors — Risks Related to Doing Business in China — PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.*"

SAFE Regulations Relating to Employee Stock Incentive Plans

On February 15, 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (the "Stock Option Rules"), which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to our share incentive plans if there are any material changes to the share incentive plans, the PRC agent or the overseas entrusted institution or other material changes. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights. See "*Risk Factors — Risks Related to Doing Business in China — Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.*"

Regulations Related to Income Tax

Under the PRC Enterprise Income Tax Law (the “EIT Law”), which became effective on January 1, 2008, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. In 2009, the State Administration of Taxation (the “SAT”) issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies (the “SAT Circular 82”), which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Further to SAT Circular 82, in 2011, the SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (the “SAT Bulletin 45”) to provide more guidance on the implementation of SAT Circular 82.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board of directors and shareholders' meetings are located or kept in the PRC; and (d) more than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore-incorporated enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect the SAT's general position on how the term “de facto management body” could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

The State Administration of Taxation has promulgated several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (the “SAT Circular 698”), the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises (the “SAT Circular 24”) and the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises (the “SAT Circular 7”). Pursuant to these rules and notices, if a non-PRC resident enterprise transfers its equity interests in a PRC tax resident enterprise, such non-PRC resident transferor must report to the tax authorities at the place where the PRC tax resident enterprise is located and is subject to a PRC withholding tax of up to 10%. In addition, if a non-PRC resident enterprise indirectly transfers so-called PRC Taxable Properties, referring to properties of an establishment or a place of business in China, real estate properties in China and equity investments in a PRC tax resident enterprise, by disposition of the equity interests in an overseas non-public holding company without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, the transfer will be re-characterized as a direct transfer of the PRC Taxable Properties and gains derived from the transfer may be subject to a PRC withholding tax of up to 10%. SAT Circular 7 has listed several factors to be taken into consideration by the tax authorities in determining if an indirect transfer has a reasonable commercial purpose. However, regardless of these factors, an indirect transfer satisfying all the following criteria will be deemed to lack a reasonable commercial purpose and be taxable in the PRC: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from PRC Taxable Properties; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC Taxable Properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC Taxable Properties is lower than the potential PRC tax on the direct transfer of those assets. On the other hand, indirect transfers falling into the scope of the safe harbors under SAT Circular 7 may not be subject to PRC tax. The safe harbors include qualified group restructurings, public market trades and exemptions under tax treaties.

Under SAT Circular 7 and other PRC tax regulations, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor must act as withholding agents and are required to withhold the PRC tax from the transfer price. If they fail to do so, the seller is required to report and pay the PRC tax to the PRC tax authorities. If neither party complies with the tax payment or withholding obligations under SAT Circular 7, the tax authority may impose penalties such as late payment interest on the seller. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of 50% to 300% of the unpaid tax on them. The penalty imposed on the purchasers may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

In January 2019, the SAT issued Announcement on the Implementation of the Preferential Income Tax Reduction Policy for Small and Low Profit Enterprises (the "SAT 2019 Circular 2"). Pursuant to SAT 2019 Circular 2, from January 1, 2019 to December 31, 2021, for small low profit enterprises, (i) the tax rate for the first RMB1 million the annual income does not exceed RMB1 million is 20% and the taxable income is 25% of the annual taxable income; (ii) the tax rate for the portion of annual income that exceeds RMB1 million but does not exceed RMB3 million is 20% and the taxable income is 50% of the annual income. SAT 2019 Circular 2 also defines "small low profit enterprises" as enterprises who are engaged in industries not restricted or prohibited and meet the three conditions of (i) annual taxable income of RMB3 million or lower, (ii) employees' number of 300 or lower; and (iii) total assets of RMB50 million or lower. During the calendar year ended December 31, 2020, all our subsidiaries and VIEs in China met the three criteria and enjoyed the preferential tax rates.

Regulations Related to PRC Value-Added Tax

In March 2016, the Ministry of Finance and the State Administration of Taxation further promulgated the Notice on Fully Promoting the Pilot Plan for Replacing Business Tax by Value-Added Tax ("VAT"), which became effective on May 1, 2016. Pursuant to the pilot plan and relevant notices, VAT is generally imposed in lieu of business tax in the modern service industries, including the value-added telecommunication services, on a nationwide basis. VAT of a rate of 6% applies to revenue derived from the provision of some modern services. Certain small taxpayers under PRC law are subject to reduced value-added tax at a rate of 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the modern services provided.

On April 4, 2018, the Ministry of Finance and the State Administration of Taxation issued the Notice on Adjustment of VAT Rates, which came into effect on May 1, 2018. According to the abovementioned notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10% respectively starting from May 1, 2018. Furthermore, according to the Announcement on Relevant Policies for Deepening Value-added Tax Reform jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, which became effective on April 1, 2019, the taxable goods previously subject to VAT rates of 16% and 10% respectively become subject to lower VAT rates of 13% and 9% respectively starting from April 1, 2019.

Pursuant to applicable PRC regulations promulgated by the Ministry of Finance of China and the SAT, we are required to pay a VAT at a rate of 6% for our services and 13% for our automobile sales, operating lease and financial leasing, with respect to revenues derived from the provision of Automobile Transaction and Related Services. In addition, as part of the Chinese government's effort to ease the burden of businesses affected by COVID-19, the Ministry of Finance and the State Administration of Taxation temporarily reduced or exempted VAT on revenues derived from the provision of certain transportation services from January 2020 to March 2021. Accordingly, our revenues garnered from our Online Ride-hailing Platform Services was exempted from duty since the acquisition date to March 31, 2021. All revenues derived from Online Lending Services are subject to the rate of 3% as Sichuan Senmiao is a small taxpayer. A taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

Regulations Related to Mergers and Acquisitions

On August 8, 2006, six PRC regulatory agencies, including China Securities Regulatory Commission (the “CSRC”), promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), which became effective on September 8, 2006 and were amended on June 22, 2009. The M&A Rules, among other things, require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC domestic enterprises or individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval.

The M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People’s Congress on August 30, 2007 and effective as of August 1, 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “Circular 6”), which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, on August 25, 2011, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (the “MOFCOM Security Review Regulations”), which became effective on September 1, 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. Under the MOFCOM Security Review Regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC and MOFCOM under the leadership of the State Council, to carry out the security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merger or acquisition of a company engaged in the marketplace lending business requires security review.

Employees

As of the date of this Report, we had a total of 327 full-time employees including two executive officers, 241 employees in our Automobile Transaction and Related Services segment and 84 employees in our Online Ride-hailing Platform Services segment.

The following table sets forth the breakdown of our employees by function in our Automobile Transaction and Related Services segment:

| Function | Number of Employees |
|--|---------------------|
| Management | 5 |
| Legal & Risk Management | 18 |
| Operations | 34 |
| Marketing | 80 |
| Drivers & Automobile Management and Services | 52 |
| Technology | 11 |
| Human Resources & Administration | 23 |
| Finance and Accounting | 16 |
| Internal Control and Audit | 2 |
| Total | 241 |

The following table sets forth the breakdown of our employees by function in our Online Ride-hailing Platform Services segment:

| Function | Number of Employees |
|--|---------------------|
| Management | 4 |
| Legal & Risk Management | 5 |
| Operations | 40 |
| Drivers & Automobile Management and Services | 10 |
| Technology | 9 |
| Human Resources & Administration | 8 |
| Finance and Accounting | 8 |
| Total | 84 |

All of our employees are based in the cities of Chengdu, Changsha and Guangzhou, where our operations are located.

We believe we offer our employees competitive compensation packages and a work environment that encourages initiative and is based on merit, and as a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team. We plan to hire additional employees as we expand our business.

As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan and a housing provident fund. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We have not made adequate employee benefit payments, and may be required to make up the contributions for these plans as well as to pay late fees and fines. See *“Risk Factors — Risks Related to Doing Business in China — Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.”*

We enter into standard labor and confidentiality agreements with each of our employees. We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

Seasonality

We have observed seasonal trends or patterns in revenues related to our Automobile Transaction and Related Services. Because of the PRC National Holiday in October, New Year’s Day, and the traditional Lunar New Year in January or February, there is a seasonal decrease in the demand of automobile purchase/leasing in certain months during the six months ended March 31 (our third and fourth fiscal quarter). We also expect to experience seasonality in our Online Ride-hailing Platform Services. For example, we expect to experience higher user traffic during the Chinese National holiday. Other seasonal trends that may affect us or China’s online ride-hailing industry generally may develop, and current seasonal trends may become more extreme, all of which would contribute to fluctuations in our results of operations.

Our results of operations in future quarters or years may fluctuate and deviate from the expectations of our investors, and any occurrence that disrupts our business during any particular quarters could have a disproportionately material adverse effect on our liquidity and results of operations.

Research and Development

With an aim to standardize our transaction process and achieve higher operating efficiency, we are developing an integrated information system for our Automobile Transaction and Related Services. The system comprises modules for procurement, qualification assessment, delivery and post-transaction management which covers the whole transaction process. We have completed the development of certain functions such as information entry and delivery which are being tested by us. We launched the system in March 2020 and keep upgrading the system to support our business expansion. We are also in the progress of developing the managing system for online ride-hailing platform, and the comprehensive management system which could link all key information between Automobile Transaction and Related Services and Online Ride-hailing Platform Services for our internal manage purpose.

Intellectual Property

We regard our trademarks, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on PRC trademark and trade secret law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. We own 16 software copyrights and 38 trademarks. We have 20 trademark applications pending at the PRC Trademark Office. We have also registered numerous domain names, including www.51ruiqi.com, www.jklqc.com, www.senmiaotech.com and <http://senmiaotechir.com/>. The information on our websites is not a part of, or incorporated in, this Report.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our technology is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

In addition, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. Moreover, even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations.

See “*Risk Factors — Risks Related to Our Business — We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.*” and “*— We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.*”

Insurance

We obtain accident insurance and commercial liability insurance, which are mandatory, on all the automobiles we purchase for sales or financing and pass on the costs of such insurance to our customers in the sale/financing transaction. We provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. We do not maintain any property insurance policies, business interruption insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man insurance. We consider our insurance coverage to be sufficient for our business operations in China.

Item 1A. Risk Factors

An investment in our company is subject to a high degree of risk. The risk factors described below and similar risk factors we may face are important to understanding other statements in this Report and should be reviewed carefully. The following information should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K.

Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause our actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, operating results and stock price.

Because of the following factors, as well as other factors affecting our financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Risk Factors Summary

Risks Related to Our Business and Industry

- Our business operations have been and may continue to be affected by COVID-19.
- We voluntarily assumed all the outstanding loans due to the investors for our discontinued Online Lending Services but may not have enough cash to pay for the liabilities.
- We recently launched our own online ride-hailing platform, which makes it difficult for investors to evaluate the success of this business to date and to assess the future viability of this business.
- Our relationship with Gaode, Meituan and Didi and other cooperated partners is crucial to our ability to grow our business, results of operations and financial condition.
- We advance payments for over 90% of the automobile purchases for our customers and we can provide no assurances that our current financial resources will be adequate to support this operation.
- Our automobile financing facilitation services may subject us to regulatory and reputational risks.
- We are exposed to credit risk in our auto financing facilitation and auto financing businesses.
- We are required to obtain certain licenses and permits in China for our business operations.
- Our failure to sell cars that we purchased from dealers may have a material and adverse effect on our business, financial condition and results of operations.
- If data provided by automobile purchasers and other third-party sources or collected by us are inaccurate, customer trust in us could decline.
- We may be subject to product liability claims if people or property are harmed by vehicles purchased through us.
- If our safety system fails to ensure user safety while using our online ride-hailing platform, our business, results of operations and financial condition could be materially and adversely affected.
- We may be considered as conducting payment services as a non-financial institution without a Payment Business Permit.
- Any significant disruption in our IT systems could materially and adversely affect our business.
- If we fail to obtain and maintain the requisite licenses and approvals required for our online ride-hailing business, our business may be materially and adversely affected.
- We rely primarily on a third-party insurance policy to insure our auto-related risks.
- We rely on third-party payment processors to process payments made by our business partners.
- Government policies on automobile purchases and usage in the online ride-hailing industry may materially affect our results of operations.
- We have identified material weaknesses in our internal control over financial reporting.
- We have limited business insurance coverage.

Risks Related to Our Corporate Structure

- Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law.

- If the PRC government deems that the contractual arrangements in relation to Sichuan Senmiao do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, we could be subject to severe penalties or be forced to relinquish our interests in those operations.
- We rely on contractual arrangements with Sichuan Senmiao, Jinkailong and their respective equity holders for our business operations, which may not be as effective as direct ownership in providing operational control.
- Any failure by our VIEs or their equity holders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.
- The equity holders of our VIEs may have potential conflicts of interest with us.

Risks Related to Doing Business in China

- We are required to obtain a value-added telecommunication business certificate and be subject to foreign investment restrictions.
- We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies

Risks Related to Our Securities

- Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our common stock.
- The market price for our common stock may be volatile.
- A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future.
- We have a significant number of outstanding warrants.
- We do not expect to pay dividends in the foreseeable future.

Other General Risk Factors

- We may need additional capital, and financing may not be available on terms acceptable to us.
- Fluctuations in interest rates could negatively affect our results of operations.
- Any harm to our brands or reputation may materially and adversely affect our business.
- Our ability to protect the confidential information of our customers may be adversely affected by cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions.
- Our business depends on the continued efforts of our senior management.
- Increases in labor costs in the PRC may adversely affect our business and results of operations.
- We face risks related to natural disasters, health epidemics and other outbreaks.
- Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.
- If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC stockholders.
- Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.
- We will incur increased costs as a result of operating as a smaller reporting public company, and our management will be required to devote substantial time to new compliance initiatives.

Risks Related to Our Business and Industry

Our business operations have been and may continue to be materially and adversely affected by the outbreak of the coronavirus disease (COVID-19).

An outbreak of respiratory illness caused by COVID-19 emerged in China in late 2019 and has expanded within the rest of China and globally. On March 11, 2020, the WHO declared the outbreak of COVID-19 a pandemic, expanding its assessment of the threat beyond the global health emergency it had announced in January 2020. The COVID-19 pandemic has materially and adversely affected the global economy, our markets in China and our business. Our offices in Chengdu, Sichuan and Changsha, Hunan were closed from late January 2020 to late February, 2020, as a result of the COVID-19 outbreak.

In an effort to halt the COVID-19 pandemic, the PRC government placed significant restrictions on travel within China and closed certain businesses. Due to the lockdown policy and travel restrictions, the demand for online ride-hailing services has been materially and adversely impacted in our areas of operation in China, which reduced the demand of our Automobile Transaction and Related Services. As the epidemic in China was under controlled, the ride-hailing markets in Chengdu and Changsha gradually recovered from the impact of COVID-19 since April 2020. Recent local resurgences of COVID-19 cases in some areas did not have material negative impacts on the economy of China, so we expect that the impact brought by potential COVID-19 cases in the future may be limited as China has established plans to rapidly contain the spread of COVID-19 cases and minimize related economic losses.

However, we are unable to accurately predict the full impact of COVID-19 on our business, results of operations, financial position and cash flows due to numerous uncertainties, including the severity of the disease, the duration of the resurgences, additional actions that may be taken by governmental authorities, as well as the further impact on online ride-hailing drivers, automobile dealers and leasing companies, financial institutions, insurance companies and other industry participants. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions in China where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

We voluntarily assumed all the outstanding loans due to the investors on our online lending platform for our discontinued Online Lending Services but may not have enough cash to pay for the liabilities.

On October 17, 2019, our Board of Directors approved a plan submitted by management to wind down and discontinue our online P2P lending business. In connection with the plan, we have ceased facilitation of loan transactions on our online lending platform and voluntarily assumed all the outstanding loans due to the investors on the platform since October 17, 2019. As of the date of this Report, the aggregate outstanding balance of the loans we assumed was approximately \$1.8 million.

There is no regulation or law in China which requires the online lending platform to take the responsibility on behalf of the borrowers to pay for investors. Pursuant to the Notice on the Risks of Online Lending Industry issued by the Leading Group Office of Online Lending Risk Response of Sichuan on December 4, 2019, any disputes between investors and a P2P online lending platform, investors and borrowers, and between borrowers and a P2P online lending platform can be resolved through legal actions, such as conciliation, application for arbitration and litigation. In common practice, in order to protect the rights of investors and avoid further conflicts, certain online lending platforms, such as Mintou Financial Service in Shenzhen and Juyouqian in Beijing, have decided to take responsibility to pay the outstanding balance due to investors.

During the year ended March 31, 2021, we have used cash generated from our Automobile Transaction and Related Services and payments collected from borrowers in the aggregate of approximately \$1.7 million to repay our platform investors. As of March 31, 2021, we have repaid those investors in the aggregate of approximately \$4.3 million. Based on recent repayments collected from borrowers, we also recognized bad debt expenses of approximately \$3.8 million for those receivables in last year. We expect to settle repayment due to investors by December 31, 2021.

However, if we could not generate enough cash flow to pay investors on time in accordance with the plan, we may incur additional commitment liabilities before we fully fulfill the commitment. The amount and timing of the actual allowance for bad debt may change based on collectability of the subject loans during the execution of the plan.

We only recently launched our own online ride-hailing platform, which makes it difficult for investors to evaluate the success of this business to date and to assess the future viability of this business.

We only launched our online ride-hailing platform since late October 2020. This lack of operating history may make it difficult for investors to evaluate our prospects for success for this business. In order to establish commercial viability of this business, we will have to acquire a large customer base. There can be no assurances that we will be able to do so.

As a “startup” business, our online ride-hailing platform may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors that may alter or delay our plans. There is no assurance that we will be successful with this business and the likelihood of success of our online ride-hailing platform must be considered in light of our relatively early stage of operations. Any growth in this business will put significant demands on our processes, systems and personnel. If we are unable to successfully manage and support our growth and the challenges and difficulties associated with managing our ride-hailing platform as a larger, more complex business, this could cause a material adverse effect on our business, financial position and results of operations, and the market value of our securities could decline.

We face intense competition, which could lead to our inability to secure market share or cause us to lose market share to our competitors, any of which could materially and adversely affect our business, results of operations and financial condition.

The online ride-hailing market in China, especially in our initial target market of Chengdu, is intensely competitive and characterized by rapid changes in technology, shifting user preferences, and frequent introductions of new services and offerings. We face intense competition in the Automobile Transaction and Financing Services, as well as the Online Ride-hailing Platform Services. Our competitors may have significantly more resources than we do, including financial, technological, marketing and others and may be able to devote greater resources to the development and promotion of their services. As a result, they may have deeper relationships with online ride-hailing drivers, automobile dealers, automobile leasing companies and other third-party service providers than we do. This could allow them to develop new services, adapt more quickly to changes in technology and to undertake more extensive marketing campaigns, which allow them to derive greater revenue and profits from their existing user bases, enlarge their user base at lower costs, or respond more quickly to new and emerging technologies and trends. As a consequence, our services may be less attractive to consumers and cause us to lose market share.

Furthermore, they may be able to devote greater resources to the development, promotion and sale of offerings and offer lower prices than we do, which could further adversely affect our results of operations. Moreover, intense competition in the markets we operate in may reduce our service fees and revenue, increase our operating expenses and capital expenditures, and lead to departures of our qualified employees. We may also be harmed by negative publicity instigated by our competitors, regardless of its validity. We may in the future continue to encounter disputes with our competitors, including lawsuits involving claims asserted under unfair competition laws and defamation which may adversely affect our business and reputation. Failure to compete with current and potential competitors could materially harm our business, financial condition and our results of operations.

We only recently launched our own proprietary online ride-hailing platform, and as a new business line, we will be highly susceptible to competition. We expect competition to continue, both from current competitors and new entrants in the market that may be well-established and enjoy greater resources or other strategic advantages. If we are unable to anticipate or react to these competitive challenges, our competitive position could weaken, or fail to improve, and we could experience growth stagnation or even a decline in revenue that could materially and adversely affect our business, results of operations and financial condition.

Our relationship with Gaode, Meituan and Didi, the leading platforms in China, and other cooperated partners is crucial to our ability to grow our business, results of operations and financial condition.

Our strategic relationship with Gaode, Meituan the leading aggregation platforms, and Didi, a leading ride-hailing service platform in China, is crucial to our business as most of customers we provide services to are online ride-hailing drivers. Those drivers earn income on our platform from the trip orders distributed from Gaode, Meituan or Didi. If our collaboration with Gaode, Meituan or Didi was terminated, we may not be able to maintain our existing customers or attract new customers who are and will be online ride-hailing drivers, which could materially and adversely affect our business and impede our ability to continue our operations. Our annual cooperative arrangements with Didi on Automobile Transaction and Related Services are non-exclusive basis, and Didi may have cooperative arrangements with our competitors.

We also cooperate with automobile dealers like BYD Auto Sales Co., Ltd., automobile leasing companies, financial institutions and others to attract online ride-hailing drivers to run their business through our platform and provide automobile transaction and financing services. Our ability to acquire customers depends on our own marketing efforts through online advertising and billboard advertising, as well as the network of different third party sales teams. We intend to strengthen relationships with existing financing partners and develop new relationships for our automobile transaction and financing business. If we are not able to attract or retain cooperative automobile dealers, automobile leasing companies with favorable term as new business partners on acceptable terms, our business growth will be hindered and our results of operations and financial condition will suffer.

Illegal, improper or otherwise inappropriate activities of customers while utilizing our online ride-hailing platform or receiving our services could expose us to liabilities and harm our reputation, business, results of operations and financial condition.

Illegal, improper or otherwise inappropriate activities by customers while utilizing our online ride-hailing platform or receiving our services could expose us to liabilities and materially and adversely affect our reputation, business, results of operations and financial condition. These activities may include abuse, assault, theft, false imprisonment, sexual harassment, identity theft, unauthorized use of credit and debit cards or bank accounts, and other misconduct. We are not able to control or predict the actions of our customers and third parties, either during the process of providing services or otherwise. While we have implemented various measures to anticipate, identify and address risks associated with these activities, we may not adequately address or prevent all illegal, improper or otherwise inappropriate activities by our users, which could damage our brand and the viability of this business.

At the same time, if the measures we have taken to guard against these illegal, improper or otherwise inappropriate activities are too restrictive and inadvertently prevent qualified online ride-hailing drivers otherwise in good standing from using our platform and services, or if we are unable to implement and communicate these measures fairly and transparently or are perceived to have failed to do so, the growth and retention of our users and their utilization of our online ride-hailing platform could be negatively impacted. For example, if we cannot complete background checks of potential online ride-hailing drivers who apply to utilize our platform on a timely basis, we may not be able to onboard potential online ride-hailing drivers in time and, as a result, our platform may be less attractive to qualified online ride-hailing drivers.

Further, we may be subject to claims of significant liability based on traffic accidents, deaths, injuries, or other incidents that are caused by ride-hailing drivers, consumers, or third parties. Our auto liability and general liability insurance policies may not cover all potential claims to which we are exposed, and may not be adequate to indemnify us for all liabilities. These incidents may subject us to liability and negative publicity, which would increase our operating costs and adversely affect our business, operating results, and future prospects. Even if these claims do not result in liability, we will incur significant costs in investigating and defending against them. And any negative publicity related to the foregoing, whether such incident occurred on our platform or on our competitors' platforms, could materially and adversely affect our reputation and brand and more importantly, public perception of the online ride-hailing industry as a whole, which could negatively affect the demand for platforms like ours, and potentially lead to increased regulatory or litigation exposure. Any of the foregoing risks could harm our business, results of operations and financial condition.

We do not have written agreements in place with certain financing partners and adverse change in our relationship with such financing partners may materially and adversely impact our business and results of operations.

We rely on a limited number of financing partners to fund automobile transactions for automobile purchasers. However, we did not have written agreements in place with these financing partners obligating them to provide financing. For example, one of our top financing partners in prior years has been funding the automobile purchases by purchasers referred by us through an agreement with a related party of Jinkailong. Because such financing partners are not contractually bound by any specific commitment to provide financing, they may determine not to collaborate with us or limit the funding that is available for financing transactions we facilitate, which will materially and adversely affect our business, financial condition and results of operations.

We advance payments for over 90% of the automobile purchases for our customers and we can provide no assurances that our current financial resources will be adequate to support this operation.

We prepaid all the purchase price and expenses on behalf of the automobile purchasers when we provide purchase services and collect all the advance payment and relevant services fees from the proceeds disbursed by the financial institutions upon the closing of the financing and/or when the monthly installment payment made by automobile purchasers during the lease term. As of March 31, 2021, we had accounts receivable of \$1.4 million and advanced payments of approximately \$0.5 million for the automobile purchases to be collected in the future. We funded those advance payments by proceeds of our initial public offering, the June 2019 Offering, August 2020 Offering, loans from financial institutions and capital contributions from shareholders.

Our liquidity may be negatively impacted as a result of the increases in advance payments for automobile purchases in addition to general economic and industry factors. We anticipate that, to the extent that we require additional liquidity, it will be funded through the incurrence of other indebtedness, additional equity financings or a combination of these potential sources of liquidity. If we raise additional funds by issuing equity securities or convertible debt, our stockholders will experience dilution. Debt financing, if available, would result in increased fixed payment obligations and may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. The covenants under future credit facilities may limit our ability to obtain additional debt financing. We cannot be certain that additional funding will be available on acceptable terms, or at all. Any failure to raise capital in the future could have a negative impact on our financial condition and our ability to pursue our business strategies.

Our failure to raise additional capital and in sufficient amounts may significantly impact our ability to maintain and expand our business.

Prior consent from financial institutions which provided financing to our online ride-hailing driver customers for the purchase of automobiles has not been obtained for us to sublease or sell the drivers' automobiles.

As described in the section titled "Business" above, due to the intense competition and the COVID-19 pandemic, as of March 31, 2021, approximately 1,289 ride-hailing drivers (primarily in Chengdu, our principal area of operations in China) exited the online ride-hailing business and tendered their purchased automobile to us for sublease or sales in order to offset monthly payment owed to us and the financial institutions. Their Financing Agreements with the financial institutions are still valid and in effect. Pursuant to the Financing Agreements, the right of the automobile collateral to the financial institution belongs to the financial institution and without their consent, we may not dispose of, use, or take possession of those automobiles. To prevent the default in payments to the financial institutions and us, the drivers authorized us orally or in writing to sublease or sell the automobiles to other parties, and use the cash generated from the sublease or sales to cover the monthly installment payments to the financial institution and the monthly installment service fees as well as the automobile registration related fees that we previously advanced during the remaining original lease terms to us. As prior consent from the financial institutions have not been obtained, the financial institutions may require us to stop sublease and return the automobiles immediately. We may also be required to pay penalties to the financial institutions. Although we have not received any demand from any financial institution to stop the sublease practice, there is no assurance that future demand to stop such practice may not come along; if so, we may experience economic loss and reputation damage as a result.

If we are unable to repossess the car collateral for delinquent financing payments of the automobile purchasers referred by us or do so in a cost-effective manner or if our ability to collect delinquent financing payments is impaired, our business and results of operations would be materially and adversely affected. We may also be subject to risks relating to third-party debt collection service providers who we engage for the recovery and collection of loans.

Under most of the Financing Agreements between the automobile purchasers and third-party financing partners, we guarantee the lease/loan payments including principal and the accrued and unpaid interest for the automobile purchase funded by these financing partners. Therefore, failure to collect lease/loan payments or to repossess the collateral may have a material adverse effect on our business operations and financial positions. Although the lease/loan payments are secured by the cars, we may not be able to repossess the car collateral when our customers default. Our measures to track the cars include installing GPS trackers on cars. We cannot assure you that we will be able to successfully locate and recover the car collateral. We have in the past failed to repossess one car as the GPS trackers failed to function properly or had been disabled, and we cannot assure you that this incident will not happen again the future. We also cannot assure you that there will not be regulatory changes that prohibit the installation of GPS trackers, or the realized value of the repossessed cars will be sufficient to cover our customers' payment obligations. If we cannot repossess some of these cars or the residual values of the repossessed cars are lower than we expected and not sufficient to cover the automobile purchaser' payment obligation, our business, results of operations and financial condition may be materially and adversely affected.

Moreover, the current regulatory regime for debt collection in the PRC remains unclear. We aim to ensure our collection efforts carried out by our asset management department comply with the relevant laws and regulations in the PRC. However, if our collection methods are viewed by the automobile purchasers or regulatory authorities as harassments, threats or other illegal means, we may be subject to risks relating to our collection practice, including lawsuits initiated by the borrowers or prohibition from using certain collection methods by the regulatory authorities. Any perception that our collection practices are aggressive and not compliant with the relevant laws and regulations in the PRC may result in harm to our reputation and business, decrease in the willingness of prospective customers to apply for and utilize our service, or fines and penalties imposed by the relevant regulatory authorities, any of which may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to enforce our rights against our automobile purchaser clients.

We offer automobile purchasers desiring to enter the online ride-hailing business in our areas of operation in China various value-added services associated with purchasing a car with financing. Such services include, among others, credit assessment, preparation of financing application materials, assistance with closing of financing transactions, license and plate registration, payment of taxes and fees, purchase of insurance, installment of GPS devices, ride-hailing driver qualification and other administrative procedures. We charge automobile purchaser fees for such services, but we do not enter into agreements with such automobile purchaser regarding the provision and payment of the purchase services. In the event a legal dispute arises between the purchaser and us, we may not be able to enforce our rights against the purchaser, which may materially and adversely affect our business, results of operation and financial condition.

Jinkailong uses the bank accounts of its related parties for daily operations and inability to use such accounts may have an adverse impact on our operations.

Jinkailong has been using the bank accounts of its shareholder or companies owned by its shareholders (other than us) to receive and remit payments during its daily operations. Jinkailong has authorization from these related parties to use the bank accounts and has designated its own accounting staff to manage such accounts. However, if owners of the bank accounts revoke their authorization, prohibit or limit Jinkailong's access to the bank accounts, we may not receive payments timely or at all from financial institutions or the automobile purchasers, which may adversely affect our operations. Jinkailong may lose all or part of the funds in the accounts in the event that such accounts are subject to creditor's claims and frozen or closed by court order.

Our automobile financing facilitation services may subject us to regulatory and reputational risks, each of which may have a material adverse effect on our business, results of operations and financial condition.

We provide automobile financing facilitation services to finance consumers' car purchases. The PRC laws and regulations concerning financial services are evolving and the PRC government authorities may promulgate new laws and regulations in the future. We cannot assure you that our practices would not be deemed to violate any PRC laws or regulations either now or in the future. The financing products of our financial partners referred by us may be deemed to exceed the stipulated cap on the financing amount relative to the car purchase price, in which case we may be required to make adjustments to our cooperation arrangements or cease to cooperate with these financing partners. If we are required to make adjustments to our automobile financing facilitation referral business model or withdraw, discontinue or change some of our automobile financing facilitation referral services, our business, financial condition and results of operations would be materially and adversely affected. In addition, if the financing products referred by us and our cooperation with financing partners were to be deemed as in violation of applicable PRC laws or regulations, our reputation would suffer.

Moreover, developments in the financial service industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies, which may limit or restrict consumer financing or related facilitation services like those we offer. We may, from time to time, be required to adjust our arrangement with third-party financing partners, which could materially and adversely affect our business, results of operations and financial condition. Furthermore, we cannot rule out the possibility that the PRC government will institute a new licensing regime covering services we provide in the future. If such a licensing regime were introduced, we cannot assure you that we would be able to obtain any newly required license in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations.

We are exposed to credit risk in our auto financing facilitation and auto financing businesses. Our current risk management system may not be able to accurately assess and mitigate all risks to which we are exposed, including credit risk.

We are exposed to credit risk as we provide automobile financing facilitation to automobile purchasers and are required to provide guarantees to most of our financing partners on the financing for automobile purchases facilitated by us. As of March 31, 2021, the maximum contingent liabilities we would be exposed to was approximately \$12.8 million, assuming all the automobile purchasers were in default, and for the year ended March 31, 2021, we recognized estimated provisions loss of approximately \$199,000 for the guarantee services as a result of default by the automobile purchasers. Customers may default on their lease/loan payments for a number of reasons including those outside of their or our control. The credit risk may be exacerbated in automobile financing due to the relatively limited credit history and other available information of many consumers in China. If we experience a widespread default by our automobile purchasers/lessees, our cash flow and results of operations will be materially and adversely affected. As a consequence, we could face shortfalls in liquidity without extra financing resources for the foreseeable future and lose the ability to grow our business or may even be required to scale down or restructure our operations.

As described in the section titled "Contingent liability of Jinkailong" in *Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations*, on October 14, 2020, the cash in the bank accounts of Jinkailong, totaling approximately \$25,050 was frozen by the People's Court of Sichuan Pilot Free Trade Zone as a result of a legal action initiated by Chengdu Industrial Impawn Co., Ltd ("Impawn"), for the guarantee responsibility of Jinkailong, pursuant to a pledge and pawn contract signed in May 2018. On December 24, 2020, Jinkailong, a shareholder of Jinkailong and Impawn signed a settlement agreement. Impawn agreed to release the pledge of Jinkailong's 75 automobiles and request the court to release the frozen bank accounts of Jinkailong, provided that Jinkailong and such shareholder repay an aggregate of approximately \$617,000 in monthly installments over 35 months. As of March 31, 2021, all the frozen bank accounts were released. As the date of this Report, although we were required to take guarantee liability only by Impawn, but there is uncertainty how much guarantee obligations arising from the contingent liabilities we shall take in the foreseeable future. If we are required to pay to financial institutions as the guarantees default, our cash flow, financial condition and results of operations would be adversely affected.

We are required to obtain certain licenses and permits in China for our business operations, and we may not be able to obtain or maintain such licenses or permits.

We may be deemed to operate financing guarantee business by the PRC regulatory authorities. Under certain arrangements in our services, we provide guarantees to our customers who apply for financing with certain of our financing partners. In August, 2017, the PRC State Council promulgated the Regulations on the Administration of Financing Guarantee Companies (the "Financing Guarantee Rules"), which became effective on October 1, 2017. Pursuant to the Financing Guarantee Rules, "financing guarantee" refers to the activities in which guarantors provide guarantee to the guaranteed parties as to loans, bonds or other types of debt financing, and "financing guarantee companies" refer to companies legally established and operating financing guarantee business. According to the Financing Guarantee Rules, the establishment of financing guarantee companies are subject to the approval by the relevant governmental authority, and unless otherwise stipulated, no entity may operate financing guarantee business without such approval.

We do not believe that the Financing Guarantee Rules apply to our car financing facilitation business as we provide guarantees to our financing partners in connection with the financing of the purchase of automobiles and such guarantees are not provided independently as our principal business. However, due to the lack of further interpretations, the exact definition and scope of "operating financing guarantee business" under the Financing Guarantee Rules is unclear. It is uncertain whether we would be deemed to operate financing guarantee business in violation of relevant PRC laws or regulations because of our current arrangements with certain financial institutions. If the relevant regulatory authorities determine that we are operating financing guarantee business, we may be required to obtain approval or license for financing guarantee business to continue our collaboration arrangement with certain financial institutions.

In addition, based on our current business model, we prepay the purchase price of automobiles and all service related expenses and collect the advance payment (without any interest) through monthly installment payments from the automobile purchaser.

Pursuant to Provisions on Several Questions Concerning the Application of Law in the Trial of Private Lending Cases released by the Supreme People's Court in June 2015, private lending refers to the act of financing between natural persons, legal persons and other organizations and among them. According to the Approval on How to Confirm the Effectiveness of Lending Behavior between Citizens and Enterprises issued by the PRC Supreme People's Court in 1999, the private lending refers to the lending between citizens and non-financial enterprises (hereinafter referred to as enterprises). As long as all parties' declaration of intention is true, it can be recognized as valid (the "Private Lending Rules").

We do not believe that the Private Lending Rules apply to our automobile purchase services business as we need to pay in advance to different suppliers to complete our services such as preparation of financing application materials, assistance with closing of financing transactions, license and plate registration, payment of taxes and fees, purchase of insurance, installment of GPS devices, ride-hailing driver qualification and other administrative procedures. We have no intention to lend money to and gain interest from automobile purchasers. We collect payments in a period longer than 12 months based on current product designs.

However, it is uncertain whether we would be deemed to operate private lending business in violation of relevant PRC laws or regulations because we prepay on behalf of automobile purchasers and collect payments over a period of more than 12 months. If the relevant regulatory authorities determine that we are operating private lending business, we may be penalized for engaging in businesses out of the scope of our business license. Pursuant to the Regulations on the Registration of Enterprise Legal Persons, we may be given warnings, fined, confiscated of illegal income, required to suspension and rectification, or our business license might be withheld and revoked by relevant regulatory authorities.

Consequently, we may be required to obtain approval or license for financing business to continue our current collection method of payments. If we are no longer able to maintain our current collection method of payments, or become subject to penalties, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our failure to sell cars that we purchased from dealers may have a material and adverse effect on our business, financial condition and results of operations.

In January 2019, we started to purchase automobiles from automotive dealers for sales. We primarily purchase automobile models that are reliable, affordable and based on the local regulation requirement of the automobiles used for online ride-hailing, feedback from and market analysis as to perception and demand for such models, and that will appeal to car buyers in lower-tier cities. We price automobiles based on our automotive transaction data associated with providing automotive transaction services. We have limited experience in the purchase of automobiles for sale to purchasers, and there is no assurance that we will be able to do so effectively. Demand for the type of automobiles that we purchase can change significantly between the time the automobiles are purchased and the date of sale. Demand may be affected by new automobile launches, changes in the pricing of such automobiles, defects, changes in consumer preference and other factors, and dealers may not purchase them in the quantities that we expect. We may also need to adopt more aggressive pricing strategies for these cars than originally anticipated. We also face inventory risk in connection with the automobiles purchased, including the risk of inventory obsolescence, a decline in values, and significant inventory write-downs or write-offs. If we were to adopt more aggressive pricing strategies, our profit margin may be negatively affected as well. We may also face increasing costs associated with the storage of these automobiles. Any of the above may materially and adversely affect our financial condition and results of operations.

We assist automobile purchasers in obtaining financing from financing institutions, which may constitute provision of intermediary service, and our agreements with these financial institutions may be deemed as intermediation contracts under the PRC Contract Law.

We assist automobile purchasers in obtaining financing from financing institutions, which may constitute an intermediary service, and such services may be deemed as intermediation contracts under the PRC Contract Law. Under the PRC Contract Law, an intermediary may not claim for service fee and is liable for damages if it conceals any material fact intentionally or provides false information in connection with the conclusion of an intermediation contract, which results in harm to the client's interests. Therefore, if we fail to provide material information to financial institutions, or if we fail to identify false information received from automobile purchasers or others and in turn provide such information to financial institutions, and in either case if we are also found to be at fault, due to failure or deemed failure to exercise proper care, such as to conduct adequate information verification or employee supervision, we could be held liable for damage caused to financial institutions as an intermediary pursuant to the PRC Contract Law. In addition, if we fail to complete our obligations under the agreements entered into with financial institutions, we could also be held liable for damages caused to financial institutions pursuant to the PRC Contract Law.

If data provided by automobile purchasers and other third-party sources or collected by us are inaccurate, incomplete or fraudulent, the accuracy of our credit assessment could be compromised, customer trust in us could decline, and our business, financial position and results of operations would be harmed.

China's credit infrastructure is still at an early stage of development. The Credit Reference Center established by the PBOC in 2002 has been the only credit reporting system in China. This centrally managed nationwide credit database operated by the Credit Reference Center only records limited credit information, such as tax payments, civil lawsuits, foreclosures and bankruptcies. Moreover, this credit database is only accessible to banks and a limited number of market players authorized by the Credit Reference Center and does not support sophisticated credit scoring and assessment. In 2015, the PBOC announced that it would open the credit reporting market to private sectors with a view to spurring competition and innovation, but it may be a long-term process to establish a widely-applicable, reliable and sophisticated credit infrastructure in the market we operate.

For the purpose of credit assessment, we obtain credit information from prospective customers, including online ride-hailing drivers, automobile purchasers/leasees, and with their authorization, obtain credit data from external parties to assess applicants' creditworthiness. We may not be able to source credit data from such external parties at a reasonable cost or at all. Such credit data may have limitations in measuring prospective automobile purchasers' creditworthiness. If there is an adverse change in the economic condition, credit data provided by external parties may no longer be a reliable reference to assess an applicant's creditworthiness, which may compromise our risk management capabilities. As a result, our assessment of an automobile purchaser's credit profile may not reflect that particular car buyer's actual creditworthiness because assessment may be based on outdated, incomplete or inaccurate information.

To the extent that our customers provide inaccurate or fraudulent information to us, or the data provided by third-party sources is outdated, inaccurate or incomplete, our credit evaluation may not accurately reflect the associated credit risks of automobile purchasers. Among other things, we rely on data from external sources, such as the personal credit report from PBOC. These checks may fail and fraud may occur as we may fail to discover or reveal fake documents or identities used by fraudulent automobile purchasers. Additionally, once we have obtained an automobile purchaser's information, the automobile purchaser may subsequently (i) become delinquent in the payment of an outstanding obligation; (ii) default on a pre-existing debt obligation; (iii) take on additional debt; or (iv) experience other adverse financial events, making the information we previously obtained inaccurate. We also collect car collateral location data by installing GPS trackers for lease/loan payment monitoring purposes. The location data we collected may not be accurate. As a result, our ability to repossess the car collateral could be severely impaired. If we are unable to collect the lease/loan payments we facilitated or repossess the car collateral due to inaccurate or fraudulent information, our results of operations and profitability would be harmed.

We may be subject to product liability claims if people or property are harmed by vehicles purchased through us.

Vehicles purchased through us may be defectively designed or manufactured. As a result, we may be exposed to product liability claims relating to personal injury or property damage. Third parties subject to such injury or damage may bring claims or legal proceedings against us because we facilitate the financing/purchase of the product. Although we would have legal recourse against the automobile manufacturers or dealers under PRC law, attempting to enforce our rights against the automobile manufacturers or dealers may be expensive, time-consuming and ultimately futile. In addition, we do not currently maintain any third-party liability insurance or product liability insurance in relation to vehicles purchased through us. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation.

If our safety system fails to ensure user safety while using our online ride-hailing platform, our business, results of operations and financial condition could be materially and adversely affected.

According to the Emergency Notice on Further Strengthening the Safety Management of Online Reservation of Taxis and Carpooling of Private Vehicles jointly promulgated by the General Office of the MOT and the General Office of the PRC Ministry of Public Security on September 10, 2018, online ride-hailing platforms shall carry out background checks on all online ride-hailing drivers according to relevant requirements of taxi driver background check and supervision.

We are in the progress of improving a safety system to build up trust among our users and ensure the safety level, including conducting background checks to screen our potential online ride-hailing drivers and their vehicles to identify those that are not qualified to utilize our platform pursuant to applicable laws and regulations or our internal standards. We have also established a 24/7 emergency response mechanism to deal with emergency safety issues. Our cooperated aggregation platforms also have various safety measures through mobile apps, such as one-button emergency calls, to protect riders during the trips.

We cannot assure you, however, that our own safety system and the safety measures of our cooperated aggregation platforms will always meet our expectations or the requirements under applicable laws and regulations, and that we will always be able to filter out unqualified online ride-hailing drivers or timely respond to and deal with emergency matters. We may also fail to effectively control the behaviors of these drivers, or cause them to fully comply with our platform policies and standards. Any negative publicity resulting from any failures, mistakes or omissions of our safety system, including any safety incidents or data security breaches, could materially and adversely affect our reputation and brand, and could potentially lead to increased regulatory or litigation exposure. If our safety system fails to ensure user safety while using our platform, our business, results of operations and financial condition could be materially and adversely affected.

We may be considered as conducting payment services as a non-financial institution without a Payment Business Permit.

Gaode Map and Meituan settle payments to our accounts in Alipay or Qiandaibao once a week. In general, after deducting service fees of Gaode Map and Meituan, the remaining amounts, including the earnings of the drivers and our service fees, are transferred to our accounts in Alipay and Qiandaibao. Then we settle the payments with the online ride-hailing drivers.

According to the Measures for the Administration of Payment Services of Non-Financial Institutions which were promulgated by the PRC government on June 14, 2010, effective on September 1, 2010 and amended on April 29, 2020, non-financial institutions are required to obtain a payment business permit (the "Payment Business Permit") to provide payment services. Neither non-financial institutions nor individuals is permitted to engage in any form of payment business without the approval of the Chinese government, including payment through the Internet.

The relevant PRC rules and regulations lack clear guidance as to what practice or process constitutes payment or settlement services without a Payment Business Permit. Therefore, there is a risk that our settlement practice may cause us to be deemed as engaging in payment and settlement services without a license. As of the date of this Report, to our knowledge, we were not required by the relevant regulatory authorities to obtain the Payment Business Permit for our past settlement practice, nor have we received any penalty in connection with any purported operations of payment and settlement services without a Payment Business Permit or otherwise in violation of the above-described rules and regulations. If we encourage issues in this regard, we will consider engaging a licensed commercial bank to escrow our bank account and manage the prepayments received from our enterprise users and refund balances attributable to our individual users. However, we cannot assure you that our cooperation with a commercial bank in this regard would completely address the payment-related risk or such cooperation would suffice for all of our present or future businesses. In addition, the settlement services provided by licensed third-parties and financial institutions are subject to various rules and regulations, which may be amended or reinterpreted to encompass additional requirements. In response to that, we may have to adjust our cooperation with such licensed commercial bank or any other financial institutions and may thus incur higher transaction and compliance costs. Any of the circumstances would have a material and adverse effect on our business, results of operations and financial condition.

If we fail to cost-effectively attract and retain online ride-hailing drivers, or to increase utilization of our platform by existing users, our business, results of operations and financial condition could be materially and adversely affected.

The growth of our online ride-hailing platform depends in part on our ability to cost-effectively attract and retain online ride-hailing drivers who satisfy our screening criteria and procedures, and to increase their utilization of our platform. To attract and retain qualified drivers, we have, among other things, offered incentives for drivers. We believe that our sales and marketing initiatives is promoting awareness of our offerings, which in turn drives the growth of our driver pool and the utilization rate of our marketplace. However, we may fail to retain and attract qualified online ride-hailing drivers due to a number of reasons, such as our lack of brand recognition and reputation or our failure to provide subsidies that are comparable or superior to those of our competitors. Other factors beyond of our control, such as increases in the price of gasoline, vehicles or insurance, and the vehicle quantity control of PRC government, may also reduce the number of private car owners and taxi drivers on our platform or their utilization of our online ride-hailing platform.

Our failure to continuously attract and retain drivers and to increase utilization of our online ride-hailing platform would impair the network effect of our platform, which would in turn materially and adversely affect our business, results of operations and financial condition.

Changes to pricing for our online ride-hailing services could materially and adversely affect our ability to attract or retain riders and qualified drivers.

Demand for our online ride-hailing services is sensitive to ride fares, which takes into consideration, among other things, incentives paid to online ride-hailing drivers and our service fees. Our pricing strategies could be affected by a number of factors, including operating costs, legal and regulatory requirements or constraints, our current and future competitors' pricing and marketing strategies, and the perception of ride fares as a non-compensatory sharing of travel cost by online ride-hailing drivers. Some competitors offer, or may in the future offer, lower-priced services. Similarly, some competitors may use marketing strategies to attract or retain riders and qualified online ride-hailing drivers at lower costs than us. Certain competitors may also attract and retain riders and qualified online ride-hailing drivers with significant subsidies. As such, we may be forced by competition, regulation or other reasons to reduce ride fares and service fees, increase incentives we pay to online ride-hailing drivers on our platform, reduce our service fees, or to increase our marketing and other expenses. Furthermore, our users' price sensitivity may vary by geographic locations, and as we expand, our pricing methodologies may not enable us to compete effectively in these locations. We may launch new pricing strategies and initiatives, or modify existing pricing methodologies, any of which may not ultimately be successful in attracting and retaining riders and qualified online ride-hailing drivers.

Any significant disruption in our IT systems, including service on our online ride-hailing platform, malfunctions of our technology systems, errors and quality issues in our software, hardware and systems, or human errors in operating these systems, could materially and adversely affect our business, results of operation and financial condition.

Our businesses are dependent on the ability of our information technology systems to process massive amounts of information and transactions in a consistently stable and timely manner. Our information technology infrastructure for our online ride-hailing business in Hangzhou is hosted by third-party service providers. Our IT systems infrastructure is currently deployed, and our data is currently maintained through a customized cloud computing system. Our servers are housed at third-party data centers, and our operations depend on the service providers' ability to protect our systems in their facilities as well as their own systems against damage or interruption from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or attempts to harm our systems, criminal acts and similar events, many of which may be beyond our control. Many of our mobile applications are also provided through third-party app stores and any disruptions to the services of these app stores may negatively affect the delivery of our mobile applications to users. If our arrangement with the current host is terminated, or there is a lapse of service or damage to the host's facilities, we could experience interruptions in our service as well as delays and incur additional expenses in arranging new facilities. In the event of a system outage, malfunction or data loss, our ability to provide services would be materially and adversely affected. In addition, a prolonged failure of our information technology system could damage our reputation and materially and adversely affect our prospects and profitability.

We may continue to experience, system failures and other events or conditions from time to time that interrupt the availability or reduce or affect the speed or functionality of our offerings. These events could result in material losses of revenue. A prolonged interruption in the availability or reduction in the availability, speed or other functionality of our services could adversely affect our business and reputation and could result in the loss of users. Also, our software, hardware and systems may contain undetected errors, which could have a material adverse impact on our online ride-hailing business, particularly where such errors are not timely detected and remedied. In addition, our platform and services use complex software, and may have coding defects or errors that may impair our users' ability to use our platform and services. The models and algorithms that we use for our platform and services may also contain design or performance defects that are not detectable even after extensive internal testing. We cannot assure you that we would be able to detect and resolve all such defects and issues through our quality control measures. The satisfactory performance, reliability and availability of our technology and our underlying network infrastructure are critical to our operations, user service, reputation and our ability to attract new and retain existing car buyers and financial institutions.

Any errors, defects and disruptions in services, or other performance problems with our online ride-hailing platform and other services, whether as a result of third-party error, our error, natural disasters or security breaches, whether accidental or willful, could hurt our reputation, affect user experience or cause economic loss or other types of damage to our users. Software and system errors or human errors could delay or inhibit order dispatching, matching of users, route calculation, settlement of payments, and reporting of errors, or prevent us from collecting service fees or providing services. We may not have sufficient capacity to recover all data and services lost in the event of an outage. These factors could prevent us from processing information and other business operations, damage our brands and reputation, divert our employees' attention, reduce our revenue, subject us to liability and cause car buyers and financial institutions to abandon our solutions and services, any of which could adversely affect our business, financial condition and results of operations. In addition, if we fail to adopt new technologies or adapt our mobile apps, websites and systems to changing user preferences or emerging industry standards, our business and prospects may be materially and adversely affected.

If we fail to obtain and maintain the requisite licenses and approvals required for our online ride-hailing business, or if we are required to take compliance actions that are time-consuming or costly, our business, results of operations and financial condition may be materially and adversely affected.

As the date of this Report, we believe we have obtained all licenses and permits and made all necessary filings that are essential to the operation of our online ride-hailing platform, many of which are generally subject to regular PRC government review or renewal. However, we cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of our present or future business. If the relevant authorities determine that our platform has not obtained the requisite licenses or our operations are not in compliance with the relevant regulations, we may be required to suspend our operations, which may cause significant loss of our users and materially and adversely affect our business, results of operations and financial condition. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various activities, including the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, results of operations and financial condition.

Our customers' failure to fully comply with PRC taxi-related laws may expose us to potential penalties and negatively affect our operations.

According to the guidelines issued by the Municipal Communications Commission of Chengdu in November 2016, online reservation taxi operating license, automobile certificate and online reservation taxi driver's license are required to operate the online ride-hailing business. Approximately 55% of our served online ride-hailing drivers have not obtained the online reservation taxi driver's certificates as of March 31, 2021. We are in the process of assisting the drivers to obtain the required certificate and license. However, there is no guarantee that all of the drivers affiliated without us would be able to obtain all the certificate and license. Our ability and method to provide the automobile transaction related services might be affected or restricted if our affiliated drivers or automobiles do not possess the requisite license. Our business and results of operations will be materially affected if our affiliated drivers are suspended from providing ride-hailing services or imposed substantial fines.

We rely primarily on a third-party insurance policy to insure our auto-related risks relating to our online ride-hailing platform services. If our insurance coverage is insufficient for the needs of our business or our insurance providers are unable to meet their obligations, we may not be able to mitigate the risks facing our business, which could adversely affect our business, results of operations and financial condition.

We may become subject to claims arising primarily from our online ride-hailing platform services for automobile-related incidents, including bodily injury, property damage and uninsured and underinsured liability. If we were held liable to these automobile-related claims under court orders and the amounts exceed our applicable aggregate coverage limits, we would bear the excess, in addition to amounts already incurred in connection with deductibles or otherwise paid by our insurance provider. Insurance providers have raised premiums and deductibles for many businesses and may do so in the future. As a result, our insurance and claims expenses could increase, or we may decide to raise our deductibles when our policies are renewed or replaced. In addition, our insurance providers might be subject to regulatory actions from time to time. Our business, results of operations and financial condition could be adversely affected if cost per claim, premiums or the number of claims significantly exceeds our historical experience and coverage limits, we experience a claim in excess of our coverage limits, our insurance providers fail to pay on our insurance claims, we experience a claim for which coverage is not provided, or the number of claims under our deductibles differs from historic averages.

We rely on third-party payment processors to process payments made by our business partners and payments made to private car owners and taxi drivers on our platform, and if we cannot manage our relationships with such third parties and other payment-related risks, our business, results of operations and financial condition could be adversely affected.

We rely on third-party payment processors, such as Alipay and Qiandaobao, and rarely, commercial banks, to process payments made by our business partners and payments made to online ride-hailing drivers on our platform. If any of our third-party payment processors terminates its relationship with us or refuses to renew its agreement with us on commercially reasonable terms, we would need to find an alternative payment processor, and may not be able to secure similar terms or replace such payment processor in an acceptable timeframe. Further, the software and services provided by our third-party payment processors may fail to meet our expectations, contain errors or vulnerabilities, encounter disruption or compromise, or experience outages. Our third-party payment processors may also be penalized or suspended if they fail to protect personal information in compliance with relevant laws and regulations. Any of these risks could cause us to lose our ability to accept online payments or other payment transactions or make timely payments to private car owners and taxi drivers on our platform, any of which could make our platform less convenient and attractive to users and adversely affect our ability to attract and retain users.

We may in the future offer new payment options to users that may be subject to additional regulations and risks. We are also subject to a number of other laws and regulations relating to the payments we accept from our business partners, including with respect to money laundering, money transfers, privacy and information security. If we fail to comply with applicable rules and regulations, we may be subject to civil or criminal penalties, fines or higher transaction fees and may lose our ability to accept online payments or other payment card transactions, which could make our services less convenient and attractive to our users. If any of these events were to occur, our business, results of operations and financial condition could be adversely affected.

We depend on the ability of our online ride-hailing platform to operate across third-party applications and platforms that we do not control.

In connection with our online ride-hailing business, we have integrations with Gaode Maps, Meituan, Alipay, Qiandaobao and some third-party service providers. As our online ride-hailing services expand and evolve, we may have an increasing number of integrations with other third-party applications, products and services. Third party applications, products and services are constantly evolving, and we may not be able to maintain or modify our platform to ensure its compatibility with third-party offerings following development changes. In addition, some of our competitors or technology partners may take actions which disrupt the interoperability of our platform with their own products or services, or exert strong business influence on our ability to, and the terms on which we, operate and distribute our platform. As our online ride-hailing services continue to evolve, we expect the types and levels of competition to increase. Should any of our competitors or technology partners modify their products, standards or terms of use in a manner that degrades the functionality or performance of our platform or is otherwise unsatisfactory to us or gives preferential treatment to competitive products or services, our business, results of operations and financial condition could be materially and adversely affected.

If we fail to effectively manage the behaviors of order skipping, disintermediation and other misconduct and fraud by our users, our business, results of operations and financial condition could be materially and adversely affected.

Online ride-hailing drivers on our platform may skip orders and fail to pick up riders, or circumvent our platform and complete the transaction offline and in private. Our users may also maliciously misappropriate subsidies provided on our platform. For example, if we detect users engaging in cheating behaviors to earn incentives we have offered, we may be required to disqualify them from using such incentives. We have also implemented various measures to prevent order skipping. For example, we monitor the order completion rate for our online ride-hailing drivers, and those with low credit scores based on riders' feedback or behavior scores will be less likely to receive orders on our platform. If we detect a persistent skipping pattern, we will permanently close their user accounts on our platform.

In addition, we may incur losses from various types of fraud by our users, including use of stolen or fraudulent credit card data, attempted payments by riders with insufficient funds and fraud committed by riders in concert with online ride-hailing drivers. Bad actors use increasingly sophisticated methods to engage in illegal activities involving personal information, such as unauthorized use of another person's identity, account information or payment information and unauthorized acquisition or use of credit or debit card details, bank account information and mobile phone numbers and accounts. Under current credit card practices, we may be liable for rides facilitated on our online ride-hailing platform with fraudulent credit card data, even if the associated financial institution approved the credit card transaction. We are in the process of taking measures to detect and prevent fraudulent transactions by our users, such as cross-checking a driver's travel path against the proposed itinerary to verify the authenticity of an order.

Despite our efforts, our measures may not eliminate order skipping, disintermediation, and other user misconducts and fraud. Our failure to adequately detect and prevent such user behaviors could materially and adversely affect our business, results of operations and financial condition.

Government policies on automobile purchases and usage in the online ride-hailing industry may materially affect our results of operations.

Government policies on automobile purchases and ownership may have a material effect on our business due to their influence on consumer behaviors. Since 2009, the PRC government has changed the purchase tax on automobiles with 1.6 liter or smaller engines several times. In addition, in August 2014, several PRC governmental authorities jointly announced that from September 2014 to December 2017, purchases of new energy vehicles ("NEV") designated on certain catalogs will be exempted from the purchase taxes. In April 2015, several PRC governmental authorities also jointly announced that from 2016 to 2020, NEV purchasers designated on certain catalogs will enjoy subsidies. In December 2016, relevant PRC governmental authorities further adjusted the subsidy policy for NEVs. On March 26, 2019, the PRC governmental authorities updated government subsidy policy for NEVs which raises the threshold for the subsidy and reduces the amount of subsidies. On April 23, 2020, relevant PRC governmental authorities issue a notice, amongst others, that the subsidy policy for NEVs will be extended to the end of 2022, while the amount of subsidies will be reduced year by year. According to a notice effective from January 1, 2021, the subsidies will be declined by 20% on 2020's basis. On March 24, 2021, Chengdu Ecological Environment Bureau issued the Action Plan for Prevention and Control of Air Pollution in Chengdu in 2021, pursuant to which, all the new cars (including the replaced ones) used for online ride-hailing should be NEVs or hydrogen fuel cell vehicles. On August 21, 2018, General Office of Changsha Municipal People's Government issued the Provisional Detailed Rules of the Implementation Rules for the Administration of Online Booking Taxi Management Services for Changsha, pursuant to which, the company who operates online ride-hailing platform shall give priority to the use of NEVs, and the number of NEVs put into operation shall not be less than 30%.

We have been developing strategic collaboration with a leading NEV manufacturer in China, BYD. As we witness the emergence of NEVs in the automotive industry, as well as the online ride-hailing industry, as the next-generation trend, we have consistently focused on strengthening our cooperation with leading NEV manufacturers to obtain sufficient NEVs with favorable terms for our businesses. However, we cannot ensure we are able to retain long-term stable cooperative relationships with these NEVs companies. Our business growth will be hindered and our results of operations and financial condition will suffer if we could not obtain considerable resources for our business expansions.

Besides, we cannot predict whether government subsidies will remain in the future or whether similar incentives will be introduced, and if they are, their impact on automobile retail transactions in China. It is possible that automobile retail transactions may decline significantly upon expiration of the existing government subsidies if consumers have become used to such incentives and delay purchase decisions in the absence of new incentives. If automobile retail transactions indeed decline, our revenues may fluctuate and our results of operations may be materially and adversely affected.

The online ride-hailing service market is still in a relatively early stage of growth with intense competition in metropolitan cities in China and if such market does not continue to grow, grow more slowly than we expect or fail to grow as large as we expect, our business, financial condition and results of operations could be adversely affected.

According to the Chinese Academy of Industry Economy Research Institute, the online ride-hailing service market in China has grown rapidly since 2015. However, it is still relatively new, and it is uncertain to what extent market acceptance will continue to grow, if at all. Our success will depend to a substantial extent on the willingness of people to widely-adopt ride-hailing. If the public does not perceive ridesharing as beneficial, or chooses not to adopt it as a result of concerns regarding safety, affordability or for other reasons, whether as a result of incidents on the ride-hailing service platform or otherwise, then the ride-hailing service market may not further develop, or may develop more slowly than we expect or may not achieve the growth potential we expect, any of which could adversely affect our business, financial condition and results of operations.

Our business is subject to risks related to China's automobile leasing and financing industry, including industry-wide and macroeconomic risks.

We operate in China's automobile leasing and financing industry. We cannot assure you that this market will continue to grow rapidly in the future. Further, the growth of China's automobile leasing and financing industry could be affected by many factors, including:

- general economic conditions in China and around the world;
- the growth of disposable household income and the availability and cost of credit available to finance car purchases;
- the growth of China's automobile industry;
- taxes and other incentives or disincentives related to car purchases and ownership;
- environmental concerns and measures taken to address these concerns;
- the cost of energy, including gasoline prices, and the cost of car license plates in various cities with license plate lottery or auction systems in China;
- the improvement of the highway system and availability of parking facilities;
- other government policies relating to automobile leasing and financing in China;
- fluctuations in the sales and price of new and used cars;
- consumer acceptance of financing car purchases;
- changes in demographics and preferences of car purchasers;
- ride sharing, transportation networks, and other fundamental changes in transportation pattern; and
- other industry-wide issues, including supply and demand for cars and supply chain challenges.

Any adverse change to these factors could reduce demand for used cars and hence demand for our services, and our results of operations and financial condition could be materially and adversely affected.

Fraudulent activity in our Automobile Transaction and Related Services could negatively impact our operating results, brand and reputation and cause the use of our loan products and services to decrease.

We are subject to the risk of fraudulent activity associated with users and third parties handling user information. Our resources, technologies and fraud detection tools may be insufficient to accurately detect and prevent fraud. Significant increases in fraudulent activity could negatively impact our brands and reputation, reduce the automobile transactions facilitated through us and lead us to take additional steps to reduce fraud risk, which could increase our costs. High profile fraudulent activity could even lead to regulatory intervention, and may divert our management's attention and cause us to incur additional expenses and costs. Although we have not experienced any material business or reputational harm as a result of fraudulent activities in the past, we cannot rule out the possibility that any of the foregoing may occur causing harm to our business or reputation in the future. If any of the foregoing were to occur, our results of operations and financial conditions could be adversely affected. We have incurred net losses and may continue to incur net losses in the future.

We have incurred net losses and may continue to incur net losses in the future.

We had net losses of \$12,662,639 and \$9,935,803 in the years ended March 31, 2021 and 2020, respectively, and may continue to incur losses in the future. We anticipate that our operating expenses will increase in the foreseeable future as we seek to continue to grow our business, attract more customers and further enhance and develop our businesses. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. Our net revenue growth may slow, our net income margins may decline or we may incur additional net losses in the future and may not be able to achieve and maintain profitability on a quarterly or annual basis. In addition, our net revenue growth rate will likely decline as our net revenue grows to higher levels.

Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China.

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the requirements of our operations. We cannot assure you that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

We have identified material weaknesses in our internal control over financial reporting. If we fail to develop and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud.

In connection with the audits of our financial statements for the year ended March 31, 2021, we have identified “material weaknesses” and other control deficiencies including significant deficiencies in our internal control over financial reporting. As defined in the standards established by the Public Company Accounting Oversight Board of the United States (the “PCAOB”), a “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses that have been identified include: (i) insufficient personnel with appropriate levels of accounting knowledge and experience to address complex U.S. GAAP accounting issues and to prepare and review financial statements and related disclosures under U.S. GAAP; (ii) be lacking adequate policies and procedures in internal audit function to ensure that our policies and procedures have been carried out as planned; (iii) did not establish and perform periodic review and in-time recertification security monitoring of unauthorized access to the financial system; (iv) be lacking adequate policies and procedures in our data management, backup and recovery; and (v) did not establish and perform appropriate regular monitoring and testing on the security for the financial system

We have implemented, and continue to implement, measures designed to improve our internal control over financial reporting and remediate the control deficiencies that led to these material weaknesses. We hired Deloitte to help with improvements on our framework of internal controls, including setting up a risk and control matrix, drawing flowcharts of significant transactions, evaluating controls effectiveness and preparing manual of internal control. As of March 31, 2021, we improved the communication to the Board and obtained proper approval for the material transactions and retained an experienced U.S. GAAP consultant to assist us with the financial reporting and complex accounting issues. We also hired an internal audit staff to start our internal audit work. We plan to (i) hire additional accounting staffs with comprehensive knowledge of U.S. GAAP and SEC reporting requirements; (ii) ameliorating our internal audit or engaging an external consulting firm, to assist with assessment of Sarbanes-Oxley compliance requirements and improvement of internal controls related to financial reporting and (iii) improve our system security environment and conducting regular backup plan and penetration testing to ensure the network and information security.

We cannot assure you that the measures we have taken to date, and actions we intend to take in the future, will be sufficient to remediate material weaknesses in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. In addition, neither our management nor an independent registered public accounting firm has performed an evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act because no such evaluation has been required. Had we or our independent registered public accounting firm performed an evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act, additional material weaknesses may have been identified. If we are unable to successfully remediate our existing or any future material weaknesses in our internal control over financial reporting, or identify any additional material weaknesses, the accuracy and timing of our financial reporting may be adversely affected, potentially resulting in restatements of our financial statements, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports and applicable Nasdaq listing requirements, investors may lose confidence in our financial reporting, and our share price may decline as a result.

Certain data and information in this Report were obtained from third-party sources and were not independently verified by us.

This Report contains certain data and information that we obtained from various government and private entity publications. Statistical data in these publications also include projections based on a number of assumptions. If any one or more of the assumptions underlying the market data is later found to be incorrect, actual results may differ from the projections based on these assumptions.

We have not independently verified the data and information contained in such third-party publications and reports. Data and information contained in such third-party publications and reports may be collected using third-party methodologies, which may differ from the data collection methods used by us. In addition, these industry publications and reports generally indicate that the information contained therein was believed to be reliable, but do not guarantee the accuracy and completeness of such information.

We have limited business insurance coverage.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies in more developed economies. Currently, we do not have any business liability or disruption insurance to cover our operations other than the accident insurance and commercial liability insurance, which are mandatory, on all the automobiles we purchase for sales or financing. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

Risks Related to Our Corporate Structure

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

On March 15, 2019, the NPC approved the Foreign Investment Law, which has taken effect on January 1, 2020. Since it is relatively new, uncertainties exist in relation to its interpretation and its implementation rules that are yet to be issued. The PRC Foreign Investment Law does not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign-invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over Sichuan Senmiao through contractual arrangements will not be deemed as foreign investment in the future.

The PRC Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in a “negative list” that is yet to be published. It is unclear whether the “negative list” to be published will differ from the current Special Administrative Measures for Market Access of Foreign Investment (Negative List). The PRC Foreign Investment Law provides that foreign-invested entities operating in “restricted” or “prohibited” industries will require market entry clearance and other approvals from relevant PRC government authorities. If our control over Sichuan Senmiao through contractual arrangements are deemed as foreign investment in the future, and any business of Sichuan Senmiao is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over Sichuan Senmiao may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operation.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

We rely on the Voting Agreements with other shareholders of Jinkailong to operate our Automobile Transaction and Related Services business, and such Voting Agreements are subject to various risks, the realization of which may impact our ability to control Jinkailong and consolidate its financial statements.

We hold 35% of the equity interest of Jinkailong and control the remaining 65% equity interest through the Voting Agreements with the other four shareholders of Jinkailong. Although we are the largest shareholder and through the Voting Agreement, control the corporate matters of Jinkailong including fundamental corporate transactions, the other shareholders of Jinkailong may breach the Voting Agreements, or act in concert and exert control over Jinkailong through their majority equity ownership, which would have a material adverse effect on our ability to effectively control Jinkailong and receive economic benefits from it.

Under the Voting Agreements, the other shareholders may not dispose of their equity interest in Jinkailong unless the new shareholder agrees to be bound by the Voting Agreement. However, as the Voting Agreements is neither registered with any government authority nor publicly disclosed, a good faith third party purchaser may refuse to recognize the Voting Agreement and become a party to such agreement, which will impact our ability to control Jinkailong. Likewise, if the equity interest of Jinkailong held by other shareholders is sold to any third party in satisfaction of the debt of such shareholders, our ability to enforce our rights under the Voting Agreements may be impaired.

If any of the events occurs, we may not effectively control the operations of Jinkailong and may lose the ability to consolidate the financial statements of Jinkailong under US GAAP, which will materially and adversely affect our results of operations and financial conditions.

If the PRC government deems that the contractual arrangements in relation to Sichuan Senmiao do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of internet-based businesses, such as distribution of online information, is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (except e-commerce) and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record in accordance with the Provisions on the Administration of Foreign-invested Telecommunication Enterprises, the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2018 Version), the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2019 Version) and the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2020 Version) (which came into force and replaced the 2019 Version on July 23, 2020).

We are a Nevada corporation and our PRC subsidiaries are considered foreign invested enterprises. To comply with PRC laws and regulations, we conduct our operations of Online Lending Services in China through a series of contractual arrangements entered into among Senmiao Consulting, Sichuan Senmiao and the Sichuan Senmiao Shareholders. As a result of these contractual arrangements, we exert control over Sichuan Senmiao and consolidate its operating results in our financial statements under U.S. GAAP. For a detailed description of these contractual arrangements, see *“Business — Our Corporate Structure.”*

In the opinion of our PRC counsel, Yuan Tai Law Offices, our current ownership structure, the ownership structure of Senmiao Consulting and Sichuan Senmiao, and the contractual arrangements among Senmiao Consulting, Sichuan Senmiao and the Sichuan Senmiao Shareholders are not in violation of existing PRC laws, rules and regulations; and these contractual arrangements are valid, binding and enforceable in accordance with their terms and applicable PRC laws and regulations currently in effect. However, Yuan Tai Law Offices has also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC counsel.

It is uncertain whether any new PRC laws, rules or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If the ownership structure, contractual arrangements and business of our company, Senmiao Consulting or Sichuan Senmiao are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income or the income of Senmiao Consulting or Sichuan Senmiao, revoking the business licenses or operating licenses of Senmiao Consulting or Sichuan Senmiao, discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring, restricting or prohibiting our use of proceeds from our public offerings to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business. Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of Sichuan Senmiao, and/or our failure to receive economic benefits from Sichuan Senmiao, we may not be able to consolidate its results into our consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements with Sichuan Senmiao, Jinkailong and their respective equity holders for our business operations, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with Sichuan Senmiao, Jinkailong and their respective equity holders to a substantial part of our Automobile Transaction and Related Services. For a description of these contractual arrangements, see *“Business — Our Corporate Structure.”* These contractual arrangements may not be as effective as direct ownership in providing us with control over Sichuan Senmiao or Jinkailong. For example, Sichuan Senmiao, Jinkailong and their respective equity holders could breach their contractual arrangements with us by, among other things, failing to conduct its operations in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of Sichuan Senmiao or own over 50% equity interest of Jinkailong, we would be able to exercise our rights as an equity holder to effect changes in the board of directors of Sichuan Senmiao or Jinkailong, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by Sichuan Senmiao, Jinkailong and their respective equity holders of their obligations under the contracts to exercise control over Sichuan Senmiao or Jinkailong. The equity holders of Sichuan Senmiao or Jinkailong may not act in the best interests of our company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate our business through the contractual arrangements with Sichuan Senmiao or Jinkailong. If any equity holder of Sichuan Senmiao or Jinkailong is uncooperative or any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC laws and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. Therefore, our contractual arrangements with Sichuan Senmiao or Jinkailong may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

Any failure by our VIEs or their equity holders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.

If our VIEs or their equity holders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective under PRC laws. For example, if the equity holders of Sichuan Senmiao were to refuse to transfer their equity interest in Sichuan Senmiao to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if the equity holders of Jinkailong refused to perform their obligations under these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC laws and provide for the resolution of disputes in China. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC laws. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over Sichuan Senmiao, and our ability to conduct our business may be negatively affected. See “*Risk Factors — Risks Related to Doing Business in China — Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to us.*”

The equity holders of our VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The interests of the equity holders in our VIEs may differ from the interests of our company as a whole. These equity holders may breach, or cause our VIEs to breach, the existing contractual arrangements we have with them and our VIEs, which would have a material adverse effect on our ability to effectively control our VIEs and receive economic benefits from them. For example, the equity holders may be able to cause our agreements with our VIEs to be performed in a manner adverse to us. We cannot assure you that when conflicts of interest arise, any or all of these equity holders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these equity holders and our company, except that we could exercise our purchase option under the exclusive option agreement with the Sichuan Senmiao Shareholders to request them to transfer all of their equity interests in Sichuan Senmiao to a PRC entity or individual designated by us, to the extent permitted by PRC laws or in the case of Jinkailong, the other shareholders of Jinkailong (except one minor shareholder) have committed not to, directly or indirectly, engage in the same business in which the Company engages. If we cannot resolve any conflict of interest or dispute between us and the Sichuan Senmiao Shareholders, we would have to rely on legal proceedings, which could result in the disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements in relation to Sichuan Senmiao may be subject to scrutiny by the PRC tax authorities and they may determine that we or Sichuan Senmiao owe additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. The EIT Law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among Senmiao Consulting, Sichuan Senmiao, and Sichuan Senmiao Shareholders were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust Sichuan Senmiao's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by Sichuan Senmiao for PRC tax purposes, which could in turn increase its tax liabilities without reducing Senmiao Consulting's tax expenses. In addition, if Senmiao Consulting requests the Sichuan Senmiao Shareholders to transfer their equity interests in Sichuan Senmiao at nominal or no value pursuant to these contractual arrangements, such transfer could be viewed as a gift and subject Senmiao Consulting to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on Sichuan Senmiao for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if Sichuan Senmiao's tax liabilities increase or if it is required to pay late payment fees and other penalties.

We may lose the ability to use and enjoy assets held by our VIEs that are material to the operation of our business if the entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

Our VIEs hold certain assets that are material to the operation of our business. Under the contractual arrangements, our VIEs may not and its equity holders may not cause it to, in any manner, sell, transfer, mortgage or dispose of its assets or its legal or beneficial interests in the business without our prior consent. However, in the event the equity holders of our VIEs breach these contractual arrangements and voluntarily liquidate our VIEs, or any of our VIEs declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our VIEs undergoes a voluntary or involuntary liquidation proceeding, independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Risks Related to Doing Business in China

We are required to obtain a value-added telecommunication business certificate and be subject to foreign investment restrictions.

PRC regulations impose sanctions for engaging in Internet information services of a commercial nature without having obtained an ICP certificate. PRC regulations also impose sanctions for engaging in the operation of online data processing and transaction processing without having obtained an online data processing and transaction processing, or ODPTP, certificate (ICP and ODPTP are both sub-sets of value-added telecommunication business certificates). These sanctions include corrective orders and warnings from the PRC communication administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, the websites may be ordered to cease operation. To the extent that the PRC regulatory authorities require such value-added telecommunication certificate to be obtained or set forth rules that impose additional requirements, and we do not obtain such certificate, we may be subject to the sanctions described above.

According to the Provisions on the Administration of Foreign-Invested Telecommunication Enterprises, the ratio of investment by foreign investors in a foreign-invested telecommunication enterprise that engages in the operation of a value-added telecommunication business shall not exceed 50%. Foreign investors are only permitted to invest up to 50% of the registered capital in a foreign-invested telecommunication enterprise that engages in the operation of commercial Internet information services or general online data processing and transaction processing services.

As an exception, Circular 196, which was promulgated on June 19, 2015, provides that foreign investors are permitted to invest up to 100% of the registered capital in a foreign-invested telecommunication enterprise engaging in the operation of online data processing and transaction processing (E-commerce). While Circular 196 permits foreign ownership, in whole or in part, of online data processing and transaction processing businesses (E-commerce), a sub-set of value-added telecommunications services, there is still uncertainty regarding whether foreign investment restrictions may be applied to our business and industry.

Further, under either circumstance, the largest foreign investor will be required to have a satisfactory business track record and operational experience in the value-added telecommunication business. Any restructuring to meet the requirements may be costly and may involve interruptions to our business. If we are unable to obtain the telecommunication business certificate in a timely fashion, our business may be materially and adversely affected.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the State Council Information Office, the MIIT, and the MPS). The primary role of this new agency is to facilitate the policy-making and legislative development in this field, to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry.

The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, issued by the MIIT in July 2006, prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. According to this circular, either the holder of a value-added telecommunication services operation permit or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The circular also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license.

Sichuan Senmiao owns the relevant domain names and as of the date of this Report, the website used for our previous P2P online lending services business (which website continues to contain historical information) has not been fully shut down and remains accessible to the public. It is not clear whether our existing online lending website would be deemed as operating value-added telecommunications business. However, if we were deemed to operate telecommunications business without operating licenses, the relevant governmental authority will order us to rectify the noncompliance, confiscate illegal gains and impose a fine equal to three to five times of the illegal gains. If no illegal gains or the illegal gain is less than RMB50,000, a fine of between RMB100,000 and RMB1,000,000 will be imposed. In case of material violation, our business may be suspended and rectification will be carried out.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material adverse effect on our business and results of operations.

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 from our public offerings 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 our public offerings 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 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 MOFCOM or its local counterpart and the amount of registered capital of such foreign-invested company.

We have financed and expect to continue to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by the MOFCOM 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 capitals 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 capitals of the foreign-invested enterprises established within the designate areas and such enterprises are allowed to use its RMB capital converted from foreign exchange capitals to make equity investment. 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 fund converted from foreign exchange capital. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure 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 the 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. On June 9, 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts ("Circular 16"), which became effective simultaneously. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to RMB on self-discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purpose beyond its business scope or prohibited by PRC Laws or regulations, while such converted RMB shall not be provide as loans to its non-affiliated entities. As Circular 16 is newly issued and SAFE has not provided detailed guidelines with respect to its interpretation or implementation, it is uncertain how these rules will be interpreted and implemented. 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 our public offerings 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 capital contributions or future loans 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 our public offerings 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.

Risks Related to Our Securities

Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our common stock.

Our common stock is currently listed for trading on The Nasdaq Capital Market, and the continued listing of our common stock on The Nasdaq Capital Market is subject to our compliance with a number of listing standards. On September 30, 2019 and March 31, 2020, we received notices from Nasdaq that because the closing bid price for our common stock had fallen below \$1.00 per share for 30 consecutive business days, we no longer complied with the \$1.00 minimum bid price requirement for continued listing on The Nasdaq Capital Market under Rule 5550(a)(2) of the Nasdaq Listing Rules. On November 16, 2020, we received a letter from Nasdaq informing that we had regained compliance with Nasdaq Listing Rules 5550(a)(2) and 5550(b)(2) because for the last 20 consecutive business days, from October 19 through November 13, 2020, the closing bid price of our common stock had been at \$1.00 per share or greater and our market value of listed securities had been \$35,000,000 or greater. Nasdaq considered both matters closed.

If we are otherwise not eligible for such additional compliance period, Nasdaq will provide notice that our common stock will be subject to delisting. We would have the right to appeal a determination to delist our common stock, and the common stock would remain listed on The Nasdaq Capital Market until the completion of the appeal process. If our common stock were no longer listed on The Nasdaq Capital Market, investors might only be able to trade on one of the over-the-counter markets. This would impair the liquidity of our common stock not only in the number of shares that could be bought and sold at a given price, which might be depressed by the relative illiquidity, but also through delays in the timing of transactions and reduction in media coverage. In addition, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- a limited amount of news and analyst coverage for us; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

We may take actions to restore our compliance with Nasdaq's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock or prevent future non-compliance with Nasdaq's listing requirements.

The market price for our common stock may be volatile.

The trading prices of our common stock are likely volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of internet or other companies based in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial decline in their trading prices. The trading performances of other Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our common stock, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, which may have a material adverse effect on the market price of our common stock.

In addition to the above factors, the price and trading volume of our common stock may be highly volatile due to multiple factors, including the following:

- regulatory developments affecting us, our customers, or our industry;
- regulatory uncertainties with regard to our variable interest entity arrangements;
- announcements of studies and reports relating to our loan products and service offerings or those of our competitors;
- changes in the economic performance or market valuations of other online finance marketplaces;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the automobile finance and ride-hailing industries in China;
- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures or capital commitments;
- additions to or departures of our senior management;
- detrimental negative publicity about us, our management or our industry;
- fluctuations of exchange rates between the RMB and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our outstanding shares of common stock; and
- sales or perceived potential sales of additional shares of common stock.

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is performing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time, subject to certain restrictions described below. These sales, or the perception in the market that holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of July 7, 2021, we had outstanding 55,409,930 shares of common stock, 39,913,655 of which may be resold in the public market immediately without restriction, other than shares owned by our affiliates, which may be sold pursuant to Rule 144. We may register all shares of common stock that we may issue under our equity compensation plans on a Registration Statement on Form S-8. These shares can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates.

We have a significant number of outstanding warrants, some of which contain full-ratchet anti-dilution protection and reset provisions, which may cause significant dilution to our stockholders, have a material adverse impact on the market price of our common stock and make it more difficult for us to raise funds through future equity offerings.

Pursuant to the Purchase Agreements with investors in our offerings in June 2019 and May 2021, we issued to the investors a series of warrants as followed:

June 2019 Registered Direct Offering

We issued to the investors (i) for no additional consideration, Series A warrants to purchase up to an aggregate of 1,336,021 shares of common stock and (iii) for nominal additional consideration, Series B warrants to purchase up to a maximum aggregate of 1,116,320 shares of common stock. The Company sold the shares of common stock at a price of \$3.38 per share. Among other provisions, the Series A Warrants provide the Investors with full ratchet anti-dilution protection in the event that we issue any equity or equity-linked securities at a price lower than the exercise price of the Series A Warrants (subject to certain exceptions) and on the six month anniversary of the initial exercise date of the Series A Warrants, the exercise price of Series A Warrants was adjusted from \$3.72 to \$1.50 per share.

The Series B Warrants initially won't be exercisable for any shares of common stock. In the event that on the 50th day after the closing date of the June 2019 Offering, the closing price of the common stock is less than the Share Purchase Price, then the number of shares of common stock issuable upon exercise of the Series B Warrants shall be adjusted (upward or downward, as applicable) to the greater of (i) zero (0) and (ii) such aggregate number of shares of common stock equal to 50% of the difference of (A) the quotient of (x) the Share Purchase Price divided by (y) the Market Price (as defined in the Purchase Agreement) as of the 50th day after the closing date of the June 2019 Offering, less (B) the aggregate number of Shares issued to the Investors at the closing (as adjusted for share splits, share dividends, share combinations, recapitalizations and similar events).

May 2021 Registered Direct Offering

We issued to the investors warrants to purchase up to an aggregate of 5,531,916 shares of common stock. The Company sold the shares of common stock at a price of \$1.05 per share. The exercise price and the number of shares issuable upon exercise of the warrants are subject to an adjustment upon the occurrence of certain events, including, but not limited to, stock splits or dividends, business combinations, sale of assets, similar recapitalization transactions, or other similar transactions. The exercise price the warrants are also subject to an adjustment in the event that we issue or are deemed to issue shares of common stock for less than the applicable exercise price of such warrants. However, the exercise price of the warrants shall not be lower than \$1.05 as a result of an adjustment, unless we have obtained the Stockholder Approval.

Pursuant to the terms of the Purchase Agreement, we shall hold a special meeting of stockholders of the Company (the "Stockholder Meeting") no later than September 15, 2021 (the "Stockholder Meeting Deadline"), soliciting stockholders' affirmative votes at the Stockholder Meeting for approval of resolutions ("Stockholder Resolutions") providing for the approval of the issuance of the securities in this offering in compliance with the rules and regulations of the Nasdaq Capital Market (the "Stockholder Approval"). We shall be obligated to seek to obtain the Stockholder Approval by the Stockholder Meeting Deadline. If, despite our reasonable best efforts the Stockholder Approval is not obtained on or prior to the Stockholder Meeting Deadline, we shall cause an additional Stockholder Meeting to be held on or prior to December 31, 2021 and shall cause an additional Stockholder Meeting to be held semi-annually thereafter until such Stockholder Approval is obtained.

The issuance of shares of common stock upon the exercise of the warrants mentioned above would dilute the percentage ownership interest of all stockholders, might dilute the book value per share of our common stock and would increase the number of our publicly traded shares, which could depress the market price of our common stock.

In addition, the so-called full-ratchet anti-dilution protections and reset provisions, subject to limited exceptions, would reduce the exercise price of the warrants in the event that we in the future issue common stock, or securities convertible into or exercisable to purchase common stock, at a lower price per share.

In addition to the dilutive effects described above, the perceived risk of dilution as a result of the significant number of outstanding warrants may cause our common stockholders to be more inclined to sell their shares, which would contribute to a downward movement in the price of our common stock. Moreover, the perceived risk of dilution and the resulting downward pressure on our common stock price could encourage investors to engage in short sales of our common stock, which could further contribute to price declines in our common stock. The fact that our stockholders, warrant holders and option holders can sell substantial amounts of our common stock in the public market, whether or not sales have occurred or are occurring, as well as the existence of full-ratchet anti-dilution provisions and reset provisions in a substantial number of our outstanding warrants could make it more difficult for us to raise additional funds through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate, or at all.

Certain judgments obtained against us by our stockholders may not be enforceable.

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, most of our directors and executive officers reside within China, and most of the assets of these persons are located within China. As a result, it may be difficult or impossible for you to effect service of process within the United States upon these individuals, or to bring an action against us or against these individuals in the United States in the event that you believe your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

Our articles of incorporation and by-laws could deter a change of our management, which could discourage or delay offers to acquire us.

Certain provisions of our articles of incorporation (the “Articles of Incorporation”) and by-laws could discourage or make it more difficult to accomplish a proxy contest or other change in our management or the acquisition of control by a holder of a substantial amount of our voting stock. It is possible that these provisions could make it more difficult to accomplish, or could deter transactions that stockholders may otherwise consider to be in their best interests or in our best interests. These provisions include:

- requiring stockholders who wish to request a special meeting of the stockholders to disclose certain specified information in such request and to deliver such request in a specific way within a certain timeframe, which may inhibit or deter stockholders from requesting special meetings of the stockholders;
- requiring that stockholders who wish to act by written consent request a record date from us for such action and such request must include disclosure of certain specified information, which may inhibit or deter stockholders from acting by written consent;
- establishing the board as the sole entity to fill vacancies of the board, which lengthens the time needed to elect a new majority of the board;
- establishing a two-thirds majority vote of the stockholders to remove a director from the board, as opposed to a simple majority, which lengthens the time needed to elect a new majority of the board; and
- establishing that any person who acquires equity in us shall be deemed to have notice and consented to the forum selection provision of our Bylaws requiring actions to be brought only in Nevada, which may inhibit or deter stockholders actions (i) on behalf of us; (ii) asserting claims of breach of fiduciary duty by officers or directors of us; or (iii) arising out of the Nevada Revised Statutes, and establishing more detailed disclosure in any stockholder's advance notice to nominate a new member of the board, including specified information regarding such nominee, which may inhibit or deter such nomination and lengthen the time needed to elect a new majority of the board.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected not to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for private companies. This decision to take advantage of the extended transition period under the JOBS Act is irrevocable.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our common stock for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our common stock as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to certain restrictions under Nevada law. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our common stock will likely depend entirely upon any future price appreciation of our common stock.

The exercise of outstanding warrants to acquire shares of our common stock would cause additional dilution, which could cause the price of our common stock to decline.

In the past, we have issued warrants to acquire shares of our common stock. As of the date of this Report, there were 1,519,602 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of \$1.76 per share, and we may issue additional options, warrants and other types of equity in the future as part of stock-based compensation, capital raising transactions or other strategic transactions. To the extent these options and warrants are ultimately exercised, existing holders of our common stock would experience dilution which may cause the price of our common stock to decline.

We may need additional financing while the Warrants from the June 2019 Offering are still outstanding and certain of the terms of the June 2019 Offering could severely limit the types of financings we can enter into.

Under the terms of the Purchase Agreement we entered into in connection with the June 2019 Offering, we are prohibited from, among other things, (i) entering into any variable rate transactions so long as any of the Warrants issued in such offering are still outstanding, (ii) directly or indirectly offering or issuing any securities, or entering into any agreement to offer or issue any securities, other than customary exception, for a period of ninety (90) days after the closing of the June 2019 Offering. Such restrictions are severe limitation on the types of financings we can seek should we need it in the near future. In the event we will require such a financing, we may be required to obtain the consent of the investors in the June 2019 Offering, whom may withhold such consent at their reasonable discretion. Our inability, under the terms of the June 2019 Offering, to raise additional funds, could have a material adverse effect on our operations should we need such additional funds. Further, even if the Investors did provide us with their consent to obtain such additional financing, the terms of the financing may be under terms that are less advantageous due to the restrictions and protections provided under the terms of the June 2019 Offering.

Other General Risk Factors

We may need additional capital to pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances, and financing may not be available on terms acceptable to us, or at all.

We have been financing our Automobile Transaction and Related Services and Online Ride-hailing Platform Services through borrowing from third parties and related parties, and proceeds from our IPO and follow-on public offering. As we intend to continue to make investments to support the growth of those businesses, we may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including developing new solutions and services, increasing the number of automobiles we provide different services to, further enhance our risk management capabilities, increasing our sales and marketing expenditures to improve brand awareness and engage automobile purchasers through expanded online channels, enhancing our operating infrastructure and acquiring complementary businesses and technologies. To be in line with our strategy to cross sell our core ride-hailing focused automobile finance and leasing business with the online ride-hailing platform business, we may need to make additional capital contribution for promotion activities as a result. Accordingly, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them, on terms that are acceptable to us, or at all. Repayment of the debts may divert a substantial portion of cash flow to repay principal and service interest on such debt, which would reduce the funds available for expenses, capital expenditures, acquisitions and other general corporate purposes; and we may suffer default and foreclosure on our assets if our operating cash flow is insufficient to service debt obligations, which could in turn result in acceleration of obligations to repay the indebtedness and limit our sources of financing.

Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, financial condition, results of operations and prospects could be adversely affected.

We may need additional capital, and financing may not be available on terms acceptable to us, or at all.

In the fiscal years ended March 31, 2021 and 2020, our principal sources of liquidity were proceeds from the Offerings in June 2019, August 2020 and February 2021, the capital contribution from our stockholders and borrowings from financial institutions. As of March 31, 2021, we had cash and cash equivalents of \$4,448,075, compared with cash and cash equivalents of approximately \$844,027 as of March 31, 2020. With the proceeds from our February 2021 and May 2021 Offering and anticipated cash flows from operating activities, we have been able to meet our anticipated working capital requirements and capital expenditures in the ordinary course of business to the date of this Report. If we fail to do so due to unexpected situations, we anticipate to receive loans from our stockholders to fund our operations. However, we cannot assure you this will be the case. We may need additional cash resources in the future if we experience changes in business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue equity or debt securities or obtain credit facilities. The issuance and sale of additional equity would result in further dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

Fluctuations in interest rates could negatively affect our results of operations.

We charge service fees to automobile purchasers for facilitating financing transactions. If prevailing market interest rates increase, automobile purchasers would be less likely to finance automobile purchases with credit or we may need to reduce our service fees to mitigate the impact of increased interest rates. If we do not sufficiently lower our service fees and keep our fees competitive in such instances, automobile purchasers may decide not to utilize our services because of our less competitive service fees and may take advantage of lower service fees offered by other companies, and our ability to attract prospective automobile purchasers as well as our competitive position may be severely undermined. On the other hand, if prevailing market interest rates decline, the operating margins of financial institutions may decrease, which may make the financial institutions less likely to finance automobile purchases. Under either circumstance, our financial condition and profitability could also be materially and adversely affected.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly results of operations, including the levels of our net revenues, expenses, net (loss)/income and other key metrics, may vary significantly in the future due to a variety of factors, some of which are outside of our control, and period-to-period comparisons of our operating results may not be meaningful, especially given our limited operating history. Accordingly, the results for any one quarter are not necessarily an indication of future performance. Fluctuations in quarterly results may adversely affect the price of our common stock. Factors that may cause fluctuations in our quarterly financial results include:

- our ability to attract new customers and maintain relationships with existing customers;
- our ability to maintain existing relationship with existing financing partners and establish new relationships with additional financial partners for our Automobile Transaction and Related Services;
- the amount of automobile financing transactions we facilitate;
- overdue ratios of automobile financing transactions/loans we facilitate;
- financial institutions' willingness and ability to fund financing transactions through us on reasonable terms;
- changes in our services and introduction of new products and services;
- the amount and timing of operating expenses related to acquiring customers and the maintenance and expansion of our business, operations and infrastructure;
- our ability to manage transaction volume growth during the period;
- the timing of expenses related to the development or acquisition of technologies or businesses;
- network outages or security breaches;
- general economic, industry and market conditions;
- our emphasis on customer experience instead of near-term growth; and
- the timing of expenses related to the development or acquisition of technologies or businesses.

If we fail to promote and maintain our brands in an effective and cost-efficient way, our business and results of operations may be harmed.

We believe that developing and maintaining awareness of our brands effectively is critical to attracting new and retaining existing customers. Successful promotion of our brands and our ability to attract customers depend largely on the effectiveness of our marketing efforts and the success of the channels we use to promote our services. Our efforts to build our brands have caused us to incur expenses, and it is likely that our future marketing efforts will require us to incur additional expenses. These efforts may not result in increased revenues in the immediate future or at all and, even if they do, any increases in revenues may not offset the expenses incurred. If we fail to successfully promote and maintain our brands while incurring substantial expenses, our results of operations and financial condition would be adversely affected, which may impair our ability to grow our business.

Any harm to our brands or reputation or any damage to the reputation of our business partners or other third parties, or the automobile financing or ride-hailing industries in China may materially and adversely affect our business and results of operations.

Maintaining and enhancing the recognition and reputation of our brands is critical to our business and competitiveness. Factors that are vital to this objective include but are not limited to our ability to:

- maintain and develop relationships with dealers, leasing companies, ride-hailing platforms and financial institutions;
- provide prospective and existing customers with superior experiences;
- enhance and improve our credit assessment and decision-making models;
- effectively manage and resolve any user complaints of financial institutions or customers; and
- effectively protect personal information and privacy of customers.

Any malicious or innocent negative allegation made by the media or other parties about the foregoing or other aspects of our company, including but not limited to our management, business, compliance with law, financial conditions or prospects, whether with merit or not, could severely hurt our reputation and harm our business and operating results. As the markets for China's automobile financing and online ride-hailing are new and the regulatory framework for this market is also evolving, negative publicity about these markets may arise from time to time. Negative publicity about China's automobile financing and ride-hailing industries in general may also have a negative impact on our reputation, regardless of whether we have engaged in any inappropriate activities.

In addition, certain factors that may adversely affect our reputation are beyond our control. Negative publicity about our partners, outsourced service providers or other counterparties, such as negative publicity about any failure by them to adequately protect the information of users, to comply with applicable laws and regulations or to otherwise meet required quality and service standards could harm our reputation. Furthermore, any negative development in any of the automobile financing or ride-hailing industries, such as bankruptcies or failures of other companies in any of these, and especially a large number of such bankruptcies or failures, or negative perception of any of the industries as a whole, could compromise our image, undermine the trust and credibility we have established and impose a negative impact on our ability to attract new clients. Negative developments in these industries, such as widespread automobile purchaser/borrower defaults, unethical or illegal activities by industry players and/or the closure of companies providing similar services, may also lead to tightened regulatory scrutiny of these sectors and limit the scope of permissible business activities that may be conducted by us. If any of the foregoing takes place, our business and results of operations could be materially and adversely affected.

Our reputation may be harmed if information supplied by customers is inaccurate, misleading or incomplete.

Our customers supply a variety of information that is in the applications to financing partners. We do not verify all the information we receive from our customers, and such information may be inaccurate or incomplete. If financing partners provide funding to the automobile purchasers based on information supplied by automobile purchasers that is inaccurate, misleading or incomplete, those financing partners may not receive their expected returns and our reputation may be harmed. Moreover, inaccurate, misleading or incomplete customer information could also potentially subject us to liability as an intermediary under the PRC Contract Law. See “*Business — Regulations.*”

Misconduct, errors and failure to function by our employees and third-party service providers could harm our business and reputation.

We are exposed to many types of operational risks, including the risk of misconduct and errors by our employees and third-party service providers. Our business depends on our employees and third-party service providers to interact with potential customers, process large numbers of transactions and support the loan/lease payment collection process, all of which involve the use and disclosure of personal information. We could be materially adversely affected if transactions were redirected, misappropriated or otherwise improperly executed, if personal information was disclosed to unintended recipients or if an operational breakdown or failure in the processing of transactions occurred, whether as a result of human error, purposeful sabotage or fraudulent manipulation of our operations or systems. In addition, the manner in which we store and use certain personal information and interact with our customers is governed by various PRC laws. It is not always possible to identify and deter misconduct or errors by employees or third-party service providers, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. If any of our employees or third-party service providers take, convert or misuse funds, documents or data or fail to follow protocol when interacting with customers, we could be liable for damages and subject to regulatory actions and penalties. We could also be perceived to have facilitated or participated in the illegal misappropriation of funds, documents or data, or the failure to follow protocol, and therefore be subject to civil or criminal liability. Aggressive practices or misconduct by any of our third-party service providers in the course of collecting loans could damage our reputation.

Furthermore, as we rely on certain third-party service providers, such as third-party payment platforms and custody and settlement service providers, to conduct our business, if these third-party service providers failed to function properly, we cannot assure you that we would be able to find an alternative in a timely and cost-efficient manner or at all. Any of these occurrences could result in our diminished ability to operate our business, potential liability to borrowers and investors, inability to attract borrowers and investors, reputational damage, regulatory intervention and financial harm, which could negatively impact our business, financial condition and results of operations.

A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.

Any prolonged slowdown in the Chinese or global economy may have a negative impact on our business, results of operations and financial condition. In particular, general economic factors and conditions in China or worldwide, including the general interest rate environment and unemployment rates, may affect automobile purchasers' willingness to seek financing and financing partners' ability and desire to provide financing. Economic conditions in China are sensitive to global economic conditions. The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies have experienced periods of recession. The recovery from the lows of 2008 and 2009 has been uneven and there are new challenges, including the escalation of the European sovereign debt crisis from 2011 and the slowdown of China's economic growth since 2012 which may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. In particular, general economic factors and conditions in China or worldwide, including the general interest rate environment and unemployment rates, may affect consumers' demand for cars, car buyers' willingness to seek credit and financial institutions' ability and desire to fund financing transactions we facilitate. Economic conditions in China are sensitive to global economic conditions. The outbreak of COVID-19 coronavirus has resulted in declines in economic activities in China and other parts of the world and raised concerns about the prospects of the global economy. As of the date of this Report, we are unable to assess the full impact of the outbreak on our business, results of operations and financial condition. There have also been concerns over unrest in Ukraine, the Middle East and Africa, which have resulted in volatility in financial and other markets. There have also been concerns about the economic effect of the tensions in the relationship between China and the United States. If present Chinese and global economic uncertainties persist, our business partners may suspend their collaboration or reduce their business with us. Adverse economic conditions could also reduce the number of customers seeking to utilize our services. Should any of these situations occur, our transaction volume will decline, and our business and financial conditions will be negatively impacted. Additionally, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

Our ability to protect the confidential information of our customers may be adversely affected by cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions.

We collect, store and process certain personal and other sensitive data from our customers, which makes it an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. While we have taken steps to protect the confidential information that we have access to, our security measures could be breached. Because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our operation systems could cause confidential user information to be stolen and used for criminal purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with customers could be severely damaged, we could incur significant liability and our business and operations could be adversely affected.

Moreover, the platforms we cooperate with, which have their own apps, are facing an increasingly tense regulatory environment. With respect to the security of information collected and used by mobile apps, the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information requires that these app operators shall collect and use personal information in compliance with the Cyber Security Law, shall be responsible for the security of personal information obtained from users and take effective measures to strengthen personal information protection. If they are investigated or fined by China's Cyber Security Review Office, we may be required to cooperate with the government and there is uncertainty as to the potential impact on our business.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and non-compete agreements with our employees and others to protect our proprietary rights. We have 16 software copyrights, 38 trademarks and 20 trademark applications pending at the PRC Trademark Office. See “*Business — Intellectual Property*” and “*Business — Regulations — Regulations on Intellectual Property*.” Thus, we cannot assure you that any of our intellectual property rights would not be challenged, invalidated, circumvented or misappropriated, or such intellectual property will be sufficient to provide us with competitive advantages. In addition, because of the rapid pace of technological change in our industries, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. To the extent that our employees or consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. We may be from time to time in the future subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our products, services or other aspects of our business without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in China, the United States or other jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert management's time and other resources from our business and operations to defend against these claims, regardless of their merits.

Additionally, the application and interpretation of China's intellectual property right laws and the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business and results of operations may be materially and adversely affected.

Some aspects of our digital operations include open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Some aspects of our digital operations include software covered by open source licenses. The terms of various open source licenses have not been interpreted by PRC courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our online and mobile-based channels. If portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies if required so by the license, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and loan products. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with use of open source software cannot be eliminated, and could adversely affect our business.

From time to time, we may evaluate and potentially consummate strategic investments or acquisitions, which could require significant management attention, disrupt our business and adversely affect our financial results.

Although we do not currently have any plans to consummate any acquisitions, we may in the future evaluate and consider strategic investments, combinations, acquisitions or alliances to further increase the value of our services and better serve our customers. These transactions could be material to our financial condition and results of operations if consummated. If we are able to identify an appropriate business opportunity, we may not be able to successfully consummate the transaction and, even if we do consummate such a transaction, we may be unable to obtain the benefits or avoid the difficulties and risks of such transaction.

Strategic investments or acquisitions will involve risks commonly encountered in business relationships, including:

- difficulties in assimilating and integrating the operations, personnel, systems, data, technologies, products and services of the acquired business;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits;
- difficulties in retaining, training, motivating and integrating key personnel;
- diversion of management's time and resources from our normal daily operations;
- difficulties in successfully incorporating licensed or acquired technology and rights into our business;
- difficulties in maintaining uniform standards, controls, procedures and policies within the combined organizations;
- difficulties in retaining relationships with customers, employees and suppliers of the acquired business;
- risks of entering markets in which we have limited or no prior experience;
- regulatory risks, including remaining in good standing with existing regulatory bodies or receiving any necessary pre-closing or post-closing approvals, as well as being subject to new regulators with oversight over an acquired business;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights or increase our risk for liability;
- failure to successfully further develop the acquired technology;
- liability for activities of the acquired business before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- potential disruptions to our ongoing businesses; and
- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions.

We may not make any investments or acquisitions, or any future investments or acquisitions may not be successful, may not benefit our business strategy, may not generate sufficient revenues to offset the associated acquisition costs or may not otherwise result in the intended benefits. In addition, we cannot assure you that any future investment in or acquisition of new businesses or technology will lead to the successful development of new or enhanced loan products and services or that any new or enhanced loan products and services, if developed, will achieve market acceptance or prove to be profitable.

Our business depends on the continued efforts of our senior management. If one or more of our key executives were unable or unwilling to continue in their present positions, our business may be severely disrupted.

Our business operations depend on the continued services of our senior management, particularly the executive officers named in this Report. While we have provided different incentives to our management, we cannot assure you that we can continue to retain their services. If one or more of our key executives were unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, our future growth may be constrained, our business may be severely disrupted and our financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain qualified personnel. In addition, although we have entered into confidentiality and non-competition agreements with our management, there is no assurance that any member of our management team will not join our competitors or form a competing business. If any dispute arises between our current or former officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all.

Competition for employees is intense, and we may not be able to attract and retain the qualified and skilled employees needed to support our business.

We believe our success depends on the efforts and talent of our employees, including risk management, driver and automobile management, post-financing management, financial and marketing personnel. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. Competition for highly skilled technical, risk management and financial personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment.

In addition, we invest significant time and expenses in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and the quality of our services and our ability to serve borrowers and investors could diminish, resulting in a material adverse effect to our business.

Increases in labor costs in the PRC may adversely affect our business and results of operations.

The economy in China has experienced increases in inflation and labor costs in recent years. As a result, average wages in the PRC are expected to continue to increase. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pension, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments to the statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to control our labor costs or pass on these increased labor costs to our customers by increasing the fees of our services, our financial condition and results of operations may be adversely affected.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, collaboration and focus that contribute to our business.

We believe that a critical component of our success is our corporate culture, which we believe fosters innovation, encourages teamwork and cultivates creativity. As we develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

We are vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide products and services.

Our business could also be adversely affected by the effects of COVID-19, Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome (“SARS”), or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having COVID-19, Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, SARS or other epidemic, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that any of these epidemics harms the Chinese economy in general.

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and results of operations.

Substantially all of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, and since 2012, China's economic growth has slowed down. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to us.

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

We rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our stockholders and service any debt we may incur. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require Senmiao Consulting to adjust its taxable income under the contractual arrangements it currently has in place with Sichuan Senmiao in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us. See “Risk Factors — Risks Related to Our Corporate Structure — Contractual arrangements in relation to Sichuan Senmiao may be subject to scrutiny by the PRC tax authorities and they may determine that we or Sichuan Senmiao owe additional taxes, which could negatively affect our financial condition and the value of your investment.”

Under PRC laws and regulations, our PRC subsidiaries, as a wholly foreign-owned enterprise in China, may pay dividends only out of their respective accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such funds reaches 50% of its registered capital. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Our PRC subsidiaries are currently unable to pay us any dividend given their financial condition. If our PRC subsidiaries’ financial condition improves, the above discussed PRC laws will likely limit their ability to pay dividends or make other distributions to us. Such limitations could materially and adversely impact our cash flows and limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See also “Risk Factors — Risks Related to Doing Business in China — If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC stockholders.”

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 and the proceeds from our public offerings. Our reporting currency is the U.S. dollar while the functional currency for our PRC subsidiaries and consolidated variable interest entities 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. On August 11, 2015, the PBOC allowed the RMB to depreciate by approximately 2% against the U.S. dollar. It is difficult to predict how long such depreciation of RMB against the U.S. dollar may last and when and how the relationship between the RMB and the U.S. dollar may change again.

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 our public offerings 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 regulation, such as the overseas investment registrations by the beneficial owners of our 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.

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

We are required under PRC laws and regulations to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. We have not made adequate employee benefit payments. As of March 31, 2021 and 2020, we did not make adequate employee benefit contributions in the amount of \$442,485 and \$170,856, respectively, for our continuing operations. As of March 31, 2021 and 2020, we did not make adequate employee benefit contributions in the amount of \$566,140 and \$454,151, respectively, for our discontinued operations. We accrued the amount in accrued payroll and welfare. We may be required to make up the contributions for these plans as well as to pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rules discussed in the preceding risk factor and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOC, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.

SAFE promulgated 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 is issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75. SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment in February 2015, which took effect on June 1, 2015. This notice has amended SAFE Circular 37 requiring PRC residents or entities to register with qualified banks rather than 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.

If our stockholders who are PRC residents or entities do not complete their registration as required, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

To our knowledge, all of our pre-IPO PRC stockholders who are subject to the registration requirements of Circular 37 have completed the required foreign exchange registrations.

In addition, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our stockholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such stockholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

If the chops of our PRC subsidiaries and consolidated variable interest entities are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries and consolidated variable interest entities are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the chops are misused by unauthorized persons, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, replacing earlier rules promulgated in March 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas listed company, and complete certain other procedures. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who have resided in the PRC for a continuous period of not less than one year and who are granted options or other awards under our 2018 Equity Incentive Plan will be subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law. See “*Business — Regulations — SAFE Regulations Relating to Employee Stock Incentive Plans.*”

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC stockholders.

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. See “*Business — Regulations — Regulations Related to Tax.*” However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that the Company or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then the Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our securities may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC stockholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our securities.

Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

The PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of certain taxable assets, including, in particular, equity interests in a PRC resident enterprise, by a non-resident enterprise by promulgating and implementing SAT Circular 59 and Circular 698, which became effective in January 2008, and a Circular 7 in replacement of some of the existing rules in Circular 698, which became effective in February 2015.

Under Circular 698, where a non-resident enterprise conducts an “indirect transfer” by transferring the equity interests of a PRC “resident enterprise” indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

In February 2015, the SAT issued Circular 7 to replace the rules relating to indirect transfers in Circular 698. Circular 7 has introduced a new tax regime that is significantly different from that under Circular 698. Circular 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, Circular 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Circular 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority 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, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

On October 17, 2017, the SAT issued the Public Notice on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or the SAT Notice 37, which came into effect on December 1, 2017. According to SAT Notice 37, where the non-resident enterprise fails to declare its tax payable pursuant to Article 39 of the EIT Law, the tax authority may order it to pay its tax due within required time limits, and the non-resident enterprise shall declare and pay its tax payable within such time limits specified by the tax authority. If the non-resident enterprise voluntarily declares and pays its tax payable before the tax authority orders it to do so, it shall be deemed that such enterprise has paid its tax payable in time.

We face uncertainties on the reporting and consequences on future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed, under Circular 59, Circular 7 or SAT Notice 37, and may be required to expend valuable resources to comply with Circular 59, Circular 7 and SAT Notice 37 or to establish that we and our non-resident enterprises should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under SAT Circular 59, Circular 7 and SAT Notice 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. Although we currently have no plans to pursue any acquisitions in China or elsewhere in the world, we may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a non-resident enterprise under the EIT Law and if the PRC tax authorities make adjustments to the taxable income of the transactions under SAT Circular 59, Circular 7 and SAT Notice 37, our income tax costs associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our technologies.

We may seek additional capital through a combination of public and private equity offerings, debt financings, collaborations and licensing arrangements. To the extent that we raise additional capital through the sale of equity or debt securities, your ownership interest will be diluted and the terms may include liquidation or other preferences that adversely affect your rights as a stockholder. The incurrence of indebtedness would result in increased fixed payment obligations and could involve restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. If we raise additional funds through strategic partnerships and alliances and licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies or grant licenses on terms unfavorable to us.

We will incur increased costs as a result of operating as a smaller reporting public company, and our management will be required to devote substantial time to new compliance initiatives.

As a smaller reporting public company, and particularly after we are no longer an emerging growth company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act and rules subsequently implemented by the SEC and Nasdaq have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, which in turn could make it more difficult for us to attract and retain qualified members of our board of directors.

For as long as we remain an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies as described in the preceding risk factor. We might remain an emerging growth company until March 31, 2023, although if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of any June 30 before that time or if we have annual gross revenues of \$1.07 billion or more in any fiscal year, we would cease to be an emerging growth company as of December 31 of the applicable year. We also would cease to be an emerging growth company if we issue more than \$1 billion of nonconvertible debt over a three-year period.

Pursuant to Section 404, we will be required to furnish a report by our management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our common stock and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, the market price for our common stock would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our common stock to decline.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We currently maintain our principal executive offices at 16F, Shihao Square, Middle Jiannan Blvd., High-Tech Zone, Chengdu, Sichuan, People’s Republic of China 610000, comprising an aggregate of 965 and 380 square meters under lease agreements that expire in March 2023 and February 2026, respectively. The cost for these offices is approximately \$13,600 per month in aggregate.

We maintain another six offices for our Automobile Transaction and Related Services and Online Ride-hailing Platform Services in the cities of Chengdu, Changsha and Guangzhou, China. The total area of our Chengdu offices is approximately 2,907 square meters. We lease those offices for a total monthly rent of approximately \$6,900 under two lease agreements that expire in August 2024 and December 2023, respectively. The total area of the offices in Changsha is 680 square meters. We lease those offices for a total monthly rent of approximately \$3,900 under two lease agreements that expire in October 2023 and July 2021, respectively. The total area of the offices in Guangzhou is 541 square meters. We lease those offices for a total monthly rent of approximately \$5,100 under two lease agreements that expire in March 2024 and March 2022, respectively.

We also lease three parking lots for automobiles in Chengdu, Changsha and Guangzhou and an exhibition hall in Changsha, with total areas of 8,425 square meters. The monthly rent for these parking lots and the exhibition hall is approximately \$4,800 in the aggregate and approximately \$6,300, respectively.

We consider our current facilities adequate for our current operations.

Item 3. Legal Proceedings

We are not currently a party to any material legal or administrative proceedings. We may from time to time be subject to legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management’s time and attention. Please see “*Risk Factors*.”

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Market Information

Our common stock trades on the Nasdaq Capital Market under the symbol "AIHS." On July 7, 2021, our common stock had a closing price of \$0.885.

Holders

Based upon information furnished by our transfer agent, as of July 7, 2021, the Company had approximately 18 stockholders of record. Because some of our common stock is held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividends

We have never declared or paid cash dividends on our shares. We do not have any present plan to pay any cash dividends on our common stock in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and grow our business.

Our board of directors will have the discretion to declare and pay dividends in the future as we are a holding company and we rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our stockholders and service any debt we may incur. The Foreign Investment Law, and the Company Law of the PRC (2006), as amended, contain the principal regulations governing dividend distributions by wholly foreign owned enterprises. Under these regulations, wholly foreign owned enterprises may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, such companies are required to set aside 10% of their after-tax profits of the year, if any, to statutory reserve funds until such time as the accumulated reserve funds reach and remain above 50% of the registered capital amount. These reserves are not distributable as cash dividends except in the event of liquidation and cannot be used for working capital purposes. Furthermore, if our subsidiaries and affiliates in China incur debt on their own in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments. If we or our subsidiary and affiliates are unable to receive all of the revenues from our operations through the current contractual arrangements, we may be unable to pay dividends on our common stock.

Equity Compensation Plan Information

In September 2018, our board of directors and in November 2018, our stockholders approved, the 2018 Equity Incentive Plan, pursuant to which a maximum of 2,000,000 shares of common stock were reserved for issuance to our employees, officers, directors, consultants. The plan permits the grant of nonqualified stock options, incentive stock options, restricted stock, restricted stock units ("RSUs"), stock appreciation rights, stock bonus awards, and performance compensation awards. As of the date of this Report, an aggregate of 169,015 RSUs were issued and 63,637 RSUs shall be vested but have not been issued under the plan.

The following table provides information as of March 31, 2021 with respect to the shares of our common stock that may be issued under our existing equity incentive plan:

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|----------------------------|--|--|--|
| 2018 Equity Incentive Plan | — | — | 1,830,985 |

Purchases of Our Equity Securities

None.

Recent Sales of Unregistered Securities

None.

Use of Proceeds

Not applicable.

Item 6. Selected Financial Data

Not required for smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our results of operations and financial condition should be read together with our consolidated financial statements and the notes thereto and other financial information, which are included elsewhere in this Report. Our financial statements have been prepared in accordance with U.S. GAAP. In addition, our financial statements and the financial information included in this Report reflect our organizational transactions and have been prepared as if our current corporate structure had been in place throughout the relevant periods.

Overview

We are a provider of automobile transaction and related services, connecting auto dealers, financial institutions, and consumers, who are mostly existing and prospective ride-hailing drivers affiliated with different operators of online ride-hailing platforms in the People's Republic of China ("PRC" or "China"). We provide automobile transaction and related services through our wholly owned subsidiaries, Yicheng and Corenel, our majority owned subsidiary, Hunan Ruixi and its VIE, Jinkailong. Since October 2020, we have been operating an online ride-hailing platform through XXTX. Our platform enables qualified ride-hailing drivers to provide application based transportation services in Chengdu, Changsha and Guangzhou, China. Substantially all of our operations are conducted in China.

Our Automobile Transaction and Related Services

Our Automobile Transaction and Related Services are mainly comprised of (i) automobile operating lease where we provide car rental services to individual customers to meet their personal needs with lease term no more than twelve months; (ii) automobile sales where we procure new cars from dealerships and sell them to our customers in the automobile financing facilitation business; (iii) facilitation of automobile transaction and financing where we connect the prospective ride-hailing drivers to financial institutions to buy, or get financing on the purchase of, cars to be used to provide online ride-hailing services; and (iv) automobile financing where we provide our customers with auto finance solutions through financing leases. We started our facilitation services in November 2018, the sale of automobiles in January 2019, and financial and operating leasing in March 2019, respectively.

Since November 22, 2018, the acquisition date of Hunan Ruixi, as of March 31, 2021, we have facilitated financing for an aggregate of 1,687 automobiles with a total value of approximately \$24.65 million, sold an aggregate of 1,424 automobiles with a total value of approximately \$13.8 million and delivered approximately 1,300 automobiles under operating leases and 131 automobiles under financing leases to customers, the vast majority of whom are online ride-hailing drivers.

The table below provides a breakdown of the number of vehicles sold or delivered under different leasing arrangements or managed/guaranteed by us and corresponding revenue generated for the years ended March 31, 2021 and 2020:

| | For the Years Ended March 31, | | | |
|------------------|--|--------------|-----------------------|---------------|
| | 2021 | | 2020 | |
| | Number of Vehicles | Revenue* | Number of Vehicles | Revenue* |
| Operating Leases | 1,211 | \$ 3,435,000 | 557 | \$ 1,304,000 |
| Sales | 36 | \$ 487,000 | 1,176 | \$ 11,537,000 |
| Facilitation | 61 | \$ 189,000 | 1,315 | \$ 1,925,000 |
| Financing Leases | 131 | \$ 228,000 | 97 | \$ 164,000 |
| Other Services | >2,500 | \$ 919,000 | >2,000 | \$ 726,000 |

* The number was rounded to the nearest thousand for disclosure purpose.

Our operating leases, auto sales, auto financing and transaction facilitation, automobile management services and auto financial leasing accounted for approximately 65.3%, 9.3%, 3.6%, 5.4% and 4.3% of our total revenue from our automobile transactions and related services, respectively, for the year ended March 31, 2021 as compared to approximately 8.3%, 73.7%, 12.3%, 0.9% and 1.1% for the year ended March 31, 2020, respectively.

Our Ride-Hailing Platform

As part of our goal to provide an all-encompassing solution for online ride-hailing drivers as well as to increase our competitive strengths in an increasingly competitive online ride-hailing industry and to take advantage of the market potential, in October 2020, we began operating our own online ride-hailing platform in Chengdu. The platform (called Xixingtianxia) was owned and operated by XXTX, of which Senmiao Consulting acquired a 78.74% equity interest pursuant to a supplementary agreement to XXTX Investment Agreement with all the original shareholders of XXTX on February 5, 2021 (the “XXTX Increase Investment Agreement”).

Pursuant to the XXTX Increase Investment Agreement, Senmiao Consulting agreed to make an investment of RMB40 million (approximately \$60 million) in XXTX in cash in exchange for a 78.74% equity interest in XXTX. The registration procedures for the change in shareholders and registered capital of XXTX were completed on March 19, 2021. As the date of this Report, Senmiao Consulting has made capital contribution of RMB19.8 million (approximately \$3.0 million) to XXTX and the remaining amount is expected to be paid before December 31, 2025.

XXTX operates Xixingtianxia and holds a national online reservation taxi operating license. The platform is presently servicing online ride-hailing drivers in Chengdu, Changsha, Neijiang, Guangzhou, Nanchong and Panzhihua, China, providing them with a platform to view and take customer orders for rides. We currently collaborate with Gaode Map and Meituan, two well-known aggregation platforms in China. As described in the Section titled “Recent Development” above, we just entered into a cooperation agreement with a top online ride-hailing platform in June 2021. Under our collaboration, when a rider using the platform searches for taxi/ride-hailing services on the aggregation platform, the platform provides such rider a number of online ride-hailing platforms for selection, including ours and if our platform is selected by the rider, the order will then be distributed to registered drivers on our platform for viewing and acceptance. The rider may also simultaneously select multiple online ride-hailing platforms in which case, the aggregation platform will distribute the requests to different online ride-hailing platforms which they cooperate with, based on the number of available drivers using the platform in a certain area and these drivers’ historical performance, among other things. We generate revenue from providing services to online ride-hailing drivers to assist them in providing transportation services to the riders looking for taxi/ride-hailing services. We earn commissions for each completed order as the difference between an upfront quoted fare and the amount earned by a driver based on actual time and distance for the ride charged to the rider. We settle our commissions with the aggregation platforms on a weekly basis.

The acquisition of XXTX has brought us a new stream of revenue and enhanced our goal of providing an all-encompassing solution for online ride-hailing drivers. We launched Xixingtianxia in specific markets within Chengdu in late October 2020, focusing on current driver customers. Since October 23, 2020, the acquisition date, to March 31, 2021, we have expanded marketing of our ride-hailing platform to a larger pool of potential drivers and riders in Chengdu, Changsha, Neijiang and Guangzhou through cooperation with certain local car rental companies and through offering attractive incentives and awards to drivers.

During the period from the acquisition date to March 31, 2021, approximately 4.4 million rides with gross fare of approximately \$12.4 million were completed through Xixingtianxia and an average of over 6,000 ride-hailing drivers completed rides and earned income through Xixingtianxia (the “Active Drivers”) each month. We plan to expand our driver base for the platform and automobile rental business while strengthening the royalty of the drivers who both lease our cars and use our platform while expanding. During the period since the acquisition date to March 31, 2021, we achieved revenue of approximately \$0.9 million from our Online Ride-hailing Platform Services, after taking into account approximately \$1.8 million incentives paid by us to Active Drivers, which were recorded as a reduction to our revenue.

We intend to focus on drivers who currently finance or lease vehicles through us but our platform is available to others. We plan to launch Xixingtianxia in more cities across China during 2021.

Key Factors and Risks Affecting Results of Operations

Ability to Increase Our Automobile Lessee and Active Driver Base

Our revenue growth has been largely driven by the expansion of our automobile lessee base and the corresponding revenue generated from operating and financial leasing. After the acquisition of XXTX, our revenue growth also depends on the number of completed online ride-hailing orders on our platform, which largely depends on the number of Active Drivers who complete ride-hailing transactions on our platform. We acquire customers for our Automobile Transaction and Related Services, as well as for our Online Ride-hailing Platform Services, through the network of third-party sales teams, referral from online ride-hailing platforms and our own efforts including online advertising and billboard advertising. We also send out fliers and participate in trade shows to advertise our services. We plan to increase the number of our Active Drivers by expanding our platform to more cities during 2021 as well as marketing our platform to our existing and prospective automobile lessees. We expect the expansion of our Active Driver base to promote the growth of our automobile rental business because we offer automobile rental solutions/incentives specifically targeted at drivers using our platform. An effective cross-selling strategies between our automobile finance and leasing business and the newer online ride-hailing platform business is important to our expansion and revenue growth. We also plan to strengthen our marketing efforts through the collaboration with certain automobile dealers and through our own team by employing more experienced staffs and improving the quality and variety of our services. We also plan to continue to set up new service centers in the cities of Chengdu and Changsha during 2021. As of March 31, 2021, we had 60 employees in our own sales department and during the year ended March 31, 2021, we have cooperated with a total of 13 third-party sales teams with about 190 professionals in the aggregate.

Management of Automobile Rentals

Due to the fierce competition of online ride-hailing industry in Chengdu and the adverse impact from COVID-19 pandemic across mainland China, a significant number of online ride-hailing drivers exited the ride-hailing business and tendered their automobiles to us for sublease or sales in order to generate income/proceeds to cover their payments owed to the financial institutions and us. We have seen an increasing demand for short-term car rentals since the end of 2019, which remained stable during the three months ended March 31, 2021. The daily management and timely maintenance of leased automobiles will have a significant effect on the growth of our income from leasing automobiles in the next twelve months. The effective management of our automobiles through our proprietary system and experienced auto-management team could provide qualified automobiles to potential lessees, either for personal use or providing online ride-hailing services. As of March 31, 2021, we had one parking lot and 15 employees in Chengdu and one parking lot and four employees in Changsha for parking and management of automobiles for operating lease. During the year ended March 31, 2021, our average utilization of the automobiles for operating lease was approximately 79.1%.

Our Service Offerings and Pricing

The growth of our revenue depends on our ability to improve existing solutions and services provided, continue identifying evolving business needs, refine our collaborations with business partners and provide value-added services to our customers. The attraction of new automobile leasees depends on our leasing solutions with attractive rental price and flexible leasing terms. We have also adopted a stable pricing formula, considering the historical and future expenditure, remaining available leasing months and market price to determine our rental price for varied rental solutions. Furthermore, our product designs affect the type of automobile leases we attract, which in turn affects our financial performance. The attraction of new Active Drivers depends on the comprehensive income they could earn from our platform, which is mainly affected by the number orders distributed to them through our platform and the amount of our incentives paid to them. Our revenue growth also depends on our abilities to effectively price our services, which enables us to attract more customers and improve our profit margin.

Ability to Retain Existing Financial Institutions and Engage New Financial Institutions

The growth of our business is dependent on our ability to retain existing financial institutions and engage new financial institutions. During the year ended March 31, 2021, we saw a significant decrease in the number of automobile financing facilitation transactions because of the shift of our business focus to automobile rental. Despite such decrease, we are exploring new collaboration methods with financial institutions in connection with our automobile rental business and for our purchase of NEVs in the next twelve months. Our collaborations with financial institutions may be affected by factors beyond our control, such as perception of automobile financing as an attractive asset, stability of financial institutions, general economic conditions and regulatory environment. To increase the number of our cooperative financial institutions and the availability of financing for our existing and new businesses will enhance the overall stability and sufficiency of funding for automobile transactions.

Ability to Collect Payments on a Timely Basis

We advance the purchase price of automobiles and all service expenses when we provide related services to the purchasers. We collect the receivables due from automobile purchasers from their monthly installment payments and repay financial institutions on behalf of the purchasers every month. As of March 31, 2021, we had accounts receivable of \$1.4 million and advanced payments of approximately \$0.5 million due from the automobile purchasers, which will be collected through installment payments on a monthly basis during the relevant affiliation periods. The efficiency of collection of the monthly installment payments has a material impact on our daily operation. Our risk and asset management department has set up a series of procedures to monitor the collection.

The accounts receivable and advance payments may increase our liquidity risk. We have used the majority of the proceeds from our equity offerings and plan to seek equity and/or debt financings to pay for the expenditure related to the automobile purchase. To pay for the expenditure in advance will enhance the stability of our daily operation and lower the liquidity risk, and attract more customers.

Ability to Manage Defaults and Potential Guarantee Liability Effectively

We are exposed to credit risk as we are required by certain financial institutions to provide guarantee on the lease/loan payments (including principal and interests) of the automobile purchasers referred by us. If a default occurs, we are required to make the monthly payments on behalf of the defaulted purchasers to the financial institution.

We manage the credit risk arising from the default of automobile purchasers by performing credit checks on each automobile purchaser based on the credit reports from People's Bank of China and third party credit rating companies, and personal information including residence, ethnicity group, driving history and involvement in legal proceeding. Our risk department continuously monitors the payment by each purchaser and sends them payment reminders. We also keep close communication with our purchasers in particular the online ride-hailing drivers so that we can evaluate their financial conditions and provide them with assistance including the transfer of automobile to a new driver if they are no longer interested in providing ride-hailing services or are unable to earn enough income to make monthly lease/loan payments.

In addition, automobiles are used as collateral to secure purchasers' payment obligations under the financing arrangement. In the event of a default, we can track the automobile through an installed GPS system and repossess and handover the automobile over to the financial institution so that we can be released from our guarantee liability. However, if a financial institution initiates a legal proceeding to collect payments due from a defaulted automobile purchaser, we may be required to repay the defaulted amount as a guarantor. If we are unable to undertake the responsibility as a guarantor, our assets, such as cash and cash equivalents, may be frozen by the court if the financial institution successfully requests for an order to freeze our assets or bank accounts, which may adversely affect our operations.

As of March 31, 2021, approximately \$3,890,000, including interests of approximately \$233,000, due to financial institutions, of all the automobile purchases we serviced were past due. Approximately 1,289 online ride-hailing drivers we serviced tendered their automobiles to us for sublease or sale and approximately 43 automobile purchasers that remained in the online ride-hailing business were late in their monthly installment payments as of March 31, 2021. In general, most of the defaulted automobile purchasers who want to remain in online ride-hailing business would pay the default amounts within one to three months. Our risk management department typically starts to interact with overdue purchasers if they have missed one monthly installment payment. However, if the balances are overdue for more than two months or the purchasers decide to exit the online ride-hailing business and sublease or sell their automobiles, we would fully record an allowance against receivables from those purchasers. As of March 31, 2021, we recognized an accumulated allowance against receivables of approximately \$3,530,000 from these purchasers. For the year ended March 31, 2021, we also recognized an estimated provision loss of approximately \$199,000 for the guarantee services as the drivers exited the online ride-hailing business and would no longer make the monthly repayments to us. By subleasing automobiles from these drivers, we believe we can cope with the defaults and control associated risks.

Further, the automobiles subject to our financing leases are not collateralized by us. As of March 31, 2021, the total value of non-collateralized automobiles was approximately \$1,289,000. We believe our risk exposure of financing leasing is immaterial as we have experienced limited default cases and we are able to re-lease those automobiles to drivers under financing leases.

Actual and Potential Impact of Ongoing Coronavirus (COVID-19) in China on Our Business

Beginning in late 2019, an outbreak of a novel strain of coronavirus and related respiratory illness (which we refer to as COVID-19) was first identified in China and has since spread rapidly globally. The COVID-19 pandemic has resulted in quarantines, travel restrictions, and the temporary closure of stores and business facilities in China and globally. In March 2020, the WHO declared COVID-19 a pandemic. Given the rapidly expanding nature of the COVID-19 pandemic, and because all of our business operations and our workforce are concentrated in China (where the virus first originated), our business, results of operations and financial condition have been adversely affected.

Due to the lockdown policy and travel restrictions, the demand for ride-hailing services has been materially and adversely impacted in our areas of operation in China, which reduced the demand of our Automobile Transaction and Related Services. As a result, our revenue and income for the three months ended March 31, 2020 and the subsequent three months ended June 30, 2020 was negatively impacted to a significant extent. As the online ride-hailing markets in Chengdu and Changsha gradually recovered from the impact of COVID-19 since April 2020, our revenue for the three months ended September 30, 2020, three months ended December 31, 2020 and three months ended March 31, 2021 had an increase of approximately 21% , 43% and 73%, respectively, as compared with three months ended June 30, 2020.

Our ability to collect the monthly installment payments from ride-hailing drivers during February and March 2020 was adversely impacted. Approximately 1,500 drivers delayed their monthly installments of February and March 2020, which resulted in a decrease in our monthly installment collection by \$732,000 during February and March 2020. Since April 2020, the COVID-19 epidemic in China has been effectively controlled and the online ride-hailing markets in Chengdu and Changsha have been recovering. As of March 31, 2021, approximately 1,289 drivers exited the online ride-hailing business and tendered their automobiles to us for sublease or sale while approximately 43 drivers postponed their monthly installment payments. As a result, we recorded accumulated bad debt expenses of approximately \$3,530,000. However, during the year ended March 31, 2021, there was an increase in our collection of monthly installments from automobile purchasers and operating lease as compared with the three months ended March 31, 2020, and the negative impact has been gradually alleviated. We will continue to closely monitor our collections.

Our daily cash flow has also been adversely impacted as a result of the unsatisfied collection from the online ride-hailing drivers and our potential guarantee expenditure pursuant to the financing agreements we guaranteed. Our cash flow will continue to be adversely impacted if the online ride-hailing market in China recovers slower than anticipated. We anticipate having a larger cash outflow in our daily operations in the next twelve months (even greater than during the year ended March 31, 2021) as we expand our Online Ride-hailing Platform Services in more cities in China and incur more marketing and promotion expenses. Our cash flow situation may worsen if the COVID-19 pandemic reoccurs in China.

In an effort to assist with our automobile purchasers, we negotiated with the financial institutions we cooperate with to extend the due dates for monthly payments that may be affected by the epidemic. Certain financial institutions agreed to grant a grace period of up to four months from February to May 2020 for qualified drivers.

We commenced the operation of our online ride-hailing platform since late October 2020 and have witnessed the decrease in online ride-hailing orders in mid-December 2020, when Chengdu reported 14 confirmed COVID-19 cases and fewer people took ride-hailing trips as a result. The average daily rides completed through our platform decreased by approximately 15% compared to that before the reporting of the new COVID-19 cases in Chengdu and recovered a week later as the new confirmed cases in Chengdu were fully under control. Consequently, the income of our Automobile Transaction and Related Services customers who ran their business through the Didi platform also decreased during this period. Similarly, in early January 2021, Beijing reported three confirmed COVID-19 cases and one asymptomatic case involving drivers for Didi, a major transportation network company, which also resulted in the decrease in orders in the Didi platform in Beijing. Since mid-May 2021 to June 2021, Guangzhou has reported a series of confirmed and asymptomatic COVID-19 cases, the local government has ensured concrete and effective measures to fight against the resurgence, including suspending some traffic activities in certain medium-risk and high-risk areas in Guangzhou. The average daily rides completed through our platform decreased by approximately 40% compared to that before the reporting of the new COVID-19 cases in Guangzhou.

Recent local resurgences of COVID-19 cases in some areas did not have material negative impacts on the economy of China, so we expect that the impact brought by potential COVID-19 cases in the future may be limited as China has established plans to rapidly contain the spread of COVID-19 cases and minimize related economic losses. However, if the epidemic in China deteriorates during the year ending March 31, 2022, new confirmed COVID-19 cases in the regions where we operate our online ride-hailing platform may have significant negative impact on the demand for rides through online ride-hailing platforms, including our platform and our revenue from the Online Ride-hailing Platform Services may decrease.

In addition, our automobile purchasers and lessees may be unable to generate sufficient income to make their monthly installment payments, which may create a significant risk of continuing default from our automobile purchasers or lessees. As a result, we may have to repay the defaulted amount as a guarantor or lose the monthly rental revenue. If we experience a widespread default by our automobile purchasers/lessees, our cash flow and results of operations will be materially and adversely affected. As a consequence, we could face shortfalls in liquidity without extra financing resources for the foreseeable future and lose the ability to grow our business or may even be required to scale down or restructure our operations.

Any of these factors related to COVID-19 and other similar or currently unforeseen factors beyond our control could have an adverse effect on our overall business environment, cause uncertainties in the regions in China where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

Ability to Manage and Grow New Online Ride-Hailing Business

Due to the fierce competition of online ride-hailing industry in Chengdu and Changsha, our ability to increase our revenue over time may be limited if we focus only on our current Automobile Transaction and Related Services business model. As part of our strategy to provide an all-encompassing solution for online ride-hailing drivers, we have expanded our services to drivers through the operation of Xixingtianxia, our own online ride-hailing platform, which has brought us a new stream of revenue. We generate revenue from commissions earned from each completed order, which represent the difference between an upfront quoted fare and the amount earned by a driver based on actual time and distance for the ride charged to the rider. As the aggregation platforms distribute the demand orders to different online ride-hailing platforms, the flow of drivers in our area of operations is enhanced, leading to a higher probability that more ride orders will be distributed to our platform, which in turn will increase the revenue of the drivers who use our platform (and our revenue). This also allows us to attract more drivers to engage their online ride-hailing business on our platform. Through a series of promotion and effective daily management and training services, we expect our own online ride-hailing platform will offer us a stable revenue source which can also help grow our automobile financing and leasing business.

Pursuant to the cooperation agreement signed with Didi for our Automobile Transaction and Related Services, we may be penalized by Didi, or our partnership with Didi may be terminated as we now operate a business competitive with Didi. However, the service fees we earned from Didi for automobile transaction and related services currently represent less than 0.1% of our total revenue. Therefore, we believe the termination of cooperation with Didi on automobile transaction and related services will not have a material influence on our business or results of operations.

Ability to Compete Effectively

Our business and results of operations depend on our ability to compete effectively. Overall, our competitive position may be affected by, among other things, our service quality and our ability to price our solutions and services competitively. We will set up and continuously optimize our own business system to improve our service quality and user experience. Our competitors may have more resources than we do, including financial, technological, marketing and others and may be able to devote greater resources to the development and promotion of their services. We will need to continue to introduce new or enhance existing solutions and services to continue to attract automobile dealers, financial institutions, car buyers, leasees, ride-hailing drivers and other industry participants. Whether and how quickly we can do so will have a significant impact on the growth of our business.

Market Opportunity and Government Regulations in China

The demand for our services depends on overall market conditions of the online ride-hailing industry in China. The continuous growth of the urban population places increasing pressure on the urban transportation and the improvement of living standards has increased the market demand for quality travel in China. Traditional taxi service is limited, and the merging online platforms have created good opportunities for the development of the online ride-hailing service market. Based on the monitoring of China E-Commerce Research Center, the number of online ride-hailing service users had reached 333 million by the end of 2018, increased by 16% from 2017. According to Bain & Company, the transaction value of China's online ride-hailing market in 2017 was larger than the total of the rest of the world. It estimated that by 2021, the total transaction value of China's online ride-hailing market will reach \$60 billion. The online ride-hailing industry is facing increasing competition in China and is attracting more capital investment. According to the MOT of the People's Republic of China, as of May 31, 2021, approximately 234 online ride-hailing platforms have obtained booking taxi operating licenses and the total volume of online ride-hailing orders was approximately 800 million in May 2021 in China. Meanwhile, approximately 1.31 million online booking taxi transportation certificates and approximately 3.44 million online booking taxi driver's licenses were issued nationwide in China. According to *the 47th Statistical Report on Internet Development* published in February 2021, by the end of December 2020, the number of passengers of online ride-hailing in China was approximately 365 million, took approximately 36.9% of the total number of Chinese internet users. Since 2019, in addition to the traditional online ride-hailing platforms, automobile manufacturers, offline operation service companies, financial and map service providers, among others, have built cooperation relationships with each other to make the online ride-hailing industry a more aggregated industry.

The online ride-hailing industry may also be affected by, among other factors, the general economic conditions in China. The interest rates and unemployment rates may affect the demand of ride-hailing services and automobile purchasers' willingness to seek credit from financial institutions. Adverse economic conditions could also reduce the number of qualified automobile purchasers and online ride-hailing drivers seeking credit from the financial institutions, as well as their ability to make payments. Should any of those negative situations occur, the volume and value of the automobile transactions we service will decline, and our revenue and financial condition will be negatively impacted.

In order to manage the rapidly growing ride-hailing service market and control relevant risks, on July 27, 2016, seven ministries and commissions in China, including the MOT, jointly promulgated the "Interim Measures for the Administration of Online Taxi Booking Business Operations and Services" ("Interim Measures") and amended on December 28, 2019, which legalizes online ride-hailing services such as Didi and requires the online ride-hailing services to meet the requirements set out by the measures and obtain taxi-booking service licenses and take full responsibility of the ride services to ensure the safety of riders.

On November 5, 2016, the Municipal Communications Commission of Chengdu City and a number of municipal departments jointly issued the "Implementation Rules for the Administration of Online Booking Taxi Management Services for Chengdu." On August 10, 2017, the Transportation Commission of Chengdu further issued the detailed guidance "Working Process for the Online Booking Taxi Drivers Qualification Examination and Issuance" and the "Online Booking Taxi Transportation Certificate Issuance Process." According to these regulations and guidelines, three licenses /certificates are required for operating the online ride-hailing business in Chengdu: (1) the ride-hailing service platform such as Didi should obtain the online booking taxi operating license; (2) the automobiles used for online ride-hailing should obtain the online booking taxi transportation certificate ("automobile certificate"); (3) the drivers should obtain the online booking taxi driver's license ("driver's license").

On July 23, 2018, the General Office of Changsha Municipal People's Government issued the "Detailed Rules for the Administration of Online Booking Taxi Management Services for Changsha." On June 12, 2019, the Municipal Communications Commission of Changsha City further issued "Transfer and Registration Procedures of Changsha Online Booking of Taxi." According to the regulations and guidelines, to operate a ride-hailing business in Changsha requires similar licenses in Chengdu, except those automobiles used for online ride-hailing services are required to meet certain standards, including that the sales price (including taxes) is over RMB120,000 (approximately \$17,000). In practice, Hunan Ruixi is also required to employ a safety administrator for every 50 automobiles used for online ride-hailing services and submit daily operation information of these automobiles such as traffic violation to the Transport Management Office of the Municipal Communications Commission of Changsha City every month.

In addition to the national online reservation taxi operating license, XTX and its subsidiaries also obtained the online reservation taxi operating license in Chengdu, Changsha, Neijiang, Panzhihua, Nanchong and Guangzhou, from June 2020 to March 2021, to operate the online ride-hailing platform services. And Didi, the online ride-hailing platform with whom we cooperate for our automobile transaction and related services, obtained the online reservation taxi operating license in Chengdu and Changsha in March 2017 and July 2018, respectively.

However, approximately 55% of our ride-hailing drivers had not obtained the driver's license as of March 31, 2021 while all of the cars used for online ride-hailing services which we provided management services to have the automobile certificate. Without requisite automobile certificate or driver's license, these drivers may be suspended from providing ride-hailing services, confiscated their illegal income and subject to fines of up to 10 times of their illegal income. Starting in December 2019, Didi began to enforce such limitation on drivers in Chengdu who have a driver's license but operate automobiles without the automobile certificate.

Furthermore, according to the Interim Measures, no enterprise or individual is allowed to provide information for conducting online ride-hailing services to unqualified vehicles and drivers. In December 2020, Chengdu Transportation Bureau has taken a series of investigations into actions violating the Interim Measures and imposed fines for such violations. Among the 226 cases, two cases involved drivers of our Xixingtianxia online ride-hailing platform who failed to obtain the ride-hailing driver's licenses. As a result, we were fined RMB10,000. Pursuant to the Interim Measures, XXTX and its subsidiaries may be fined between RMB5,000 to RMB30,000 (approximately \$714 to \$4,300) for violations of the Interim Measures, including providing online ride-hailing platform services to unqualified drivers or vehicles. During the year ended March 31, 2021, we have been fined by approximately \$36,000 by Traffic Management Bureaus in Chengdu and Changsha, of which, approximately \$5,900 was further compensated by drivers or cooperated third parties. If we are deemed in serious violation of the Interim Measures, our Online Ride-hailing Platform Services may be suspended and the relevant licenses may be revoked by certain government authorities.

We are in the process of assisting the drivers to obtain the required certificate and license both for our Automobile Transaction and Related Services and our Online Ride-hailing Platform Services. However, there is no guarantee that all of the drivers affiliated with us would be able to obtain all the certificates and licenses. Further, there is no assurance that each of the drivers who use our platform or the cars used by such drivers in providing ride-hailing services possess the requisite license or certificate. Our business and results of operations will be materially and adversely affected if our affiliated drivers are suspended from providing ride-hailing services or imposed substantial fines or if we are found to be in serious violation of the Interim Measures due to the drivers' failure to obtain requisite licenses and/or automobile certificates in connection with providing services through our platform.

Our Discontinued Online P2P Lending Services

We previously also operated an online lending platform through our VIE, Sichuan Senmiao, in China, which facilitated loan transactions between Chinese investors and individual and SME borrowers. Our revenues from online lending services were primarily generated from fees charged for our services in matching investors with borrowers. We charged borrowers transaction fees for the work we perform through our platform and charged our investors service fees on their actual investment returns. We ceased our online lending services in October 2019 to focus on our Automobile Transaction and Related Services.

In connection with the plan adopted by our Board of Directors to discontinue and wind down our online P2P lending services business on October 17, 2019 (the "Plan"), we ceased facilitation of loan transactions on our online lending platform and assumed all the outstanding loans from investors on the platform. The aggregate balance of the loans we assumed was approximately \$5.6 million. As of March 31, 2021, we have used cash generated from our Automobile Transaction and Related Services and payments collected from borrowers in the aggregate of approximately \$4.3 million to repay platform investors and we expect to repay all of them by December 31, 2021, an extended due date agreed by the investors. However, if we could not generate enough cash flow to pay investors on time in accordance with the Plan, we may incur additional commitment liabilities in our financial statements during the following periods before we fully fulfill our Plan. Since December 31, 2019, we have treated the online lending business as discontinued operations and recognized receivables from borrowers and payables to investors of approximately \$4.0 million in our financial statements accordingly. Based on recent repayments collected from borrowers, we also recognized bad debt expenses of approximately \$3.8 million for those receivables and \$0.3 million for accounts receivable and prepayment for intangible assets related to our online lending services. However, the amount and timing of the actual allowance for bad debt may change based on evidence of collectability of the subject loans during the execution of the Plan. As part of the Plan, we transferred certain employees who used to work on our online lending business, primarily the information technology staffs, to provide a new website design and development service for customers.

Results of Continuing Operations for the Year Ended March 31, 2021 Compared to the Year Ended March 31, 2020

| | <u>For the Years Ended March 31,</u> | | <u>Change</u> |
|--|--------------------------------------|-----------------------|-----------------------|
| | <u>2021</u> | <u>2020</u> | |
| Revenues | \$ 6,160,534 | \$ 15,655,575 | \$ (9,495,041) |
| Cost of revenues | (5,969,492) | (12,280,238) | 6,310,746 |
| Gross profit | <u>191,042</u> | <u>3,375,337</u> | <u>(3,184,295)</u> |
| Operating expenses | | | |
| Selling, general and administrative expenses | (10,273,104) | (5,496,955) | (4,776,149) |
| Recovery of (Provision for) doubtful accounts | 28,358 | (3,404,336) | 3,432,694 |
| Impairments of long-lived assets | (130,839) | (70,984) | (59,855) |
| Total operating expenses | <u>(10,375,585)</u> | <u>(8,972,275)</u> | <u>(1,403,310)</u> |
| Loss from operations | <u>(10,184,543)</u> | <u>(5,596,938)</u> | <u>(4,587,605)</u> |
| Other income (expenses), net | 87,888 | (45,347) | 133,235 |
| Interest expense | (45,764) | (96,624) | 50,860 |
| Interest expense on finance leases | (733,202) | (373,407) | (359,795) |
| Change in fair value of derivative liabilities | (1,710,415) | 1,796,724 | (3,507,139) |
| Loss before income taxes | <u>(12,586,036)</u> | <u>(4,315,592)</u> | <u>(8,270,444)</u> |
| Income tax expenses | (14,627) | (33,184) | 18,557 |
| Net loss | <u>\$ (12,600,663)</u> | <u>\$ (4,348,776)</u> | <u>\$ (8,251,887)</u> |

Revenues

We started generating revenue from Automobile Transaction and Related Services from our acquisition of Hunan Ruixi on November 22, 2018. As described above, we acquired a new business that allows us to generate revenue from our Online Ride-hailing Platform Services, which brought us \$0.9 million during the period from October 23, 2020 (the date we acquired the platform) to March 31, 2021.

Revenue for the year ended March 31, 2021 decreased by \$9,495,041, or approximately 61%, as compared with the year ended March 31, 2020. The decrease was mainly due to the decrease in the number of newly facilitated automobile purchases and automobiles sold. As a result of the fierce competition of online ride-hailing industry in Chengdu and Changsha and the adverse impact from COVID-19 pandemic across the mainland China, we experienced a sharp decrease in the number of newly facilitated automobile transactions. This resulted in a significant decrease in our revenue from Automobile Transaction and Related Services since January 2020 as compared with the prior year. Moreover, a significant number of online ride-hailing drivers exited the online ride-hailing business and tendered their automobiles to us in the three months ended March 31, 2020 as a result of less demand due to the public travel restrictions.

In an effort to mitigate the negative impact on our daily cash flow resulting from the tendering of automobiles from drivers who exited the ride-hailing business during the epidemic period and develop a new income resource, we shifted our business focus to automobile rentals from facilitation of automobile transaction and financing. We had revenue of \$3,434,615 from automobile rental during the year ended March 31, 2021, which partially offset the negative impact of the decrease in our revenue.

The online ride-hailing market has gradually recovered since April 2020 as COVID-19 is generally under control in China and travel restrictions have been lifted by the Chinese government. As a result, the number of additional automobiles tendered to us by the ride-hailing drivers exiting the business decreased since the second quarter of the year ended March 31, 2021 as compared with prior quarters. The monthly installments we collected from our customers in the third and fourth quarters kept stable as compared with the second quarter for the year ended March 31, 2021.

As we plan to focus more on our automobile rental and Online Ride-hailing Platform Services business, we expect our revenue from automobile rental income to continue to account for a majority of our revenues and revenue from our Online Ride-hailing Platform Services to increase over the next twelve months. We plan to take advantage of the expansion of our online ride-hailing platform to increase the utilization of our automobiles for operating leases, which would bring the increasing demand for short-term automobile rentals.

The following table sets forth the breakdown of revenues by revenue source for the years ended March 31, 2021 and 2020:

| | For the Years Ended March 31, | |
|--|--|----------------------|
| | 2021 | 2020 |
| Revenue from Automobile Transactions and Related Services | \$ 5,257,280 | \$ 15,655,575 |
| - Revenues from sales of automobiles | 487,426 | 11,536,691 |
| - Operating lease revenues from automobile rentals | 3,434,615 | 1,303,639 |
| - Service fees from automobile management and guarantee services | 285,427 | 141,527 |
| - Financing revenues | 227,599 | 164,391 |
| - Service fees from automobile purchase services | 187,295 | 1,726,717 |
| - Facilitation fees from automobile transactions | 1,663 | 197,815 |
| - Other service fees | 633,255 | 584,795 |
| Revenue from Online Ride-hailing Platform Services | 903,254 | - |
| Total Revenue | \$ 6,160,534 | \$ 15,655,575 |

Revenue from Automobile Transactions and Related Services

Revenue from our Automobile Transaction and Related Services includes sales revenue of automobiles, operating lease revenues from automobile rentals, service fees from automobile management and guarantee services, financing revenues, service fees from automobile purchase services, and other services fees, which accounted for approximately 9.3%, 65.3%, 5.4%, 4.3%, 3.6% and 12.1%, respectively, of the total revenue from Automobile Transaction and Related Services during the year ended March 31, 2021. Meanwhile, sales revenue of automobiles, service fees from automobile purchase services, operating lease revenues from automobile rentals, facilitation fees from automobile purchase, service fees from automobile management and guarantee services, financing revenues and other services fees, which accounted for approximately 73.7%, 11.0%, 8.3%, 1.3%, 0.9%, 1.1% and 3.7%, respectively, of the total revenue from Automobile Transaction and Related Services during the year ended March 31, 2020.

Sales of automobiles

We generate revenues from sales of automobiles to the customers of Jinkailong, Hunan Ruixi and Chengdu Mashangchuxing Automobile Leasing Co., Ltd. (“Mashang Chuxing”) during the year ended March 31, 2021 and the year ended March 31, 2020. Sales of automobiles during the year ended March 31, 2021 decreased by \$11,049,265 as compared with last year, mainly due to the decrease in the number of new automobile purchases, which was a result of the increased competition in the online ride-hailing market in Chengdu and Changsha, and the adverse impact of COVID-19 across mainland China and the shift of our business focus to automobile leasing. We sold an aggregate of 36 automobiles and 1,176 automobiles during the years ended March 31, 2021 and 2020, respectively.

Operating lease revenues from automobile rentals

We generate revenues from leasing our own automobiles, leased automobiles from third parties and sub-leasing automobiles tendered by online ride-hailing drivers with their authorization for a lease term of no more than twelve months. We leased over 1,200 automobiles with an average monthly rental income of \$441 per automobile, resulting in a rental income of \$3,434,615, for the year ended March 31, 2021. While we have leased approximately 560 automobiles with an average monthly rental income of \$475 per automobile, resulting in a rental income of \$1,303,639, for the year ended March 31, 2020.

Service fees from automobile management and guarantee services

The majority of our customers whom we provided automobile purchase services to are online ride-hailing drivers. They also entered into affiliation service agreements with us pursuant to which we provide them post-transaction management services and guarantee services. The increase of \$143,900 was due to the increased number of automobiles which we provided management and guarantee services to during the year ended March 31, 2021 as compared with prior year, but offset by the increase in the accumulated number of tendered automobiles which were subsequently rented to ride-hailing drivers whom we charge rent rather than charging management and guarantee services fee.

Financing revenues

We started our financial leasing business in March 2019 and began to generate interest income from providing financial leasing services to online ride-hailing drivers in April 2019. We charge the customers of our automobile financing facilitation services interest on their monthly payments which cover purchase price of automobile and our services fees and facilitation fees for terms of 36 or 48 months. We recognized a total interest income of \$227,599 and \$164,391 during the years ended March 31, 2021 and 2020, respectively. The increase of \$63,208 was mainly attributed to the increase in the accumulated number of automobiles under financial leasing.

Service fees from automobile purchase services

We generate revenues from providing a series of automobile purchase services throughout the automobile purchase transaction process. Service fees from automobile purchase services had a significant decrease of \$1,539,422 during the year ended March 31, 2021 as compared with last year, mainly due to the decrease in the number of facilitated new automobile purchases. We serviced 112 new automobile transactions, including purchase, financial leasing and operating leases, with service fees ranging from approximately \$140 to \$3,550 per automobile during the year ended March 31, 2021 while we serviced 1,315 new automobile purchases with service fees ranging from \$89 to \$3,600 per automobile during the year ended March 31, 2020.

Facilitation fees from automobile transactions

Facilitation fees from automobile transaction decreased by \$196,152 during the year ended March 31, 2021 as compared with last year mainly due to the decrease in the number of facilitated new automobile purchases from 1,315 to 61 and the decreased average facilitation fee per automobile. As we shift our business focus to automobile rental, we waived the facilitation fee for new automobile purchasers during the year ended March 31, 2021.

Other service fees

We generate other revenues such as commissions from insurance companies and other miscellaneous service fees charged to the automobile purchasers, which accounted for 76.6 %, and 23.4% of revenues from other service fees during the year ended March 31, 2021, respectively. We generate other revenues from commissions from insurance companies and other miscellaneous service fees charged to the automobile buyers, which accounted for 79.9%, and 20.1% of revenues from other service fees during the year ended March 31, 2020, respectively. The increase of \$48,460 was mainly attributed to the increase of commissions from insurance and miscellaneous service fees as the total number of automobiles we served increased during the year ended March 31, 2021 as compared with last year.

Revenue from Online Ride-hailing Platform Services

We generate revenue from providing services to online ride-hailing drivers to assist them in providing transportation services to the riders looking for taxi/ride-hailing services and earn commissions for each completed order equal to the difference between an upfront quoted fare and the amount earned by a driver based on actual time and distance for the ride charged to the rider. During the period from October 23, 2020 to March 31, 2021, approximately 4.4 million rides were completed through our Xixingtianxia platform and we earned online ride-hailing platform service fees of \$903,254, netting off approximately \$1.8 million incentives paid to Active Drivers.

Cost of Revenues

Cost of revenues represents the costs of automobiles sold of \$476,267, amortization, daily maintenance and insurance expense of automobiles leased to online ride-hailing drivers of \$4,170,081, technical service charges and insurance of online ride-hailing platform services of \$1,323,144. Cost of revenues decreased by \$6,310,746, or approximately 51%, during the year ended March 31, 2021 as compared with last year, mainly due to the decrease in costs of automobiles sold of \$10,834,202 as the number of automobiles sold decreased from 1,176 to 36, partially offset by the increase of \$3,200,312 in costs of automobiles under operating leases and \$1,323,144 in direct expense and technical service fees of Online Ride-hailing Platform Services, respectively, as a result of the commencement and expansion of those two businesses.

Gross Profit

Gross profit decreased by \$3,184,295, or approximately 94%, during the year ended March 31, 2021 as compared with last year mainly due to the decreased number of automobile sales and facilitated new automobile purchases. Gross profit generated from sales of automobiles decreased by \$215,063 and other revenues with no cost of revenues decreased by \$1,480,006 due to the significant decrease in the number of automobiles sold and facilitated new automobile purchases during the year ended March 31, 2021 as compared with last year. Meanwhile, we had gross loss of \$1,069,336 from operating lease revenues from automobile rentals during the year ended March 31, 2021. The majority of those leased automobiles were tendered to us with overdue monthly installment payments to financial institutions. Therefore, the total amount of the amortization and daily maintenance expense of these automobiles were higher than the monthly rents generated. We have focused on our operating leases as a means of mitigating the impact from the return of automobiles by a substantial number of online ride-hailing drivers who exited the ride-hailing business as a result of COVID-19 and the intense competition in the online ride-hailing market in Chengdu and Changsha since 2020. Moreover, we had gross loss of \$419,890 from our Online Ride-hailing Platform Services as we just started this new business in October 2020 and paid cash incentives to attractive drivers to our platform.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily consist of salary and employee benefits, office rental expense, travel expenses, and other costs. Selling, general and administrative expenses increased from \$5,496,955 for the year ended March 31, 2020 to \$10,273,104 for the year ended March 31, 2021, representing an increase of \$4,776,149, or approximately 87%. The increase was attributable to more employees hired for the operations of our businesses and the management of a significant number of automobiles tendered to us for sublease or sale due to the negative impact of COVID-19. The increase mainly consists of an increase of \$972,164 in amortization of automobiles which were tendered to us but have not been sub-leased or sold, an increase of \$1,858,927 in salary and employee benefits as the number of our employee increased from 181 to 275, an increase \$1,049,461 in professional service fees such as financial, legal and market consulting, an increase of \$887,493 in advertising and promotion, rental and other expenses, and slight increase of \$8,105 in other office charges.

Recovery of (Provision for) doubtful accounts

As a result of the fierce competition in the online ride-hailing market in Chengdu and Changsha, and the negative impact of COVID-19, an aggregate of approximately 840 online ride-hailing drivers we serviced tendered their automobiles to us for sublease or sale and approximately 380 drivers postponed their monthly installment payments during the year ended March 31, 2020. Then we recognized provision for doubtful accounts of \$2,657,442 and allowance for doubtful accounts of \$746,894, respectively, for the year ended March 31, 2020 accordingly. However, the additional numbers of new drivers who tendered automobiles and postponed their monthly installment payments decreased by approximately 390 and approximately 340, respectively, during the year ended March 31, 2021 as compared with last year. We re-evaluated the possibility of collection of unsettled balances from those drivers and recovered allowance for doubtful accounts of \$28,358 for those receivables during the year ended March 31, 2021.

Impairments of Long-lived Assets

For the years ended March 31, 2021 and March 31, 2020, we evaluated the future cash flow of our right-of-use assets and our own vehicles used for financing leases during their remaining useful life and recognized impairment loss of \$130,839 and \$70,984, respectively, for those assets that could not generate sufficient cash.

Other Income (expense), net

For the year ended March 31, 2021, we had other income of \$87,888, mainly as a result of the receipt of a government subsidy of \$147,000 from Sichuan Economic and Information Department for our initial public offering in 2018, and a special support fund of \$80,000 for government industrial development from Chengdu Municipal people's Government. The income was offset by the guarantee expenses of \$125,437 payable accrued to Impawn in order to deal with the frozen accounts of Jinkailong in December 2020. While we had miscellaneous expense of \$45,347 in the same period in 2020.

Interest Expense and Interest Expense on Finance Leases

Interest expense for the year ended March 31, 2021 was \$45,764, resulting from the borrowings of Jinkailong from a financial institution for its working capital requirements. The decrease of \$50,860 or approximately 53%, was due to the decrease in outstanding principal of loans obtained before 2019 and lower interest rate for the remaining principal.

Interest expense on finance leases for year ended March 31, 2021 was \$733,202, representing the interest expense accrued under financing leases for the leased automobiles tendered to us for sublease or sale by the online ride-hailing drivers who exited the ride-hailing business. Interest expense on finance leases increased by \$359,795 as compared with last year, mainly due to the annual weighted average number of tendered automobiles increased approximately 77% than that in last year as the tendering incurred mainly since the second half of our fiscal year ended March 31, 2020.

Change in Fair Value of Derivative Liabilities

Warrants issued in our June 2019 and February 2021 registered direct offering and August 2020 underwritten public offering were classified as liabilities under the caption “Derivative Liabilities” in the consolidated balance sheet and recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation model. The change in fair value of derivative liabilities for the year ended March 31, 2021 was a loss of \$1,710,415 in total. The loss was mainly due to our stock price as of March 31, 2021 was higher than the price on March 31, 2020, resulting a loss of \$1,372,966 for the warrants issued in our June 2019 registered direct offering, a loss of \$455,162 for the warrants issued in our August 2020 underwritten public offering. It was offset by a gain of \$117,713 for the warrants issued in our February 2021 underwritten public offering. The change in fair value of derivative liabilities resulted in a gain of \$1,796,724 for the year ended March 31, 2020, mainly due our stock price as of March 31, 2020 was lower than that on June 20, 2019, the date of issuance.

Income Tax Expense

Generally, our subsidiaries and consolidated VIEs in China are subject to enterprise income tax on their taxable income in China at a rate of 25%. The enterprise income tax is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards. Income tax expense of \$14,627 and \$33,184 for the years ended March 31, 2021 and 2020, respectively, represented the provision of enterprise income tax resulting from the taxable income of \$58,508 from Hunan Ruixi, Jinkailong and Yicheng. Other subsidiaries and consolidated VIEs in China incurred cumulative losses and no tax expense were recorded.

Net Loss

As a result of the foregoing, net loss for the year ended March 31, 2021 was \$12,600,663, representing an increase of \$8,251,887 from net loss of \$4,348,776 for the year ended March 31, 2020.

Liquidity and Capital Resources

We have financed our operations primarily through proceeds from our equity offerings, stockholder loans, commercial debt and cash flow from operations.

We had cash and cash equivalents of \$4,448,075 as of March 31, 2021 as compared to \$833,888 as of March 31, 2020 for our continuing operations. We had no cash and cash equivalents as of March 31, 2021 as compared to \$10,139 as of March 31, 2020 for our discontinued operations. We primarily hold our excess unrestricted cash in short-term interest-bearing bank accounts at financial institutions.

On August 6, 2020, we closed an underwritten public offering of 12,000,000 shares at \$0.50 per share for total gross proceeds of approximately \$6.0 million. After deducting underwriting discounts and commissions and offering expenses payable by us, the aggregate net proceeds totaled approximately \$5.3 million. In addition, the underwriters for the public offering exercised their over-allotment to purchase 1,800,000 shares of common stock at \$0.50 per share, generating net proceeds of approximately \$0.8 million after deducting underwriting discounts and commissions and offering expenses.

On February 10, 2021, we closed a registered direct offering of 5,072,465 shares of our common stock at \$1.38 per share, pursuant to a securities purchase agreement with certain accredited investors. As a result, the Company raised approximately \$5.7 million, net of placement agent fees and offering expenses, to support our working capital requirements.

On May 13, 2021, we closed a registered direct offering of 5,531,916 shares of our common stock at \$1.175 per share, pursuant to a securities purchase agreement with certain accredited investors. As a result, the Company raised approximately \$5.8 million, net of placement agent fees and offering expenses, to support our working capital requirements.

Our business is capital intensive and we have spent expenditure on developing our new business of Online Ride-hailing Platform Services and expanding automobile operating leasing during the year ended March 31, 2021. We have considered whether there is substantial doubt about our ability to continue as a going concern due to (1) recurring losses from operations, including net loss of approximately \$12.6 million and \$0.1 million from continuing operations and discontinued operations, respectively, for the year ended March 31, 2021, (2) accumulated deficit of approximately \$34.1 million as of March 31, 2021; (3) the working capital deficit of approximately \$5.9 million as of March 31, 2021; (4) net operating cash outflows of approximately \$2.2 million and \$1.7 million from continuing operations and discontinued operations, respectively, for the year ended March 31, 2021 and (5) the purchase commitment of \$2.5 million. As of March 31, 2021, we have entered into two purchase contracts with an automobile dealer to purchase a total of 700 automobiles for the amount of approximately \$11.6 million. Pursuant to the contracts, we are required to purchase 350 automobiles in cash with the amount of approximately \$5.8 million. As of the date of this Report, 200 automobiles have been purchased in cash and delivered to us and the remaining purchase commitment of \$2.5 million is to be completed before December 31, 2021. The remaining 350 automobiles purchase commitment with the amount of approximately \$5.8 million shall be purchased with financing option through the dealer's designated financial institutions.

After the completion of the registered direct offering on May 13, 2021, our working capital deficiency was approximately \$0.1 million in working capital deficiency. We have determined there is substantial doubt about its ability to continue as a going concern. If we are unable to generate significant revenue, we may be required to cease or curtail its operations. We are trying to alleviate the going concern risk through the following sources:

- we will continue to seek equity financing to support our working capital;
- other available sources of financing (including debt) from PRC banks and other financial institutions; and
- financial support and credit guarantee commitments from our related parties.

Based on the above considerations, we think we will probably not having sufficient funds to meet our working capital requirements and debt obligations as they become due one year from the date of this Report, if we are unable to obtain additional financing. In addition, the the maximum contingent liabilities we would be exposed to was approximately \$12.8 million as of March 31, 2021. However, there is no assurance that we will be successful in implementing the foregoing plans or that additional financial will be available to us on commercially reasonable terms, or at all. There are a number of factors that could potentially arise that could undermine our plans, such as (i) the impact of the COVID-19 pandemic on our business and areas of operations in China, (ii) changes in the demand for our services, (iii) PRC government policies, (iv) economic conditions in China and worldwide, (v) competitive pricing in the automobile transaction and related service and online ride-hailing industries, (vi) changes in our relationships with key business partners, (vii) that financial institutions in China may not be able to provide continued financial support to our customers, and (viii) the perception of PRC-based companies in the U.S. capital markets. Our inability to secure needed financing when required could require material changes to our business plans and could have a material adverse effect on our viability and results of operations.

| | For the Years Ended March 31, | |
|---|--|----------------|
| | 2021 | 2020 |
| Net Cash Used in Operating Activities | \$ (3,936,067) | \$ (6,447,664) |
| Net Cash Used in Investing Activities | (2,510,862) | (963,416) |
| Net Cash Provided by Financing Activities | 10,259,777 | 3,431,797 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (208,800) | (197,200) |
| Cash and Cash Equivalents at Beginning of Year | 844,027 | 5,020,510 |
| Cash and Cash Equivalents at End of Year | 4,448,075 | 844,027 |
| Less: Cash and cash equivalents from discontinued operations | - | (10,139) |
| Cash and cash equivalents from continuing operations, end of Year | \$ 4,448,075 | \$ 833,888 |

Cash Flow in Operating Activities

For the year ended March 31, 2021, net cash used in operating activities was \$3,936,067, which consists of the net cash used in operating activities of \$2,219,672 from continuing operations and \$1,716,395 from discontinued operations. The total net cash used in operating activities primarily comprised of salary and employee surcharge of \$3,812,320, the payment of \$1,712,028 to investors of the discontinued P2P platform, other operating costs of \$3,795,567, and payment of \$1,069,839 for maintenance fees, insurance and other costs for automobiles and related transactions, partially offset by revenue received of \$6,175,280 and the net collection of \$278,406 on automobiles used for financial lease to be collected within the lease terms.

For the year ended March 31, 2020, net cash used in operating activities was \$6,447,664, which consists of the net cash used in operating activities of \$4,530,293 from continuing operations and \$1,917,371 from discontinued operations. The total net cash used in operating activities primarily comprised of salary and employee surcharge of \$2,519,541, other operating costs of \$2,331,318, costs of \$1,185,031 on automobiles used for financial lease to be collected within the lease terms, and payment of \$11,872,377 for purchase of automobiles and related transactions, partially offset by revenue received of \$11,460,604.

Cash Flow in Investing Activities

For the year ended March 31, 2021, we had net cash used in investing activities of \$2,510,862, which consisted of the net cash used in investing activities of \$2,508,578 from continuing operations and \$2,284 from discontinued operations. The majority net cash used in investing was for the purchase of automobiles for operating lease purpose.

For the year ended March 31, 2020, we had net cash used in investing activities of \$963,416, which consisted of the net cash used in investing activities of \$965,241 from continuing operations, partially offset by the net cash provided by of \$1,825 from discontinued operations. The total net cash used in investing

activities primarily consisted of: (1) the payment of \$181,116, \$262,763 and \$49,537 for the purchases of leasehold improvements, vehicles and office equipment, respectively, and (2) the payment of \$470,000 for the development of software used in our automobile transaction and related services.

Cash Flow in Financing Activities

For the year ended March 31, 2021, we had net cash provided by financing activities of \$10,259,777, which primarily consisted of: (1) total net proceeds of \$11.8 million from our underwritten public offering in August 2020 and registered public offering in February 2021, and \$683,046 from exercised warrants from investors, respectively; (2) borrowings from a financial institution of \$572,035, partially offset by (4) principal payments made for finance lease liabilities of \$2,230,765, (5) repayments of current borrowings from financial institutions and the insurance company of \$529,288; and (5) repayments and loans to stockholders, related parties and affiliates of \$77,453.

For the year ended March 31, 2020, we had net cash provided by financing activities of \$3,431,797, which consisted of the net cash provided by financing activities of \$4,080,202 from continuing operations and the net cash of \$648,405 from discontinued operations. The total net cash provided by financing activities primarily consisted of: (1) gross proceeds from our June 2019 Offering of \$5.1 million; (2) release of escrow receivable of \$600,000; (3) net proceeds from short-term borrowings from related parties and affiliates of \$177,266 for the daily operation of Jinkailong, partially offset by (4) payments of finance lease liabilities to financial institutions of \$975,958; (5) repayments of borrowings from financial institutions and third parties of \$749,610; and (6) repayment of borrowings from stockholders of \$817,294.

Off-Balance Sheet Arrangements

As of the date of this Report, we have the following off-balance sheet arrangements that are likely to have a future effect on our financial condition, revenues or expenses, results of operations and liquidity:

- ***Purchase Commitments***

On January 19 and February 22, 2021, we entered into two purchase contracts with an automobile dealer to purchase a total of 700 automobiles for the amount of approximately \$11.6 million. Pursuant to the contracts, we are required to purchase 350 automobiles in cash with the amount of approximately \$5.8 million. The remaining 350 automobiles purchase commitment with the amount of approximately \$5.8 million shall be purchased with financing option through the dealer's designated financial institutions. As of the date of this Report, 200 automobiles have been purchased in cash and delivered to us. As we are in process of getting approval from the dealer's designated financial institutions in financing the 350 automobiles' purchase, there is no clear timing schedule for completing the remaining purchase commitment with this automobile dealer. However, we expect the purchase to be completed by the end of 2021.

- ***Contingent Liabilities***

Contingent liabilities for automobile purchasers

We are exposed to credit risk as we are required by certain financial institutions to provide guarantee on the lease/loan payments (including principal and interests) of the automobile purchasers referred by us. As of March 31, 2021, the maximum contingent liabilities the we would be exposed to was approximately \$12,763,000 (including approximately \$68,000 related to our discontinued P2P business), assuming all the automobile purchasers were in default, which may cause an increase in guarantee expense and cash outflow in financing activities. As March 31, 2021, approximately \$3,890,000, including interests of \$233,000, due to financial institutions, of all the automobile purchases we serviced were past due.

Contingent liability of Jinkailong

On May 25, 2018, Chengdu Industrial Impawn Co., Ltd (“Impawn”) signed a pledge and pawn contract (the “Master Contract”) with Langyue, pursuant to which, Impawn shall provide loans to Langyue up to RMB20 million (approximately \$2.9 million). In connection with the Master Contract, Jinkailong entered into a guaranty with Impawn and agreed to provide guarantee on all the payments (including principal, interests, compensations and other expenses) of Langyue jointly and severally with seven other guarantors, one of which is a shareholder of Jinkailong. Langyue used RMB7,019,652 (approximately \$1,003,000) of the loans from Impawn and re-loaned it to automobile purchasers referred by Jinkailong from June 2018 to September 2018, which were also guaranteed by Jinkailong.

Langyue did not timely pay Impawn the monthly installment for June 2020. In July 2020, Impawn sent the Collection Letter and Notice to Langyue to demand payment of the interest and penalty of RMB100,300 (approximately \$14,330). On September 18, 2020, Impawn initiated a legal action in front of the Court for an order to collect and enforce the repayment of the total outstanding principals, interest and penalty for an aggregate of RMB9,992,728 (approximately \$1,428,000) and other expenses by freezing all bank accounts of the Langyue and all related guarantors. On October 14, 2020, the cash in the bank of Jinkailong, with total amount of RMB175,335 (approximately \$25,050) were frozen by the Court and became restricted cash accordingly.

On December 24, 2020, Jinkailong, a shareholder of Jinkailong and Impawn signed a settlement agreement (“Settlement Agreement”). Impawn agreed to release the pledge of Jinkailong’s 75 automobiles, provided that Jinkailong and such shareholder repay an aggregate of RMB4,026,593.66 (approximately \$617,000) in monthly installments over 35 months. In addition, upon the initial payment of RMB600,000 (approximately \$92,000) by Jinkailong and such shareholder, Impawn will request the court to release the frozen bank accounts of Jinkailong. The Settlement Agreement further provides that it does not release the guarantee obligations of Jinkailong and in the event Langyue’s loan is not fully repaid at the end of the 35 months, Impawn reserves the right to pursue further actions against Jinkailong and such shareholder for the outstanding balance of the loan. So Jinkailong recorded the additional \$109,000 for the difference between the total amount to be paid pursuant to the Settle Agreement and the remaining principals of loans from Impawn as guarantee expenses in the consolidated financial statements. Jinkailong shall collect monthly installment payments from online ride-hailing drivers who lease those 75 automobiles to repay for the remaining balance of Impawns and recognize guarantee expenses if any. As of March 31, 2021, the original maximum contingent liabilities related to the loans from Langyue to automobile purchasers which Jinkailong would be exposed to was approximately RMB2,163,000 (approximately \$330,000), which has been included in the amount of contingent liabilities of automobile purchasers as mentioned above. However, as Jinkailong has undertaken the joint and several liability guarantee for all of Langyue’s loans from Impawn, Jinkailong may be required to pay all the outstanding balance of \$1,346,000 to Impawn in the future.

As of January 7, 2021, none of the bank accounts are restricted.

Inflation

We do not believe our business and operations have been materially affected by inflation.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with U.S. GAAP. These accounting principles require us to make judgments, estimates and assumptions on the reported amounts of assets and liabilities at the end of each fiscal period, and the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these judgments and estimates based on our past experience, knowledge and assessments of current business and other conditions, our expectations regarding the future based on available information and assumptions.

The selection of critical accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant assumptions and estimates used in the preparation of our consolidated financial statements.

(a) Use of estimates

In presenting the consolidated financial statements in accordance with U.S. GAAP, management make estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgement and available information. Accordingly, actual results could differ from those estimates. On an ongoing basis, management reviews these estimates and assumptions using the currently available information. Changes in facts and circumstances may cause us to revise our estimates. We base our estimates on past experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Estimates are used when accounting for items and matters including, but not limited to, revenue recognition, residual values, lease classification and liabilities, finance lease receivables, inventory obsolescence, right-of-use assets, determinations of the useful lives and valuation of long-lived assets, estimates of allowances for doubtful accounts and prepayments, estimates of impairment of intangible assets and goodwill, valuation of deferred tax assets, estimated fair value used in business acquisitions, valuation of derivative liabilities, allocation of fair value of derivative liabilities, issuance of common stock and warrants exercised and other provisions and contingencies.

(b) Fair values of financial instruments

Accounting Standards Codification (“ASC”) Topic 825, Financial Instruments (“Topic 825”) requires disclosure of fair value information of financial instruments, whether or not recognized in the balance sheets, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Topic 825 excludes certain financial instruments and all nonfinancial assets and liabilities from its disclosure requirements. Accordingly, the aggregate fair value amounts do not represent the underlying value of us. The three levels of valuation hierarchy are defined as follows:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value.

(c) Property and equipment

Property and equipment primarily consists of computer equipment, which is stated at cost less accumulated depreciation less any provision required for impairment in value. Depreciation is computed using the straight-line method with no residual value based on the estimated useful life.

(d) Goodwill

Goodwill represents the excess of the consideration paid of an acquisition over the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill is not amortized and is tested for impairment at least annually, more often when circumstances indicate impairment may have occurred. Goodwill is carried at cost less accumulated impairment losses. If impairment exists, goodwill is immediately written off to its fair value and the loss is recognized in the consolidated statements of operations and comprehensive loss. Impairment losses on goodwill are not reversed.

We review the carrying value of intangible assets not subject to amortization, including goodwill, to determine whether impairment may exist annually or more frequently if events and circumstances indicate that it is more likely than not that an impairment has occurred. We assess qualitative factors to determine whether it is necessary to perform the two-step in accordance with ASC 350-20. If we believe, as a result of the quantitative carrying amount, the two-step quantities impairment test described below is required.

The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required.

If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business acquisition with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being a discounted cash flow.

If impairment exists, goodwill is immediately written off to its fair value and the loss is recognized in the consolidated statements of operations and comprehensive loss. Impairment losses on goodwill are not reversed.

(e) Derivative liabilities

A contract is designated as an asset or a liability and is carried at fair value on a company's balance sheet, with any changes in fair value recorded in a company's results of operations. We then determine which options, warrants and embedded features require liability accounting and records the fair value as a derivative liability. The changes in the values of these instruments are shown in the accompanying consolidated statements of operations and comprehensive loss as "change in fair value of derivative liabilities".

(f) Revenue recognition

We recognize our revenue under ASC 606. ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. It also requires us to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

To achieve that core principle, we apply the five steps defined under ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

We account for a contract with a customer when the contract is committed in writing, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration to collect is substantially probable.

We have assessed the impact of the guidance by reviewing our existing customer contracts and current accounting policies and practices to identify differences that will result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, we concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams in scope of ASC 606 and therefore there was no material changes to our consolidated financial statements upon adoption of ASC 606.

Automobile Transaction and Related Services

Sales of automobiles – We generate revenue from sales of automobiles to the customers of Jinkailong, Hunan Ruixi and Mashang Chuxing. The control over the automobile is transferred to the purchaser along with the delivery of automobiles. The amount of the revenue is based on the sale price agreed by Hunan Ruixi or Yicheng and the counterparties, including Jinkailong, who act on behalf of their customers. We recognize revenues when an automobile is delivered and control is transferred to the purchaser. Accounts receivable related to the revenue are being collected over 36 to 48 months. The interest component is included in the non-current portion of the accounts receivable.

Operating lease revenues from automobile rentals – We generate revenue from sub-leasing automobiles from some online ride-hailing drivers or leasing our own automobiles. We recognize revenue wherein an automobile is transferred to the leasee and the leasee has the ability to control the asset, is accounted for under ASC Topic 842. Rental transactions are satisfied over the rental period. Rental periods are short term in nature, generally are twelve months or less.

Service fees from management and guarantee services – Over 95% of our customers are online ride-hailing drivers. The drivers sign affiliation agreements with us, pursuant to which we provide them with management and guarantee services during the affiliation period. Service fees for management and guarantee services are paid by such automobile purchasers on a monthly basis for the management and guarantee services provided during the affiliation period. We recognize revenue over the affiliation period when performance obligations are completed.

Financing revenues – Interest income from the lease arising from our sales-type leases and bundled lease arrangements is recognized in financing revenues over the lease term based on the effective rate of interest in the lease.

Service fees from automobile purchase services – Services fees from automobile purchase services are paid by automobile purchasers for a series of the services provided to them throughout the purchase process such as credit assessment, preparation of financing application materials, assistance with closing of financing transactions, license and plate registration, payment of taxes and fees, purchase of insurance, installment of GPS devices, ride-hailing driver qualification and other administrative procedures. The amount of these fees is based on the sales price of the automobiles and relevant services provided. We recognize revenue when all the services are completed and an automobile is delivered to the purchaser at a point in time. Accounts receivable related to the revenue are being collected over 36 to 48 months. The interest component is included in the non-current portion of the accounts receivable.

Facilitation fees from automobile transactions – Facilitation fees from automobile purchase transactions are paid by our customers including third-party sales teams or the automobile purchasers for the facilitation of the sales and financing of automobiles. We attract automobile purchasers through third-party sales teams or its own sales department. For the sales facilitated between third-party sales teams and automobile purchasers, we charge the fees to the third-party sales teams, which derived from the commission paid by the automobile purchasers to the third-party sales teams. Relating to sales facilitated between automobile purchasers and dealers, we charge the fees to the automobile purchasers. We recognize revenue from facilitation fees when the titles are transferred to the purchasers at a point in time. The amount of fees is based on the type of automobile and negotiation with each sales team or automobile purchaser. The fees charged to third-party sales teams or automobile purchasers are paid before the automobile purchase transactions are consummated. These fees are non-refundable upon the delivery of automobiles.

Online ride-hailing platform service revenue

We generate revenue from providing services to online ride-hailing drivers (“Drivers”) to assist them in providing transportation services to riders (“Riders”) looking for taxi/ride-hailing services. We earn commissions for each completed order in an amount equal to the difference between an upfront quoted fare and the amount earned by a Driver based on actual time and distance for the ride charged to the Rider. As a result, we bear a single performance obligation in the transaction of connecting Drivers with Riders to facilitate the completion of a successful transportation service for Riders. We recognize revenue upon completion of a ride as the single performance obligation is satisfied and we have the right to receive payment for the services rendered upon the completion of the ride. We evaluate the presentation of revenue on a gross or net basis based on whether we control the service provided to the Rider and are the principal (i.e. “gross”), or we arrange for other parties to provide the service to the Rider and are an agent (i.e. “net”). Since we are not primarily responsible for ride-hailing services provided to Riders, nor do we have inventory risk related to the services, we recognize revenue at net basis.

Leases

We account for leases in accordance with ASC 842. The two primary accounting provisions we use to classify transactions as sales-type or operating leases are: (i) a review of the lease term to determine if it is for the major part of the economic life of the underlying equipment (defined as greater than 75%); and (ii) a review of the present value of the lease payments to determine if they are equal to or greater than substantially all of the fair market value of the equipment at the inception of the lease (defined as greater than 90%). Automobile included in arrangements meeting these conditions are accounted for as sales-type leases. For sales-type leases, we recognize sales equal to the present value of the minimum lease payments discounted using the implicit interest rate in the lease and cost of sales equal to carrying amount of the asset being leased and any initial direct costs incurred, less the present value of the unguaranteed residual. Interest income from the lease is recognized in financing revenues over the lease term. Automobile included in arrangements that do not meet these conditions are accounted for as operating leases and revenue is recognized over the term of the lease.

We exclude from the measurement of our lease revenues any tax assessed by a governmental authority that is both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer.

We consider the economic life of most of automobile to be three to five years, since this represents the most frequent contractual lease term for its automobile and the automobile will be used for online ride-hailing services. We believe three to five years is representative of the period during which the automobile is expected to be economically usable, with normal service, for the purpose for which it is intended.

A portion of our direct sales of automobile to end customers are made through bundled lease arrangements which typically include automobile, services (automobile purchase services, facilitation fees, and management and guarantee services) and financing components where the customer pays a single negotiated fixed minimum monthly payment for all elements over the contractual lease term. Revenues under these bundled lease arrangements are allocated considering the relative standalone selling prices of the lease and non-lease deliverables included in the bundled arrangement and the financing components. Lease deliverables include the automobile and financing, while the non-lease deliverables generally consist of the services and repayment of advanced fees made on behalf of its customers. We consider the fixed payments for purposes of allocation to the lease elements of the contract. The fixed minimum monthly payments are multiplied by the number of months in the contract term to arrive at the total fixed lease payments that the customer is obligated to make over the lease term. Amounts allocated to the automobile and financing elements are then subjected to the accounting estimates under ASC 842 to ensure the values reflect standalone selling prices. The remainder of any fixed payments are allocated to non-lease elements (automobile purchase services, facilitation fees, and management and guarantee services), for which these revenues are recognized in a manner consistent with the guidance for service fees from automobile purchase services, facilitation fees from automobile transactions, and service fees from management and guarantee services as discussed above.

Our lease pricing interest rates, which are used in determining customer payments in a bundled lease arrangement, are developed based upon the local prevailing rates in the marketplace where its customer will be able to obtain an automobile loan under similar terms from the bank. We reassess our pricing interest rates quarterly based on changes in the local prevailing rates in the marketplace. As of March 31, 2021, our pricing interest rate is 6.0% per annum.

(g) Share-based awards

Share-based awards granted to our employees are measured at fair value on grant date and share-based compensation expense is recognized (i) immediately at the grant date if no vesting conditions are required, or (ii) using the accelerated attribution method, net of estimated forfeitures, over the requisite service period. The fair value of restricted shares is determined with reference to the fair value of the underlying shares.

At each date of measurement, we review internal and external sources of information to assist in the estimation of various attributes to determine the fair value of the share-based awards granted by us, including but not limited to the fair value of the underlying shares, expected life, expected volatility and expected forfeiture rates. We are required to consider many factors and make certain assumptions during this assessment. If any of the assumptions used to determine the fair value of the share-based awards changes significantly, share-based compensation expense may differ materially in the future from that recorded in the current reporting period.

(h) Leases

We account for leases in accordance with ASC 842. Beginning in the year ended March 31, 2020, we entered into certain agreements as a lessor under which we leased automobiles to short-term (usually under twelve months) car service drivers. We also enter into certain agreements as a lessee to lease automobiles and to conduct our automobiles rental operations. If any of the following criteria are met, we classify the lease as a finance lease (as a lessee) or as a direct financing or sales-type lease (both as a lessor):

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- The lease grants the lessee an option to purchase the underlying asset that the Company is reasonably certain to exercise;
- The lease term is for 75% or more of the remaining economic life of the underlying asset, unless the commencement date falls within the last 25% of the economic life of the underlying asset;
- The present value of the sum of the lease payments equals or exceeds 90% of the fair value of the underlying asset; or
- 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.

Leases that do not meet any of the above criteria are accounted for as operating leases.

We combine lease and non-lease components in its contracts under Topic 842, when permissible.

Finance and operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Since the implicit rate for our leases is not readily determinable, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is the rate of interest that we would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments, in a similar economic environment and over a similar term.

Lease terms used to calculate the present value of lease payments generally do not include any options to extend, renew, or terminate the lease, as we do not have reasonable certainty at lease inception that these options will be exercised. We generally consider the economic life of its operating lease ROU assets to be comparable to the useful life of similar owned assets. We have elected the short-term lease exception, therefore operating lease ROU assets and liabilities do not include leases with a lease term of twelve months or less. Its leases generally do not provide a residual guarantee. The operating lease ROU asset also excludes lease incentives. Lease expense is recognized on a straight-line basis over the lease term.

We review the impairment of our ROU assets consistent with the approach applied for our other long-lived assets. We review the recoverability of its long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on its ability to recover the carrying value of the asset from the expected undiscounted future pre-tax cash flows of the related operations. We have elected to include the carrying amount of operating lease liabilities in any tested asset group and include the associated operating lease payments in the undiscounted future pre-tax cash flows.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

The financial statements required by this item begin on page F-1 hereof.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Senmiao Technology Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Senmiao Technology Limited and Subsidiaries (collectively, the “Company”) as of March 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, changes in stockholders’ equity, and cash flows for each of the years in the two-year period ended March 31, 2021, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s 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 consolidated 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.

Consideration of the Company’s Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company had incurred significant working capital deficiency, recurring losses from operations and accumulated deficit at March 31, 2021. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regards to these matters are also described in Note 2. These financial statements do not include any adjustments that might result from the outcome of these uncertainties. If the Company is unable to successfully obtain the necessary additional financial support as specified in Note 2, there could be a material adverse effect on the Company.

/s/ Friedman LLP

We have served as the Company’s auditor since 2018.

New York, New York

July 8, 2021

One Liberty Plaza, 165 Broadway, 21st Floor, New York, NY 10006 p 212.842.7000

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SENMIAO TECHNOLOGY LIMITED
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. dollar, except for the number of shares)

| | March 31, 2021 | March 31, 2020 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash, and cash equivalents | \$ 4,448,075 | \$ 833,888 |
| Accounts receivable, net, current portion | 1,437,195 | 660,645 |
| Inventories | 127,933 | 1,000,675 |
| Finance lease receivables, net, current portion | 541,605 | 459,110 |
| Prepayments, other receivables and other assets, net | 3,905,278 | 2,798,780 |
| Due from related parties | 39,572 | 26,461 |
| Current assets - discontinued operations | 393,348 | 826,580 |
| Total current assets | 10,893,006 | 6,606,139 |
| Property and equipment, net | | |
| Property and equipment, net | 3,700,147 | 469,201 |
| Property and equipment, net - discontinued operations | 5,592 | 11,206 |
| Total property and equipment, net | 3,705,739 | 480,407 |
| Other assets | | |
| Operating lease right-of-use assets, net | 499,221 | 473,661 |
| Operating lease right-of-use assets, net, related parties | 580,367 | 236,305 |
| Financing lease right-of-use assets, net | 4,778,772 | 5,440,362 |
| Intangible assets, net | 968,131 | 777,621 |
| Goodwill | 135,388 | - |
| Accounts receivable, net, noncurrent | 269,183 | 882,078 |
| Finance lease receivables, net, noncurrent | 473,472 | 734,145 |
| Total other assets | 7,704,534 | 8,544,172 |
| Total assets | \$ 22,303,279 | \$ 15,630,718 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Borrowings from financial institutions | \$ 310,662 | \$ 226,753 |
| Accounts payable | 44,769 | 4,065 |
| Advances from customers | 155,586 | 90,349 |
| Income tax payable | 17,408 | 16,267 |
| Accrued expenses and other liabilities | 6,655,592 | 2,008,391 |
| Due to related parties and affiliates | 352,827 | 152,679 |
| Operating lease liabilities | 209,644 | 149,582 |
| Operating lease liabilities - related parties | 243,726 | 151,655 |
| Financing lease liabilities | 5,172,943 | 3,473,967 |
| Derivative liabilities | 1,278,926 | 342,530 |
| Current liabilities - discontinued operations | 2,336,861 | 4,516,292 |
| Total current liabilities | 16,778,944 | 11,132,530 |
| Other liabilities | | |
| Borrowings from financial institutions, noncurrent | 44,962 | 64,221 |
| Operating lease liabilities, non-current | 263,708 | 297,167 |
| Operating lease liabilities, non-current - related parties | 341,549 | 88,349 |
| Financing lease liabilities, non-current | 2,256,553 | 2,576,094 |
| Deferred tax liability | 44,993 | - |
| Total other liabilities | 2,951,765 | 3,025,831 |
| Total liabilities | 19,730,709 | 14,158,361 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock (par value \$0.0001 per share, 100,000,000 shares authorized; 49,780,725 and 29,008,818 shares issued and outstanding at March 31, 2021 and 2020, respectively) | 4,978 | 2,901 |
| Additional paid-in capital | 40,755,327 | 27,013,137 |

| | | |
|--|-----------------------------|-----------------------------|
| Accumulated deficit | (34,064,921) | (23,704,863) |
| Accumulated other comprehensive loss | (838,671) | (507,478) |
| Total Senmiao Technology Limited stockholders' equity | <u>5,856,713</u> | <u>2,803,697</u> |
| Non-controlling interests | (3,284,143) | (1,331,340) |
| Total equity | <u>2,572,570</u> | <u>1,472,357</u> |
| Total liabilities and equity | <u>\$ 22,303,279</u> | <u>\$ 15,630,718</u> |

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

SENMIAO TECHNOLOGY LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in U.S. dollar, except for the number of shares)

| | For the Year Ended March 31, | |
|---|-------------------------------------|-----------------------|
| | 2021 | 2020 |
| Revenues | \$ 6,160,534 | \$ 15,655,575 |
| Cost of revenues | (5,969,492) | (12,280,238) |
| Gross profit | 191,042 | 3,375,337 |
| Operating expenses | | |
| Selling, general and administrative expenses | (10,273,104) | (5,496,955) |
| Recovery of (Provision for) doubtful accounts | 28,358 | (3,404,336) |
| Impairments of long-lived assets | (130,839) | (70,984) |
| Total operating expenses | (10,375,585) | (8,972,275) |
| Loss from operations | (10,184,543) | (5,596,938) |
| Other income (expense) | | |
| Other income (expense), net | 87,888 | (45,347) |
| Interest expense | (45,764) | (96,624) |
| Interest expense on finance leases | (733,202) | (373,407) |
| Change in fair value of derivative liabilities | (1,710,415) | 1,796,724 |
| Total other income (expense), net | (2,401,493) | 1,281,346 |
| Loss before income taxes | (12,586,036) | (4,315,592) |
| Income tax expense | (14,627) | (33,184) |
| Net loss from continuing operations | (12,600,663) | (4,348,776) |
| Net loss from discontinued operations, net of applicable income taxes | (61,976) | (5,587,027) |
| Net loss | (12,662,639) | (9,935,803) |
| Net loss attributable to non-controlling interests from continuing operations | 2,302,581 | 1,262,478 |
| Net loss attributable to stockholders | \$ (10,360,058) | \$ (8,673,325) |
| Net loss | \$ (12,662,639) | \$ (9,935,803) |
| Other comprehensive loss | | |
| Foreign currency translation adjustment | (314,669) | (154,913) |
| Comprehensive loss | (12,977,308) | (10,090,716) |
| less: Total comprehensive loss attributable to noncontrolling interests | (2,286,057) | (1,338,684) |
| Total comprehensive loss attributable to stockholders | \$ (10,691,251) | \$ (8,752,032) |
| Weighted average number of common stock | | |
| Basic and diluted | 39,430,889 | 28,023,498 |
| Loss per share - basic and diluted | | |
| Continuing operations | \$ (0.26) | \$ (0.11) |
| Discontinued operations | \$ (0.00) | \$ (0.13) |

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

SENMIAO TECHNOLOGY LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended March 31, 2021 and 2020
(Expressed in U.S. dollar, except for the number of shares)

| | Common stock | | Additional paid-in capital | Accumulated deficit | Accumulated other comprehensive loss | Non-controlling interest | Total equity |
|---|-------------------|-----------------|----------------------------------|------------------------|---|-----------------------------|---------------------|
| | Shares | Par value | | | | | |
| BALANCE as of March 31, 2019 | 25,945,255 | \$ 2,595 | \$ 23,833,112 | \$ (15,031,538) | \$ (428,771) | \$ 7,344 | \$ 8,382,742 |
| Net loss | - | - | - | (8,673,325) | - | (1,262,478) | (9,935,803) |
| Issuance of common stock in registered direct offering net of issuance costs | 1,781,360 | 178 | 1,991,940 | - | - | - | 1,992,118 |
| Exercise of Series B warrants into common stock | 1,113,188 | 111 | 1,010,752 | - | - | - | 1,010,863 |
| Issuance of restricted stock units | 169,015 | 17 | 177,333 | - | - | - | 177,350 |
| Foreign currency translation adjustment | - | - | - | - | (78,707) | (76,206) | (154,913) |
| BALANCE as of March 31, 2020 | 29,008,818 | \$ 2,901 | \$ 27,013,137 | \$ (23,704,863) | \$ (507,478) | \$ (1,331,340) | \$ 1,472,357 |
| Net loss | - | - | - | (10,360,058) | - | (2,302,581) | (12,662,639) |
| Exercise of Series A warrants into common stock | 1,266,090 | 127 | 682,919 | - | - | - | 683,046 |
| Exercise of Placement warrants into common stock | 133,352 | 13 | (13) | - | - | - | - |
| Fair value of derivative liabilities upon exercises of warrants | - | - | 1,769,841 | - | - | - | 1,769,841 |
| Issuance of common stock and warrants in an underwritten direct offering, net of issuance costs | 12,000,000 | 1,200 | 5,260,097 | - | - | - | 5,261,297 |
| Issuance of common stock pursuant to exercise of underwriters' over-allotment option, net of issuance costs | 1,800,000 | 180 | 836,820 | - | - | - | 837,000 |
| Issuance of common stock and warrants in a registered direct offering, net of issuance costs | 5,072,465 | 507 | 5,743,398 | - | - | - | 5,743,905 |
| Fair value of warrants allocated to derivative liabilities | - | - | (995,822) | - | - | - | (995,822) |
| Issuance of common stock for consulting service | 500,000 | 50 | 444,950 | - | - | - | 445,000 |
| Acquisition of business entities | - | - | - | - | - | 333,254 | 333,254 |
| Foreign currency translation adjustment | - | - | - | - | (331,193) | 16,524 | (314,669) |
| BALANCE as of March 31, 2021 | 49,780,725 | \$ 4,978 | \$ 40,755,327 | \$ (34,064,921) | \$ (838,671) | \$ (3,284,143) | \$ 2,572,570 |

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

SENMIAO TECHNOLOGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. dollar, except for the number of shares)

| | For the Year Ended March 31, | |
|--|-------------------------------------|--------------------|
| | 2021 | 2020 |
| Cash Flows from Operating Activities: | | |
| Net loss | \$ (12,662,639) | \$ (9,935,803) |
| Net loss from discontinued operations | (61,976) | (5,587,027) |
| Net loss from continuing operations | (12,600,663) | (4,348,776) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization of property and equipment | 260,592 | 103,009 |
| Stock based compensation expense | 445,000 | 133,150 |
| Amortization of right-of-use assets | 4,316,162 | 1,553,523 |
| Amortization of intangible assets | 107,765 | 283 |
| Provision (recovery) for doubtful accounts | (28,358) | 3,404,336 |
| Impairment loss of long-lived assets | 130,839 | 70,984 |
| Gain (loss) on disposal of equipment | (425) | 3,608 |
| Change in fair value of derivative liabilities | 1,710,415 | (1,796,724) |
| Change in operating assets and liabilities | | |
| Accounts receivable | 49,624 | (3,047,955) |
| Inventories | 172,626 | 437,012 |
| Prepayments, other receivables and other assets | (864,420) | (964,889) |
| Finance lease receivables | 278,406 | (1,185,031) |
| Accounts payable | (10,251) | 4,144 |
| Advances from customers | 55,859 | 61,409 |
| Income tax payable | (168) | (4,582) |
| Accrued expenses and other liabilities | 4,083,378 | 1,138,316 |
| Operating lease liabilities | (130,534) | (94,235) |
| Operating lease liabilities - related parties | (195,519) | 2,125 |
| Net cash used in operating activities from continuing operations | (2,219,672) | (4,530,293) |
| Net cash used in operating activities from discontinued operations | (1,716,395) | (1,917,371) |
| Net Cash used in Operating Activities | (3,936,067) | (6,447,664) |
| Cash Flows from Investing Activities: | | |
| Purchases of property and equipment | (2,491,296) | (495,241) |
| Prepayment of intangible assets | (25,347) | (470,000) |
| Cash acquired from XXTX, net of cash paid to XXTX | 8,065 | - |
| Net cash used in investing activities from continuing operations | (2,508,578) | (965,241) |
| Net cash provided by (used in) investing activities from discontinued operations | (2,284) | 1,825 |
| Net Cash Used in Investing Activities | (2,510,862) | (963,416) |
| Cash Flows from Financing Activities: | | |
| Net proceeds from issuance of common stock in an underwritten public offering | 5,261,297 | - |
| Net proceeds from exercise of underwriters' over-allotment option | 837,000 | - |
| Net proceeds from issuance of common stock and warrants in a registered direct public offering | 5,743,905 | 5,142,124 |
| Net proceeds from issuance of common stock upon warrants exercised | 683,046 | 111 |
| Borrowings from financial institutions | 572,035 | 55,159 |
| Repayments to third parties | - | (604,562) |
| Loan to related party | (10,579) | - |
| Borrowings from related parties and affiliates | - | 1,305,166 |
| Repayments from related parties | - | 108,566 |
| Repayments to related parties and affiliates | (37,445) | (1,405,356) |
| Repayments of current borrowings from financial institutions | (529,288) | (145,048) |
| Release of escrow receivable | - | 600,000 |
| Principal payments of finance lease liabilities | (2,230,765) | (975,958) |
| Net cash provided by financing activities from continuing operations | 10,289,206 | 4,080,202 |
| Net cash used in financing activities from discontinued operations | (29,429) | (648,405) |
| Net Cash Provided by Financing Activities | 10,259,777 | 3,431,797 |
| Effect of exchange rate changes on cash and cash equivalents | (208,800) | (197,200) |
| Net increase (decrease) in cash and cash equivalents | 3,604,048 | (4,176,483) |
| Cash and cash equivalents, beginning of year | 844,027 | 5,020,510 |

| | | |
|--|---------------------|------------------------|
| Cash and cash equivalents, end of year | <u>4,448,075</u> | <u>844,027</u> |
| Less: Cash and cash equivalents from discontinued operations | <u>-</u> | <u>(10,139)</u> |
| Cash and cash equivalents from continuing operations, end of year | <u>\$ 4,448,075</u> | <u>\$ 833,888</u> |
| Supplemental Cash Flow Information | | |
| Cash paid for interest expense | <u>\$ 45,764</u> | <u>\$ 96,624</u> |
| Non-cash Transaction in Investing and Financing Activities | | |
| Prepayment in exchange of intangible assets | <u>\$ -</u> | <u>\$ 280,000</u> |
| Recognition of right-of-use assets and lease liabilities | <u>\$ 3,785,526</u> | <u>\$ 549,679</u> |
| Recognition of right-of-use assets and lease liabilities, related parties | <u>\$ -</u> | <u>\$ 343,819</u> |
| Acquisition of equipment through prepayment and financing lease | <u>\$ 941,263</u> | <u>\$ -</u> |
| Allocation of fair value of derivative liabilities for issuance of common stock proceeds | <u>\$ 997,193</u> | <u>\$ 3,150,006</u> |
| Allocation of fair value of derivative liabilities to additional paid in capital upon warrants exercised | <u>\$ 1,771,213</u> | <u>\$ 1,010,752.00</u> |
| Issuance of restricted stock units from accrued expenses and other liabilities | <u>\$ -</u> | <u>\$ 44,200.00</u> |
| Acquisition of XXTX with payables | <u>\$ 317,835</u> | <u>\$ -</u> |

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

SENMIAO TECHNOLOGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Senmiao Technology Limited (the “Company”) is a U.S. holding company incorporated in the State of Nevada on June 8, 2017. The Company operates its business in two segments: (1) automobile transaction and related services focusing on the online ride-hailing industry in the People’s Republic of China (“PRC” or “China”) through its wholly owned subsidiaries, Yicheng Financial Leasing Co., Ltd., a PRC limited liability company (“Yicheng”), Chengdu Corenel Technology Co., Ltd., a PRC limited liability company (“Corenel”), and its majority owned subsidiary, Hunan Ruixi Financial Leasing Co., Ltd., a PRC limited liability company (“Hunan Ruixi”), its wholly owned subsidiary, Hunan Ruixi Automobile Leasing Co., Ltd., a PRC limited liability company (“Ruixi Leasing”), and its variable interest entity (“VIE”), Sichuan Jinkailong Automobile Leasing Co., Ltd., a PRC limited liability company (“Jinkailong”). (ii) online ride-hailing platform services through its own platform (known as Xixingtianxia) as described further below, since October 2020, through Hunan Xixingtianxia Technology Co., Ltd., a PRC limited liability company (“XXTX”), which is a majority owned subsidiary of Sichuan Senmiao Zecheng Business Consulting Co., Ltd., a PRC limited liability company and wholly-owned subsidiary of the Company (“Senmiao Consulting”). The Company’s ride hailing platform enables qualified ride-hailing drivers to provide transportation services in Chengdu, Changsha, Neijiang and Guangzhou, China.

The Company previously operated an online lending platform in China through its VIE, Sichuan Senmiao Ronglian Technology Co., Ltd. (“Sichuan Senmiao”), which facilitated peer-to-peer (“P2P”) loan transactions between Chinese investors and individual and small-to-medium-sized enterprise borrowers. The Company ceased its online lending services business in October 2019.

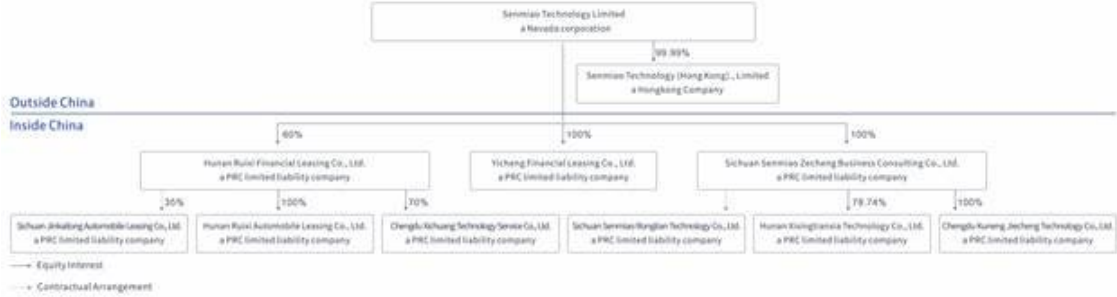
Hunan Ruixi holds a business license for automobile sales and financial leasing and has been engaged in automobile financial leasing services and automobile sales since March 2019 and January 2019, respectively. Hunan Ruixi also controls Jinkailong through its 35% equity interest and voting agreements with Jinkailong’s other shareholders. Jinkailong facilitates automobile sales and financing transactions for its clients, who are primarily ride-hailing drivers and provides them operating lease and relevant after-transaction services. Yicheng holds a business license for automobiles sale and financial leasing and has been engaged in automobile sales since June 2019. The Company also has been engaged in operating leasing services through Jinkailong and Hunan Ruixi since March 2019.

On July 4, 2020, Hunan Ruixi, Jinkailong and the other shareholders of Jinkailong entered into an agreement (the “JKL Investment Agreement”) with Hongyi Industrial Group Co., Ltd. (“Hongyi”). Pursuant to the JKL Investment Agreement, Jinkailong agreed to issue and Hongyi agreed to subscribe for an approximately 27.03% equity interest in Jinkailong in consideration of RMB50 million (approximately \$7.0 million) (the “Investment”). The Investment will be made in two payments: (i) the first payment of RMB10 million (approximately \$1.4 million) was due no later than December 31, 2020 and (ii) the remaining RMB40 million (approximately \$5.6 million) is due within 30 days after the record-filing of the Investment has been made with the local PRC government and the other shareholders of Jinkailong having made their respective capital contributions in full in cash, but no later than December 31, 2020. As Hongyi did not make any payment in accordance with the investment, on July 2, 2021, the JKL Investment Agreement has been terminated upon consent from Hunan Ruixi, Jinkailong, the other shareholders of Jinkailong, and Hongyi.

On September 11, 2020, Senmiao Consulting entered into an investment agreement relating to XXTX with all the original shareholders of XXTX (the “XXTX Investment Agreement”), pursuant to which Senmiao Consulting would make an investment of RMB3.16 million (approximately \$0.5 million) in XXTX in cash and obtain a 51% equity interest accordingly. On October 23, 2020, the registration procedures for the change in shareholders and registered capital were completed and XXTX became a majority owned subsidiary of Senmiao Consulting. On February 5, 2021, Senmiao Consulting and all the shareholders of XXTX entered into a supplementary agreement related to XXTX’s Investment agreement (the “XXTX Increase Investment Agreement”). Under the XXTX Increase Investment Agreement, all shareholders of XXTX agreed to increase the total registered capital of XXTX to RMB50.8 million (approximately \$7.8 million). Senmiao Consulting shall pay another investment amounted to RMB36.84 million (approximately \$5.7 million) in cash in exchange of additional 27.74% of XXTX’s equity interest. As of the issuance date of these consolidated financial statements, Senmiao Consulting has made a capital contribution of RMB19.8 million (approximately \$3.0 million) to XXTX and the remaining amount is expected to be paid before December 31, 2025. As of March 31, 2021, XXTX had eight wholly owned subsidiaries and only one of them has operations.

In December 2020, Senmiao Consulting formed Corenel, with a registered capital of RMB10 million (approximately \$1.6 million) in Chengdu City, Sichuan Province. Corenel has engaged in automobile operating leases since March 2021. In December 2020, Hunan Ruixi and a third party jointly formed a subsidiary, Chengdu Xichuang Technology Service Co., Ltd. (“Xichuang”), with a registered capital of RMB200,000 (approximately \$32,000) in Chengdu City, Sichuan Province. Hunan Ruixi holds 70% of the equity interests of Xichuang. In April 2021, the Company formed Senmiao Technology (Hong Kong), Ltd. (“Senmiao HK”), with a registered capital of \$10,000 in Hongkong. The Company holds 99.99% of the equity interests of Senmiao HK.

The following diagram illustrates the Company’s corporate structure, including its subsidiaries, and VIEs, as of the issuance date of these consolidated financial statements:



VIE Agreements with Sichuan Senmiao

According to the VIE Agreements, Sichuan Senmiao is obligated to pay Senmiao Consulting service fees equal to its net income. Sichuan Senmiao’s entire operations are controlled by the Company. Although the Company discontinued Sichuan Senmiao’s online P2P lending services business as of October 2019, the VIE Agreements remain in place, and such agreements are described in detail below:

Equity Interest Pledge Agreement

Senmiao Consulting, Sichuan Senmiao and the Sichuan Senmiao Shareholders entered into an Equity Interest Pledge Agreement, pursuant to which the Sichuan Senmiao Shareholders pledged all of their equity interest in Sichuan Senmiao to Senmiao Consulting in order to guarantee the performance of Sichuan Senmiao’s obligations under the Exclusive Business Cooperation Agreement as described below. During the term of the pledge, Senmiao Consulting is entitled to receive any dividends declared on the pledged equity interest of Sichuan Senmiao. The Equity Interest Pledge Agreement terminates when all contractual obligations under the Exclusive Business Cooperation Agreement have been fully performed.

Exclusive Business Cooperation Agreement

Pursuant to an Exclusive Business Cooperation Agreement entered by and among the Company, Senmiao Consulting, Sichuan Senmiao and each of Sichuan Senmiao Shareholders, Senmiao Consulting will provide Sichuan Senmiao with complete technical support, business support and related consulting services for 10 years ended September 18, 2027. The Sichuan Senmiao Shareholders and Sichuan Senmiao will not engage any third party for the same or similar consultation services without Senmiao Consulting’s prior consent. Further, the Sichuan Senmiao Shareholders are entitled to receive an aggregate of 20,250,000 shares of common stock of the Company under the Exclusive Business Cooperation Agreement. Senmiao Consulting may terminate the Exclusive Business Cooperation Agreement at any time upon prior written notice to Sichuan Senmiao and the Sichuan Senmiao Shareholders.

Exclusive Option Agreement

Pursuant to an Exclusive Option Agreement entered by and among Senmiao Consulting, Sichuan Senmiao and the Sichuan Senmiao Shareholders, the Sichuan Senmiao Shareholders have granted Senmiao Consulting an exclusive option to purchase at any time their equity interests in Sichuan Senmiao at a purchase price equal to the capital paid by the Sichuan Senmiao Shareholders in whole or at a pro-rated price for any partial purchase. The Exclusive Option Agreement terminates after 10 years ending September 18, 2027 but can be renewed by Senmiao Consulting at its discretion.

Powers of Attorney

Each of the Sichuan Senmiao Shareholders has signed a power of attorney (the “Power of Attorney”), pursuant to which, each of the Sichuan Senmiao Shareholders has authorized Senmiao Consulting to act as his or her exclusive agent and attorney with respect to all rights of such individual as a shareholder of Sichuan Senmiao, including but not limited to: (a) attending shareholders’ meetings; (b) exercising all the shareholder’s rights that shareholders are entitled to under PRC laws and the Articles of Association of Sichuan Senmiao, including but not limited to voting, sale, transfer, pledge and disposition of the equity interests of Sichuan Senmiao; and (c) designating and appointing the legal representative, chairperson, director, supervisor, chief executive officer and other senior management members of Sichuan Senmiao. The Power of Attorney has the same term as the Exclusive Option Agreement.

Timely Report Agreement

The Company and Sichuan Senmiao entered into a Timely Report Agreement, pursuant to which, Sichuan Senmiao agrees to make its officers and directors available to the Company and promptly provide all information required by the Company so that the Company can make necessary filings to the U.S. Securities and Exchange Commission (“SEC”) and other regulatory reports in a timely fashion.

The Company has concluded that it should consolidate the financial statements with Sichuan Senmiao because it is Sichuan Senmiao’s primary beneficiary based on the Power of Attorney from the Sichuan Senmiao Shareholders, who assigned their rights as shareholders of Sichuan Senmiao to Senmiao Consulting, the Company’s wholly-owned subsidiary. These rights include, but are not limited to, attending shareholders’ meetings, voting on matters submitted for shareholder approval and appointing legal representatives, directors, supervisors and senior management of Sichuan Senmiao. As a result, the Company, through Senmiao Consulting, is deemed to hold all of the voting equity interests in Sichuan Senmiao. Pursuant to Exclusive Business Cooperation Agreement, Senmiao Consulting shall provide complete technical support, business support and related consulting services for 10 years. Though not explicit in the VIE Agreements, the Company may provide financial support to Sichuan Senmiao to meet its working capital requirements and capitalization purposes. The terms of the VIE Agreements and the Company’s plan to provide financial support to Sichuan Senmiao were considered in determining that the Company is the primary beneficiary of Sichuan Senmiao. Accordingly, the financial statements of Sichuan Senmiao are consolidated in the accompanying consolidated financial statements.

Voting Agreements with Jinkailong’s Other Shareholders

Hunan Ruixi entered into two voting agreements signed in August 2018 and February 2020, respectively, as amended (the “Voting Agreements”), with Jinkailong and other Jinkailong’s shareholders holding an aggregate of 65% equity interests and obtained 35% equity interests in Jinkailong. Pursuant to the Voting Agreements, all other Jinkailong’s shareholders will vote in concert with Hunan Ruixi on all fundamental corporate transactions in the event of a disagreement for periods of 20 years and 18 years, respectively, ending on August 25, 2038.

The Company has concluded that it should consolidate the financial statements with Jinkailong because it is Jinkailong’s primary beneficiary based on the Voting Agreements. Though not explicit in the Voting Agreements by and among Jinkailong, Hunan Ruixi, and other shareholders of Hunan Ruixi, the Company may provide financial support to Jinkailong to meet its working capital requirements and capitalization purposes. The terms of the Voting Agreements and the Company’s plan to provide financial support to Jinkailong were considered in determining that the Company is the primary beneficiary of Jinkailong. Accordingly, management has determined that Jinkailong is a VIE and the financial statements of Jinkailong are consolidated in the Company’s consolidated financial statements.

Total assets and total liabilities of the Company's VIEs included in the Company's consolidated financial statements as of March 31, 2021 and 2020 are as follows:

| | March 31, 2021 | March 31, 2020 |
|--|----------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 134,776 | \$ 247,671 |
| Accounts receivable, net, current portion | 935,165 | 66,768 |
| Prepayments, other receivables and other assets, net | 1,245,330 | 1,500,784 |
| Other receivable- intercompany | 1,815,250 | 2,211 |
| Due from related parties | 39,572 | 26,461 |
| Current assets - discontinued operations (1) | 571,172 | 1,363,972 |
| Total current assets | 4,741,265 | 3,207,867 |
| Property and equipment, net: | | |
| Property and equipment, net | 451,522 | 317,427 |
| Property and equipment, net - discontinued operations | 2,706 | 3,895 |
| Total property and equipment, net | 454,228 | 321,322 |
| Other assets: | | |
| Operating lease right-of-use assets, net | 265,470 | 317,258 |
| Operating lease right-of-use assets, net, related parties | 9,896 | 50,213 |
| Financing lease right-of-use assets, net | 4,201,693 | 5,440,362 |
| Accounts receivable, net, non-current | 207,240 | 720,916 |
| Total other assets | 4,684,299 | 6,528,749 |
| Total assets | \$ 9,879,792 | \$ 10,057,938 |
| Current liabilities: | | |
| Borrowings from financial institutions | \$ 310,662 | \$ 226,753 |
| Accounts payable | - | 4,018 |
| Advances from customers | 45,413 | 34,374 |
| Income tax payable | 17,408 | 16,106 |
| Accrued expenses and other liabilities | 3,750,393 | 1,632,617 |
| Other payable - intercompany | 6,895,543 | 5,143,463 |
| Due to related parties and affiliates | 352,827 | 152,679 |
| Operating lease liabilities | 99,831 | 78,981 |
| Operating lease liabilities - related parties | 4,989 | 37,378 |
| Financing lease liabilities | 4,814,808 | 3,473,967 |
| Current liabilities - discontinued operations (2) | 2,372,652 | 7,561,603 |
| Total current liabilities | 18,664,526 | 18,361,939 |
| Other liabilities: | | |
| Borrowings from financial institutions, non-current | 38,857 | 58,572 |
| Operating lease liabilities, non-current | 167,822 | 231,825 |
| Operating lease liabilities, non-current - related parties | 3,850 | - |
| Financing lease liabilities, non-current | 2,037,609 | 2,576,094 |
| Total other liabilities | 2,248,138 | 2,866,491 |
| Total liabilities | \$ 20,912,664 | \$ 21,228,430 |

(1) Includes intercompany receivables of \$177,825 and \$543,446 as of March 31, 2021 and 2020, respectively.

(2) Includes intercompany payables of \$35,790 and \$402,406 as of March 31, 2021 and 2020, respectively.

Net revenue, loss from operations and net loss of the VIEs that were included in the Company's consolidated financial statements for the years ended March 31, 2021 and 2020 are as follows:

| | For the Years Ended December 31, | |
|--|---|----------------|
| | 2021 | 2020 |
| Net revenue from continuing operations | \$ 4,406,947 | \$ 3,483,078 |
| Net revenue from discontinued operations | \$ 7,153 | \$ 308,102 |
| Loss from operations from continuing operations | \$ (4,897,744) | \$ (4,514,195) |
| Loss from operations from discontinued operations | \$ (81,285) | \$ (822,470) |
| Net loss from continuing operations attributable to stockholders | \$ (4,048,544) | \$ (3,786,057) |
| Net loss from discontinued operations attributable to stockholders | \$ (232,596) | \$ (4,692,725) |
| Net loss attributable to stockholders | \$ (4,281,140) | \$ (8,478,782) |

2. GOING CONCERN

In assessing the Company's liquidity, the Company monitors and analyzes its cash on-hand and its operating and capital expenditure commitments. The Company's liquidity needs are to meet its working capital requirements, operating expenses and capital expenditure obligations. Debt financing from financial institutions and equity financings have been utilized to finance the working capital requirements of the Company.

The Company's business is capital intensive. The Company's management has considered whether there is substantial doubt about its ability to continue as a going concern due to (1) recurring losses from operations, including net loss of approximately \$12.6 million and \$0.1 million from continuing operations and discontinued operations, respectively, for the year ended March 31, 2021, (2) accumulated deficit of approximately \$34.1 million as of March 31, 2021; (3) the working capital deficit of approximately \$5.9 million as of March 31, 2021; (4) net operating cash outflows of approximately \$2.2 million and \$1.7 million from continuing operations and discontinued operations, respectively, for the year ended March 31, 2021 and (5) the purchase commitment of \$2.5 million. As of March 31, 2021, the Company has entered into two purchase contracts with an automobile dealer to purchase a total of 700 automobiles for the amount of approximately \$11.6 million. Pursuant to the contracts, the Company is required to purchase 350 automobiles in cash with the amount of approximately \$5.8 million. As the issuance date of these financial statements, 200 automobiles have been purchased in cash and delivered to the Company and the remaining purchase commitment of \$2.5 million is to be completed before December 31, 2021. The remaining 350 automobiles purchase commitment with the amount of approximately \$5.8 million shall be purchased with financing option through the dealer's designated financial institutions.

On May 13, 2021, the Company completed a registered direct offering of 5,531,916 shares of the Company's common stock at \$1.175 per share, pursuant to a securities purchase agreement with certain institutional investors. As a result, the Company raised approximately \$5.8 million, net of placement agent fees and offering expenses, to support the Company's working capital requirements.

After the completion of the registered direct offering on May 13, 2021, the Company's working capital deficiency was approximately \$0.1 million. However, management has determined there is substantial doubt about its ability to continue as a going concern. If the Company is unable to generate significant revenue, the Company may be required to curtail or cease its operations. Management is trying to alleviate the going concern risk through the following sources:

- the Company will continue to seek equity financing to support its working capital;
- other available sources of financing (including debt) from PRC banks and other financial institutions; and
- financial support and credit guarantee commitments from the Company's related parties.

Based on the above considerations, management is of the opinion that the Company will probably not having sufficient funds to meet its working capital requirements and debt obligations as they become due one year from the issuance date of these financial statements, if the Company is unable to obtain additional financing. In addition, the maximum contingent liabilities the Company would be exposed to was approximately \$12.8 million as of March 31, 2021. There is no assurance that the Company will be successful in implementing the foregoing plans or that additional financing will be available to the Company on commercially reasonable terms, or at all. There are a number of factors that could potentially arise that could undermine the Company’s plans, such as (i) the impact of the COVID-19 pandemic on the Company’s business and areas of operations in China, (ii) changes in the demand for the Company’s services, (iii) PRC government policies, (iv) economic conditions in China and worldwide, (v) competitive pricing in the automobile transaction and related service and ride-hailing industries, (vi) changes in the Company’s relationships with key business partners, (vii) the ability of financial institutions in China to provide continued financial support to the Company’s customers, and (viii) the perception of PRC-based companies in the U.S. capital markets. The Company’s inability to secure needed financing when required could require material changes to the Company’s business plans and could have a material adverse effect on the Company’s viability and results of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and include the assets, liabilities, revenues and expenses of the subsidiaries and VIEs. All inter-Company accounts and transactions have been eliminated in consolidation.

(c) Foreign currency translation

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

The reporting currency of the Company and its subsidiaries and VIEs is U.S. dollars (“US\$”) and the accompanying consolidated financial statements have been expressed in US\$. However, the Company maintains the books and records in its functional currency, Chinese Renminbi (“RMB”), being the functional currency of the economic environment in which its operations are conducted.

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

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

| | March 31, 2021 | March 31, 2020 |
|---|---------------------------|---------------------------|
| Balance sheet items, except for equity accounts | 6.5527 | 7.0824 |

| | For the Year Ended March 31, | |
|--|---------------------------------|--------|
| | 2021 | 2020 |
| Items in the statements of operations and comprehensive loss | 6.7960 | 6.9472 |

(d) Use of estimates

In presenting the consolidated financial statements in accordance with U.S. GAAP, management make estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgement and available information. Accordingly, actual results could differ from those estimates. On an ongoing basis, management reviews these estimates and assumptions using the currently available information. Changes in facts and circumstances may cause the Company to revise its estimates. The Company bases its estimates on past experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The inputs into our judgments and estimates consider the economic implications of COVID-19 on the Company's critical and significant accounting estimates. Estimates are used when accounting for items and matters including, but not limited to, revenue recognition, residual values, lease classification and liabilities, finance lease receivables, inventory obsolescence, right-of-use assets, determinations of the useful lives and valuation of long-lived assets and goodwill, estimates of allowances for doubtful accounts and prepayments, estimates of impairment of intangible assets, valuation of deferred tax assets, estimated fair value used in business acquisitions, valuation of derivative liabilities, allocation of fair value of derivative liabilities, issuance of common stock and warrants exercised and other provisions and contingencies.

(e) Fair values of financial instruments

Accounting Standards Codification ("ASC") Topic 825, Financial Instruments ("Topic 825") requires disclosure of fair value information of financial instruments, whether or not recognized in the balance sheets, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Topic 825 excludes certain financial instruments and all nonfinancial assets and liabilities from its disclosure requirements. Accordingly, the aggregate fair value amounts do not represent the underlying value of the Company. The three levels of valuation hierarchy are defined as follows:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value.

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2021 and 2020:

| | Carrying Value at March 31, 2021 | Fair Value Measurement at March 31, 2021 | | |
|------------------------|-------------------------------------|---|---------|--------------|
| | | Level 1 | Level 2 | Level 3 |
| Derivative liabilities | \$ 1,278,926 | \$ - | \$ - | \$ 1,278,926 |

| | Carrying Value at March 31, 2020 | Fair Value Measurement at March 31, 2020 | | |
|------------------------|-------------------------------------|---|---------|------------|
| | | Level 1 | Level 2 | Level 3 |
| Derivative liabilities | \$ 342,530 | \$ - | \$ - | \$ 342,530 |

The following is a reconciliation of the beginning and ending balance of the assets and liabilities measured at fair value on a recurring basis for the years ended March 31, 2021 and 2020:

| | 2019 Registered Direct Offering | | | August 2020 | February 2021 | Total |
|---|---------------------------------|-------------------|--------------------|---------------------------------------|-------------------------------------|---------------------|
| | Series A Warrants | Series B Warrants | Placement Warrants | Underwritten Public Offering Warrants | Registered Direct Offering Warrants | |
| BALANCE as of March 31, 2019 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Derivative liabilities recognized at grant date | 2,134,229 | 780,522 | 235,255 | - | - | 3,150,006 |
| Change in fair value of derivative liabilities | (1,818,306) | 231,601 | (210,019) | - | - | (1,796,724) |
| Fair value of warrants exercised | - | (1,010,752) | - | - | - | (1,010,752) |
| BALANCE as of March 31, 2020 | 315,923 | 1,371 | 25,236 | - | - | 342,530 |
| Derivative liabilities recognized at grant date | - | - | - | 241,919 | 755,274 | 997,193 |
| Change in fair value of derivative liabilities | 1,234,630 | - | 138,336 | 455,162 | (117,713) | 1,710,415 |
| Fair value of warrants exercised | (1,470,285) | - | - | (299,556) | - | (1,769,841) |
| Warrant forfeited due to expiration | - | (1,371) | - | - | - | (1,371) |
| BALANCE as of March 31, 2021 | <u>\$ 80,268</u> | <u>\$ -</u> | <u>\$ 163,572</u> | <u>\$ 397,525</u> | <u>\$ 637,561</u> | <u>\$ 1,278,926</u> |

On June 21, 2019, the Company closed a registered direct offering of an aggregate of 1,781,361 shares of common stock, and in connection therewith, issued to the investors (i) for no additional consideration, Series A warrants to purchase up to an aggregate of 1,336,021 shares of common stock, (ii) for nominal additional consideration, Series B warrants to purchase up to a maximum aggregate of 1,116,320 shares of common stock and (iii) placement agent warrants to purchase up to 142,509 shares of common stock.

On August 6, 2020, the Company completed a public offering of 12,000,000 shares of the Company's common stock at \$0.50 per share (the "Offering Price"), pursuant to an underwriting agreement with The Benchmark Company, LLC and Axiom Capital Management, Inc., as representatives of the several underwriters (the "Underwriters"). On August 13, 2020, the Underwriters exercised their rights to purchase an additional 1,800,000 shares of common stock at the Offering Price. In connection with the offering, the Company issued the Underwriters, on a private placement basis, warrants to purchase up to 568,000 shares of common stock (the "Underwriters' Warrants"). The Underwriters' Warrants are exercisable for a period of five years commencing six months from August 4, 2020 at a price per share equal to 125% of the Offering Price and are exercisable on a "cashless" basis.

As the underwriting agreement indicated, The Benchmark Company, LLC and Axiom Capital Management, Inc. have the right of first refusal to act as lead or joint investment banker, lead or joint book-runner and /or joint placement agent, for each and every future public and private equity and debt offering, including all equity linked financings for the Company, or any successor to or any subsidiary of the Company for a period of twelve months following August 4, 2020, (the "ROFR"). The ROFR was terminated as of February 4, 2021 as disclosed in more details below.

On February 10, 2021, the Company completed a registered direct offering of 5,072,465 shares of the Company's common stock at \$1.38 per share, pursuant to a placement agency agreement with FT Global Capital, Inc., as exclusive placement agent in connection with this Offering. In connection with the offering, the Company issued the placement agent warrants to purchase up to 380,435 shares of its common stock. These warrants are exercisable for a period of five years commencing 180 days from February 8, 2020 at a price of \$1.38 per share and are exercisable on a "cashless" basis. In addition, the company issued to The Benchmark Company, LLC and Axiom Capital Management, Inc. seven percent of the gross proceeds from the offering and warrants to purchase up to 152,174 shares of its common stock, in consideration for the termination of the ROFR as mentioned above. These warrants are exercisable for a period of five years from February 8, 2020 at a price of \$1.725 per share.

The strike price of the Company's Series A and Series B warrants, the placement agent warrants and the Underwriters' Warrants are denominated in US\$ and the Company's functional currency is RMB; therefore, those warrant shares are not considered indexed to the Company's own stock which should be classified as derivative liability.

The Company's Series A and Series B warrants, the placement agent warrants, the Underwriters' Warrants, and the ROFR warrants are not traded in an active securities market; therefore, the Company estimates the fair value to those warrants using the Black-Scholes valuation model on June 20, 2019 (the grant date), August 4, 2020 (the grant date), February 10, 2021 (the grant date), March 31, 2020 and March 31, 2021.

| | June 20, 2019 | | | August 4, 2020 | February 10, 2021 | |
|-------------------------|-------------------|-------------------|--------------------------|------------------------|--------------------------|---------------|
| | Series A Warrants | Series B Warrants | Placement Agent Warrants | Underwriters' Warrants | Placement Agent Warrants | ROFR Warrants |
| # of shares exercisable | 1,336,021 | 1,116,320 | 142,509 | 568,000 | 380,435 | 152,174 |
| Valuation date | 6/20/2019 | 6/20/2019 | 6/20/2019 | 8/4/2020 | 2/10/2021 | 2/10/2021 |
| Exercise price | \$ 3.72 | \$ 3.72 | \$ 3.38 | \$ 0.63 | \$ 1.38 | \$ 1.73 |
| Stock price | \$ 2.80 | \$ 2.80 | \$ 2.80 | \$ 0.51 | \$ 1.63 | \$ 1.63 |
| Expected term (years) | 4.00 | 1.00 | 4.00 | 5.00 | 5.00 | 5.00 |
| Risk-free interest rate | 1.77% | 1.91% | 1.77% | 0.19% | 0.46% | 0.46% |
| Expected volatility | 86% | 91% | 86% | 129% | 132% | 132% |

| | March 31, 2020 | | |
|-------------------------|-------------------|-------------------|--------------------------|
| | Series A Warrants | Series B Warrants | Placement Agent Warrants |
| # of shares exercisable | 1,336,021 | 3,132 | 142,509 |
| Valuation date | 3/31/2020 | 3/31/2020 | 3/31/2020 |
| Exercise price | \$ 1.50 | \$ 0.0001 | \$ 3.38 |
| Stock price | \$ 0.44 | \$ 0.44 | \$ 0.44 |
| Expected term (years) | 3.22 | 0.22 | 3.22 |
| Risk-free interest rate | 0.30% | 0.11% | 0.30% |
| Expected volatility | 122% | 127% | 122% |

| | March 31, 2021 | | | | |
|-------------------------|-------------------|---------------------------|------------------------|----------------------------|---------------|
| | Series A Warrants | Placement Agent Warrants* | Underwriters' Warrants | Placement Agent Warrants** | ROFR Warrants |
| # of shares exercisable | 69,931 | 142,509 | 318,080 | 380,435 | 152,174 |
| Valuation date | 3/31/2021 | 3/31/2021 | 3/31/2021 | 3/31/2021 | 3/31/2021 |
| Exercise price | \$ 0.5 | \$ 0.5 | \$ 0.63 | \$ 1.38 | \$ 1.73 |
| Stock price | \$ 1.40 | \$ 1.40 | \$ 1.40 | \$ 1.40 | \$ 1.40 |
| Expected term (years) | 2.22 | 2.22 | 4.35 | 4.87 | 4.87 |
| Risk-free interest rate | 0.20% | 0.20% | 0.73% | 0.88% | 0.88% |
| Expected volatility | 132% | 132% | 132% | 132% | 132% |

* The Placement Agent Warrants granted on June 20, 2019.

** The Placement Agent Warrants granted on February 10, 2021.

As of March 31, 2021 and 2020, financial instruments of the Company comprised primarily current assets and current liabilities including cash and cash equivalents, restricted cash, accounts receivable, inventories, finance lease receivables, prepayments, other receivables and other assets, due from related parties, borrowings from financial institutions, accounts payable, advance from customers, lease liabilities, accrued expenses and other liabilities, due to related parties and affiliates, and operating and financing lease liabilities, which approximate their fair values because of the short-term nature of these instruments, and non-current liabilities of borrowings from financial institutions, which approximate their fair values because of the stated loan interest rate to the rate charged by similar financial institutions.

The non-current portion of accounts receivables, finance lease receivables, and operating and financing lease liabilities were recorded at gross adjusted for the interest using the effective interest rate method. The Company believes that the effective interest rates underlying these instruments approximate their fair values because the Company used its incremental borrowing rate to recognize the present value of these instruments as of March 31, 2021 and 2020.

Other than as listed above, the Company did not identify any assets or liabilities that are required to be presented on the balance sheet at fair value.

(f) Business combinations and non-controlling interests

The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805 "Business Combinations." The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred to the sellers and liabilities incurred by the Company and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statements. During the measurement period, which can be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated income statements.

For the Company's non-wholly owned subsidiaries, a non-controlling interest is recognized to reflect portion of equity that is not attributable, directly or indirectly, to the Company. The cumulative results of operations attributable to non-controlling interests are also recorded as non-controlling interests in the Company's consolidated balance sheets and consolidated statements of operations and comprehensive loss. Cash flows related to transactions with non-controlling interests are presented under financing activities in the consolidated statements of cash flows

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"), which is comprised of certain members of the Company's management team. Historically, the Company had one single operating and reportable segment, namely the provision of an online lending services which was discontinued in the periods after October 17, 2019. During the year ended March 31, 2019 and 2021, the Company acquired Hunan Ruixi and XXTX, respectively. The Company evaluated how the CODM manages the businesses of the Company to maximize efficiency in allocating resources and assessing performance. Consequently, the Company presents two operating and reportable segments as set forth in Notes 1 and 19.

(h) Cash and cash equivalents

Cash and cash equivalents primarily consist of bank deposits with original maturities of three months or less, which are unrestricted as to withdrawal and use. Cash and cash equivalents also consist of funds received from automobile purchasers as payment for automobiles, related insurances and taxes to be paid on behalf of the automobile purchasers, which funds were held at the third party platforms' fund accounts and which are unrestricted and immediately available for withdrawal and use.

(i) Accounts receivable, net

Accounts receivable are recorded at the invoiced amount less an allowance for any uncollectible accounts and do not bear interest, and are due on demand. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical collection trends and aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history and the current economic conditions to make adjustments in the allowance when necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of March 31, 2021 and 2020, allowance for doubtful accounts amounted to \$78,167 and \$379,689, respectively.

(j) Inventories

Inventories consist of automobiles which are held primarily for sale and for leasing purposes, and are stated at lower of cost or net realizable value, as determined using the weighted average cost method. Management compares the cost of inventories with the net realizable value and if applicable, an allowance is made for writing down the inventory to its net realizable value, if lower than cost. On an ongoing basis, inventories are reviewed for potential write-down for estimated obsolescence or unmarketable inventories which equals the difference between the costs of inventories and the estimated net realizable value based upon forecasts for future demand and market conditions. When inventories are written-down to the lower of cost or net realizable value, it is not marked up subsequently based on changes in underlying facts and circumstances.

(k) Finance lease receivables, net

Finance lease receivables, which result from sales-type leases, are measured at discounted present value of (i) future minimum lease payments, (ii) any residual value not subject to a bargain purchase option as a finance lease receivables on its balance sheet and (iii) accrued interest on the balance of the finance lease receivables based on the interest rate inherent in the applicable lease over the term of the lease. Management also periodically evaluates individual customer's financial condition, credit history and the current economic conditions to make adjustments in the allowance when necessary. Finance lease receivables is charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of March 31, 2021 and 2020, the Company determined no allowance for doubtful accounts was necessary for finance lease receivables.

As of March 31, 2021 and 2020, finance lease receivables consisted of the following:

| | March 31, 2021 | March 31, 2020 |
|---|---------------------|---------------------|
| Minimum lease payments receivable | \$ 1,343,662 | \$ 1,606,230 |
| Less: Unearned interest | (328,585) | (412,975) |
| Financing lease receivables, net | \$ 1,015,077 | \$ 1,193,255 |
| Finance lease receivables, net, current portion | \$ 541,605 | \$ 459,110 |
| Finance lease receivables, net, non-current portion | \$ 473,472 | \$ 734,145 |

Future scheduled minimum lease payments for investments in sales-type leases as of March 31, 2021 are as follows:

| | Minimum future payments receivable |
|-------------------------------------|--|
| Twelve months ending March 31, 2022 | \$ 639,877 |
| Twelve months ending March 31, 2023 | 490,516 |
| Twelve months ending March 31, 2024 | 196,503 |
| Twelve months ending March 31, 2025 | 16,766 |
| Total | <u>\$ 1,343,662</u> |

(l) Property and equipment, net

Property and equipment primarily consist of computer equipment, which is stated at cost less accumulated depreciation less any provision required for impairment in value. Depreciation is computed using the straight-line method with no residual value based on the estimated useful life. The useful life of property and equipment is summarized as follows:

| Categories | Useful life |
|------------------------|--|
| Leasehold improvements | Shorter of the remaining lease terms or estimated useful lives |
| Computer equipment | 2 - 5 years |
| Office equipment | 3 - 5 years |
| Automobiles | 3 - 5 years |

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the future net undiscounted cash flows that the asset is expected to generate. If such asset is considered to be impaired, the impairment recognized is the amount by which the carrying amount of the asset, if any, exceeds its fair value determined using a discounted cash flow model. For the years ended March 31, 2021 and 2020, the impairment for property and equipment was \$10,459 and \$0, respectively.

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

(m) Intangible assets, net

Purchased intangible assets are recognized and measured at fair value upon acquisition. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method as follows:

| Categories | Useful life |
|--|-------------|
| Software | 5-10 years |
| Online ride-hailing platform operating license | 5 years |

Separately identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for identifiable intangible assets is based on the amount by which the carrying amount of the assets exceeds the fair value of the assets. For the years ended March 31, 2021 and 2020, there was \$0 and \$265,525 impairment, respectively, on customer relationship from Sichuan Senmiao as a result of the Company's decision to discontinue the P2P lending business in October 2019 of intangible assets.

(n) Goodwill

Goodwill represents the excess of the consideration paid of an acquisition over the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill is not amortized and is tested for impairment at least annually, more often when circumstances indicate impairment may have occurred. Goodwill is carried at cost less accumulated impairment losses. If impairment exists, goodwill is immediately written off to its fair value and the loss is recognized in the consolidated statements of operations and comprehensive loss. Impairment losses on goodwill are not reversed.

The Company reviews the carrying value of intangible assets not subject to amortization, including goodwill, to determine whether impairment may exist annually or more frequently if events and circumstances indicate that it is more likely than not that an impairment has occurred. The Company assesses qualitative factors to determine whether it is necessary to perform the two-step in accordance with ASC 350-20. If the Company believes, as a result of the qualitative carrying amount, the two-step quantitative impairment test described below is required.

The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required.

If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business acquisition with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being a discounted cash flow.

For years ended March 31, 2021 and 2020, no impairment was recorded for goodwill.

(o) Loss per share

Basic loss per share is computed by dividing net loss attributable to stockholders by the weighted average number of outstanding shares of common stock, adjusted for outstanding shares of common stock that are subject to repurchase.

For the calculation of diluted loss per share, net loss attributable to stockholders for basic loss per share is adjusted by the effect of dilutive securities, including share-based awards, under the treasury stock method. Potentially dilutive securities, of which the amounts are insignificant, have been excluded from the computation of diluted net loss per share if their inclusion is anti-dilutive.

(p) Derivative liabilities

A contract is designated as an asset or a liability and is carried at fair value on the Company's balance sheet, with any changes in fair value recorded in the Company's results of operations. The Company then determines which options, warrants and embedded features require liability accounting and records the fair value as a derivative liability. The changes in the values of these instruments are shown in the accompanying consolidated statements of operations and comprehensive loss as "change in fair value of derivative liabilities".

(q) Revenue recognition

The Company recognized its revenue under Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (ASC 606). ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. It also requires the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

To achieve that core principle, the Company applies the five steps defined under ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company accounts for a contract with a customer when the contract is committed in writing, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration to collect is substantially probable.

As of March 31, 2021, the Company had outstanding contracts for automobile transaction and related services amounting to \$488,328, of which \$315,135 is expected to be completed within twelve months after March 31, 2021, and \$173,194 is expected to be completed after March 31, 2022.

Disaggregated information of revenues by business lines are as follows:

| | For Years Ended March 31, | |
|--|------------------------------|----------------------|
| | 2021 | 2020 |
| Automobile Transaction and Related Services (Continuing Operations) | | |
| - Revenues from sales of automobiles | \$ 487,426 | \$ 11,536,691 |
| - Operating lease revenues from automobile rentals | 3,434,615 | 1,303,639 |
| - Service fees from management and guarantee services | 285,427 | 141,527 |
| - Financing revenues | 227,599 | 164,391 |
| - Service fees from automobile purchase services | 187,295 | 1,726,717 |
| - Facilitation fees from automobile transactions | 1,663 | 197,815 |
| - Other service fees | 633,255 | 584,795 |
| Total Revenues from Automobile Transaction and Related Services (Continuing Operations) | 5,257,280 | 15,655,575 |
| Online Ride-hailing Platform Services (Continuing Operations) | 903,254 | - |
| Total Revenues from Continuing Operations | 6,160,534 | 15,655,575 |
| Online Lending Services (Discontinued Operations) | | |
| - Transaction fees | 3,488 | 73,341 |
| - Service fees | - | 23,833 |
| - Website development revenue | 3,665 | 15,266 |
| Total Revenues from Discontinued Operations | 7,153 | 112,440 |
| Total Revenues | \$ 6,167,687 | \$ 15,768,015 |

Automobile transaction and related services

Sales of automobiles – The Company generates revenue from sales of automobiles to the customers of Jinkailong, Hunan Ruixi and Chengdu Mashangchuxing Automobile Leasing Co., Ltd. (“Mashang Chuxing”). The control over the automobile is transferred to the purchaser along with the delivery of automobiles. The amount of the revenue is based on the sale price agreed by Hunan Ruixi or Yicheng and the counterparties, including Jinkailong, who acts on behalf of its customers. The Company recognizes revenues when an automobile is delivered and control is transferred to the purchaser at a point in time. Accounts receivable related to the revenue are being collected over 36 to 48 months. The interest component is included in the non-current portion of the accounts receivable.

Operating lease revenues from automobile rentals –The Company generates revenue from sub-leasing automobiles from some online ride-hailing drivers or leasing its own automobiles. The Company recognizes revenue wherein an automobile is transferred to the leasee and the leasee has the ability to control the asset, is accounted for under ASC Topic 842. Rental transactions are satisfied over the rental period. Rental periods are short term in nature, generally are twelve months or less.

Service fees from management and guarantee services – Over 95% of the Company’s customers are online ride-hailing drivers. The drivers sign affiliation agreements with the Company, pursuant to which the Company provides them with management and guarantee services during the affiliation period. Service fees for management and guarantee services are paid by such automobile purchasers on a monthly basis for the management and guarantee services provided during the affiliation period. The Company recognizes revenue over the affiliation period when performance obligations are completed.

Financing revenues – Interest income from the lease arising from the Company’s sales-type leases and bundled lease arrangements are recognized as financing revenues over the lease term based on the effective rate of interest in the lease.

Service fees from automobile purchase services – Services fees from automobile purchase services are paid by automobile purchasers for a series of the services provided to them throughout the purchase process such as credit assessment, preparation of financing application materials, assistance with closing of financing transactions, license and plate registration, payment of taxes and fees, purchase of insurance, installment of GPS devices, ride-hailing driver qualification and other administrative procedures. The amount of these fees is based on the sales price of the automobiles and relevant services provided. The Company recognizes revenue when all the services are completed and an automobile is delivered to the purchaser at a point in time. Accounts receivable related to the revenue are being collected over 36 to 48 months. The interest component is included in the non-current portion of the accounts receivable.

Facilitation fees from automobile transactions – Facilitation fees from automobile purchase transactions are paid by the Company’s customers including third-party sales teams or the automobile purchasers for the facilitation of the sales and financing of automobiles. The Company attracts automobile purchasers through third-party sales teams or its own sales department. For the sales facilitated between third-party sales teams and automobile purchasers, the Company charges the fees to the third-party sales teams, which derived from the commission paid by the automobile purchasers to the third-party sales teams. Relating to sales facilitated between automobile purchasers and dealers, the Company charges the fees to the automobile purchasers. The Company recognizes revenue from facilitation fees when the titles are transferred to the purchasers at a point in time. The amount of fees is based on the type of automobile and negotiation with each sales team or automobile purchaser. The fees charged to third-party sales teams or automobile purchasers are paid before the automobile purchase transactions are consummated. These fees are non-refundable upon the delivery of automobiles.

Online ride-hailing platform services

The Company generates revenue from providing services to online ride-hailing drivers ("Drivers") to assist them in providing transportation services to riders ("Riders") looking for taxi/ride-hailing services. The Company earns commissions for each completed ride in an amount equal to the difference between an upfront quoted fare and the amount earned by a Driver based on actual time and distance for the ride charged to the Rider. As a result, the Company bears a single performance obligation in the transaction of connecting Drivers with Riders to facilitate the completion of a successful transportation service for Riders. The Company recognizes revenue upon completion of a ride as the single performance obligation is satisfied and the Company has the right to receive payment for the services rendered upon the completion of the ride. The Company evaluates the presentation of revenue on a gross or net basis based on whether it controls the service provided to the Rider and is the principal (i.e. "gross"), or it arranges for other parties to provide the service to the Rider and is an agent (i.e. "net"). Since the Company is not primarily responsible for ride-hailing services provided to Riders, it does not have inventory risk related to the services. Thus, the Company recognizes revenue at a net basis.

Leases

The Company accounts for leases in accordance with ASC 842. The two primary accounting provisions the Company uses to classify transactions as sales-type or operating leases are: (i) a review of the lease term to determine if it is for the major part of the economic life of the underlying equipment (defined as greater than 75%); and (ii) a review of the present value of the lease payments to determine if they are equal to or greater than substantially all of the fair market value of the equipment at the inception of the lease (defined as greater than 90%). Automobile included in arrangements meeting these conditions are accounted for as sales-type leases. Interest income from the lease is recognized in financing revenues over the lease term. Automobile included in arrangements that do not meet these conditions are accounted for as operating leases and revenue is recognized over the term of the lease.

The Company excludes from the measurement of its lease revenues any tax assessed by a governmental authority that is both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer.

The Company considers the economic life of most of the automobiles to be three to five years, since this represents the most common lease term for its automobiles and the automobiles will be used for ride-hailing services. The Company believes three to five years is representative of the period during which an automobile is expected to be economically usable, with normal service, for the purpose for which it is intended.

A portion of the Company's direct sales of automobile to end customers are made through bundled lease arrangements which typically include automobile, services (automobile purchase services, facilitation services, and management and guarantee services) and financing components where the customer pays a single negotiated fixed minimum monthly payment for all elements over the contractual lease term. Revenues under these bundled lease arrangements are allocated considering the relative standalone selling prices of the lease and non-lease deliverables included in the bundled arrangement and the financing components. Lease deliverables include the automobile and financing, while the non-lease deliverables generally consist of the services and repayment of advanced fees made on behalf of its customers. The Company considers the fixed payments for purposes of allocation to the lease elements of the contract. The fixed minimum monthly payments are multiplied by the number of months in the contract term to arrive at the total fixed lease payments that the customer is obligated to make over the lease term. Amounts allocated to the automobile and financing elements are then subjected to the accounting estimates under ASC 842 to ensure the values reflect standalone selling prices. The remainder of any fixed payments are allocated to non-lease elements (automobile purchase services, facilitation fees, and management and guarantee services), for which these revenues are recognized in a manner consistent with the guidance for service fees from automobile purchase services, facilitation fees from automobile transactions, and service fees from management and guarantee services as discussed above.

The Company's lease pricing interest rates, which are used in determining customer payments in a bundled lease arrangement, are developed based upon the local prevailing rates in the marketplace where its customer will be able to obtain an automobile loan under similar terms from the bank. The Company reassesses its pricing interest rates quarterly based on changes in the local prevailing rates in the marketplace. As of March 31, 2021, the Company's pricing interest rate was 6.0% per annum.

(r) Income taxes

Deferred income tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the income tax basis and financial reporting basis of assets and liabilities. Provisions or benefits for income taxes consists of tax estimated from taxable income plus or minus deferred tax expenses (benefits) if applicable.

Deferred tax is calculated using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis. In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable income will be utilized with prior net operating loss carried forwards using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be utilized. Current income taxes are provided for in accordance with the laws of the relevant tax authorities. An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. The Company did not have any significant unrecognized uncertain tax positions or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefit as of March 31, 2021 and 2020. As of March 31, 2021, the calendar years ended December 31, 2015 through 2020 for the Company's PRC entities remain open for statutory examination by PRC tax authorities. The Company presents deferred tax assets and liabilities as non-current in the balance sheet based on an analysis of each taxpaying component within a jurisdiction.

(s) Comprehensive loss

Comprehensive loss includes net loss and foreign currency adjustments. Comprehensive loss is reported in the consolidated statements of operations and comprehensive loss. Accumulated other comprehensive loss, as presented on the consolidated balance sheets are the cumulative foreign currency translation adjustments.

(t) Share-based awards

Share-based awards granted to the Company's employees are measured at fair value on grant date and share-based compensation expense is recognized (i) immediately at the grant date if no vesting conditions are required, or (ii) using the accelerated attribution method, net of estimated forfeitures, over the requisite service period. The fair value of restricted shares is determined with reference to the fair value of the underlying shares.

At each date of measurement, the Company reviews internal and external sources of information to assist in the estimation of various attributes to determine the fair value of the share-based awards granted by the Company, including but not limited to the fair value of the underlying shares, expected life, expected volatility and expected forfeiture rates. The Company is required to consider many factors and make certain assumptions during this assessment. If any of the assumptions used to determine the fair value of the share-based awards changes significantly, share-based compensation expense may differ materially in the future from that recorded in the current reporting period.

(u) Leases

The Company accounts for leases in accordance with ASC 842. Beginning in the year ended March 31, 2020, the Company entered into certain agreements as a lessor under which it leased automobiles for a short-term period (usually under 12 months) to ride-hailing car service drivers. The Company also entered into certain agreements as a lessee to lease automobiles and to conduct its automobiles rental operations. If any of the following criteria are met, the Company classifies the lease as a finance lease (as a lessee) or as a direct financing or sales-type lease (both as a lessor):

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- The lease grants the lessee an option to purchase the underlying asset that the Company is reasonably certain to exercise;
- The lease term is for 75% or more of the remaining economic life of the underlying asset, unless the commencement date falls within the last 25% of the economic life of the underlying asset;
- The present value of the sum of the lease payments equals or exceeds 90% of the fair value of the underlying asset; or
- 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.

Leases that do not meet any of the above criteria are accounted for as operating leases.

The Company combines lease and non-lease components in its contracts under Topic 842, when permissible.

Finance and operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Since the implicit rate for the Company's leases is not readily determinable, the Company use its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments, in a similar economic environment and over a similar term.

Lease terms used to calculate the present value of lease payments generally do not include any options to extend, renew, or terminate the lease, as the Company does not have reasonable certainty at lease inception that these options will be exercised. The Company generally consider the economic life of its operating lease ROU assets to be comparable to the useful life of similar owned assets. The Company has elected the short-term lease exception, therefore operating lease ROU assets and liabilities do not include leases with a lease term of twelve months or less. Its leases generally do not provide a residual guarantee. The finance or operating lease ROU asset also excludes lease incentives. Lease expense is recognized on a straight-line basis over the lease term for operating lease. Meanwhile, the Company recognizes the finance leases ROU assets and interest on an amortized cost basis. The amortization of finance ROU assets is recognized on an accretion basis as amortization expense, while the lease liability is increased to reflect interest on the liability and decreased to reflect the lease payments made during the period. Interest expense on the lease liability is determined each period during the lease term as the amount that results in a constant periodic interest rate of the automobile loans on the remaining balance of the liability.

The Company reviews the impairment of its ROU assets consistent with the approach applied for its other long-lived assets. The Company reviews the recoverability of its long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on its ability to recover the carrying value of the asset from the expected undiscounted future pre-tax cash flows of the related operations. The Company has elected to include the carrying amount of finance and operating lease liabilities in any tested asset group and include the associated lease payments in the undiscounted future pre-tax cash flows. For the year ended March 31, 2021, the Company recognized impairment loss of \$120,380 on its finance lease ROU assets.

(v) Reclassification

Certain items of operating expenses in the consolidated statements of operations and comprehensive of comparative period have been reclassified to conform to the consolidated financial statements for the current period. The reclassification has no impact on net loss.

(w) Significant risks and uncertainties

1) Credit risk

- a. Assets that potentially subject the Company to significant concentration of credit risk primarily consist of cash and cash equivalents. The maximum exposure of these assets to credit risk is their carrying amounts as of the balance sheet dates. On March 31, 2021 and 2020, approximately \$1,560,000 and \$2,600, respectively, was deposited with a bank in the United States which is insured by the U.S. government up to \$250,000. On March 31, 2021 and 2020, approximately \$2,339,000 and \$820,000, respectively, were deposited in financial institutions located in mainland China, which were insured by the government authority. Under the Deposit Insurance System in China, an enterprise's deposits at one bank is insured for a maximum of approximately \$70,000 (RMB500,000). To limit exposure to credit risk relating to deposits, the Company primarily place cash deposits with large financial institutions in China which management believes are of high credit quality.

The Company's operations are carried out entirely in mainland China. Accordingly, the Company's business, financial condition and results of operations may be influenced by the social, political, economic and legal environments in the PRC as well as by the general state of the PRC economy. In addition, the Company's business may be influenced by changes in PRC government laws, rules and policies with respect to, among other matters, the response to the COVID-19 pandemic, anti-inflationary measures, currency conversion and remittance of currency outside of China, rates and methods of taxation and other factors.

- b. In measuring the credit risk of accounts receivables due from the automobile purchasers (the "customers"), the Company mainly reflects the "probability of default" by the customer on its contractual obligations and considers the current financial position of the customer and the risk exposures to the customer and its likely future development. However, as the Company only commenced the automobile transaction and related services since November 2018, there was limited historic default data and other information to make an estimate on the expected credit losses. Historically, most of the automobile purchasers would pay the Company their previously defaulted amounts within one to three months. As a result, the Company would provide full provisions on accounts receivable if the customers default on repayments for over three months. As of March 31, 2021 and 2020, the Company provided an allowance for doubtful accounts of \$78,167 and \$379,689, respectively. For the years ended March 31, 2021 and 2020, the Company wrote off accounts receivable of \$485,384 and \$1,410,736, respectively, which represents due from automobile purchasers.

In measuring the credit risk of accounts receivables due from the borrowers and investors who formally used the Company's discontinued P2P lending platform (the "P2P customers"), the Company mainly reflects the "probability of default" by the P2P customers on its contractual obligations and considers the current financial position of the P2P customers and the risk exposures to the P2P customers and its likely future development. Historically, most of the borrowers would pay the transaction fee within one year upon (i) disbursement of the proceeds for loans or (ii) full payment of principal and interest of loan. Most of investors would pay the service fee within one year upon receipt of their investment returns. On October 17, 2019, the Board approved the plan for the Company to discontinue and wind down its online lending services business. For the year ended March 31, 2021, no additional accounts receivable were written-off.

2) Foreign currency risk

As of March 31, 2021 and 2020, substantially all of the Company's operating activities and major assets and liabilities, except for the cash deposit of approximately \$2,073,000 and \$818,000, respectively, in U.S. dollars, are denominated in RMB, which are not freely convertible into foreign currencies. All foreign exchange transactions take place through either the People's Bank of China ("PBOC") or other authorized financial institutions at exchange rates quoted by PBOC. Approval of foreign currency payments by the PBOC or other regulatory institutions requires a payment application together with invoices and signed contracts. The value of RMB is subject to change in central government policies and international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. When there is a significant change in value of RMB, the gains and losses resulting from translation of financial statements of a foreign subsidiary will be significantly affected. RMB were appreciated from 7.08 RMB into US\$1.00 at March 31, 2020 to 6.55 RMB into US\$1.00 at March 31, 2021.

3) VIE risk

The Company believes that the VIE Agreements and the Voting Agreements are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements.

The shareholders of Sichuan Senmiao are also shareholders of the Company and therefore have no current interest in seeking to act contrary to the contractual arrangements. However, if the shareholders of Sichuan Senmiao were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms. However, the other shareholders of Jinkailong are not shareholders of the Company and there is a risk they may act in contrary to the interests of the shareholders of the Company.

The Company cannot assure that when conflicts of interest arise, the shareholders of Sichuan Senmiao or the other shareholders of Jinkailong will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. In addition, the Company's ability to control Sichuan Senmiao and Jinkailong via the VIE Agreements and Voting Agreements may not be as effective as direct equity ownership.

Further, the VIE Agreements or the Voting Agreements may not be enforced in China if the PRC government or courts consider those contracts contravene PRC laws and regulations or otherwise not enforceable for public policy reasons. If the VIE Agreements or the Voting Agreements were found to be in violation of any existing PRC laws and regulations, the PRC government could:

- revoke the VIE's business and operating licenses;
- require the VIEs to discontinue or restrict operations;
- restrict the Company's right to collect revenues;
- block the Company's websites;
- require the Company to restructure the operations in such a way as to compel the Company to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- impose additional conditions or requirements with which the Company may not be able to comply; or
- take other regulatory or enforcement actions against the Company that could be harmful to the Company's business.

(x) Recently issued accounting standards

In June 2016, the FASB issued new accounting guidance ASU 2016-13 for recognition of credit losses on financial instruments, which is effective January 1, 2020, with early adoption permitted on January 1, 2019. The guidance introduces a new credit reserving model known as the Current Expected Credit Loss (“CECL”) model, which is based on expected losses, and differs significantly from the incurred loss approach used today. The CECL model requires measurement of expected credit losses not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information and will likely result in earlier recognition of credit reserves. In November 2019, the FASB issued ASU No. 2019-10, which to update the effective date of ASU No. 2016-13 for private companies, not-for-profit organizations and certain smaller reporting companies applying for credit losses standard. The new effective date for these preparers is for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company has not yet adopted this update and it will become effective on January 1, 2023 assuming the Company will remain eligible to be smaller reporting company. The Company is currently evaluating the impact of this new standard on Company’s consolidated financial statements and related disclosures.

CECL adoption will have broad impact on the financial statements of financial services firms, which will affect key profitability and solvency measures. Some of the more notable expected changes include:

- Higher allowance on financial guarantee reserve and finance lease receivable levels and related deferred tax assets. While different asset types will be impacted differently, the expectation is that reserve levels will generally increase across the board for all financial firms.
- Increased reserve levels may lead to a reduction in capital levels.
- As a result of higher reserving levels, the expectation is that CECL will reduce cyclicality in financial firms’ results, as higher reserving in “good times” will mean that less dramatic reserve increases will be loan related income (which will continue to be recognized on a periodic basis based on the effective interest method) and the related credit losses (which will be recognized up front at origination). This will make periods of loan expansion seem less profitable due to the immediate recognition of expected credit losses. Periods of stable or declining loan levels will look comparatively profitable as the income trickles in for loans, where losses had been previously recognized.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”. The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted, including adoption in any interim period for (1) public business entities for periods for which financial statements have not yet been issued and (2) all other entities for periods for which financial statements have not yet been made available for issuance. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. The adoption of this standard on January 1, 2021 did not have a material impact on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, “Debt – Debt Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40)”. The amendment in this Update is to address issues identified as a result of the complexity associated with applying generally accepted accounting principles (GAAP) for certain financial instruments with characteristics of liabilities and equity. For convertible instruments, the Board decided to reduce the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. The amendments in this Update are effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Board specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. The Company does not believe the adoption of this ASU would have a material effect on the Company’s consolidated financial statements and related disclosures.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows of the Company.

4. BUSINESS COMBINATION

On September 11, 2020, Senmiao Consulting entered into an Investment Agreement relating to XXTX with all the original shareholders of XXTX, pursuant to which Senmiao Consulting agreed to make an investment of RMB3.16 million (approximately \$0.5 million) in XXTX in cash in exchange for a 51% equity interest. On October 23, 2020, the registration procedures for the change in shareholders and registered capital were completed and XXTX became a majority owned subsidiary of Senmiao Consulting. On February 5, 2021, Senmiao Consulting and all the shareholders of XXTX entered into XXTX Increase Investment Agreement, a supplementary agreement related to XXTX Investment Agreement. Under the XXTX Increase Investment Agreement, all shareholders of XXTX agreed to increase the total registered capital of XXTX to RMB50.8 million (approximately \$7.8 million). Senmiao Consulting shall pay another investment amounted to RMB36.84 million (approximately \$5.7 million) in cash in exchange of additional 27.74% of XXTX's equity interest. As of the issuance date of these consolidated financial statements, Senmiao Consulting has made a capital contribution of RMB19.8 million (approximately \$3.0 million) to XXTX and the remaining amount is expected to be paid before December 31, 2025. The Company operates a ride-hailing platform through XXTX.

The Company's acquisition of XXTX was accounted for as a business combination in accordance with ASC 805. The Company has allocated the purchase price of XXTX based upon the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date. The Company estimated the fair values of the assets acquired and liabilities assumed at the acquisition date in accordance with the business combination standard issued by the FASB with the valuation methodologies using level 3 inputs, except for other current assets and current liabilities were valued using the cost approach. Management of the Company is responsible for determining the fair value of assets acquired, liabilities assumed and intangible assets identified as of the acquisition date and considered a number of factors including valuations from independent appraisers. Acquisition-related costs incurred for the acquisitions are not material and have been expensed as incurred in general and administrative expense.

The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date, which represents the net purchase price allocation on the date of the acquisition of XXTX based on valuation performed by an independent valuation firm engaged by the Company and translated the fair value from RMB to USD using the exchange rate on October 23, 2020 at the rate of USD 1.00 to RMB 6.69.

As of March 31, 2021, the Company acquired \$8,065 in cash, net of cash paid to XXTX in the acquisition of XXTX. The remaining purchase consideration of approximately \$0.3 million from XXTX Investment Agreement signed on September 11, 2020 and approximately \$5.7 million additional capital investment from XXTX Increase Investment Agreement signed on February 5, 2020 mentioned above are expected to be paid by the Company by December 31, 2025.

Under ASC 805-30-30-1, goodwill is calculated as follows:

| | Fair value |
|---|-------------------|
| Purchase consideration paid | \$ 472,573 |
| Fair value of non-controlling interest | 326,570 |
| Less: fair value of nets assets of XXTX: | |
| Cash and cash equivalents | 105,386 |
| Other current assets | 525,005 |
| Plant and equipment | 790 |
| Intangible assets | 265,536 |
| Total assets | 896,717 |
| Total liabilities | (230,247) |
| Total fair value of net assets of XXTX | 666,470 |
| Goodwill as of the acquisition date | 132,673 |
| Effect of exchange rate changes on goodwill | 2,715 |
| Goodwill as of March 31, 2021 | <u>\$ 135,388</u> |

5. DISCONTINUED OPERATIONS

On October 17, 2019, the Board approved the Plan under which the Company has discontinued and is winding down its online P2P lending services business. The Company determined that the continued operation of its online P2P lending services business was not viable in light of the tightened regulations on online peer-to-peer lending in China generally and the unofficial request from local regulator to reduce the Company's online peer-to-peer lending transaction volume on a monthly basis. The Company also determined that the discontinuation of its online P2P lending services business would allow the Company to focus its resources on its automobile financing facilitation and transaction business. In connection with the Plan, the Company ceased facilitation of loan transactions on its online lending platform and assumed all the outstanding loans from investors on the platform. The decision and action taken by the Company of discontinuing the online lending services business represented a major shift that will have a major effect on the Company's operations and financial results, which triggers discontinued operations accounting in accordance with ASC 205-20-45.

The fair value of discontinued operations, determined as of October 17, 2019, includes estimated consideration expected to be received, less costs to sell. After consideration of the determination of fair value of the discontinued operations including the assumption of all the outstanding loans from investors on the platform, \$143,668 of accounts receivable, \$3,760,599 of other receivables, and \$143,943 of prepayments for impaired intangible assets were indicated as of the date the Company's Board of Directors approved the winding down of the Company's online P2P lending services business on October 17, 2019, and the Company recognized \$4,048,210 provision for doubtful accounts as of September 30, 2019 in related to the Company's online lending services business, while the Company did not recognize any additional provision for doubtful accounts for the year ended March 31, 2021.

The following table sets forth the reconciliation of the carrying amounts of major classes of assets and liabilities from discontinued operations in consolidated balance sheet as of March 31, 2021 and 2020.

Carrying amounts of major classes of assets included as part of discontinued operations:

| | March 31 2021 | March 31, 2020 |
|--|-------------------|-------------------|
| Current assets | | |
| Cash and cash equivalents | \$ - | \$ 10,139 |
| Prepayments, other receivables and other assets, net | 393,348 | 816,441 |
| Total current assets | 393,348 | 826,580 |
| Property and equipment, net | 5,592 | 11,206 |
| Total assets | \$ 398,940 | \$ 837,786 |

Carrying amounts of major classes of liabilities included as part of discontinued operations:

| | March 31 2021 | March 31, 2020 |
|--|---------------------|---------------------|
| Current liabilities | | |
| Accrued expenses and other liabilities | \$ 2,288,066 | \$ 4,204,012 |
| Due to stockholders | 48,795 | 182,095 |
| Due to related parties and affiliates | - | 76,286 |
| Lease liabilities | - | 53,899 |
| Total current liabilities | 2,336,861 | 4,516,292 |
| Total liabilities | \$ 2,336,861 | \$ 4,516,292 |

The following table sets forth the reconciliation of the amounts of major classes of income and losses from discontinued operations in the consolidated statements of operations and comprehensive loss for years ended March 31, 2021 and 2020.

| | For the Years Ended March 31, | |
|---|-------------------------------------|-----------------------|
| | 2021 | 2020 |
| Revenues | \$ 7,153 | \$ 112,440 |
| Operating expenses | | |
| Selling, general and administrative expenses | (88,438) | (1,365,733) |
| Provision for doubtful accounts | - | (4,048,210) |
| Amortization of intangible assets | - | (32,401) |
| Impairments of intangible assets and goodwill | - | (265,525) |
| Total operating expenses | (88,438) | (5,711,869) |
| Loss from discontinued operations | (81,285) | (5,599,429) |
| Other income, net | 19,309 | 12,402 |
| Loss before income taxes | (61,976) | (5,587,027) |
| Income tax expenses | - | - |
| Net loss from discontinued operations attributable to stockholders | \$ (61,976) | \$ (5,587,027) |

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable include a portion of bundled lease arrangements on fixed minimum monthly payments to be paid by the automobile purchasers arising from automobile sales and services fees, net of unearned interest income, discounted using the Company's lease pricing interest rates.

As of March 31, 2021 and 2020, accounts receivable were comprised of the following:

| | March 31, 2021 | March 31, 2020 |
|--|---------------------|---------------------|
| Receivables of automobile sales due from automobile purchasers | \$ 760,126 | \$ 1,172,765 |
| Receivables of service fees due from automobile purchasers | 731,962 | 854,730 |
| Receivables of online ride hailing fees from online ride-hailing drivers | 162,197 | - |
| Receivables of operating lease | 170,707 | - |
| Less: Unearned interest | (40,447) | (105,083) |
| Less: Allowance for doubtful accounts | (78,167) | (379,689) |
| Accounts receivable, net | \$ 1,706,378 | \$ 1,542,723 |
| Accounts receivable, net, current portion | \$ 1,437,195 | \$ 660,645 |
| Accounts receivable, net, non-current portion | \$ 269,183 | \$ 882,078 |

Movement of allowance for doubtful accounts for the fiscal years ended March 31, 2021 and 2020 are as follows:

| | March 31, 2021 | March 31, 2020 |
|------------------------|-------------------|-------------------|
| Beginning balance | \$ 379,689 | \$ - |
| Addition | 374,785 | 1,797,816 |
| Recovery | (209,723) | - |
| Write off | (485,384) | (1,410,736) |
| Translation adjustment | 18,800 | (7,391) |
| Ending balance | \$ 78,167 | \$ 379,689 |

7. INVENTORIES

| | March 31, 2021 | March 31, 2020 |
|-----------------|-------------------|-------------------|
| Automobiles (i) | \$ 127,933 | \$ 1,000,675 |

(i) As of March 31, 2021, the Company owned three automobiles with a total value of \$47,410 for sale, and six automobiles with a total value of \$80,523 for either leasing or sale.

As of March 31, 2021 and 2020, management compared the cost of automobiles with their net realizable value and determined no inventory write-down was necessary for these automobiles.

8. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

As of March 31, 2021 and 2020, the prepayments, receivables and other assets were comprised of the following:

| | March 31, 2021 | March 31, 2020 |
|--|---------------------|---------------------|
| Receivables from borrowers of online lending platform, net (i) | \$ 393,348 | \$ 811,504 |
| Prepayments for automobiles (ii) | 1,026,802 | 365,932 |
| Prepaid expenses (iii) | 829,032 | 331,319 |
| Receivables from aggregation platforms (iv) | 867,614 | - |
| Due from automobile purchasers, net (v) | 504,792 | 1,385,352 |
| Deposits (vi) | 537,619 | 489,638 |
| Value added tax ("VAT") recoverable | 99,445 | 146,964 |
| Employee advances | 9,739 | 11,937 |
| Others | 30,235 | 72,575 |
| Total prepayments, receivables and other assets | 4,298,626 | 3,615,221 |
| Total prepayments, receivables and other assets - discontinued operations | (393,348) | (816,441) |
| Total prepayments, receivables and other assets - continuing operations | \$ 3,905,278 | \$ 2,798,780 |

(i) *Receivables from borrowers of online lending platform, net*

The balance of receivables from borrowers of online lending platform represented the outstanding loans the Company assumed from investors on the Company's discontinued P2P lending platform, which will be collected from related borrowers. As of March 31, 2021 and 2020, the Company recorded allowance of \$3,894,011 and \$3,688,800, respectively, against doubtful receivables.

(ii) *Prepayments for automobiles*

The balance represented advanced payments in purchasing automobiles from auto dealers or other parties.

(iii) *Prepaid expense*

The balance of prepaid expense represented automobile liability insurance premium for automobiles for operating lease and other miscellaneous expense such as office lease, office remodel expense and etc. that will expire within one year.

(iv) *Receivables from aggregation platforms*

The balance of receivables from aggregation platforms represented the amount due from the collaborated aggregation platforms based on the confirmed billings, which will be disbursed to the drivers who completed their rides through the Company's online ride-hailing platform.

(v) *Due from automobile purchasers, net*

The balance due from automobile purchasers represented the payment of automobiles and related insurances and taxes made on behalf of the automobile purchasers. The balance is expected to be collected from the automobile purchasers in installments. As of March 31, 2021 and 2020, the Company recorded allowance of \$41,759 and \$347,954, respectively, against doubtful receivables. During the years ended March 31, 2021 and 2020, the Company wrote off balance due from automobile purchasers of \$468,077 and \$1,227,894, respectively, and recorded additional allowances of \$268,706 and \$0, respectively, while recovered allowance against the balance due from automobile purchasers of \$125,940 and \$0, respectively.

(vi) *Deposits*

The balance of deposits mainly represented the security deposit made by the Company to various financial institutions and Didi Chuxing Technology Co., Ltd., an online ride-hailing platform.

9. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

| | March 31, 2021 | March 31, 2020 |
|--|---------------------|-------------------|
| Leasehold improvements | \$ 192,020 | \$ 177,659 |
| Electronic devices | 53,200 | 40,720 |
| Office equipment, fixtures and furniture | 104,735 | 79,271 |
| Vehicles | 3,778,811 | 320,949 |
| Subtotal | 4,128,766 | 618,599 |
| Less: accumulated depreciation and amortization | (423,027) | (138,192) |
| Total property and equipment, net | 3,705,739 | 480,407 |
| Total property and equipment, net - discontinued operations | (5,592) | (11,206) |
| Total property and equipment, net - continuing operations | \$ 3,700,147 | \$ 469,201 |

Depreciation expense from continuing operations for the years ended March 31, 2021 and 2020 amounted to \$260,592 and \$103,009, respectively. Depreciation expense from discontinued operations for years ended March 31, 2021 and 2020 amounted to \$8,621 and \$10,846, respectively.

10. INTANGIBLE ASSETS, NET

Intangible assets consisted of the following:

| | March 31, 2021 | March 31, 2020 |
|---|-------------------|-------------------|
| Software | \$ 794,548 | \$ 791,216 |
| Online ride-hailing platform operating licenses | 297,258 | - |
| Less: Accumulated amortization | (123,675) | (13,595) |
| Total intangible assets, net | \$ 968,131 | \$ 777,621 |

Amortization expense from continuing operations totaled \$107,765 and \$283 for the years ended March 31, 2021 and 2020, respectively. Amortization expense from discontinued operations totaled \$0 and \$32,401 for the years ended March 31, 2021 and 2020, respectively.

The following table sets forth the Company's amortization expense for the next five years ending:

| | Amortization expenses |
|-------------------------------------|--------------------------|
| Twelve months ending March 31, 2022 | \$ 148,288 |
| Twelve months ending March 31, 2023 | 148,288 |
| Twelve months ending March 31, 2024 | 142,473 |
| Twelve months ending March 31, 2025 | 139,409 |
| Twelve months ending March 31, 2026 | 89,673 |
| Thereafter | 300,000 |
| Total | \$ 968,131 |

11. BORROWINGS FROM FINANCIAL INSTITUTIONS, CURRENT AND NON-CURRENT

The borrowings from certain financial institutions in China represented the short-term loans of \$140,171 from a bank and the difference between the actual proceeds disbursed by the financial institution to Jinkailong and the total amount of principal to be responsible for and repaid by the automobile purchasers of \$215,453 as of March 31, 2021. Such borrowings totaled \$355,624 and \$290,974 bearing interest rates ranging between 6.2% and 8.1% per annum as of March 31, 2021 and 2020, respectively, of which \$44,962 and \$64,221, respectively, is to be repaid over a period of 13 to 24 months.

The interest expense for the years ended March 31, 2021 and 2020 was \$45,764 and \$49,422, respectively.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

| | March 31, 2021 | March 31, 2020 |
|---|---------------------|---------------------|
| Payables to investors of online lending platform (i) | \$ 1,795,066 | \$ 3,668,957 |
| Payables to drivers from aggregation platforms (ii) | 2,352,264 | - |
| Deposits (iii) | 1,639,681 | 543,843 |
| Accrued payroll and welfare | 1,306,509 | 890,912 |
| Other payables (iv) | 446,670 | 83,810 |
| Loan repayments received on behalf of financial institutions (v) | 839,770 | 374,535 |
| Payables for expenditures on automobile transaction and related services | 159,388 | 373,026 |
| Accrued expenses | 6,090 | 104,264 |
| Other taxes payable | 398,220 | 173,056 |
| Total accrued expenses and other liabilities | 8,943,658 | 6,212,403 |
| Total accrued expenses and other liabilities - discontinued operations | (2,288,066) | (4,204,012) |
| Total accrued expenses and other liabilities - continuing operations | \$ 6,655,592 | \$ 2,008,391 |

- (i) The balance of payables to investors of online lending platform represented the outstanding loans from investors on the Company's discontinued P2P lending platform, which was assumed by the Company in connection with the Plan to discontinue its online lending services business.
- (ii) The balance of payables to drivers from aggregation platforms represented the amount the Company collected on behalf of drivers who completed their transaction through the Company's online ride-hailing platform base on the confirmed billings.
- (iii) The balance of deposits represented the security deposit from operating and finance lease customers to cover lease payment and related automobile expense in case the customers' accounts are in default. The balance is refundable at the end of the lease term, after deducting any missed lease payment and applicable fee.
- (iv) The balance of other payables represented amount due to suppliers and vendors for operation purposes.
- (v) The balance of loan repayments received on behalf of financial institutions represented the loan repayments made by the automobile purchasers to financial institutions through the Company, which has not been paid to the financial institutions.

13. EMPLOYEE BENEFIT PLAN

The Company has made employee benefit plan in accordance with relevant PRC regulations, including retirement insurance, unemployment insurance, medical insurance, housing fund, work injury insurance and maternity insurance.

The contributions made by the Company were \$320,620 and \$204,245 for the years ended March 31, 2021 and 2020, respectively, for continuing operations of the Company. The contributions made by the Company were \$92,944 and \$158,523 for the years ended March 31, 2021 and 2020, respectively, for the Company's discontinued operations.

As of March 31, 2021 and 2020, the Company did not make adequate employee benefit contributions in the amount of \$442,485 and \$170,856, respectively, for continuing operations of the Company. As of March 31, 2021 and 2020, the Company did not make adequate employee benefit contributions in the amount of \$566,140 and \$454,151, respectively, for discontinued operations of the Company. The Company accrued the amount in accrued payroll and welfare.

14. EQUITY

Warrants

IPO Warrants

The registration statement relating to the Company's initial public offering also included the underwriters' common stock purchase warrants to purchase 337,940 shares of common stock ("IPO Underwriter's Warrants"). Each five-year warrant entitles warrant holder to purchase one share of the Company's common stock at the price of \$4.80 per share and is not exercisable for a period of 180 days from March 16, 2018. As of March 31, 2021, there were 37,940 IPO Underwriter's Warrants outstanding.

2019 Registered Direct Offering Warrants

The Company adopted the provisions of ASC 815 on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in ASC 815. Warrants issued in connection with the direct equity offering with exercise prices denominated in US dollars are no longer considered indexed to the Company's stock, as their exercise price is not in the Company's functional currency (RMB), and therefore no longer qualify for the scope exception and must be accounted for as a derivative. These warrants are classified as liabilities under the caption "Derivative liabilities" in the consolidated statements of balance sheets and recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation model. Changes in the liability from period to period are recorded in the consolidated statements of operations and comprehensive loss under the caption "Change in fair value of derivative liabilities."

The Company allocated the proceeds received between the common stock and warrants first to warrants based on the fair value on the date the proceeds were received with the balance to common stock. The value of the warrants was determined using the Black-Scholes valuation model using the following assumptions: volatility 86%; risk free interest rate 1.77%; dividend yield of 0% and expected term of 4 years of the Investor Series A Warrants, 1 year of the Series B Warrants, and 4 years of the placement agent warrants. The volatility of the Company's common stock was estimated by management based on the historical volatility of its common stock, the risk free interest rate was based on Treasury Constant Maturity Rates published by the U.S. Federal Reserve for periods applicable to the expected life of the warrants. The expected dividend yield was based on the Company's current and expected dividend policy and the expected term is equal to the contractual life of the warrants. The value of the warrants was based on the Company's common stock closing price of \$2.80 on June 20, 2019 which was the date the warrants were issued. Net proceeds were allocated as the follows:

| | | |
|--------------------|----|------------------|
| Warrants | \$ | 3,150,006 |
| Common stock | | 1,992,118 |
| Total net proceeds | \$ | <u>5,142,124</u> |

Subsequent to the initial recording, the change in the fair value of the warrants, determined under the Black-Scholes valuation model, at each reporting date will result in either an increase or decrease the amount recorded as liability, based on the fluctuations with the Company's stock price with a corresponding adjustment to other income (or expense). During the year ended March 31, 2021, the change of fair value was a loss of \$1,372,966 recognized in the accompanying consolidated statements of operations and comprehensive loss based on the increase in fair value of the liabilities since March 31, 2020. During the year ended March 31, 2020, the change of fair value was a gain of \$1,796,724 was recognized in the accompanying consolidated statements of operations and comprehensive loss based on the increase in fair value of the liabilities since granted. At March 31, 2021 and 2020, the fair value of the derivative instrument totaled \$243,840 and \$342,530, respectively. The fair value of derivative instrument of \$2,481,038 was allocated to additional paid-in-capital upon exercise of warrants as of the exercise date. Fair value of derivative instrument was allocated as the following exercise date:

| Exercised date | Fair value of derivative instrument allocated to additional paid-in-capital |
|-----------------------|--|
| August 12, 2019 | \$ 699,523 |
| August 13, 2019 | 262,108 |
| October 9, 2019 | 49,122 |
| July 9, 2020 | 56,662 |
| October 20, 2020 | 315,790 |
| November 24, 2020 | 197,926 |
| November 25, 2020 | 414,425 |
| February 25, 2021 | 486,854 |
| Total | \$ <u>2,482,410</u> |

Underwriters' Warrants

The Company adopted the provisions of ASC 815 on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in ASC 815. Warrants issued in connection with the direct equity offering with exercise prices denominated in US dollars are no longer considered indexed to the Company's stock, as their exercise price is not in the Company's functional currency (RMB), and therefore no longer qualify for the scope exception and must be accounted for as a derivative. The Underwriters' Warrants are classified as liabilities under the caption "Derivative liabilities" in the consolidated statements of balance sheets and recorded at an estimated fair value at each reporting date, computed using the Black-Scholes valuation model. Changes in the liability from period to period are recorded in the consolidated statements of operations and comprehensive income (loss) under the caption "Change in fair value of derivative liabilities."

The Company allocated the proceeds received between the common stock and warrants first to warrants based on the fair value on the date the proceeds were received with the balance to common stock. The value of the warrants was determined using the Black-Scholes valuation model using the following assumptions: volatility 129%; risk free interest rate 0.19%; dividend yield of 0% and expected term of 5 years of the Underwriters' Warrants. The volatility of the Company's common stock was estimated by management based on the historical volatility of the Company's common stock, the risk free interest rate was based on Treasury Constant Maturity Rates published by the U.S. Federal Reserve for periods applicable to the expected life of the warrants (0.51), the expected dividend yield was based on the Company's current and expected dividend policy and the expected term is equal to the contractual life of the warrants. The value of the warrants was based on the closing price of the Company's common stock of \$0.51 on August 4, 2020, which was the date the warrants were issued. Net proceeds were allocated as the follows:

| | | |
|--------------------|----|------------------|
| Warrants | \$ | 241,919 |
| Common stock | | 5,856,378 |
| Total net proceeds | \$ | <u>6,098,297</u> |

Subsequent to the initial recording, the change in the fair value of the warrants, determined under the Black-Scholes valuation model, at each reporting date will result in either an increase or decrease the amount recorded as liability, based on the fluctuations with the Company's stock price with a corresponding adjustment to other income (or expense). During the year ended March 31, 2021, the change of fair value was a loss of \$455,162, recognized in the accompanying consolidated statements of operations and comprehensive loss based on the increase in fair value of the liabilities since issuance. At March 31, 2021, the fair value of the derivative instrument totaled \$397,525. The fair value of derivative instrument of \$299,556 was allocated to additional paid-in-capital upon exercise of warrants on March 4, 2021.

February 2021 Registered Direct Offering Warrants

The Company adopted the provisions of ASC 815 on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in ASC 815. Warrants issued in connection with the direct equity offering with exercise prices denominated in US dollars are no longer considered indexed to the Company's stock, as their exercise price is not in the Company's functional currency (RMB), and therefore no longer qualify for the scope exception and must be accounted for as a derivative. These warrants are classified as liabilities under the caption "Derivative liabilities" in the consolidated statements of balance sheets and recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation model. Changes in the liability from period to period are recorded in the consolidated statements of operations and comprehensive loss under the caption "Change in fair value of derivative liabilities."

The Company allocated the proceeds received between the common stock and warrants first to warrants based on the fair value on the date the proceeds were received with the balance to common stock. The value of the warrants was determined using the Black-Scholes valuation model using the following assumptions: volatility 132%; risk free interest rate 0.46%; dividend yield of 0% and expected term of 5 years of the placement agent Warrants and ROFR Warrants. The volatility of the Company's common stock was estimated by management based on the historical volatility of its common stock, the risk free interest rate was based on Treasury Constant Maturity Rates published by the U.S. Federal Reserve for periods applicable to the expected life of the warrants. The expected dividend yield was based on the Company's current and expected dividend policy and the expected term is equal to the contractual life of the warrants. The value of the warrants was based on the Company's common stock closing price of \$1.63 on February 10, 2021 which was the date the warrants were issued. Net proceeds were allocated as the follows:

| | |
|---------------------------|---------------------|
| Warrants | \$ 755,273 |
| Common stock | 4,988,632 |
| Total net proceeds | \$ 5,743,905 |

Subsequent to the initial recording, the change in the fair value of the warrants, determined under the Black-Scholes valuation model, at each reporting date will result in either an increase or decrease the amount recorded as liability, based on the fluctuations with the Company's stock price with a corresponding adjustment to other income (or expense). During the year ended March 31, 2021, the change of fair value was a gain of \$117,713 recognized in the accompanying consolidated statements of operations and comprehensive loss based on the increase in fair value of the liabilities since issuance. At March 31, 2021, the fair value of the derivative instrument totaled \$637,561.

The Company has warrants outstanding as follows:

| | <u>Warrants Outstanding</u> | <u>Warrants Exercisable</u> | <u>Weighted Average Exercise Price</u> | <u>Average Remaining Contractual Life</u> |
|-------------------------|---------------------------------|---------------------------------|--|---|
| Balance, March 31, 2019 | 37,940 | 37,940 | \$ 4.80 | 3.96 |
| Granted | 2,594,850 | 2,594,850 | \$ 3.70 | 4.00 |
| Forfeited | - | - | - | - |
| Exercised | (1,113,188) | (1,113,188) | - | - |
| Balance, March 31, 2020 | 1,519,602 | 1,519,602 | \$ 1.76 | 3.21 |
| Granted | 1,100,609 | 1,100,609 | \$ 1.48 | 5.00 |
| Forfeited | (3,132) | (3,132) | - | - |
| Exercised | (1,516,010) | (1,516,010) | - | - |
| Balance, March 31, 2021 | <u>1,101,069</u> | <u>1,101,069</u> | \$ 1.16 | 4.09 |

Restricted Stock Units

On October 29, 2020, the Board approved the issuance of an aggregate of 127,273 restricted stock units ("RSUs") to directors, officers and certain employees as stock compensation for their services for the year ending March 31, 2021. Total RSUs granted to these directors, officers and employees were valued at an aggregate fair value of \$140,000. These RSUs will vest in four equal quarterly installments on January 29, 2021, April 29, 2021, July 29, 2021 and October 29, 2021 or in full upon the occurrence of a change in control of the Company, provided that the director, officer or the employee remains in service through the applicable vesting date. The RSUs will be settled by the Company's issuance of shares of common stock in certificated or uncertificated form upon the earlier of (i) vesting date, (ii) a change in control and (ii) termination of the services of the director, officer or employee due to a "separation of service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, or the death or disability of such director, officer or employee. As of the issuance date of these consolidated financial statements, the first and second installment of RSUs with an aggregate of 63,637 was vested but has not been settled by the Company. The Company expects to settle the vested RSUs by issuance of shares of common stock within 2021 and account for the vested RSUs as an addition to both expenses and additional paid-in capital.

Equity Incentive Plan

At the 2018 Annual Meeting of Stockholders of the Company held on November 8, 2018, the Company's stockholders approved the Company's 2018 Equity Incentive Plan for employees, officers, directors and consultants of the Company and its affiliates. A committee consisting of at least two independent directors appointed by the Board or in the absence of such a committee, the board of directors, will be responsible for the general administration of the Equity Incentive Plan. All awards granted under the Equity Incentive Plan will be governed by separate award agreements between the Company and the participants. As of March 31, 2021, the Company has granted an aggregate of 303,788 RSUs and issued an aggregate of 169,015 shares upon vest under the Equity Incentive Plan. And 7,500 RSUs were forfeited due to two directors ceased to serve on the board of the Company since November 8, 2018.

2019 Registered Direct Offering

On April 15, 2019, the SEC declared effective the Company's Registration Statement on Form S-3, pursuant to which, along with the accompanying prospectus, the Company registered up to \$80,000,000 in aggregate principal amount of its common stock, preferred stock, debt securities, warrants, rights and/or units. On June 21, 2019, the Company closed a registered direct offering of an aggregate of 1,781,360 shares of its common stock, and in connection therewith, issued to the investors (i) for no additional consideration, Series A warrants to purchase up to an aggregate of 1,336,021 shares of common stock and (iii) for nominal additional consideration, Series B warrants to purchase up to a maximum aggregate of 1,116,320 shares of common stock. The Company sold the shares of common stock at a price of \$3.38 per share (the "Share Purchase Price"). The Company received gross proceeds from the offering of approximately \$6.0 million, and net proceeds from the offering of approximately \$5.1 million after deducting estimated offering expenses payable by the Company.

The Series A warrants are exercisable immediately upon issuance at an exercise price of \$3.72 per share and will expire on the fourth (4th) anniversary of the original issue date. In the event that on December 20, 2019, the exercise price is greater than the Six Month Adjustment Price as defined below, on the trading day immediately following December 20, 2019 (the "Six Month Measuring Date"), the exercise price shall automatically adjust to the Six Month Adjustment Price (as adjusted for stock splits, stock dividends, stock combinations, recapitalizations and similar events). Six Month Adjustment Price means the greater of (x) \$1.50 (as adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction) and (y) 100% of the quotient of (I) the sum of the five lowest VWAPs of the common stock during the ten consecutive trading day period ending and including the Six Month Measuring Date, divided by (II) five. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction during such period. The exercise price of the Series A warrant was adjusted pursuant to this formula from \$3.72 to \$1.50 per share on December 20, 2019. The Company used the adjusted exercise price to value its derivative liability on its December 31, 2019 financial statements and reporting periods onwards with changes in fair value of warrant liabilities from period to period are recorded in the consolidated statements of operations and comprehensive loss under the caption "Change in fair value of derivative liabilities". The exercise price of the Series A warrant was further adjusted to \$0.50 per share on August 7, 2020 as a result of the Company's issuance of shares of common stock in its underwritten public offering in August 2020, which has been recorded in the financial statements in the year ended March 31, 2021. In addition, the exercise price of the placement agent warrants from the June 2019 registered direct offering was voluntarily adjusted by the Company from \$3.72 to \$0.50 per share on August 18, 2020, which was in accordance with the terms of "Adjustment Upon Issuance of Shares of Common Stock" in the warrants purchase agreements.

The Series B warrants are pre-funded warrants and were issued as a true-up with respect to the shares of common stock. The maximum aggregate number of shares of common stock issuable upon exercise of the Series B warrants is 1,116,320. Initially, the Series B warrants shall not be exercisable for any shares of common stock. In the event that on the fiftieth (50th) day after the closing date (the "Adjustment Measuring Time"), the closing price of the common stock is less than the Share Purchase Price, then the number of shares of common stock issuable upon exercise of the Series B warrants shall be adjusted (upward or downward, as applicable) to the greater of (i) zero (0) and (ii) such aggregate number of shares of common stock equal to fifty percent (50%) of the difference of (A) the quotient of (x) the Share Purchase Price divided by (y) the Market Price (as defined in Purchase Agreement) as of the Adjustment Measuring Time, less (B) the aggregate number of shares of common stock issued to the investors at the closing (as adjusted for share splits, share dividends, share combinations, recapitalizations and similar events). The exercise price of the Series B warrant was adjusted from \$3.72 to \$0.0001 per share on August 12, 2019. The Company used the adjusted exercise price to value its derivative liability on its September 30, 2019 financial statements and reporting period onwards with changes in fair value of warrant liabilities from period to period are recorded in the consolidated statements of operations and comprehensive loss under the caption "Change in fair value of derivative liabilities". As of March 31, 2021, the Company has issued an aggregate of 1,113,188 shares of common stock to certain investors in the June 2019 offering upon exercise of the pre-funded Series B warrants for a total consideration of \$111, and forfeited the remaining 3,132 warrants as it expired on June 20, 2020.

Exercise of Warrants

On July 9, 2020, one of the holders of Series A warrants exercised the warrants to purchase 50,000 shares of the Company's common stock at an exercise price of \$1.50 per share generating gross proceeds of \$75,000 to the Company.

On October 20, 2020, one of the holders of Series A warrants exercised the warrants to purchase 337,500 shares of the Company's common stock at an exercise price of \$0.50 per share generating gross proceeds of \$168,750 to the Company.

On November 24, 2020, one of the holders of Series A warrants exercised the warrants to purchase 171,894 shares of the Company's common stock at an exercise price of \$0.50 per share generating gross proceeds of \$85,947 to the Company.

On November 25, 2020, one of the holders of Series A warrants exercised the warrants to purchase 332,840 shares of the Company's common stock at an exercise price of \$0.50 per share generating gross proceeds of \$166,420 to the Company.

On February 25, 2021, three of the holders of Series A warrants exercised the warrants to purchase 373,856 shares of the Company's common stock at an exercise price of \$0.50 per share generating gross proceeds of \$186,928 to the Company.

Underwritten Public Offering and Exercise of the Over-Allotment Option

On August 4, 2020, the Company entered into an underwriting agreement with The Benchmark Company, LLC and Axiom Capital Management, Inc., as representatives of the Underwriters, relating to an underwritten public offering of 12,000,000 shares of the Company's common stock at the Offering Price. Pursuant to the terms of the Underwriting Agreement, the Company granted the Underwriters a 45-day option to purchase up to an additional 1,800,000 shares of common stock to cover over-allotments, if any, at the Offering Price less the underwriting discounts and commissions. An underwriting discount of 7% was applied to the Offering Price, except for shares of common stock purchased by certain existing investors of the Company (the "Excluded Investors"), an underwriting discount of 6% was applied. On August 6, 2020, the Company completed the underwritten offering. The net proceeds to the Company from this offering, after deducting the underwriting discounts and commissions and other estimated offering expenses payable by the Company, were approximately \$5.3 million.

On August 13, 2020, the Underwriters exercised their over-allotment option to purchase an additional 1,800,000 shares of common stock at \$0.50 per share. This transaction was completed on August 13, 2020. Net proceeds from the exercise of the underwriters' over-allotment option were approximately \$0.8 million net of underwriting discounts and commissions and offering expenses.

In connection with the underwritten offering, the Company issued the Underwriters or their permitted designees, on a private placement basis, the Underwriters' Warrants to purchase up to 568,000 shares of common stock. These warrants are valid for a period of five years and exercisable commencing six months from August 4, 2020 at a price per share equal to 125% of the Offering Price and are exercisable on a "cashless" basis.

Exercise of Underwriters' Warrants

On March 4, 2021, two of the holders of underwriters' warrants exercised the warrants on a "cashless" basis which irrevocably to convert their right to purchase 249,920 shares of the company under the original Purchase Warrant for 133,352 shares, as determined in accordance with the formula indicated on the notice of exercise.

February 2021 Registered Direct Offering

On February 8, 2021, the Company entered into a placement agency agreement with FT Global Capital, Inc., to act as exclusive placement agent in connection with the registered direct public offering. Pursuant to the terms of the placement agency agreement, the Company agreed to pay the Placement Agent a cash fee equal to 7.5% of the gross proceeds raised in the Offering, and to reimburse the Placement Agent for certain expenses, including legal fees and expenses, up to \$60,000 in the aggregate. The Placement Agent is also entitled to additional tail compensation for any financings consummated within the 12-month period following the termination of the Placement Agent Agreement to the extent that such financing is provided to the Company by investors that the Placement Agent had introduced to the Company. On February 10, 2021, the Company completed the registered direct offering. The net proceeds to the Company from this offering, after deducting the underwriting discounts and commissions and other estimated offering expenses payable by the Company, were approximately \$5.7 million.

In connection with the offering, the Company issued the placement agent warrants to purchase up to 380,435 shares of its common stock. These warrants are exercisable for a period of five years commencing 180 days from February 8, 2020 at a price of \$1.38 per share and are exercisable on a "cashless" basis. In addition, the company issued The Benchmark Company, LLC and Axiom Capital Management, Inc. seven percent of the gross proceeds from the offering and warrants to purchase up to 152,174 shares of its common stock, in consideration for the termination of the ROFR (referred to Note 2.e). These warrants are exercisable for a period of five years from February 8, 2020 at a price of \$1.725 per share.

Common stock issued for consulting services

On July 23, 2020, the Company entered into a consulting agreement with FirsTrust China Ltd. (the "Consultant"), pursuant to which the Company engaged the Consultant to provide certain management, operation and business development advisory services for a period of twelve months. As compensation for the services, the Company agreed to issue the Consultant an aggregate of 500,000 shares of its common stock, par value \$0.0001. These shares were valued at \$445,000, based on the closing price of the Company's common stock on July 23, 2020 of \$0.89 per share. Pursuant to the agreement, these shares issued to the Consultant are not subject to vesting or forfeiture, and the Company has no recourse and no substantial disincentives against the Consultant if the services disrupt before the termination or expiration of the service period. As a result, these shares issued to the Consultant should be expensed on the date of issuance. For year ended March 31, 2021, these shares was recorded as stock compensation of \$445,000, respectively.

15. INCOME TAXES

The United States of America

The Company is incorporated in the State of Nevada in the U.S., and is subject to U.S. federal corporate income taxes with tax rate of 21%. The State of Nevada does not impose any state corporate income tax.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries, and future foreign earnings are subject to U.S. taxation. The Tax Act also established the Global Intangible Low-Taxed Income (GILTI), a new inclusion rule affecting non-routine income earned by foreign subsidiaries. For the years ended March 31, 2021 and 2020, the Company's foreign subsidiaries in China were operating at loss on a consolidated basis which resulted in no GILTI tax.

The Company's net operating loss from U.S for the year ended March 31, 2021 amounted to approximately \$1.5 million. As March 31, 2021, the Company's net operating loss carryforward for U.S. income taxes was approximately \$3.8 million. The net operating loss carryforward will not expire and is available to reduce future years' taxable income, but limited to 80% of income until utilized. Management believes that the utilization of the benefit from this loss appears uncertain due to the Company's operating history. Accordingly, the Company has recorded a 100% valuation allowance on the deferred tax asset to reduce the deferred tax assets to zero on the consolidated balance sheets. As of March 31, 2021 and 2020, valuation allowances for deferred tax assets were approximately \$0.80 million and \$0.48 million, respectively. Management reviews the valuation allowance periodically and makes changes accordingly.

PRC

Senmiao Consulting, Sichuan Senmiao, Hunan Ruixi, Ruixi Leasing, Jinkailong, Yicheng, XXTX and its subsidiaries are subject to PRC Enterprise Income Tax (“EIT”) on the taxable income in accordance with the relevant PRC income tax laws. The EIT rate for companies operating in the PRC is 25%.

Income taxes in the PRC are consist of:

| | For the Years Ended March 31 | |
|--|---------------------------------|-----------|
| | 2021 | 2020 |
| Current income tax expenses (benefit) | \$ 14,627 | \$ 59,451 |
| Deferred income tax expenses (benefit) | - | (26,267) |
| Total income tax expenses (benefit) | \$ 14,627 | \$ 33,184 |

Below is a reconciliation of the statutory tax rate to the effective tax rate:

| | For the Years Ended March 31, | |
|--|----------------------------------|---------|
| | 2021 | 2020 |
| U.S. Statutory tax rate | 21.0% | 21.0% |
| Differential of PRC statutory tax rate | 4.0% | 4.0% |
| Permanent difference of write-off of receivables from guarantee of loans | (2.4)% | (15.5)% |
| Permanent difference of US (income) expenses not (taxable) deductible in PRC | (3.7)% | 9.3% |
| Valuation allowance on deferred income tax asset | (17.2)% | (19.0)% |
| Others | (1.8)% | (0.6)% |
| Effective tax rate | (0.1)% | (0.8)% |

As of March 31, 2021 and 2020, the Company’s PRC entities from continuing operations had net operating loss carryforwards of approximately \$8.1 million and \$1.7 million, respectively, which will expire starting from 2023 and ending in 2025. In addition, allowance for doubtful accounts must be approved by the Chinese tax authority prior to being deducted as an expense item on the tax return. The bad debt allowances are incurred in Company’s PRC subsidiaries and VIEs which were operating at losses, the Company believes it is more likely than not that its PRC operations will be unable to fully utilize its deferred tax assets related to the net operating loss carryforwards in the PRC. As a result, the Company provided 100% allowance on all deferred tax assets on net operating loss carryforwards in the PRC of \$2,036,311 and \$414,996 related to its operations in the PRC at March 31, 2021 and 2020, respectively and provided 100% allowance on all deferred tax assets on allowance for doubtful account of \$21,435 and \$178,381 related to its operations in the PRC at March 31, 2021 and 2020, respectively.

The tax effects of temporary differences from continuing operations that give rise to the Company’s deferred tax assets and liabilities are as follows:

| | March 31, 2021 | March 31, 2020 |
|--|-------------------|-------------------|
| Deferred Tax Assets | | |
| Net operating loss carryforwards in the PRC | \$ 2,036,311 | \$ 414,996 |
| Net operating loss carryforwards in the U.S. | 798,489 | 477,247 |
| Allowance for doubtful account | 21,435 | 178,381 |
| Less: valuation allowance | (2,856,235) | (1,070,624) |
| Deferred tax assets, net | \$ - | \$ - |
| Deferred tax liabilities: | | |
| Capitalized intangible assets cost | \$ 45,146 | \$ - |
| Deferred tax liabilities, net | \$ 45,146 | \$ - |

As of March 31, 2021 and 2020, the Company's PRC entities associated with the discontinued P2P lending operations had net operating loss carryforwards of approximately \$10.4 million and \$8.8 million, respectively, which will expire in 2023 to 2025. The Company reviews deferred tax assets for a valuation allowance based upon whether it is more likely than not that the deferred tax asset will be fully realized. At March 31, 2020 and 2021, full valuation allowance is provided against the deferred tax assets based upon management's assessment as to their realization.

The tax effects of temporary differences from discontinued operations that give rise to the Company's deferred tax assets are as follows:

| | March 31, 2021 | March 31, 2020 |
|---|-------------------|-------------------|
| Net operating loss carryforwards in the PRC | \$ 2,595,919 | \$ 2,206,673 |
| Less: valuation allowance | (2,595,919) | (2,206,673) |
| | <u>\$ -</u> | <u>\$ -</u> |

16. RELATED PARTY TRANSACTIONS AND BALANCES

1. Related Party Balances

1) Due from related parties

As of March 31, 2021 and 2020, balances due from related parties were \$24,311 and \$12,341, respectively, and represented operation costs of four related parties paid by the Company on their behalf, amounts received by the Company on behalf of a related party for refund of insurance claims, and amounts collected by a related party on behalf of the Company from the automobile purchasers, including certain installment payments and facilitation fees. In addition, another \$15,261 and \$14,120 represents advances to the non-controlling shareholders of Hunan Ruixi for operational purposes as of March 31, 2021 and 2020, respectively. The balances due from related parties were all non-interest bearing and due on demand.

2) Due to stockholders

Due to stockholders comprised of amounts payable to two stockholders named below and are unsecured, interest free and due on demand.

| | March 31, 2021 | March 31, 2020 |
|--|--------------------|--------------------|
| Jun Wang | \$ 48,795 | \$ 73,384 |
| Xiang Hu | - | 108,711 |
| Total due to stockholders | <u>\$ 48,795</u> | <u>\$ 182,095</u> |
| Total due to stockholders – discontinued operations | (48,795) | (182,095) |
| Total due to stockholders – continuing operations | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

3) *Due to related parties and affiliates*

| | March 31, 2021 | March 31, 2020 |
|--|-------------------|-------------------|
| Loan payable to related parties (i) | \$ 182,281 | \$ 202,487 |
| Others (ii) | 170,546 | 26,478 |
| Total due to related parties and affiliates | 352,827 | 228,965 |
| Total due to related parties and affiliates – discontinued operations | - | (76,286) |
| Total due to related parties and affiliates – continuing operations | \$ 352,827 | \$ 152,679 |

- (i) As of March 31, 2021 and 2020, the balances represented borrowings from three related parties, which are unsecured, interest free and due in the fiscal year of 2021.
- (ii) As of March 31, 2021 and 2020, the balances represented \$170,546 and 26,478, respectively of payables to five other related parties for operational purposes. These balances are interest free and due on demand.

Interest expense for the years ended March 31, 2021 and 2020 were \$0 and \$29,944, respectively.

2. *Related Party Transactions*

In December 2017, the Company entered into loan agreements with two stockholders, who agreed to grant lines of credit of approximating \$955,000 and \$159,000, respectively, to the Company for five years. The lines of credit are non-interest bearing, effective from January 2017. As of March 31, 2021, the outstanding balances due to these two stockholders in the discontinued operations were \$48,795 and \$0, respectively. As of March 31, 2020, the outstanding balances in the discontinued operations to these two stockholders were \$73,384 and \$108,711, respectively.

The Company entered into two office lease agreements with a stockholder of Sichuan Senmiao, which were set to expire on January 1, 2020. On April 1, 2020, the two office leases were amended with a leasing term from April 1, 2020 to March 31, 2023. On March 1, 2021, the Company entered into an additional office lease which was set to expire on February 1, 2026. As of March 31, 2021 and 2020, operating lease right-of-use assets of these leases in the continuing operations amounted to \$475,408 and \$105,432, respectively. As of March 31, 2021 and 2020, current leases liabilities of these leases in the continuing operations amounted to \$161,818 and \$78,482, respectively. Non-current lease liabilities of these leases in the continuing operation amounted to \$285,371 and \$0 as of March 31, 2021 and 2020, respectively. As of March 31, 2021 and 2020, current leases liabilities of these leases in the discontinued operations amounted to \$0 and \$53,899, respectively. For the years ended March 31, 2021 and 2020, the Company incurred \$121,012 and \$109,896, respectively, in rental expenses to this related party.

In November 2018, Hunan Ruixi entered into an office lease agreement with Hunan Dingchentai Investment Co., Ltd. ("Dingchentai"), a company where one of our independent directors serves as legal representative and general manager. The term of the lease agreement was from November 1, 2018 to October 31, 2023 and the rent was approximately \$44,250 per year, payable on a quarterly basis. The original lease agreement with Dingchentai was terminated on July 1, 2019. The Company entered into another lease with Dingchentai on substantially similar terms on September 27, 2019. As of March 31, 2021 and 2020, operating lease right-of-use assets of this lease in the continuing operations amounted \$104,959 and \$130,873, respectively. As of March 31, 2021, current leases liabilities and non-current leases liabilities of this lease in the continuing operations amounted \$81,908 and \$56,178, respectively. As of March 31, 2020, current leases liabilities and non-current leases liabilities of this lease in the continuing operations amounted \$73,173 and \$88,349, respectively. For the years ended March 31, 2021 and 2020, the Company incurred expense of \$44,169 and \$41,661 in rent to Dingchentai, respectively.

In June 2019 and January 2020, the Company entered into two automobile maintenance services contracts with Sichuan Qihuaxin Automobile Services Co., Ltd and Sichuan Yousen Automobile Maintenance Service Co., Ltd, which companies are controlled by one of the non-controlling shareholders of Jinkailong. During the year ended March 31, 2021, the Company paid automobile maintenance fees of \$29,801 and \$545,335 to those companies as mentioned above, respectively.

17. LEASES

Lessor

The Company's operating leases for automobile rentals have rental periods that are typically short term, generally is twelve months or less. Revenue recognition section of Note 3 (r), the Company discloses that revenue earned from automobile rentals, wherein an identified asset is transferred to the customer and the customer has the ability to control that asset, is accounted for under Topic 842 upon adoption for the year ended March 31, 2020.

Lessee

As of March 31, 2021 and 2020, the Company has engaged in offices and showroom leases which were classified as operating leases. In addition, the Company had automobiles leases which were classified as finance lease.

The Company occupies various offices under operating lease agreements with a term shorter than twelve months which it elected not to recognize lease assets and lease liabilities under ASC 842. Instead, the Company recognized the lease payments in profit or loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company recognized lease expense on a straight-line basis over the lease term for operating lease. Meanwhile, the Company recognized the finance leases ROU assets and interest on an amortized cost basis. The amortization of finance ROU assets is recognized on an accretion basis as amortization expense, while the lease liability is increased to reflect interest on the liability and decreased to reflect the lease payments made during the period. Interest expense on the lease liability is determined each period during the lease term as the amount that results in a constant periodic interest rate of the automobile loans on the remaining balance of the liability.

The ROU assets and lease liabilities are determined based on the present value of the future minimum rental payments of the lease as of the adoption date, using an effective interest rate of 6.0%, which is determined using an incremental borrowing rate with similar term in the PRC. As of March 31, 2021, the average remaining operating and finance lease term of its existing leases is 2.1 and 1.5 years, respectively.

Operating and finance lease expenses consist of the following:

| | Classification | For the Years Ended | |
|-------------------------------|-------------------------------------|------------------------|---------------------|
| | | March 31, 2021 | March 31, 2020 |
| Operating lease cost | | | |
| Lease expenses | Selling, general and administrative | \$ 396,276 | \$ 378,499 |
| Finance lease cost | | | |
| Amortization of leased asset | Cost of revenue | 2,441,873 | 941,796 |
| Amortization of leased asset | Selling, general and administrative | 1,656,336 | 791,670 |
| Interest on lease liabilities | Interest expenses on finance leases | 733,202 | 373,407 |
| Total lease expenses | | \$ 5,227,687 | \$ 2,485,372 |

Operating lease expenses from continuing operations totaled \$396,276 and \$294,127 for the years ended March 31, 2021 and 2020, respectively. Operating lease expenses from discontinued operations totaled \$0 and \$84,372 for the years ended March 31, 2021 and 2020, respectively. Interest expenses on finance leases from continuing operations totaled \$733,202 and \$373,407 for the years ended March 31, 2021 and 2020, respectively.

The following table sets forth the Company’s minimum lease payments in future periods:

| | Operating lease payments | Finance lease payments | Total |
|---|---|-----------------------------------|---------------------|
| Twelve months ending March 31, 2022 | \$ 443,183 | \$ 6,580,777 | \$ 7,023,960 |
| Twelve months ending March 31, 2023 | 351,165 | 1,275,765 | 1,626,930 |
| Twelve months ending March 31, 2024 | 206,320 | 8,561 | 214,881 |
| Twelve months ending March 31, 2025 | 85,893 | - | 85,893 |
| Twelve months ending March 31, 2026 | 43,633 | - | 43,633 |
| Total lease payments | 1,130,194 | 7,865,103 | 8,995,297 |
| Less: discount | (71,567) | (435,607) | (507,174) |
| Present value of lease liabilities | \$ 1,058,627 | \$ 7,429,496 | \$ 8,488,123 |

18. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

On January 19 and February 22, 2021, the Company entered into two purchase contracts with an automobile dealer to purchase a total of 700 automobiles for the amount of approximately \$11.6 million. Pursuant to the contracts, the Company is required to purchase 350 automobiles in cash with the amount of approximately \$5.8 million. The remaining 350 automobiles purchase commitment with the amount of approximately \$5.8 million shall be purchased with financing option through the dealer’s designated financial institutions. As of the issuance date of these consolidated financial statements, 200 automobiles have been purchased in cash and delivered to the Company. As the Company is in process of getting approval from the dealer’s designated financial institutions in financing the 350 automobiles’ purchase, there is no clear timing schedule for completing the remaining purchase commitment with this automobile dealer. However, the Company expects the purchase to be completed by the end of 2021.

Contingencies

In measuring the credit risk of guarantee services to automobile purchasers, the Company primarily reflects the “probability of default” by the automobile purchasers on its contractual obligations and considers the current financial position of the automobile purchasers and its likely future development.

The Company manages the credit risk of automobile purchasers by performing preliminary credit checks of each automobile purchaser and ongoing monitoring every month. By using the current credit loss model, management is of the opinion that the Company is bearing the credit risk to repay the principal and interests to the financial institutions if automobile purchasers default on their payments for more than three months. Management also periodically re-evaluates probability of default of automobile purchasers to make adjustments in the allowance when necessary, as the Company is the guarantor of the loans.

Contingent liabilities for automobile purchasers

Historically, most of the automobile purchasers would pay the Company their previous defaulted amounts within one to three months. In December 2019, a novel strain of coronavirus, or COVID-19, surfaced and it has spread rapidly to many parts of China and other parts of the world, including the United States. The epidemic has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in China and elsewhere. Because substantially all of the Company’s operations are conducted in China, the COVID-19 outbreak has materially and adversely affected, and may continue to affect, the Company’s business operations, financial condition and operating results for 2020 and 2021, including but not limited to decrease in revenues, slower collection of accounts receivables and additional allowance for doubtful accounts. Some of the Company’s customers exited the ride-hailing business and tendered their automobiles to the Company for sublease or sale to generate income or proceeds to cover payments owed to financial institutions and the Company. For the years ended March 31, 2021 and 2020, the Company recognized an estimated provision loss of approximately \$199,000 and \$225,000, respectively for the guarantee services because the drivers who exited the ride-hailing business were not able to make the monthly payments.

As of March 31, 2021, the maximum contingent liabilities the Company would be exposed to was approximately \$12,763,000 (including approximately \$68,000 related to the discontinued P2P business), assuming all the automobile purchasers were in default. Automobiles are used as collateral to secure the payment obligations of the automobile purchasers under the financing agreements. The Company estimated the fair market value of the collateral to be approximately \$8,615,000 as of March 31, 2021, based on the market price and the useful life of such collateral, which represents approximately 67.5% of the maximum contingent liabilities. As of March 31, 2021, approximately \$3,890,000, including interests of approximately \$233,000, due to financial institutions, of all the automobile purchases we serviced were past due mainly due to the COVID-19 epidemic in China.

Contingent liability of Jinkailong

On May 25, 2018, Chengdu Industrial Impawn Co., Ltd (“Impawn”) signed a pledge and pawn contract (the “Master Contract”) with Langyue, pursuant to which, Impawn shall provide loans to Langyue up to RMB20 million (approximately \$2.9 million). In connection with the Master Contract, Jinkailong entered into a guaranty with Impawn and agreed to provide guarantee on all the payments (including principal, interests, compensations and other expenses) of Langyue jointly and severally with seven other guarantors, one of which is a shareholder of Jinkailong. Langyue used RMB7,019,652 (approximately \$1,003,000) of the loans from Impawn and re-loaned it to automobile purchasers referred by Jinkailong from June 2018 to September 2018, which were also guaranteed by Jinkailong.

Langyue did not pay Impawn the monthly installment of June 2020 timely. In July 2020, Impawn sent the Collection Letter and Notice to Langyue to demand payment of the interest and penalty of RMB100,300 (approximately \$14,330). On September 18, 2020, Impawn initiated a legal action with the People's Court of Sichuan Pilot Free Trade Zone (the “Court”) for an order to collect and enforce the repayment of the total outstanding principal, interest and penalty for an aggregate of RMB9,992,728 (approximately \$1,428,000) and other expenses by freezing all bank accounts of Langyue and all related guarantors. On October 14, 2020, the cash in the bank accounts of Jinkailong, totaling RMB175,335 (approximately \$25,050) was frozen by the Court and became restricted cash accordingly. On January 7, 2021, bank account was frozen mentioned above has been fully released.

On December 24, 2020, Jinkailong, a shareholder of Jinkailong and Impawn signed a settlement agreement (“Settlement Agreement”). Impawn agreed to release the pledge of Jinkailong’s 75 automobiles, provided that Jinkailong and such shareholder repay an aggregate of RMB4,026,594 (approximately \$614,000) in monthly installments over 35 months. In addition, upon the initial payment of RMB600,000 (approximately \$92,000) by Jinkailong and such shareholder, Impawn will request the court to release the frozen bank accounts of Jinkailong. The Settlement Agreement further provides that it does not release the guarantee obligations of Jinkailong and in the event Langyue’s loan is not fully repaid at the end of the 35 months, Impawn reserves the right to pursue further actions against Jinkailong and such shareholder for the outstanding balance of the loan. As of March 31, 2021, the original maximum contingent liabilities related to the loans from Langyue to automobile purchasers which Jinkailong would be exposed to was approximately RMB2,163,000 (approximately \$330,000), which has been included in the amount of contingent liabilities of automobile purchasers as mentioned above. Therefore, Jinkailong recorded the additional \$94,000 for the gap between the total amount to be paid pursuant to the Settle Agreement and the remaining principal of loans from Impawn as guarantee expenses in the consolidated financial statements. Jinkailong will collect monthly installment payments from online ride-hailing drivers who lease those 75 automobiles to repay for the remaining balance of Impawns and recognize guarantee expenses if any. However, as Jinkailong has undertaken the joint and several liability guarantee for all of Langyue’s loans from Impawn, Jinkailong may be required to pay all the outstanding balance of approximately \$1,346,000 to Impawn in the future.

From time to time, the Company may be subject to certain legal proceedings, claims and disputes that arise in the ordinary course of business. Except the contingent liabilities for Langyue, other amounts accrued, as well as the total amount of reasonable possible losses with the respect to such matters, individually and in the aggregate, are not deemed to be material to the interim consolidated financial statements.

19. SEGMENT INFORMATION

The Company presents segment information after elimination of inter-company transactions. In general, revenue, cost of revenue and operating expenses are directly attributable, or are allocated, to each segment. The Company allocates costs and expenses that are not directly attributable to a specific segment, such as those that support infrastructure across different segments, to different segments mainly on the basis of usage, revenue or headcount, depending on the nature of the relevant costs and expenses. The Company does not allocate assets to its segments as the CODM does not evaluate the performance of segments using asset information.

The following tables present the summary of each segment's revenue, loss from operations, loss before income taxes and net loss which is considered as a segment operating performance measure, for the year ended March 31, 2021:

| | For the Year Ended March 31, 2021 | | | |
|--------------------------|---|---|----------------|-----------------|
| | Automobile Transaction and Related Services | Online ride-hailing platform Services | Unallocated | Consolidated |
| Revenues | \$ 5,257,280 | \$ 903,254 | \$ - | \$ 6,160,534 |
| Loss from operations | \$ (6,126,494) | \$ (1,894,971) | \$ (2,163,078) | \$ (10,184,543) |
| Loss before income taxes | \$ (7,009,570) | \$ (1,703,551) | \$ (3,872,915) | \$ (12,586,036) |
| Net loss | \$ (7,024,200) | \$ (1,703,551) | \$ (3,872,912) | \$ (12,600,663) |

Details of the Company's revenue by segment are set out in Note 2(g).

As of March 31, 2021, the Company's total assets were comprised of, \$16,227,836 for automobile transaction and related services, \$3,254,822 for online ride-hailing platform services and \$2,421,681 unallocated.

As substantially all of the Company's long-lived assets are located in the PRC and substantially all of the Company's revenue is derived from within the PRC, no geographical information is presented.

20. PARENT-ONLY FINANCIALS

SENMIAO TECHNOLOGY LIMITED
CONDENSED BALANCE SHEETS

| | March 31, 2021 | March 31, 2020 |
|--|----------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,609,778 | \$ 2,590 |
| Due from subsidiaries | 8,170,057 | 2,575,039 |
| Prepayments, other receivables and other assets, net | 136,901 | 92,375 |
| Total Current Assets | 9,916,736 | 2,670,004 |
| Other Assets | | |
| Intangible assets | 675,000 | 750,000 |
| Total Assets | \$ 10,591,736 | \$ 3,420,004 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accrued expenses and other liabilities | \$ - | \$ 128,796 |
| Derivative liabilities | 1,278,926 | 342,530 |
| Total Current Liabilities | 1,278,926 | 471,326 |
| Other Liabilities | | |
| Excess of investments in subsidiaries | 3,456,097 | 144,980 |
| Total Liabilities | 4,735,023 | 616,306 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Common stock (par value \$0.0001 per share, 100,000,000 shares authorized; 49,780,725 and 29,008,818 shares issued and outstanding at March 31, 2021 and 2020, respectively) | 4,978 | 2,901 |
| Additional paid-in capital | 40,755,327 | 27,013,137 |
| Accumulated deficit | (34,064,921) | (23,704,863) |
| Accumulated other comprehensive loss | (838,671) | (507,478) |
| Total Senmiao Technology Limited Stockholders' Equity | 5,856,713 | 2,803,697 |
| Total Liabilities and Equity | \$ 10,591,736 | 3,420,004 |

SENMIAO TECHNOLOGY LIMITED
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

| | For the Years Ended March 31, | |
|--|-------------------------------|-----------------------|
| | 2021 | 2020 |
| General and administrative expenses | \$ (2,070,303) | \$ (1,215,156) |
| Other Income, net | 582 | 359 |
| Change in fair value of derivative liabilities | (1,710,415) | 1,796,724 |
| Equity of losses in subsidiaries | (6,579,922) | (9,255,252) |
| Net loss | (10,360,058) | (8,673,325) |
| Foreign currency translation adjustment | (331,193) | (78,707) |
| Comprehensive loss attributable to stockholders | \$ (10,691,251) | \$ (8,752,032) |

SENMIAO TECHNOLOGY LIMITED
CONDENSED STATEMENTS OF CASH FLOWS

| | For the Years Ended March 31, | |
|--|--------------------------------------|--------------------|
| | 2021 | 2020 |
| Cash Flows from Operating Activities: | | |
| Net loss | \$ (10,360,058) | \$ (8,673,325) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Equity of loss of subsidiaries | 6,579,922 | 9,255,252 |
| Amortization of intangible asset | 75,000 | - |
| Stock compensation expense | 445,000 | 133,150 |
| Change in fair value of derivative liabilities | 1,710,415 | (1,796,724) |
| Change in operating assets and liabilities | | |
| Prepayments, receivables and other assets | (44,526) | 115,952 |
| Accrued expenses and other liabilities | (65,495) | (109,176) |
| Net Cash Used in Operating Activities | (1,659,742) | (1,074,871) |
| Cash Flows from Investing Activities: | | |
| Purchase of intangible assets | - | (470,000) |
| Working capital contribution for subsidiaries | (3,600,000) | (5,470,082) |
| Net Cash Used in Investing Activities | (3,600,000) | (5,940,082) |
| Cash Flows from Financing Activities: | | |
| Net proceeds from issuance of common stock in an underwritten public offering | 5,261,297 | - |
| Net proceeds from exercise of underwriters' over-allotment option | 837,000 | - |
| Net proceeds from issuance of common stock and warrants in a registered direct public offering | 5,743,905 | 5,142,124 |
| Net proceeds from issuance of common stock upon warrants exercised | 683,046 | 111 |
| Borrowings to subsidiaries | (5,658,318) | (675,039) |
| Release of escrow receivable | - | 600,000 |
| Net Cash Provided by Financing Activities | 6,866,930 | 5,067,196 |
| Net increase (decrease) in cash and cash equivalents | 1,607,188 | (1,947,757) |
| Cash and cash equivalents, beginning of year | 2,590 | 1,950,347 |
| Cash and cash equivalents, end of year | \$ 1,609,778 | \$ 2,590 |
| Supplemental Cash Flow Information | | |
| Cash paid for interest expense | \$ - | \$ - |
| Cash paid for income tax | \$ - | \$ - |
| Non-cash Transaction in Investing and Financing Activities | | |
| Prepayments in exchange of intangible assets | \$ - | \$ 280,000 |
| Allocation of fair value of derivative liabilities for issuance of common stock proceeds | \$ 997,193 | \$ 3,150,006 |
| Allocation of fair value of derivative liabilities to additional paid in capital upon warrants exercised | \$ 1,771,213 | \$ 1,010,752 |
| Issuance of restricted stock units from accrued expenses and other liabilities | \$ - | \$ 44,200 |

a) Basis of presentation

The condensed financial information of Senmiao Technology Limited, has been prepared using the same accounting policies as set out in the consolidated financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted by reference to the consolidated financial statements.

b) Investments in subsidiaries and equity of loss in subsidiaries

The investments in subsidiaries consist of investments in Senmiao Consulting, Hunan Ruixi and Yicheng. The equity losses in subsidiaries consist of equity loss in Senmiao Consulting, Hunan Ruixi and Yicheng.

c) Stockholders' equity

Restricted Stock Units

On October 29, 2020, the Board approved the issuance of an aggregate of 127,273 restricted stock units ("RSUs") to directors, officers and certain employees as stock compensation for their services for the year ending March 31, 2021. Total RSUs granted to these directors, officers and employees were valued at an aggregate fair value of \$140,000. These RSUs will vest in four equal quarterly installments on January 29, 2021, April 29, 2021, July 29, 2021 and October 29, 2021 or in full upon the occurrence of a change in control of the Company, provided that the director, officer or the employee remains in service through the applicable vesting date. The RSUs will be settled by the Company's issuance of shares of common stock in certificated or uncertificated form upon the earlier of (i) vesting date, (ii) a change in control and (iii) termination of the services of the director, officer or employee due to a "separation of service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, or the death or disability of such director, officer or employee. As of March 31, 2021 no RSUs have been vested. As of the issuance date of these consolidated financial statements, the first installment of RSUs vested but has not been settled by the Company. The Company expects to settle the vested RSUs by issuance of shares of common stock within 2021 and account for the vested RSUs as an addition to both expenses and additional paid-in capital.

2019 Registered Direct Offering

On April 15, 2019, the SEC declared effective the Company's Registration Statement on Form S-3, pursuant to which, along with the accompanying prospectus, the Company registered up to \$80,000,000 in aggregate principal amount of its common stock, preferred stock, debt securities, warrants, rights and/or units. On June 21, 2019, the Company closed a registered direct offering of an aggregate of 1,781,360 shares of its common stock, and in connection therewith, issued to the investors (i) for no additional consideration, Series A warrants to purchase up to an aggregate of 1,336,021 shares of common stock and (iii) for nominal additional consideration, Series B warrants to purchase up to a maximum aggregate of 1,116,320 shares of common stock. The Company sold the shares of common stock at a price of \$3.38 per share (the "Share Purchase Price"). The Company received gross proceeds from the offering of approximately \$6.0 million, and net proceeds from the offering of approximately \$5.1 million after deducting estimated offering expenses payable by the Company.

The Series A warrants are exercisable immediately upon issuance at an exercise price of \$3.72 per share and will expire on the fourth (4th) anniversary of the original issue date. In the event that on December 20, 2019, the exercise price is greater than the Six Month Adjustment Price as defined below, on the trading day immediately following December 20, 2019 (the "Six Month Measuring Date"), the exercise price shall automatically adjust to the Six Month Adjustment Price (as adjusted for stock splits, stock dividends, stock combinations, recapitalizations and similar events). Six Month Adjustment Price means the greater of (x) \$1.50 (as adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction) and (y) 100% of the quotient of (I) the sum of the five lowest VWAPs of the common stock during the ten consecutive trading day period ending and including the Six Month Measuring Date, divided by (II) five. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction during such period. The exercise price of the Series A warrant was adjusted pursuant to this formula from \$3.72 to \$1.50 per share on December 20, 2019. The Company used the adjusted exercise price to value its derivative liability on its December 31, 2019 financial statements and reporting periods onwards with changes in fair value of warrant liabilities from period to period are recorded in the consolidated statements of operations and comprehensive loss under the caption "Change in fair value of derivative liabilities". The exercise price of the Series A warrant was further adjusted to \$0.50 per share on August 7, 2020 as a result of the Company's issuance of shares of common stock in its underwritten public offering in August 2020, which has been recorded in the financial statements in the year ended March 31, 2021. In addition, the exercise price of the placement agent warrants from the June 2019 registered direct offering was voluntarily adjusted by the Company from \$3.72 to \$0.50 per share on August 18, 2020.

The Series B warrants are pre-funded warrants and were issued as a true-up with respect to the shares of common stock. The maximum aggregate number of shares of common stock issuable upon exercise of the Series B warrants is 1,116,320. Initially, the Series B warrants shall not be exercisable for any shares of common stock. In the event that on the fiftieth (50th) day after the closing date (the “Adjustment Measuring Time”), the closing price of the common stock is less than the Share Purchase Price, then the number of shares of common stock issuable upon exercise of the Series B warrants shall be adjusted (upward or downward, as applicable) to the greater of (i) zero (0) and (ii) such aggregate number of shares of common stock equal to fifty percent (50%) of the difference of (A) the quotient of (x) the Share Purchase Price divided by (y) the Market Price (as defined in Purchase Agreement) as of the Adjustment Measuring Time, less (B) the aggregate number of shares of common stock issued to the investors at the closing (as adjusted for share splits, share dividends, share combinations, recapitalizations and similar events). The exercise price of the Series B warrant was adjusted from \$3.72 to \$0.0001 per share on August 12, 2019. The Company used the adjusted exercise price to value its derivative liability on its September 30, 2019 financial statements and reporting period onwards with changes in fair value of warrant liabilities from period to period are recorded in the consolidated statements of operations and comprehensive loss under the caption “Change in fair value of derivative liabilities. As of March 31, 2021, the Company has issued an aggregate of 1,113,188 shares of common stock to certain investors in the June 2019 offering upon exercise of the pre-funded Series B warrants for a total consideration of \$111.

Underwritten Public Offering and Exercise of the Over-Allotment Option

On August 4, 2020, the Company entered into an underwriting agreement with The Benchmark Company, LLC and Axiom Capital Management, Inc., as representatives of the Underwriters, relating to an underwritten public offering of 12,000,000 shares of the Company’s common stock at the Offering Price. Pursuant to the terms of the Underwriting Agreement, the Company granted the Underwriters a 45-day option to purchase up to an additional 1,800,000 shares of common stock to cover over-allotments, if any, at the Offering Price less the underwriting discounts and commissions. An underwriting discount of 7% was applied to the Offering Price, except for shares of common stock purchased by certain existing investors of the Company (the “Excluded Investors”), an underwriting discount of 6% was applied. On August 6, 2020, the Company completed the underwritten offering. The net proceeds to the Company from this offering, after deducting the underwriting discounts and commissions and other estimated offering expenses payable by the Company, were approximately \$5.3 million.

On August 13, 2020, the Underwriters exercised their over-allotment option to purchase an additional 1,800,000 shares of common stock at \$0.50 per share. This transaction was completed on August 13, 2020. Net proceeds from the exercise of the underwriters’ over-allotment option were approximately \$0.8 million net of underwriting discounts and commissions and offering expenses.

In connection with the underwritten offering, the Company issued the Underwriters or their permitted designees, on a private placement basis, the Underwriters’ Warrants to purchase up to 568,000 shares of common stock. These warrants are valid for a period of five years and exercisable commencing six months from August 4, 2020 at a price per share equal to 125% of the Offering Price and are exercisable on a “cashless” basis.

February 2021 Registered Direct Offering

On February 8, 2021, the Company entered into a placement agency agreement with FT Global Capital, Inc., to act as exclusive placement agent in connection with the registered direct public offering. Pursuant to the terms of the placement agency agreement, the Company agreed to pay the Placement Agent a cash fee equal to 7.5% of the gross proceeds raised in the Offering, and to reimburse the Placement Agent for certain expenses, including legal fees and expenses, up to \$60,000 in the aggregate. The Placement Agent is also entitled to additional tail compensation for any financings consummated within the 12-month period following the termination of the Placement Agent Agreement to the extent that such financing is provided to the Company by investors that the Placement Agent had introduced to the Company. On February 10, 2021, the Company completed the registered direct offering. The net proceeds to the Company from this offering, after deducting the underwriting discounts and commissions and other estimated offering expenses payable by the Company, were approximately \$5.7 million.

In connection with the offering, the Company issued the placement agent warrants to purchase up to 380,435 shares of its common stock. These warrants are exercisable for a period of five years commencing 180 days from February 8, 2020 at a price of \$1.38 per share and are exercisable on a “cashless” basis. In addition, the company issued The Benchmark Company, LLC and Axiom Capital Management, Inc. seven percent of the gross proceeds from the offering and warrants to purchase up to 152,174 shares of its common stock, in consideration for the termination of the ROFR. These warrants are exercisable for a period of five years from February 8, 2020 at a price of \$1.725 per share.

21. SUBSEQUENT EVENTS

May 2021 Registered Direct Offering

On May 13, 2021, the Company completed a registered direct offering of 5,531,916 shares of the Company’s common stock at \$1.175 per share, pursuant to a securities purchase agreement with certain purchasers dated May 11, 2021. As a result, the Company raised approximately \$5.8 million, net of placement agent fees and offering expenses, to support the Company’s working capital requirements. In connection with the offering, The Company also issued warrants to the investors to purchase a total of 5,531,916 shares of common stock at an exercise price of \$1.05 per share. The warrants have a term of five years and are exercisable at any time on or after the issuance date. In connection with the offering, the Company paid the placement agent cash commission of approximately \$487,500 and issued to it warrants to purchase up to 414,894 shares of common stock at an exercise price of \$1.05 per share, which warrants will be exercisable at any time on or after the issuance date and expire on the fifth year anniversary of their issuance. The warrants will be fair valued on the transaction date and accounted for as a derivative liability.

Exercise of Warrants

On April 23, 2021, one of the holders of Series A warrants exercised the warrants to purchase 44,029 shares of the Company’s common stock at an exercise price of \$0.50 per share, generating gross proceeds of approximately \$22,015 to the Company.

Termination of JKL Investment

On July 2 2021, Hunan Ruixi, other shareholders of Jinkailong and Hongyi signed a termination agreement to terminate the investment by Hongyi on Jinkailong.

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on the foregoing evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2019, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses described below.

Management's Report on Internal Control over Financial Reporting

Our management, including our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2021, based on the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 Framework). Based on this evaluation under the 2013 Framework, our principal executive officer and principal financial officer have concluded that our internal control over financial reporting was not effective March 31, 2021 due to the following material weaknesses:

- We did not have sufficient personnel with appropriate levels of accounting knowledge and experience to address complex U.S. GAAP accounting issues and to prepare and review financial statements and related disclosures under U.S. GAAP. Specifically, our control did not operate effectively to ensure the appropriate and timely analysis of and accounting for unusual and non-routine transactions and certain financial statement accounts;
- We are lacking adequate policies and procedures in internal audit function to ensure that our policies and procedures have been carried out as planned;
- We did not establish and perform periodic review and in-time recertification of unauthorized access to the financial system;
- We are lacking adequate policies and procedures in our data management, backup and recovery; and
- We did not establish and perform appropriate regular monitoring and testing on the security of our financial system.

A material weakness is a deficiency, or a combination of deficiencies, within the meaning of PCAOB Auditing Standard AS 2201, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. During the year ended March 31, 2021, we have hired new accounting staff and are in the progress of improving our system security environment and conducting regular backup plans and penetration testing to ensure network and information security. We also kept refining the operational and financial system for our businesses to warn of risks and support management's ability to make significant decisions. We are developing as well as a comprehensive system which could combine interactive information between our Automobile Transaction and Related Services and Online Ride-hailing Platform Services. As of March 31, 2021, we have completed the following remediation:

- We have improved the communication to the Board and obtain proper approval for the material transaction.

We plan to address the weaknesses identified above by implementing the following measures:

- (i) hiring additional accounting staffs with comprehensive knowledge of U.S. GAAP and SEC reporting requirements;
- (ii) Ameliorating our internal audit or engaging an external consulting firm, to assist with assessment of Sarbanes-Oxley compliance requirements and improvement of internal controls related to financial reporting; and
- (iii) improving our system security environment and conducting regular backup plan and penetration testing to ensure the network and information security.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the fourth quarter of the year ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III**Item 10. Directors, Executive Officers and Corporate Governance****Directors and Executive Officers**

Our current directors and officers are as follows:

| Name | Age | Position |
|----------------|------------|--|
| Xi Wen | 38 | Chief Executive Officer, Chairman of the Board, President and Secretary, Executive Director of Sichuan Senmiao |
| Xiaoyuan Zhang | 33 | Chief Financial Officer and Treasurer |
| Chunhai Li | 36 | Chief Technology Officer |
| Haitao Liu | 49 | Chief Operating Officer |
| Xiaojuan Lin | 56 | Director |
| Trent D. Davis | 53 | Director |
| Sichun Wang | 33 | Director |
| Jie Gao | 42 | Director |

Xi Wen has been serving as President, Secretary and Director of the Company since June 2017, was appointed as Chairman of the board on July 20, 2017 and our Chief Executive Officer on August 1, 2018. Mr. Wen has over 10 years of experience in finance and investment management. He has been serving as Executive Director of Sichuan Senmiao since February 2017, in charge of all aspects of Senmiao's operations. Immediately prior to joining Senmiao, Mr. Wen served as a director of Chenghexin, where he was responsible for overseeing the operations of the Aihongsen lending platform from May 2015 to February 2017. He also founded Chengdu Fubang Zhuoyue Investment Co. in September 2013 and served as General Manager until May 2015. From January 2009 to August 2013, Mr. Wen was the General Manager of Chengdu Haiyuan Trading Co., Ltd., in charge of the company's daily operations. Mr. Wen holds a Bachelor's degree in Business and Economics from Manchester Metropolitan University in Manchester, United Kingdom. Mr. Wen is qualified to serve on our board of directors due to his knowledge of our businesses and expertise in business management, finance and investment.

Xiaoyuan Zhang has been serving as our Chief Financial Officer since September 17, 2018. She has served as a director and the chairperson of the Audit Committee of Color Star Technology Co., Ltd. (Nasdaq: CSCW), a provider of online and offline education services in China, since July 2019 to March 29, 2021. Ms. Zhang previously served as Senior Auditor and Assurance Manager of Ernst & Young Hua Ming LLP, Chengdu Branch, from October 2010 to September 2018 where she participated in audits of several public companies listed in China, Hong Kong and Singapore, as well as large state-owned and foreign investment enterprises. Ms. Zhang received her dual bachelor's degrees in accounting and law from Southwestern University of Finance and Economics in Chengdu, China. Ms. Zhang is an intermediate accountant and a Certified Public Accountant of the Chinese Institute of Certified Public Accountants.

Chunhai Li has been serving as the Chief Technology Officer of the Company since July 20, 2017 and Chief Technology Officer of Sichuan Senmiao since September 2016. Before joining Sichuan Senmiao, he was the Director of Research and Development of Beijing Huashengtiancheng Technology Co., Ltd. from October 2014 to August 2016, where he was in charge of the development of bank data platform and team management. Prior to that, he was the Director of Research and Development at Zhongkesanyang (Beijing) Technology Co., Ltd. from February 2013 to September 2014, primarily responsible for the organization of the company and technology team as well as management of technology and operations. From October 2007 to February 2013, he was the project manager for online banking at Beijing Yuxinyicheng Technology Co., Ltd., where he participated in and managed the online banking projects for many banks. Mr. Li received his bachelor's degree in computer science from University of Electronic Science and Technology of China.

Haitao Liu has been serving as the Chief Executive Officer of Sichuan Senmiao since August 1, 2018. On September 10, 2020, Mr. Haitao Liu tendered his voluntary resignation as Chief Executive Officer of Sichuan Senmiao. On the same date, the Board appointed Mr. Haitao Liu to serve as the Company's Chief Operating Officer. Mr. Liu previously served as Chief Executive Officer of Shenzhen Qianhai Tuteng Internet Financial Services Co., Ltd., a peer-to-peer online lending company specialized in auto loans, from May 2015 to April 2018. Prior to that, he served as the Deputy General Manager of Chengdu High-Tech Zone Xingrui Microfinance Co., Ltd., a company offering loans to small businesses and individuals, from May 2012 to April 2015, as the Chief Financial Officer of Sichuan Information Industry Co., Ltd., an information technology company, from July 2006 to May 2012, and as the Deputy General Manager of Sichuan Zhongxin Hengde CPA Co., Ltd. from June 2000 to July 2006. He also served as a civil servant in Chenghua District People's Government of Chengdu from June 1993 to June 2000. Mr. Liu received a master's degree in EMBA (Finance) from Southwestern University of Finance and Economics, a bachelor's degree in Business Administration from Southwest Jiaotong University and an associate degree in Commercial Economy from Southwestern University of Finance and Economics in China.

Xiaojuan Lin has been a director of the Company since July 20, 2017. Since March 2011, Ms. Lin has been the legal representative and Executive General Manager of Hunan Dinchentai Investment Co. Ltd. She previously served as Deputy General Manager and Finance Manager of Hunan Xinhongxin Group from April 2004 to February 2010 where she was in charge of the group's finance, tax and accounting matters. From August 2000 to March 2004, Ms. Lin served as Finance Manager for Northwest Region at Tianjin Jiashijian Commercial Group, where she managed the group's finance, tax and accounting matters. She also acted as Budgeting and Accounting Manager of Cygent Hotel from 1986 to 2000. Ms. Lin holds a Bachelor's degree in Statistics from Hunan Finance University in Hunan, China. She is a Certified Public Accountant in China. Ms. Lin is qualified to serve on our board of directors due to her expertise in accounting and finance.

Trent D. Davis has been a director of the Company since March 21, 2018. Mr. Davis is currently the Chief Executive Officer of Paulson Investment Company, LLC, which is a boutique investment firm specializing in private equity offerings for small to mid-cap markets. Formerly, from December 2014 to December 2018, Mr. Davis was President and Chief Operating Officer of Whitestone Investment Network, Inc., which specializes in providing executive advisory services to small entrepreneurial companies, as well as restructuring, recapitalizing, and making strategic investments in small to midsize companies. Currently, Mr. Davis is a Director for INVO Bioscience (OTC: INVOD), which is a medical device company focused on creating simplified, lower cost treatments for patients diagnosed with infertility. Formerly, from September 2016 to August 2019, Mr. Davis was Vice Chairman and Lead Director of Eastside Distilling Inc. (Nasdaq: EAST), a manufacturer of high-quality, master-crafted spirits. As the Lead Independent Director of Dataram Corporation (Nasdaq: DRAM), which develops, manufactures, and markets memory products primarily used in enterprise servers and workstations worldwide, from July 2015 to April 2017, Mr. Davis helped the company successfully complete the reverse merger with U.S. Gold Corp (Nasdaq: USAU), a gold exploration and development company. Previously, from December 2014 to July 2015, Mr. Davis was Chairman of the Board for Majesco Entertainment Company (Nasdaq: COOL), an innovative developer, marketer, publisher, and distributor of interactive entertainment for consumers around the world. From November 2013 until July 2014, Mr. Davis served as the President and Director of Paulson Capital Corp. (Nasdaq: PLCC) until he successfully completed the reverse merger of Paulson with VBI Vaccines (Nasdaq: VBIV). He went on to serve as a member of its Board of Directors and Audit Committee until May 2016. Mr. Davis was also the Chief Executive Officer of Paulson Investment Company, Inc., a subsidiary of Paulson Capital Corp, from July 2005 to October 2014, and is credited with overseeing the syndication of approximately \$600 million for over 50 client companies in both public and private transactions. In 2003, Mr. Davis served as Chairman of the Board of the National Investment Banking Association. Mr. Davis holds a B.S. in Business and Economics from Linfield College and an M.B.A. from University of Portland. Mr. Davis is qualified to serve on our board of directors because of his deep knowledge of finance and public company issues, capital market, advisory and entrepreneurial experiences, and extensive expertise in operational and executive management.

Sichun Wang has been a director of the Company since November 8, 2018. Ms. Wang has served as the senior investment manager and financial controller of SWHY SDH Equity Investment Management, an equity investment and management company, since October 2016, where she leads the financial department of the company and participated in several pre-initial-public offering, mergers and acquisitions and secondary offering projects. From February 2016 to April 2016, she served as the trust manager of JIC Trust Company Limited, a trust and financial company. Prior to that, Ms. Wang served as the assistant manager of KPMG Huazhen from September 2011 to January 2016, where she participated in audits of multiple companies and achieved Bravo Award for outstanding performance. Ms. Wang received her Bachelor of Arts degree in accounting with honors from Michigan State University in East Lansing, MI. She is a Certified Public Accountant in China. Ms. Wang is qualified to serve on our board of directors due to her expertise in accounting and auditing and her experience with capital market and corporate financing.

Jie Gao has served as a director of the Company since November 8, 2018. She has been the general manager of Hunan Ruixi, our majority owned subsidiary, since February 2018. She has also served as the executive director of Ruixi Leasing, a wholly owned subsidiary of Hunan Ruixi, since April 2018. Prior to that, she was the executive director of Guangdong Hu Mao Sheng Tang Fund Management Co., Ltd., a fund management company, from May 2017 to January 2018, where she was responsible for the establishment and management of the finance and investment department. She served as the project director of finance and investment department of Resgreen Biotechnology Group Co., Ltd., a biotechnology company, from October 2003 to March 2017. Before that, she also served in administrative positions in electronic technology companies in Changsha, Hunan, China. She received an associate's degree in hotel secretary from Hunan University of Commerce in Changsha, Hunan, China. Ms. Gao is qualified to serve on our board of directors due to her experience in business management, investment and finance.

Family Relationships

There are no family relationships, or other arrangements or understandings between or among any of the directors, executive officers or other persons pursuant to which such person was selected to serve as a director or officer.

Board Committees

Our board of directors currently have an Audit Committee, Compensation Committee, and Nomination and Corporate Governance Committee. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Ms. Lin, Mr. Davis and Ms. Wang, and is chaired by Ms. Wang. Each of our audit committee members satisfies the "independence" requirements of the Nasdaq listing rules of and meet the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Ms. Lin qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-screening all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting to the board of directors.

Compensation Committee. Our compensation committee consists of Ms. Lin, Ms. Wang and Mr. Davis and is chaired by Ms. Lin. Each of the compensation committee members satisfies the “independence” requirements of the listing rules of Nasdaq. The compensation committee assists the board of directors in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our executive officers may not be present at any committee meeting during which their compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing the total compensation package for our executive officers and making recommendations to the board of directors with respect to it;
- approving and overseeing the total compensation package for our executives other than the three most senior executives;
- reviewing the compensation of our directors and making recommendations to the board of directors with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Ms. Lin, Ms. Wang and Mr. Davis, and is chaired by Ms. Lin. Each member of our nominating and corporate governance committee satisfies the “independence” requirements of the Nasdaq listing rules. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board of directors and its committees. The nominating and corporate governance committee is responsible for, among other things:

- recommending nominees to the board of directors for election or re-election to the board of directors, or for appointment to fill any vacancy on the board of directors;
- reviewing annually with the board of directors the current composition of the board of directors with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to the board of directors the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is or has been an officer or employee of our Company. None of our officers and directors currently serves, or in the past year has served, as a member of the compensation committee or other board committee performing equivalent functions of any entity that has one or more executive officers serving on our board of directors or Compensation Committee.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers, directors and persons who beneficially own more than ten percent of our common stock to file reports of ownership and changes in ownership with the SEC. These reporting persons are also required to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of such forms, we believe that during the year ended March 31, 2020 there were no delinquent filers.

Code of Ethics

We have adopted a written code of ethics that applies to all of our directors, officers and employees in accordance with the rules of the Nasdaq Stock Market and the SEC. We have filed copies of our code of ethics, our audit committee charter, our compensation committee charter and our nominating committee charter as exhibits to our registration statement in connection with our IPO. You may review these documents by accessing our public filings at the SEC’s web site at www.sec.gov. In addition, a copy of the code of ethics will be provided without charge upon request to us.

Involvement in Certain Legal Proceedings

None of our directors and executive officers have been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;
4. being found by a court of competent jurisdiction in a civil action, the SEC 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;
5. being subject of, or a party to, any federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
6. being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Item 11. Executive Compensation

Summary Compensation Table

The following table sets forth the cash and non-cash compensation awarded to or earned by: (i) each individual who served as the executive officers of our company during the years ended March 31, 2021 and 2020. For purposes of this document, these individuals are collectively referred to as the “named executive officers” of the Company.

| Name and principal position | Year | Salary (\$) | Bonus (\$) | Stock awards (\$) | Option awards (\$) | Non-equity incentive plan compensation (\$) | Nonqualified deferred compensation earnings (\$) | All other compensation (\$) | Total (\$) |
|--|------|-------------|------------|-------------------|--------------------|---|--|-----------------------------|------------|
| Xi Wen | 2021 | 188,287 | 45,000 | 5,500 | — | — | — | — | 238,787 |
| Chief Executive Officer, Chairman, President and Secretary | 2020 | 156,319 | — | 31,050 | — | — | — | — | 187,369(1) |
| Xiaoyuan Zhang, Chief Financial Officer and Treasurer | 2021 | 79,488 | 4,125 | — | — | — | — | — | 83,613 |
| | 2020 | 71,280 | — | — | — | — | — | — | 71,280 |
| Chunhai Li, Chief Technology Officer | 2021 | 55,013 | 1,375 | — | — | — | — | — | 56,388 |
| | 2020 | 45,616 | — | — | — | — | — | — | 45,616 |
| Haitao Liu | 2021 | 79,459 | 2,750 | — | — | — | — | — | 82,209 |
| Chief Operating Officer (3) | 2020 | 71,280 | — | — | — | — | — | — | 71,280 |

- (1) The amount represents the total compensation Mr. Wen received as the Company’s Chairman and executive officer. Mr. Wen did not receive any compensation for his services as President and Secretary until June 20, 2019.
- (2) Except Mr. Wen’s salaries paid for his services as Chief Executive Officer of the Company, other executive officers received their salaries in Renminbi which were translated into U.S. dollars at the average exchange rate used to translate statement of operations items, which was RMB6.7960 to US\$1.00 for the year ended March 31, 2021 and RMB6.9472 to US\$1.00 for the year ended March 31, 2020.
- (3) On September 10, 2020, Mr. Haitao Liu tendered his voluntary resignation as Chief Executive Officer of Sichuan Senniao. On the same date, the Board appointed Mr. Haitao Liu to serve as the Company’s Chief Operating Officer.

Employment Agreements and Potential Payments Upon Termination

Xi Wen, Chief Executive Officer, Chairman of the Board, President and Secretary

On May 27, 2019, the Company and Mr. Wen entered into an employment agreement (the “Wen Agreement”) to memorialize the compensation arrangement and the other terms of Mr. Wen’s continuing employment with the Company and Sichuan Senmiao. Under the Wen Agreement, Mr. Wen is entitled to the following compensation: (i) an annual salary of US\$100,000 for his service as Chief Executive Officer of the Company, payable quarterly in arrears, starting upon the Company’s receipt of proceeds from a financing of at least \$1,000,000; (ii) an annual salary of RMB600,000 (approximately US\$87,354) for his service as the Executive Director for Sichuan Senmiao, payable monthly in arrears starting upon the Company’s receipt of proceeds from a financing of at least \$1 million; and (iii) a cash bonus of up to US\$50,000 for his services as Chief Executive Officer of the Company for the fiscal year ended March 31, 2020 upon satisfaction of the performance targets as reviewed by the Compensation Committee.

Mr. Wen is also entitled to participate in the Company’s equity incentive plans and other Company benefits (including health insurance, vacation and expense reimbursement), each in accordance with the Company’s policies as determined by the Board from time to time. The Wen Agreement has an initial term of three years and is subject to successive, automatic one-year extensions unless either party gives notice of non-extension to the other party at least 30 days prior to the end of the applicable term.

Pursuant to the Wen Agreement, the Company may terminate Mr. Wen’s employment for cause (as defined in the Wen Agreement), at any time, without notice. Upon a termination for cause, Mr. Wen will not be entitled to receive payment of any severance benefits or other amounts by reason of the termination, and his right to all other benefits will terminate, except as required by any applicable law.

The Company may also terminate Mr. Wen’s employment without cause upon 30 days’ advance written notice. In the case of such a termination by the Company, the Company is required to provide the following severance payments and benefits to Mr. Wen: (1) a lump sum cash payment equal to three (3) months of the base salary as of the date of such termination; (2) a lump sum cash payment equal to a pro-rated amount of his target annual bonus for the year immediately preceding the termination, if any; (3) payment of premiums for continued health benefits under the Company’s health plans for three (3) months following the termination, if any; and (4) immediate vesting of 100% of the then-unvested portion of any outstanding equity awards held by Mr. Wen.

In addition, if the Company or its successor terminates the Wen Agreement upon a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Company with or to any other individual(s) or entity, Mr. Wen shall be entitled to the following severance payments and benefits upon such termination: (1) a lump sum cash payment equal to three months of the base salary at a rate equal to the greater of his annual salary in effect immediately prior to the termination, or his then current annual salary as of the date of such termination; (2) a lump sum cash payment equal to a pro-rated amount of his target annual bonus for the year immediately preceding the termination; (3) payment of premiums for continued health benefits under the Company’s health plans for three months following the termination; and (4) immediate vesting of 100% of the then-unvested portion of any outstanding equity awards held by Mr. Wen.

Pursuant to the Wen Agreement, Mr. Wen may terminate his employment at any time with 30 days’ advance written notice without cause or if there is any significant change in his authority, duties and responsibilities or a material reduction in his annual salary. In such case, Mr. Wen will be entitled to receive compensation equivalent to three months of his base salary.

In order to receive any severance benefits under the Wen Agreement, Mr. Wen will be required to execute and deliver to the Company a general release of claims in a form reasonably satisfactory to the Board.

The Wen Agreement also contains customary restrictive covenants relating to confidentiality, non-competition and non-solicitation.

Xiaoyuan Zhang, Chief Financial Officer and Treasurer

On September 17, 2018, the Company and Ms. Zhang entered into an employment agreement (the “Zhang Agreement”). Under the Zhang Agreement, Ms. Zhang is entitled to an annual salary of RMB540,000 (approximately \$78,620) for her services as Chief Financial Officer and Treasurer of the Company. She is also entitled to participate in the Company’s equity incentive plans and other Company benefits, each as determined by the Board from time to time. Her employment has an initial term of one year and is subject to successive, automatic one-year extensions unless either party gives notice of non-extension to the other party at least 30 days prior to the end of the applicable term.

Pursuant to the Zhang Agreement, the Company may terminate Ms. Zhang’s employment for cause, at any time, without notice or remuneration, for certain acts, such as conviction or plea of guilty to a felony or grossly negligent or dishonest acts to the detriment of the Company, or misconduct or a failure to perform agreed duties. In such case, Ms. Zhang will not be entitled to receive payment of any severance benefits or other amounts by reason of the termination, and her right to all other benefits will terminate, except as required by any applicable law. The Company may also terminate Ms. Zhang’s employment without cause upon 30 days’ advance written notice. In such case of termination by the Company, the Company is required to provide the following severance payments and benefits to Ms. Zhang: a cash payment of one month of base salary as of the date of such termination for each year (which is any period longer than six months but no more than one year) and a cash payment of half month of base salary as of the date of such termination for any period of employment no more than six months, provided that the total severance payments shall not exceed twelve months of base salary.

Pursuant to the Zhang Agreement, Ms. Zhang may terminate her employment at any time with 30 days' advance written notice if there is any significant change in her duties and responsibilities or a material reduction in her annual salary. In such case, Ms. Zhang will be entitled to receive compensation equivalent to 3 months of her base salary. In addition, if the Company or its successor terminates the Zhang Agreement upon a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Company with or to any other individual(s) or entity, Ms. Zhang shall be entitled to the following severance payments and benefits upon such termination: (1) a lump sum cash payment equal to 3 months of base salary at a rate equal to the greater of her annual salary in effect immediately prior to the termination, or her then current annual salary as of the date of such termination; (2) a lump sum cash payment equal to a pro-rated amount of target annual bonus for the year immediately preceding the termination; (3) payment of premiums for continued health benefits under the Company's health plans for 3 months following the termination; and (4) immediate vesting of 100% of the then-unvested portion of any outstanding equity awards held by Ms. Zhang.

The Zhang Agreement also contains customary restrictive covenants relating to confidentiality, non-competition and non-solicitation.

Chunhai Li, Chief Technology Officer

Mr. Li serves as Chief Technology Officer of the Company pursuant to an employment agreement dated July 20, 2017. Under his employment agreement, Mr. Li is entitled to an annual salary of \$1.00 for his services as Chief Technology Officer of the Company. His employment has an initial term of one year and is subject to successive, automatic one-year extensions unless either party gives notice of non-extension to the other party at least 30 days prior to the end of the applicable term.

We may terminate Mr. Li's employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or grossly negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. In such case, Mr. Li will not be entitled to receive payment of any severance benefits or other amounts by reason of the termination, and his right to all other benefits will terminate, except as required by any applicable law. We may also terminate Mr. Li's employment without cause upon 30 days' advance written notice. In such case of termination by us, we are required to provide the following severance payments and benefits to him: (1) a lump sum cash payment equal to 3 months of his base salary as of the date of such termination; (2) a lump sum cash payment equal to a pro-rated amount of his target annual bonus for the year immediately preceding the termination, if any; (3) payment of premiums for continued health benefits under the Company's health plans for 3 months following the termination, if any; and (4) immediate vesting of 100% of the then-unvested portion of any outstanding equity awards held by him.

Mr. Li may terminate his employment at any time with 30 days' advance written notice if there is any significant change in his duties and responsibilities or a material reduction in his annual salary. In such case, Mr. Li will be entitled to receive compensation equivalent to three months of his base salary.

Mr. Li has agreed to hold, both during and after the termination of his employment agreement, in strict confidence and not to use, except as required in the performance of his duties in connection with the employment, any of our confidential information or proprietary information of any third party received by us and for which we have confidential obligations. In addition, he has agreed to be bound by non-competition and non-solicitation restrictions during the term of his employment and for one year following termination of his employment.

Mr. Li also serves as Chief Technology Officer of Sichuan Senmiao pursuant to an employment agreement with Sichuan Senmiao for a term of three years ending September 11, 2022. Pursuant to the renewed employment agreement with Sichuan Senmiao in September 2019, Mr. Li receives an annual salary of RMB374,004 (approximately US\$53,835) for his services and is entitled to benefits under PRC government statutory employee benefit plans.

Haitao Liu, Chief Executive Officer of Sichuan Senmiao

Mr. Liu serves as the Chief Executive Officer of Sichuan Senmiao pursuant to his employment agreement with Sichuan Senmiao, dated August 1, 2018. The term of his employment was for one year, subject to a one-month probation period. He is entitled to a monthly salary of RMB45,000 (approximately US\$6,551) except that he will receive RMB36,000 (approximately US\$5,241) for his probation period. The employment may be terminated (i) by mutual consent, (ii) immediately for cause by Sichuan Senmiao, (iii) for incapacity after non-work related illness or injury by Sichuan Senmiao with a 30-day prior written notice or a one-month salary as severance payment, (iii) by a 30-day prior written notice from Mr. Liu and a three-day prior notice during the probation period, or (iv) immediately for cause by Mr. Liu. In connection with the employment agreement, Mr. Liu and Sichuan Senmiao entered into a confidentiality agreement, pursuant to which Mr. Liu agreed not to release or disclose Sichuan Senmiao's confidential information.

Despite the expiration of his employment agreement, Mr. Liu has agreed to continue to serve as the Chief Executive Officer of Sichuan Senmiao as well as assist to oversee our Automobile Transaction and Related Services after the discontinuation of our P2P business under the same terms of his employment agreement.

On September 10, 2020, Mr. Haitao Liu tendered his voluntary resignation as Chief Executive Officer of Sichuan Senmiao. On the same date, the Board appointed Mr. Haitao Liu to serve as the Company's Chief Operating Officer. Effective September 11, 2020, the Company and Mr. Liu entered into an employment agreement (the "Liu Agreement"). Under the Liu Agreement, Mr. Liu is entitled to an annual salary of RMB540,000 (approximately \$77,000) for his service as Chief Operating Officer of the Company. He is also entitled to participate in the Company's equity incentive plans and other Company benefits, each as determined by the Board from time to time. His employment has an initial term of one year and is subject to successive, automatic one-year extensions unless either party gives notice of non-extension to the other party at least 30 days prior to the end of the applicable term.

Outstanding Equity Awards at Fiscal Year-End

As of March 31, 2021, there was no outstanding equity awards of executive officers.

Director Compensation

The following table sets forth certain information concerning the compensation of our then serving executive directors for the fiscal year ended March 31, 2021, except that the compensation of Xi Wen as a director is included in "– Summary Compensation Table":

| | Fees earned or paid in cash \$ | Stock awards \$ | Option awards \$ | Non-equity incentive plan compensation \$ | Nonqualified deferred compensation earnings \$ | All other compensation \$ | Total \$ |
|--------------|---|--------------------------------|---------------------------------|--|---|--|---------------------|
| Xiaojuan Lin | 20,000 | 5,500 | - | - | - | - | 25,500 |
| Trent Davis | 40,000 | 5,500 | - | - | - | - | 45,500 |
| Sichun Wang | 20,000 | 5,500 | - | - | - | - | 25,500 |
| Jie Gao | 20,000 | 5,500 | - | - | - | - | 25,500 |

Each of our directors receives an annual retainer of \$20,000 except that Mr. Trent receives an annual retainer of \$40,000. They will also be reimbursed for reasonable, pre-approved expenses in connection with the performance of their services.

On October 29, 2020, the Board approved the issuance of an aggregate of 127,273 RSUs to directors, officers and certain employees as stock compensation for their services for the year ending March 31, 2021. These RSUs will vest in four equal quarterly installments on January 29, 2021, April 29, 2021, July 29, 2021 and October 29, 2021 or in full upon the occurrence of a change in control of the Company, provided that the director, officer or the employee remains in service through the applicable vesting date. The RSUs will be settled by the Company's issuance of shares of common stock in certificated or uncertificated form upon the earlier of (i) vesting date, (ii) a change in control and (ii) termination of the services of the director, officer or employee due to a "separation of service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, or the death or disability of such director, officer or employee.

As of March 31, 2021, the first installment of RSUs vested but has not been settled by the Company and the Company accounted for the vested RSUs as expenses and charged to common stock. The fair value of the vested RSUs is calculated at the grant date market price of the Company's common stock multiplying by the number of vested shares. Total compensation expense for the year ended March 31, 2021 was \$35,000. The Company expects to settle the vested RSUs by issuance of shares of common stock within 2021.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

On July 7, 2021, there were 55,409,930 shares of common stock outstanding, which does not include the shares of common stock underlying the vested RSUs. The following table sets forth certain information known to us with respect to the beneficial ownership of common stock as of that date by (i) each of our directors, (ii) each of our executive officers, (iii) all of our directors and executive officers as a group, and (iv) each person, or group of affiliated persons, whom we know to beneficially own more than 5% of our common stock.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares beneficially owned by them.

| Name and Address of Beneficial Owner (1) | Amount and Nature of Beneficial Ownership | Percentage of Outstanding Shares |
|--|---|----------------------------------|
| 5% Stockholders | | |
| Senmiao International Investment Group Limited (2) | 10,575,000 | 19.1% |
| Officers and Directors | | |
| Xiaoyuan Zhang (3) | 6,818 | * |
| Haitao Liu (4) | 4,546 | * |
| Chunhai Li (5) | 2,273 | * |
| Xi Wen (6) | 1,167,144 | 2.1% |
| Xiaojuan Lin (7) | 44,394 | * |
| Trent D. Davis (7) | 44,394 | * |
| Jie Gao (8) | 39,394 | * |
| Sichun Wang (8) | 39,394 | * |
| All directors and executive officers as a group (eight individuals) | 1,348,356 | 2.4% |

* Less than 1%.

- (1) Unless otherwise indicated, the business address of each of the individuals is 16F, Building A, Shihao Square, Middle Jiannan Avenue, High-Tech Zone, Chengdu, Sichuan, China.
- (2) Xiang Hu, through Senmiao International Investment Group Limited, a British Virgin Islands company wholly owned by him, owns 10,575,000 shares of common stock of the Company.
- (3) Represents 6,818 shares of common stock underlying 6,818 RSUs, all of which RSUs have been vested but the underlying shares of common stock of which have not been issued as of the date of this Report.
- (4) Represents 4,546 shares of common stock underlying 4,546 RSUs, all of which RSUs have been vested but the underlying shares of common stock of which have not been issued as of the date of this Report.
- (5) Represents 2,273 shares of common stock underlying 2,273 RSUs, all of which RSUs have been vested but the underlying shares of common stock of which have not been issued as of the date of this Report.
- (6) Includes 1,122,750 shares of common stock of the Company held in the name of Mr. Wen's spouse and 44,394 shares of common stock underlying 44,394 RSUs, of which, 9,091 RSUs have been vested but the underlying shares of common stock of which have not been issued as of the date of this Report.
- (7) Represents 44,394 shares of common stock underlying 44,394 RSUs, of which, 9,091 RSUs have been vested but the underlying shares of common stock of which have not been issued as of the date of this Report.
- (8) Represents 39,394 shares of common stock underlying 30,303 RSUs, of which, 9,091 RSUs have been vested but the underlying shares of common stock of which have not been issued as of the date of this Report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Relationships and Related Transactions

Our audit committee must review and approve any related person transaction we propose to enter into which would need to be disclosed under Item 404(a) of Regulation S-K. Our audit committee charter details the policies and procedures relating to transactions that may present actual, potential or perceived conflicts of interest and may raise questions as to whether such transactions are consistent with the best interest of our company and our stockholders.

In December 2017, Sichuan Senmiao entered into loan agreements with two stockholders, who agreed to grant lines of credit of approximating \$955,000 and \$159,000, respectively, to Sichuan Senmiao for five years. The lines of credit are non-interest bearing, effective from January 2017. As of March 31, 2021, the outstanding balances due to these two stockholders in the discontinued operations were \$48,795 and \$0, respectively.

During the year end March 31, 2021, we entered into two office lease agreements with a shareholder of Sichuan Senmiao, which were set to expire on January 1, 2020. On April 1, 2020, the two office leases were amended with a leasing term from April 1, 2020 to March 31, 2023. On March 1, 2021, we entered into an additional office lease with the shareholder, which was set to expire on February 1, 2026. For the years ended March 31, 2021, we incurred \$121,012 in rental expenses to the shareholder.

In September 2019, Hunan Ruixi entered into an office lease agreement which was set to expire in October, 2023 with Hunan Dingchentai Investment

Co., Ltd. ("Dingchentai"), a Company where one of our independent directors serves as legal representative and general manager. The rent was approximately \$44,250 per year, payable on a quarterly basis. For the year ended March 31, 2021, we incurred expense of \$44,169 in rent to Dingchentai.

In June 2019 and January 2020, we entered into two automobile maintenance services contracts with Sichuan Qihuaxin Automobile Services Co., Ltd and Sichuan Yousen Automobile Maintenance Service Co., Ltd, the companies which are controlled by one of the noncontrolling shareholder of Jinkailong. During the year ended March 31, 2021, we paid automobile maintenance service fees of an aggregate of \$29,801 and \$545,335 to those companies, respectively.

Director Independence

Our board of directors has determined that each of Mr. Davis, Ms. Lin and Ms. Wang qualifies as an “independent director” under the Nasdaq listing rules, which is defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship, which, in the opinion of the company's board of directors would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. Our independent directors will have regularly scheduled meetings at which only independent directors are present.

Item 14. Principal Accountant Fees and Services.

The following table shows the fees that we paid or accrued for the audit and other services provided by our independent registered public accounting firms for the fiscal years ended March 31, 2020 and 2019.

| Fee Category | Fiscal Year Ended March 31, 2021 | Fiscal Year Ended March 31, 2020 |
|-----------------------------------|---|---|
| Audit Fees ⁽¹⁾ | \$ 261,000 | \$ 261,755 |
| Audit-Related Fees ⁽²⁾ | \$ 82,000 | \$ 50,000 |
| Tax Fees ⁽³⁾ | \$ 6,965 | \$ 22,400 |
| All Other Fees ⁽⁴⁾ | \$ - | \$ - |

(1) This category consists of fees for professional services rendered by our principal independent registered public accountants for the audit of our annual financial statements, review of financial statements included in our quarterly reports and services that are normally provided by the independent registered public accounting firms in connection with statutory and regulatory filings or engagements for those fiscal years.

(2) This category consists of fees for assurance and related services by our independent registered public accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under “Audit Fees.” The services for the fees disclosed under this category include consultations concerning financial accounting and reporting standards.

(3) This category consists of fees for professional services rendered by our independent registered public accountant for tax compliance, tax advice, and tax planning.

(4) This category consists of fees for services provided by our independent registered public accountants other than the services described above.

Policy on Pre-Approval of Audit Services

Our audit committee pre-approves all services, including both audit and non-audit services, provided by our independent registered public accounting firm.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Report:

- (1) The Financial Statements in Item 8 herein; and
- (2) Index to the Financial Statements in Item 8 herein.

All financial statement schedules are omitted because they are not applicable or the amounts are immaterial and not required, or the required information is presented in the financial statements and notes thereto in Item 15 of Part IV below.

- (3) Exhibits

We hereby file as part of this Report the exhibits listed in the attached Exhibit Index. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of such material can also be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates or on the SEC website at www.sec.gov.

Item 16. Form 10-K Summary

Not applicable.

EXHIBIT INDEX

| Exhibit No. | Description |
|-----------------------------|--|
| <u>3.1</u> | <u>Articles of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 to the Amendment No.7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018</u> |
| <u>3.2</u> | <u>Certificate of Amendment to Articles of Incorporation of the Company, incorporated herein by reference to Exhibit 3.2 to the Amendment No.7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018</u> |
| <u>3.3</u> | <u>Bylaws of the Company, incorporated herein by reference to Exhibit 3.2 to the Registration Statement on Form S-1 filed by the Company with the SEC on October 30, 2017.</u> |
| <u>4.1</u> | <u>Form of Series A Warrant, incorporated herein by reference to Exhibit 4.1 on the Current Report on Form 8-K filed by the Company with the SEC on June 18, 2019</u> |
| <u>4.2</u> | <u>Form of Series B Warrant, incorporated herein by reference to Exhibit 4.2 on the Current Report on Form 8-K filed by the Company with the SEC on June 18, 2019</u> |
| <u>4.3</u> | <u>Form of Placement Agent Warrant, incorporated herein by reference to Exhibit 4.3 on the Current Report on Form 8-K filed by the Company with the SEC on June 18, 2019</u> |
| <u>4.4</u> | <u>Description of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, incorporated herein by reference to Exhibit 4.4 on the Annual Report on Form 10-K filed by the Company with the SEC on July 9, 2020</u> |
| <u>4.5</u> | <u>Form of Warrant relating to the August 2020 offering, incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on August 4, 2020</u> |
| <u>4.6</u> | <u>Form of Placement Agent Warrant relating to the February 2021 offering, incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on February 9, 2021</u> |
| <u>4.7</u> | <u>Form of the Investor’s Common Stock Purchase Warrant relating to the May 2021 offering, incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on May 11, 2021</u> |
| <u>4.8</u> | <u>Form of the Placement Agent’s Common Stock Purchase Warrant relating to the May 2021 offering, incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on May 11, 2021</u> |
| <u>10.1</u> | <u>Exclusive Business Cooperation Agreement, dated September 18, 2017, by and between Sichuan Senmiao Zecheng Business Consulting Co., Ltd. and Sichuan Senmiao Ronglian Technology Co., Ltd., incorporated herein by reference to Exhibit 10.1 to the Amendment No. 7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018</u> |
| <u>10.2</u> | <u>Form of Equity Interest Pledge Agreement by and among Sichuan Senmiao Zecheng Business Consulting Co., Ltd., Sichuan Senmiao Ronglian Technology Co., Ltd. and each equity holder of Sichuan Senmiao Ronglian Technology Co., Ltd., incorporated herein by reference to Exhibit 10.2 to the Amendment No. 7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018</u> |
| <u>10.3</u> | <u>Exclusive Option Agreement, dated September 18, 2017, by and among Sichuan Senmiao Zecheng Business Consulting Co., Ltd., Sichuan Senmiao Ronglian Technology Co., Ltd. and each equity holder of Sichuan Senmiao Ronglian Technology Co., Ltd., incorporated herein by reference to Exhibit 10.3 to the Amendment No. 7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018</u> |
| <u>10.4</u> | <u>Form of Power of Attorney, incorporated herein by reference to Exhibit 10.4 to the Amendment No. 7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018</u> |
| <u>10.5</u> | <u>Timely Reporting Agreement, dated September 18, 2017, by and between Sichuan Senmiao Ronglian Technology Co., Ltd. and the Company, incorporated herein by reference to Exhibit 10.5 to the Amendment No. 7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018</u> |

- [10.7 Lease Agreement, dated April 1, 2018, by and between Xiaodong Yang, Pin Li and Hong Li, as landlord, and Senmiao Consulting, as tenant, incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the SEC on August 14, 2018](#)
- [10.8 Lease Agreement, dated April 1, 2018, by and between Xiaodong Yang, Pin Li and Hong Li, as landlord, and Sichuan Senmiao, as tenant, incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed with the SEC on August 14, 2018](#)
- [10.9 Employment Agreement, dated August 1, 2018, by and between Sichuan Senmiao and Haitao Liu, incorporated herein Exhibit 10.5 to the Quarterly Report on Form 10-Q filed with the SEC on August 14, 2018](#)
- [10.10 Employment Agreement between the Company and Chunhai Li, incorporated herein by reference to Exhibit 10.18 to the Amendment No. 7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018](#)
- [10.11 Form of Director Offer Letter, incorporated herein by reference to Exhibit 10.19 to the Amendment No. 7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018](#)
- [10.12 Loan Agreement, effective January 1, 2017, by and between Xiang Hu and Sichuan Senmiao Ronglian Technology Co., Ltd., incorporated herein by reference to Exhibit 10.22 to the Amendment No. 7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018](#)
- [10.13 Loan Agreement, effective January 1, 2017, by and between Jun Wang and Sichuan Senmiao Ronglian Technology Co., Ltd., incorporated herein by reference to Exhibit 10.23 to the Amendment No. 7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018](#)
- [10.14 Investment and Equity Transfer Agreement, dated as of November 21, 2018, by and among Senmiao Technology Limited, Hunan Ruixi Financial Leasing Co., Ltd., Hunan Ruipin Cultural Industry Co., Ltd., Luziyun International Group \(Southeast Asia\) Shares Limited and Chengdu Little Monkey Information and Technology Co., Ltd, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Company with the SEC on November 28, 2018](#)
- [10.15 Business Cooperation Agreement and Valuation Adjustment Mechanism and Indemnification Agreement, dated August 26, 2018, by and among Sichuan Jinkailong Automobile Leasing Co., Ltd., Hunan Ruixi Financial Leasing Co., Ltd., Xiaoliang Chen, Xi Yang, Yiqiang He and Xiaohui Luo, incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed by the Company with the SEC on February 19, 2019](#)
- [10.16 Amendment to Business Cooperation Agreement and Valuation Adjustment Mechanism and Indemnification Agreement, dated October 16, 2018, by and among Sichuan Jinkailong Automobile Leasing Co., Ltd., Hunan Ruixi Financial Leasing Co., Ltd., Xiaoliang Chen, Xi Yang, Yiqiang He and Xiaohui Luo, incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed by the Company with the SEC on February 19, 2019](#)
- [10.17 Collaboration Agreement, dated August 13, 2019, by and between Didi Chuxing Technology Co., Ltd. and Sichuan Jinkailong Automobile Leasing Co., Ltd., incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed with the SEC on February 14, 2020](#)

- [10.18 Collaboration Agreement, dated December 6, 2019, by and between Didi Chuxing Technology Co., Ltd. and Hunan Ruixi Financial Leasing Co., Ltd., incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed with the SEC on February 14, 2020](#)
- [10.19 Consulting Service Agreement, dated March 26, 2019, by and between Didi Chuxing Technology Co., Ltd. and Sichuan Jinkailong Automobile Leasing Co., Ltd., incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the SEC on February 14, 2020](#)
- [10.20 Voting Agreement, dated August 26, 2018, by and among Hunan Ruixi Financial Leasing Co., Ltd. and certain shareholders of Sichuan Jinkailong Automobile Leasing Co., Ltd., incorporated herein by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q filed by the Company with the SEC on February 19, 2019](#)
- [10.21 Amendment to the Voting Agreement, dated November 11, 2018, by and among Hunan Ruixi Financial Leasing Co., Ltd. and certain shareholders of Sichuan Jinkailong Automobile Leasing Co., Ltd., incorporated herein by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q filed by the Company with the SEC on February 19, 2019](#)
- [10.22 Employment Agreement, dated as of May 27, 2019, by and between Senmiao Technology Limited and Xi Wen, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 30, 2019](#)
- [10.23 Employment Agreement, dated as of September 17, 2018, by and between the Company and Xiaoyuan Zhang, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 20, 2018](#)
- [10.24 Form of Securities Purchase Agreement, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 18, 2019](#)
- [10.25 Form of Lock-Up Agreement, incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on June 18, 2019](#)
- [10.26 Form of Leak-Out Agreement, incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on June 18, 2019](#)
- [10.27 Form of Hunan Ruixi Financial Leasing Contract, incorporated herein by reference to Exhibit 10.30 to the Annual Report on Form 10-K filed with the SEC on July 5, 2019](#)
- [10.28 Form of Hunan Ruixi Service Agreement, incorporated herein by reference to Exhibit 10.31 to the Annual Report on Form 10-K filed with the SEC on July 5, 2019](#)
- [10.29 Form of Jinkailong Automobile Affiliation Agreement, incorporated herein by reference to Exhibit 10.32 to the Annual Report on Form 10-K filed with the SEC on July 5, 2019](#)
- [10.30 Voting Agreement, dated February 13, 2020, by and between Hunan Ruixi Financial Leasing Co., Ltd. and Chengdu Simushi Technology Co., Ltd., incorporated herein by reference to Exhibit 10.30 to the Annual Report on Form 10-K filed with the SEC on July 9, 2020](#)
- [10.31 English Translation to Investment Agreement, dated July 4, 2020, by and among Hongyi Industrial Group Co., Ltd., Hunan Ruixi Financial Leasing Co., Ltd., Sichuan Jinkailong Automobile Leasing Co., Ltd. and other shareholders of Jinkailong, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on July 8, 2020](#)

- [10.32](#) [Employment Agreement, dated as of September 11, 2020, by and between the Company and Haitao Liu, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 14, 2020](#)
- [10.33](#) [English Translation to Investment Agreement, dated July 4, 2020, by and among Hongyi Industrial Group Co., Ltd., Hunan Ruixi Financial Leasing Co., Ltd., Sichuan Jinkailong Automobile Leasing Co., Ltd. and other shareholders of Jinkailong, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on July 8, 2020](#)
- [10.34](#) [Underwriting Agreement, dated August 4, 2020, by and among Senmiao Technology Limited, The Benchmark Company, LLC and Axiom Capital Management, Inc., incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on August 4, 2020](#)
- [10.35](#) [Form of Placement Agent Agreement relating to the February 2021 offering, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on February 9, 2021](#)
- [10.36](#) [Form of Securities Purchase Agreement relating to the February 2021 offering, incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on February 9, 2021](#)
- [10.37](#) [Form of Lock-up Agreement relating to the February 2021 offering, incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on February 9, 2021](#)
- [10.38](#) [Form of Securities Purchase Agreement relating to the May 2021 offering, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 11, 2021](#)
- [10.39](#) [Placement Agency Agreement dated May 11, 2021 \(including Form of Lock-Up Agreement in the exhibit\) relating to the May 2021 offering, incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on May 11, 2021](#)
- [10.40](#) [English Translation of the Investment Agreement, dated September 11, 2020, by and among Sichuan Senmiao Zecheng Business Consulting Co., Ltd., Hunan Xixingtianxia Technology Co., Ltd. and its shareholders*](#)
- [10.41](#) [English Translation of the Supplementary Agreement to the Investment Agreement, dated February 5, 2021, by and among Sichuan Senmiao Zecheng Business Consulting Co., Ltd., Hunan Xixingtianxia Technology Co., Ltd. and its shareholders*](#)
- [10.42](#) [English Translation of the Termination Agreement of the Investment Agreement, dated July 2, 2021, by and among Hongyi Industry Group Co., Ltd., Sichuan Jinkailong Automobile Leasing Co., Ltd. and its shareholders*](#)
- [14.1](#) [Code of Ethics, incorporated herein by reference to Exhibit 14.1 to the Amendment No. 7 to Registration Statement on Form S-1 filed with the SEC on March 14, 2018](#)
- [21.1](#) [List of Subsidiaries*](#)
- [23.1](#) [Consent of Friedman LLP*](#)

[31.1 Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*](#)

[31.2 Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*](#)

[32.1 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**](#)

[32.2 Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**](#)

101.INS XBRL Instance Document*

101.SCH XBRL Taxonomy Extension Schema*

101.CAL XBRL Taxonomy Calculation Linkbase*

101.LAB XBRL Taxonomy Label Linkbase*

101.PRE XBRL Definition Linkbase Document*

101.DEF XBRL Definition Linkbase Document*

* Filed herewith

** Furnished herewith

SIGNATURES

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

Date: July 8, 2021

SENMIAO TECHNOLOGY LIMITED

By: /s/ Xi Wen

Xi Wen

Chief Executive Officer

(Principal Executive Officer)

By: /s/ Xiaoyuan Zhang

Xiaoyuan Zhang

Chief Financial Officer

(Principal Financial and 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/ Xi Wen</u> Xi Wen | Chief Executive Officer, President and Chairman of the Board | July 8, 2021 |
| <u>/s/ Xiaoyuan Zhang</u> Xiaoyuan Zhang | Chief Financial Officer (Principal Financial and Accounting Officer) | July 8, 2021 |
| <u>/s/ Trent Davis</u> Trent Davis | Director | July 8, 2021 |
| <u>/s/ Xiaojuan Lin</u> Xiaojuan Lin | Director | July 8, 2021 |
| <u>/s/ Sichun Wang</u> Sichun Wang | Director | July 8, 2021 |
| <u>/s/ Jie Gao</u> Jie Gao | Director | July 8, 2021 |

**Hunan Xixingtianxia Technology Co., Ltd.
Investment Agreement**

The *Investment Agreement of Hunan Xixingtianxia Technology Co., Ltd.* (hereinafter referred to as “the Agreement”) is made and entered into by and among the Parties below in [Chengdu] on [September 11, 2020]:

Party A: Sichuan Senmiao Zecheng Business Consulting Co., Ltd. (hereinafter referred to as “the Investor”)

Unified social credit code: 91510100MA6DF5NL3B

Legal representative: Hu Xiang

Address: No. 1602, 16/F, Building 1, No. 1098 Middle Section of Jiannan Avenue, High-tech Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone

Mobile: 13541066721

Party B: Hunan Xixingtianxia Technology Co., Ltd. (hereinafter referred to as “the Target Company”)

Unified social credit code: 91430100MA4QEPGP9T

Legal representative: Liang Huang

Address: No. 723, Building 3A, Jinke Times Center, No. 1 Xiangyang Road, Changsha Economic & Technological Development Zone

Mobile: 18711104823

Party C: Li Xiaoli

ID Card No.: 431081198208131102

Residential address: Room 1302, Building 10, Zanglong Phase II, No. 188 Hongshan Road, Kaifu District, Changsha

Mobile: 13874990299

Party D: Liu Xiaohong

ID Card No.: 510182198212270034

Residential address: No. 23 Taikang Road, Pengzhou County-level City, Chengdu, Sichuan Province

Mobile: 18081047178

(Party C and Party D are collectively referred to as the “**Original Shareholders**”)

Whereas:

1. The Target Company is a limited liability company legally incorporated and validly existing in accordance with the laws of the People’s Republic of China, with a subscribed registered capital of RMB2 million and a paid-in registered capital of RMB1.2 million.
2. Party C and Party D are the Original Shareholders of the Target Company (hereinafter collectively referred to as the “Original Shareholders”) and hold 100% equity of the Target Company. The actual controllers are Party C and Party D.
3. The Investor intends to make an investment in the Target Company (the “Investment”), after which the Investor will hold [51] percent of the equity and the interests of the Target Company. In accordance with the *Contract Law of the People’s Republic of China*, the *Company Law of the People’s Republic of China* and other relevant laws and regulations, the Parties hereby make and enter into the following agreement with respect to the capital increase through friendly consultation for mutual compliance.

Article 1 Definitions and Interpretation

1.1 Except as otherwise specified in the terms hereof or in the context, the following terms and expressions shall have the meanings given thereto below:

| | |
|---------------------------|---|
| Investor | shall refer to Sichuan Senmiao Zecheng Business Consulting Co., Ltd. |
| Target Company | shall refer to Hunan Xixingtianxia Technology Co., Ltd. |
| Principal Business | shall refer to the taxi booking operation services; on-line taxi booking services, etc. in which the Target Company is engaged at the time when the acquisition occurred. |

Affiliates as regarding an entity or a legal person, shall refer to any entity or legal person which directly or indirectly controls, or is controlled by, or under common control with other entity or legal person. The term "control" herein shall mean the power to direct or influence, directly or indirectly, the management and decision-making of an entity or legal person or its direction of management and decision-making, whether through voting rights, ownership of securities, agreements or other means.

China shall refer to the People's Republic of China. For the purpose of the Agreement, it does not include the Hong Kong Special Administrative Region, the Macao Special Administrative Region or the Taiwan Region.

Confidential Information including the following information, whether recorded in tangible medium or orally, which is not publicly available: (i) relevant management, financial, operational and customer information of the other Party known to the Parties since the negotiations in respect of the transaction under the Agreement commenced; (ii) negotiations made by and among the Parties in respect of the transaction under the Agreement and the drafting of documents thereof; (iii) the content of documents signed by the Parties and the performance of such documents, including resolution of dispute therefrom (if any); (iv) organizational, managerial, financial, business and customer information of the Target Company; (v) information that a Party expressly declared in writing as confidential; and (vi) other information which shall be deemed as confidential under the Chinese laws or as unanimously expressed in writing by the Parties.

Force majeure shall refer to objective situations that are unforeseeable, unavoidable and insurmountable by the Parties. Such events shall include, but are not limited to, modification of legislation, adjustments of Chinese government policies, wars, riots, insurrections, military or civilian riots, commotions, rebellions, riots, blockades, embargoes, strikes, lockouts, epidemics, fires, floods, earthquakes, abnormal suspension of trading on stock exchanges, etc.

Chinese laws refer to the laws, administrative regulations, judicial interpretations, local regulations, local rules, departmental rules and normative documents in force in China, as well as the amendments and supplements to such laws and regulations from time to time.

Working day shall refer to any day that is a legal workday in China.

1.2 Interpretation

All clauses and headings in the Agreement are for convenience and review purposes only and shall not affect the meaning or interpretation of the Agreement. Words importing the singular shall include the plural as applicable, and vice versa. The entities in the Agreement shall include both corporations and non-corporate organizations and vice versa.

Article 2 Representations and Undertakings of the Parties

2.1 Representations and Undertakings of the Parties

2.1.1 The Parties hereto represent and undertake as follows:

- (1) The Parties shall have capacity for the civil rights and civil conduct to sign and perform the Agreement and any other documents hereof, and obtained all the authorizations required therefor.

- (2) The Parties are enterprise legal persons legally established and validly existing under the Chinese laws, which are capable of bearing legal responsibilities independently, and not subject to any early termination, dissolution or bankruptcy in accordance with the laws, regulations or their Articles of Association.
- (3) The execution and performance of the Agreement by and among the Parties will not violate or be inconsistent with their constitutions, internal regulations, contracts with any third party, Chinese laws, approvals/authorizations/consents/permits by relevant Chinese authorities, judgments/adjudications/orders of Chinese courts.
- (4) Neither Parties have any pending or potential litigation, arbitration and administrative penalty cases to which it is a party or which will or may materially bind or affect any of its assets.
- (5) The Parties shall comply with all laws and regulations with jurisdiction rights over its business, finances, operations or properties.
- (6) The representatives of the Parties signing the Agreement, as evidenced by valid power of attorney or valid legal representative certificate, shall have been granted with the full power to execute the Agreement and other project documents to which it is a party on its behalf.
- (7) The asset, business, financial and other necessary operating information provided by the Parties shall be true, accurate and complete.

2.1.2 In particular, the Original Shareholders and the Target Company undertake as follows:

- (1) All information disclosed to the Investor shall be true, accurate, complete and free from concealment, false, misleading statement and material omission, and true and valid documents (including but not limited to rights certificates, licenses, relevant certificates, financial statements, etc.) shall be provided as required by the Investor. All tax and legal risks that have occurred or any potential tax and legal risks which have not yet occurred before the signing date of the Agreement shall be borne by the Original Shareholders and shall have nothing to do with the Investor.
- (2) Except as already disclosed when signing the Agreement and except with the written approval of the Investor, the Target Company and the affiliates of the Original Shareholders shall not directly or indirectly engage in any business which competes or has any transaction connected with the Target Company. Otherwise, it shall constitute a material breach under the Agreement, and the Original Shareholders shall be liable to indemnify the Investor for such liability.
- (3) The Target Company has obtained the necessary licenses, qualifications and necessary permits to conduct its business in accordance with laws, particularly the On-line Service Capability Certification for On-line Taxi Services (Nationwide) and the *Business Permit for On-line Booking Taxi*. Its business has always been conducted and will continue to be conducted in accordance with its constitutions and all applicable laws. In the case that the Target Company is punished or ordered to suspend its relevant business by administrative or judicial authorities for lack of necessary permits or licenses required for its business operation, it shall constitute a material breach under the Agreement, and the Original Shareholders shall be liable to indemnify the Investor for such liability.
- (4) The Target Company shall pay taxes in accordance with laws and has started to pay Social Security Fund and Housing Provident Fund for all employees. If the Target Company is required to pay back taxes or Social Security Fund or Housing Provident Fund, the Original Shareholders shall be liable to Indemnify the Investor for such liability.

- (5) As of the signing date of the Agreement, the other parties shall guarantee to the Investor that no deferred compensation agreement, bonus plan, incentive plan, profit sharing plan, retirement plan or other employee compensation or incentive agreement or arrangement has been signed by employee of the Target Company other than those have been disclosed to the Investor. Otherwise, it shall constitute a material breach under the Agreement, and the Original Shareholders shall be liable to indemnify the Investor for such liability.
- (6) As of the signing date of the Agreement, the Target Company shall warrant that it and its holding subsidiaries (if any) are subject to no loan guarantees, material litigation, arbitration and administrative penalties, or any circumstances that may cause bankruptcy, dissolution or cancellation. Otherwise, it shall constitute a material breach under the Agreement, and the Original Shareholders shall be liable to indemnify the Investor for such liability.

2.1.3 Representations and Undertakings of the Investor

The Investor shall undertake that the investment funds paid by it under the Agreement are of lawful origin, and there is no possibility that it may be confiscated by governmental authorities or claimed by any third party.

2.2 Restatement

The Parties hereby restate that every and all statements made pursuant to Article 2.1 hereof is true and correct in all respects as of the execution and commencement date of the Agreement, as well as business registration date for transferring the equity interests under the Agreement.

- 2.3 The Original Shareholders shall undertake to the Investor that, from the signing date of the Agreement, it shall ensure that the Target Company will not conduct any of the following acts without prior written consent of the Investor, otherwise the Original Shareholders shall be liable to indemnify the Investor for such liability:

- (1) Dispose of or allow the Target Company to dispose of any of its existing property or documents in any manner;
- (2) Renegotiate the Investment under the Agreement with any other third party;
- (3) Allow the Target Company to prepay the debts of any creditor with any existing property, or to provide any form of security for the debts of any other third party;
- (4) Acquire or dispose of or agree to acquire or dispose of any income, assets, business or create any encumbrance of rights over such income, assets and business, or assume or incur or agree to assume or incur any debt, obligation or expense (whether actual or contingent);
- (5) Pass any resolution of general meeting, other than the resolution passed for the purpose of and in accordance with the provisions of the Agreement.
- (6) Modify or agree to terminate any material contract (the term "material contract" herein shall refer to a contract that will or may have material effect on the Company's assets, normal production and operations and valid existence).
- (7) Enter into any long-term, onerous, unusual or material agreement, arrangement or obligation.
- (8) Pay or agree to pay any aggregate amount of capital expenditure, or make or agree to make any commitment involving capital expenditure over RMB1,000,000;
- (9) Modify or agree to modify the terms of its borrowings or the terms of liability in the nature of borrowings, or borrow, incur or agree to borrow, incur liability in the nature of borrowings;
- (10) Release, discharge or consolidate any liability or claim;
- (11) Grant, modify, and agree to terminate any Intellectual Property Rights or allow any Intellectual Property Rights to lapse or enter into any agreement with respect to the foregoing rights;
- (12) Loss any business license necessary for the operation of the Company;
- (13) Change the business scope or engage in other businesses beyond the business scope as stated in the Business License of the Company;
- (14) Make significant changes to organization and senior management personal, including but not limited to salary adjustment for senior management, personnel change, etc;
- (15) Any other act that would prejudice the legal rights and interests of the Investor upon its investing in the Target Company under the Agreement.

Article 3 Investment

- 3.1 The Investor under the Agreement shall invest in the Target Company with a total amount of RMB3.16 million, which shall be invested in the Company in the form of capital increase. Upon the Investment, the Investor shall hold [51%] percent of shares of the Target Company.
- 3.2 The Investor shall increase the capital of the Target Company with cash in RMB, of which RMB[2.08] million will be credited to the paid-up registered capital and the remaining RMB[1.08] million will be used as the capital reserve of the Target Company.
- 3.3 Upon completion of the Investment, the equity structure of the Target Company shall be as follows:

| Shareholder Name | Subscribed Capital Contribution (RMB10,000) | Paid-in Capital Contribution (RMB10,000) | Method of Capital Contribution | Equity Ratio |
|---|--|---|---------------------------------------|---------------------|
| Sichuan Senmiao Zecheng Business Consulting Co., Ltd. | [208] | [208] | In Currency | [51%] |
| Li Xiaoli | [130] | [78] | In Currency | [31.85%] |
| Liu Xiaohong | [70] | [42] | In Currency | [17.15%] |
| Total | 408 | 328 | In Currency | 100% |

- 3.4 The Investor shall contribute RMB500,000 to the Target Company upon signing of the Agreement by the Parties; the remaining capital contribution shall be paid by the Investor to the Target Company in one lump sum within ten working days after the completion of the business registration change regarding the aforesaid capital increase and the Investor being recorded as a shareholder of the Target Company, so as to complete its capital contribution obligations to the Target Company.

- 3.5 The Investor shall conduct the settlement and business registration change for capital increase after all prerequisites as agreed in Article 4 under the Agreement have been fulfilled.
- 3.6 In respect of the aforesaid capital increase, the Original Shareholders may enter into a separate capital increase agreement (subject to the actual name of such agreement) with the Investor for the purpose of obtaining governmental approval and registration and subject to the terms and conditions under the Agreement.
- 3.7 The Parties acknowledge that depending on business needs of the Target Company, the shareholders of the Target Company shall, upon the request of the Investor, enter into a series of relevant agreements regarding changing the investment form of the Investor in the Target Company into agreement-controlled model.
- 3.8 The Parties acknowledge that in case of any change in the final investment amount of Party A, the Parties shall enter into a separate supplemental agreement to the Agreement, however, Party A shall still hold 51% of the equity interests of the Target Company and the supplemental agreement shall have the same legal effect as the Agreement.

Article 4 Prerequisites

- 4.1 The Parties agree that the settlement shall subject to the following prerequisites being fulfilled or waived by the Investor:
- (1) Cooperating with the Investor in completing all due diligence (including but not limited to commercial, legal and financial due diligence) on the Target Company in a comprehensive manner and with the findings meeting the requirements of the Investor;
 - (2) The Investor has obtained internal approval;
 - (3) The Target Company has achieved approval from the Shareholders' Meeting, the Investment has passed by the necessary Shareholders' Meeting resolutions and all shareholders have declared to waive the Pre-emption rights;

- (4) Senior management of the Target Company have entered into employment agreements, non-competition agreements, confidentiality agreements, etc., with the content and form satisfactory to the Investor;
- (5) Executive directors nominated by the Investor in accordance with the Company Law and the Articles of Association have taken position in the Target Company;
- (6) All shareholders of the Target Company have signed a capital increase agreement, Articles of Association and other necessary legal documents in relation to the Investment.

Article 5 Corporate Governance

- 5.1 It is agreed by the Parties that a shareholder of the Target Company shall exercise his or her voting right in the shareholders' meeting in accordance with his or her proportion of capital contribution.
- 5.2 It is agreed by the Parties that the Target Company shall distribute profits to shareholders in accordance with their proportion of capital contribution.
- 5.3 It is agreed by the Parties that the shareholders shall have the priority to subscribe for increased registered capital of the Target Company in proportion to the capital contribution when the Company increases its registered capital.
- 5.4 It is agreed by the Parties that the amended Articles of Association of the Target Company shall include, but are not be limited to, the following contents:
 - (1) Shareholders' Meeting
None of the following matters shall be implemented unless being passed through a resolution approved by shareholders representing over two-thirds (2/3) (not including) of the voting rights at a Shareholders' Meeting (which shall also subject to the approval by representative of the Investor): None of the following matters shall be implemented unless being passed through a resolution approved by shareholders representing over two-thirds of the voting rights at a Shareholders' Meeting and being approved by representative of the Investor:

- (I) Amendment to the Articles of Association of the Target Company;
- (II) Increases and decreases in registered capital of the Target Company, or any other act which will results in dilution or reduction of the Investor's shareholding in the Company;
- (III) Merger and division of the Target Company;
- (IV) Termination and dissolution of the Target Company;
- (V) Changing in organizational form of the Target Company;
- (VI) Changing in number or personnel of the Board of Directors of the Target Company;
- (VII) Any form of capital reduction, liquidation or any event involving control power change of the Target Company;
- (VIII) Approval of the annual operating budget of the Target Company.

(2) Right to be Informed

The Investor shall have the right to be informed about operation status of the Target Company. For which purpose, the Target Company shall:

- (I) submit the annual statement for the previous financial year to the Investor within one hundred and eighty (180) days after the end of each financial year;
- (II) submit the balance sheets, income statements, statements of financial position and other financial and accounting statements for the current quarter to the Investor within ten (10) days of the end of each quarter;
- (III) The Investor shall be entitled to access the financial information of the Target Company at any time to find out the true usage of its invested fund.

Article

6 Charges

- 6.1 For the purpose of the Agreement, the relevant taxes and fees arising from the Investment shall be borne by each Party in accordance with the laws.
- 6.2 If the Investment fails due to the fault of a Party, or if the capital increase cannot be completed due to the unilateral withdrawal from the transaction under the Agreement of a Party without reasonable cause, then the party at fault or the withdrawing party shall be liable for the transaction costs of the other party, including but not limited to the costs of legal documentation, due diligence costs and other costs related to this transaction.

Article 7 Confidentiality

7.1 Confidentiality

7.1.1 All contents described herein are trade secrets and shall not be disclosed by either Party to any third party except as required by law. If a Party is required to disclose the contents or information relating to the Agreement to a third party by laws, it shall consult with the other Party and seek to protect the trade secrets under the Agreement to the maximum extent as far as possible. The Parties:

- (1) shall strictly comply with the confidentiality obligations regarding trade secrets; shall not use the trade secrets information for any purpose other than performing the Agreement;
- (2) shall establish rules and regulations for the observance of the confidentiality obligations under this Article 7 by its own directors, officers and other employees, as well as those of its respective affiliates.

This confidentiality clause shall apply to any and all legal and natural person bound by the Agreement, including but not limited to employees, directors, shareholders, consultants, agents or other representatives of the Parties. The breaching Party shall indemnify the other Parties for all other losses caused by any breach of the confidentiality clauses. With respect to trade secrets, the rights and obligations set forth in this clause and the Agreement shall continue to be effective for five (5) years from the date of termination of the Agreement.

7.1.2 The provisions of Article 7.1.1 above shall not apply to the following information:

- (1) the information that the receiving Party could prove with written record that it has obtained by lawful means before it is disclosed;

- (2) the information that has become public information due the reason and by the manner unrelated with the Receiving Party;
- (3) the information that the receiving Party is required to disclose by the provisions of Chinese laws or by any securities regulatory authority or stock exchange or market; in which case, the receiving Party shall provide the relevant party with the confidential information required to be disclosed to the extent reasonable.
- (4) the information independently acquired by the receiving Party without reference to any confidential information.

Article 8 Force Majeure

8.1 Force Majeure

- 8.1.1 In the event of Force Majeure, as a result of which the Parties are unable to perform their obligations under the Agreement, the performance of such obligations under the Agreement shall be suspended without penalty, and shall also be automatically extended for a period equal to the period of suspension. The Party claiming to be affected by Force Majeure shall promptly (within a quantifiable period, e.g., within 3 days upon the occurrence of the Force Majeure) notify the other Party in writing, and appropriate and reasonable proofs (which shall be verified or notarized when appropriate) confirming the claim of force majeure shall also be provided. The party claiming to be affected by Force Majeure shall also use all reasonable efforts to avoid the effects of Force Majeure.
- 8.1.2 In the event of a Force Majeure event, the parties shall immediately consult to find an appropriate solution and shall make all reasonable efforts to mitigate the consequences of such Force Majeure event.

Article 9 Liability for Breach of the Agreement

- 9.1 In the event of nonperformance or failure to fulfill the Agreement caused by any Party's breach of its obligations, warranties or undertakings in the Agreement, the breaching Party shall indemnify the other Parties for losses (including reasonable attorney's fees) thus incurred. In the event of breach of the Agreement by the Parties, each breaching Party shall bear its own liability for breach of the Agreement.

Article 10 Termination and Modification to the Agreement

- 10.1 The Agreement may be terminated in any of the following circumstances:
- (1) The Agreement is terminated upon written consensus of the Parties.
 - (2) The Investor shall be entitled to terminate the Agreement for breach of the representations and warranties by the Target Company, in which case, the Agreement shall be terminated as of the service date of the written termination notice, and the liability for breach will be pursued;
 - (3) In the case that the Investor is unable to obtain the equity interests agreed herein due to the Target Company, the Investor shall be entitled to terminate the Agreement, in which case, the Agreement shall be terminated as of the service date of the written termination notice, and the liability for breach will be pursued;
 - (4) If the prerequisites agreed in Article 4 of the Agreement are not fully satisfied or waived by the Investor by [December 31, 2020], the Investor shall be entitled to terminate the Agreement by sending written notice to the other Party. However, in cases where some of the prerequisites are still waiting for administrative approval, which caused that such prerequisites are not all met on time, the aforesaid period may be extended accordingly.
- 10.2. The Agreement may be modified, supplemented or altered upon consensus by the Parties. Modifications, supplementations or alterations shall be made in writing and take effect after being signed and sealed by all Parties. As integral parts of the Agreement, the modifications, supplementations and alterations shall be equally authentic as the Agreement.

Article 11 Dispute Resolution

- 11.1 Any dispute arising out of the Agreement, including any dispute concerning its existence, validity or termination among the Parties hereto (“**disputes**”) shall, first of all, be settled in good faith through friendly mutual consultation, and a Party may, at any time, send to the other Parties a written notice of consultation, indicating the nature of a dispute. Any Party may submit the dispute to [Chengdu Arbitration Commission] for arbitration if such dispute is not settled in the aforesaid manner within forty-five days of notice given by such party in accordance with the provisions of this clause. The place of arbitration shall be [Chengdu] and the arbitration shall be conducted in accordance with the arbitration rules then in force.
- 11.2 The language of arbitration shall be Chinese.
- 11.3 The arbitration award rendered by the arbitration tribunal is final and shall be binding on the Parties. The Parties hereto agree to be bound by the award and agree to enforce the award accordingly.
- 11.4 In the course of arbitration, the remaining provisions of the Agreement shall continue to be performed by the Parties except for the disputed part under arbitration and except for the circumstances of termination as agreed herein.

Article 12 Applicable Law

- 12.1 The conclusion, effectiveness, validity, interpretation, performance and all matters in connection with the Agreement shall be governed by the Chinese laws.
- 12.2 If the economic interests of a Party are materially and adversely affected by the enactment of new Chinese laws, regulations or provisions, or by the modification, interpretation or implementation manner of the existing Chinese laws, regulations or provisions after the effective date of the Agreement, then the Parties shall promptly consult with each other and make their best endeavors to enforce necessary adjustments which could maintain the economic interests that the Parties could obtained from the Agreement at a level as close as possible to that which would have been obtained if the new laws, regulations or provisions have not been enacted, amended or interpreted or implemented.

- 12.3 If the Target Company may thereby obtain greater interests than that provided under the Agreement due to the enactment of new Chinese laws, regulations or provisions, or the modification, interpretation or implementation manner of existing Chinese laws, regulations or provisions after the effective date of the Agreement, the Parties shall promptly consult with each other and make their best endeavors to enforce necessary adjustments to enable the Target Company to obtain such increased interests.

Article 13 Supplementary Provisions

13.1 Non-waiver

No failure or delay by any Party in exercising any right, power or privilege under the Agreement or any of its Appendixes shall be deemed a waiver thereof; nor shall any single or partial exercise of such right, power or privilege prejudice any further exercise of such right, power or privilege.

13.2 Service

The written documents given under the Agreement shall be deemed to have been duly served 5 working days after they are sent by each Party to the following address:

Party A: Sichuan Senmiao Zecheng Business Consulting Co., Ltd.

Attention: Hu Xiang

Mobile: 13541066721

Address: No. 1602, 16/F, Building 1, No. 1098 Middle Section of Jiannan Avenue, High-tech Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone

Party B: Hunan Xixingtianxia Technology Co., Ltd.

Address: No. 723, Building 3A, Jinke Times Center, No. 1 Xiangyang Road, Changsha Economic & Technological Development Zone

Party C: Li Xiaoli

Address: Room 1302, Building 10, Canglong Phase II, No. 188 Hongshan Road, Kaifu District, Changsha

Party D: Liu Xiaohong
Address: No. 23 Taikang Road, Pengzhou County-level City, Chengdu, Sichuan Province

13.3 Severability

The invalidity, illegality or non-enforceability of one or more provisions hereof in any respect under any Chinese laws shall not affect or impair the validity, legality or enforceability of any other provisions hereof in any respect.

13.4 Language

The Agreement is written in Chinese and shall be executed in four originals, one for each Party.

13.5 Effectiveness and Entire Agreement

The Agreement shall take effect upon being signed and sealed by all Parties hereto, and any modification to the Agreement shall be invalidated except that it is made in a separate supplementary agreement duly signed by all Parties. As soon as the Agreement comes into effect, the delivered Agreement shall constitute the entire agreement between the Parties hereto with respect to the subject matter hereof and supersede all previous oral or written agreements and memorandums of understanding among the Parties with respect to the same.

13.6 Publicity

The Parties shall ensure that news, announcements, advertisements or other publicity issued in relation to the Target Company and its business shall be truthful and accurate, as well as comply with the provisions of the Agreement regarding confidentiality obligations.

13.7 In case of any inconsistency between the Agreement and the Articles of Association of the Target Company, the Agreement shall prevail.

In witness thereof, each and every Party hereto has caused the Agreement executed by their duly representatives on the date first above written.

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(There is no text on this page, and it's the signature page of the *Investment Agreement of Hunan Xixingtianxia Technology Co., Ltd.*)

Party A: **Sichuan Senmiao Zecheng Business Consulting Co., Ltd.** (seal)

Legal representative (or authorized representative): (seal)

Date: September 11, 2020

Party B: **Hunan Xixingtianxia Technology Co., Ltd.** (seal)

Legal representative (or authorized representative): (seal)

Date: September 11, 2020

Signature and fingerprint of Party C (or authorized representative): (seal)

Date: September 11, 2020

Signature and fingerprint of Party D (or authorized representative): (seal)

Date: September 11, 2020

Supplementary Agreement to the Investment Agreement of Hunan Xixingtianxia Technology Co., Ltd.

The *Supplementary Agreement to the Investment Agreement of Hunan Xixingtianxia Technology Co., Ltd.* (hereinafter referred to as “the Supplementary Agreement”) is made and entered into by and among the Parties below in Chengdu on February 5, 2021:

Party A: Sichuan Senmiao Zecheng Business Consulting Co., Ltd. (hereinafter referred to as “**the Investor**”)

Unified social credit code: 91510100MA6DF5NL3B

Legal representative: Hu Xiang

Address: No. 1602, 16/F, Building 1, No. 1098 Middle Section of Jiannan Avenue, High-tech Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone

Mobile: 13541066721

Party B: Hunan Xixingtianxia Technology Co., Ltd. (hereinafter referred to as “**the Target Company**”)

Unified social credit code: 91430100MA4QEPGP9T

Legal representative: Liang Huang

Address: No. 723, Building 3A, Jinke Times Center, No. 1 Xiangyang Road, Changsha Economic & Technological Development Zone

Mobile: 18711104823

Party C: Li Xiaoli

ID Card No.: 431081198208131102

Residential address: Room 1302, Building 10, Canglong Phase II, No. 188 Hongshan Road, Kaifu District, Changsha

Mobile: 13874990299

Party D: Liu Xiaohong

ID Card No.: 510182198212270034

Residential address: No. 23 Taikang Road, Pengzhou County-level City, Chengdu, Sichuan Province

Mobile: 18081047178

(Party C and Party D are collectively referred to as the “**Original Shareholders**”)

The *Investment Agreement of Hunan Xixingtianxia Technology Co., Ltd.* (hereinafter referred to as “the Original Agreement”) was made and entered into by and among the Parties in Chengdu on September 11, 2020 in principles of voluntariness, equality, fairness, honesty and credibility. The following supplementary agreement is hereby reached by the Parties hereto through friendly consultation for any matter uncovered in the Original Agreement, and shall have the same legal effect as the Original Agreement.

The Article 3.1-3.3 of “Article 3 Investment” in the Original Agreement is supplemented and modified to read:

3.1 The Investor under the Agreement shall make multiple rounds of Investments in the Target Company with a total amount of RMB40 million, which shall be invested in the Company in the form of capital increase. Upon completion of the total investments, the Investor shall hold 78.74% of the shares of the Target Company.

3.2 Upon completion of the total investment, the equity structure of the Target Company shall be as follows:

| Shareholder Name | Subscribed Capital Contribution (RMB10,000) | Paid-in Capital Contribution (RMB10,000) | Method of Capital Contribution | Equity Ratio |
|---|--|---|---------------------------------------|---------------------|
| Sichuan Senmiao Zecheng Business Consulting Co., Ltd. | 4000 | 0 | In Currency | 78.74% |
| Li Xiaoli | 702 | 78 | In Currency | 13.82% |
| Liu Xiaohong | 378 | 42 | In Currency | 7.44% |
| Total | 5080 | 120 | In Currency | 100% |

3.3 Upon the signing of the Agreement by and among the Parties and the business registration change regarding the aforesaid capital increase, as well as the Investor has been recorded as a shareholder of the Target Company, the Investor shall complete its full capital contribution obligations to the Target Company by January 24, 2039.

The Article 3.7 is supplemented and modified to read:

3.7 The Parties acknowledge that in case of any change to the final investment amount of Party A, the Parties shall enter into a separate supplemental agreement to the Agreement, provided that Party A shall still hold 78.74% of the equity interests of the Target Company and the supplemental agreement shall have the same legal effect as the Agreement.

The remaining provisions other than those involve any modification, addition or supplementation shall be executed in accordance with the Original Agreement.

The Supplementary Agreement shall take effect as of the date of signature and fingerprint of natural persons hereto, and the date of signature and corporate seal by the legal representatives or authorized representatives of entities. The Agreement is made in four counterparts, with each Party holding one copy and each copy being equally authentic.

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Party A: **Sichuan Senmiao Zecheng Business Consulting Co., Ltd.** (seal)

Legal representative (or authorized representative): (seal) Date:

Party B: Hunan Xixingtianxia Technology Co., Ltd. (seal)

Legal representative (or authorized representative): (seal) Date:

Signature and fingerprint of Party C (or authorized representative): (seal) Date:

Signature and fingerprint of Party D (or authorized representative): (seal) Date:

Termination Agreement of Investment Agreement

Party A (Investor): Hongyi Industry Group Co., Ltd.

Address: No. 16, Building 1, No.9, Gaoshengqiao, Wuhou District, Chengdu City
Legal representative: Liu Zhihong
Contact number: 13880757266

Party B 1 (Shareholder 1 of target company):

Name: Hunan Ruixi Financial Leasing Co., Ltd.
Address: No. 723, Building 3A, Jinke Times Center, Xiangyang Road, Changsha Economic and Technological Development Zone
Legal representative: Li Xianglong
Contact number: 0731-85576087

Party B 2 (Shareholder 2 of target company):

Name: Chen Xiaoliang ID Card No.: 330727198705232217
Address: No. 135, Xichan Village, Renchuan Town, Pan'an County, Zhejiang Province Contact number: 15828082558

Party B 3 (Shareholder 3 of target company):

Name: Yang Xi ID Card No.: 522426198609164722
Address: No. 31, Group 13, Fangbei Village, Nanquan Town, Shifang City, Sichuan Province Contact number: 13730811113

Party B 4 (Shareholder 4 of target company): Chengdu Simushi Technology Co., Ltd.

Address: No. 1, Floor 1-3, Building 1, No.8, Lushan Avenue 2nd Segment, Wan'an Town, Tianfu New Area, Chengdu City, Sichuan Province
Designated representative: Huang Kai Contact number: 15682033337

Party C (Dormant shareholder of target company):

Name: He Yiqiang ID Card No.: 510682198606094755
Address: No. 31, Group 13, Fangbei Village, Nanquan Town, Shifang City, Sichuan Province Contact number: 13730811113

Party D (Target company): Sichuan Jinkailong Automobile Leasing Co., Ltd.

Address: No. 192, Floor 1, Unit 1, Building 5, No.192, Yongquan Jinquan Street, Wenjiang District, Chengdu City

Legal representative: Chen Xiaoliang

[Party A, Party B, Party C and Party D are collectively known as “above parties”, Party A, Party B and Party C are collectively known as “Investor and shareholder of target company (including dormant shareholder)”, and Party D is individually known as “target company”]

Whereas the above parties signed the *Investment Agreement* in Wuhou District, Chengdu City on July 4, 2020, they conclude the following terms on the matter of termination of the *Investment Agreement* for joint abidance through consensus according to the provision of *Contract Law of the People’s Republic of China* and relevant laws and regulations, as well as the principles of equality, voluntariness, mutual understanding and mutual accommodation:

Article 1: Through consensus, the investor and shareholder of target company (including dormant shareholder) agree to terminate the *Investment Agreement* on June 24, 2021, which takes effect from the date of signing the Agreement.

Article 2: Since January 2020, due to a large-scale COVID-19 outbreak in the country, each industry was seriously impacted, and the large-scale epidemic disease had a significant impact on the market environment and management direction of the target company (Sichuan Jinkailong Automobile Leasing Co., Ltd.) as a force majeure. Therefore, according to the change of market situation and significant adjustment and change of business strategy of target company, the investor and shareholder of target company (including dormant shareholder) reach a consensus through friendly negotiation.

Article 3: Regarding the termination of *Investment Agreement*, the investor, shareholder of target company (including dormant shareholder) and target company will not assume any creditor’s right and debt or responsibility for breach of contract (including but not limited to the investment, payment, overdue fine, liquidated damage, compensation and other creditor’s rights and debts) due to termination of the Agreement during duration of *Investment Agreement* and in advance.

Article 4: After the *Investment Agreement* is terminated, the rights and obligations of all parties agreed in original *Investment Agreement* shall also be cancelled. But the confidentiality terms shall not be cancelled upon termination of the Agreement, or else, the default party shall assume the responsibility for breach of contract.

Article 5: The Agreement shall take effect upon being signed and sealed by the above parties, and the Agreement shall be in septuplicate, above parties holding one copy with equal legal force.

(This is a page for signature, no text below)

Party A (Investor): Hongyi Industry Group Co., Ltd. (Official seal)

Legal representative or its authorized representative (Signature): (company seal)

Party B 1 (Shareholder 1 of target company): Hunan Ruixi Financial Leasing Co., Ltd. (Official seal)

Legal representative or its authorized representative (Signature): (company seal)

Party B 2 (Shareholder 2 of target company): Chen Xiaoliang

Signature and fingerprint: /s/ Chen Xiaoliang (fingerprint)

Party B 3 (Shareholder 3 of target company): Yang Xi

Signature and fingerprint: /s/ Yang Xi (fingerprint)

Party B 4 (Shareholder 4 of target company): Chengdu Simushi Technology Co., Ltd. (Official seal)

Legal representative or its authorized representative (Signature): (company seal)

Party C (Dormant shareholder of target company): He Yiqiang

Signature and fingerprint: He Yiqiang (fingerprint)

Party D (Target company): Sichuan Jinkailong Automobile Leasing Co., Ltd. (Official seal)

Legal representative or its authorized representative (Signature): (company seal)

Sign in Chengdu on July 2, 2021

SENMAIO TECHNOLOGY LIMITED

List of Subsidiaries

As of March 31, 2021, the subsidiaries of Senmiao Technology Limited, including the variable interest entities, are listed as follows:

| Subsidiary | Place of Incorporation |
|---|-------------------------------|
| Senmiao Technology (Hong Kong), Limited | Hong Kong |
| Yicheng Financial Leasing Co., Ltd. | PRC |
| Sichuan Senmiao Zecheng Business Consulting Co., Ltd. | PRC |
| Hunan Xixingtianxia Technology Co., Ltd. | PRC |
| Chengdu Corenel Technology Co., Ltd. | PRC |
| Hunan Ruixi Financial Leasing Co., Ltd. | PRC |
| Hunan Ruixi Automobile Leasing Co., Ltd. | PRC |
| Chengdu Xichuang Technology Service Co., Ltd. | PRC |
| | |
| Variable Interest Entity | Place of Incorporation |
| Sichuan Senmiao Ronglian Technology Co., Ltd. | PRC |
| Sichuan Jinkailong Automobile Leasing Co., Ltd. | PRC |

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Form S-3 Registration Statement (File No. 333-230397) of Senmiao Technology Limited (the “Company”) of our report dated July 8, 2021 relating to the consolidated balance sheets of Senmiao Technology Limited as of March 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, changes in stockholders’ equity and cash flows for each of the years in the two-year period ended March 31, 2021 included in the Company’s Annual Report on Form 10-K for the year ended March 31, 2021 filed with the Securities and Exchange Commission.


/s/ Friedman LLP

New York, New York
July 8, 2021

One Liberty Plaza, 165 Broadway, 21st Floor, New York, NY 10006 p 212.842.7000

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CERTIFICATION

I, Xi Wen, Chief Executive Officer of Senmiao Technology Limited, certify that:

1. I have reviewed this annual report on Form 10-K of Senmiao Technology Limited;
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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 audit committee:
 - 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 8, 2021

/s/ Xi Wen

Xi Wen

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Xiaoyuan Zhang, Chief Financial Officer of Senmiao Technology Limited, certify that:

1. I have reviewed this annual report on Form 10-K of Senmiao Technology Limited;
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 fourth fiscal quarter in 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 audit committee:
 - 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 8, 2021

/s/ Xiaoyuan Zhang

Xiaoyuan Zhang

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the annual report of Senmiao Technology Limited (the "Company") on Form 10-K for the year ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xi Wen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 8, 2021

/s/ Xi Wen

Xi Wen

Chief Executive Officer

(Principal Executive Officer)

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

In connection with the annual report of Senmiao Technology Limited (the "Company") on Form 10-K for the year ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xiaoyuan Zhang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 8, 2021

/s/ Xiaoyuan Zhang

Xiaoyuan Zhang

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)
