

OFFERING MEMORANDUM DATED OCTOBER 26, 2021



Sup China Inc.  
1202 Lexington Ave, #164  
New York, NY 10028  
<https://supchina.com/>

**Up to \$5,000,000 of Non-Voting Common Stock**

**Minimum Investment Amount: \$1000**

Sup China Inc. (“SupChina”, “the company,” “we,” or “us”), is offering up to \$5,000,000 worth of Non-Voting Common Stock. The minimum target amount under this Regulation CF offering is \$25,000 (the “Target Amount”). The company must reach its Target Amount of \$25,000 by December 1, 2021. Unless the company raises at least the Target Amount of \$25,000 under the Regulation CF offering by December 1, 2021, no securities will be sold in this offering, investment commitments will be cancelled, and committed funds will be returned.

All investors who invest a minimum of \$1,000 during the first 45 days of the offering are considered Early Investors (“Early Investors”). Early Investors will be given additional shares in an amount equal to 10% of the Shares issued to such investor, see “Securities being offered and the rights of securities of the company”.

**A crowdfunding investment involves risk. You should not invest any funds in this offering unless you can afford to lose your entire investment.**

**In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been recommended or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document.**

**The U.S. Securities and Exchange Commission does not pass upon the merits of any securities offered or the terms of the offering, nor does it pass upon the accuracy or completeness of any offering document or literature.**

**These securities are offered under an exemption from registration; however, the U.S. Securities and Exchange Commission has not made an independent determination that these securities are exempt from registration.**

**This disclosure document contains forward-looking statements and information relating to, among other things, the company, its business plan and strategy, and its industry. These forward-looking statements are based on the beliefs of, assumptions made by, and information currently available to the company’s management. When used in this disclosure document and the company offering materials, the words “estimate”, “project”, “believe”, “anticipate”, “intend”, “expect”, and similar expressions are intended to identify forward-looking statements. These statements reflect management’s current views with respect to future events and are subject to risks and uncertainties that could cause the company’s action results to differ materially from those**

contained in the forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements to reflect events or circumstances after such state or to reflect the occurrence of unanticipated events.

*In the event that we become a reporting company under the Securities Exchange Act of 1934, we intend to take advantage of the provisions that relate to “Emerging Growth Companies” under the JOBS Act of 2012, including electing to delay compliance with certain new and revised accounting standards under the Sarbanes-Oxley Act of 2002.*

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## **THE COMPANY AND ITS BUSINESS**

### **Overview**

Sup China Inc. was incorporated on August 31, 2015 under the laws of Delaware. We are an independent, New-York based, China-focused news, information, and businesses services platform dedicated to helping the world understand China better by covering all news about the country—business, society, culture, politics, and more—without fear or favor.

Our company values:

- Historical accuracy and rigorous fact-checking
- Featuring local Chinese sources and perspectives
- Shedding unbiased light on China, its people, economy, and global impact

SupChina magnifies coverage of global issues from a China-specific perspective and is the platform to turn to in order to better understand the events in China that are currently shaping the world's future. We inform, educate, and entertain a global audience of China-focused investors, corporate executives, government agencies, universities and think tanks by taking a comprehensive approach that includes:

- Top notch journalism
- Data and informational products
- Conferences and events

### **What We Offer**

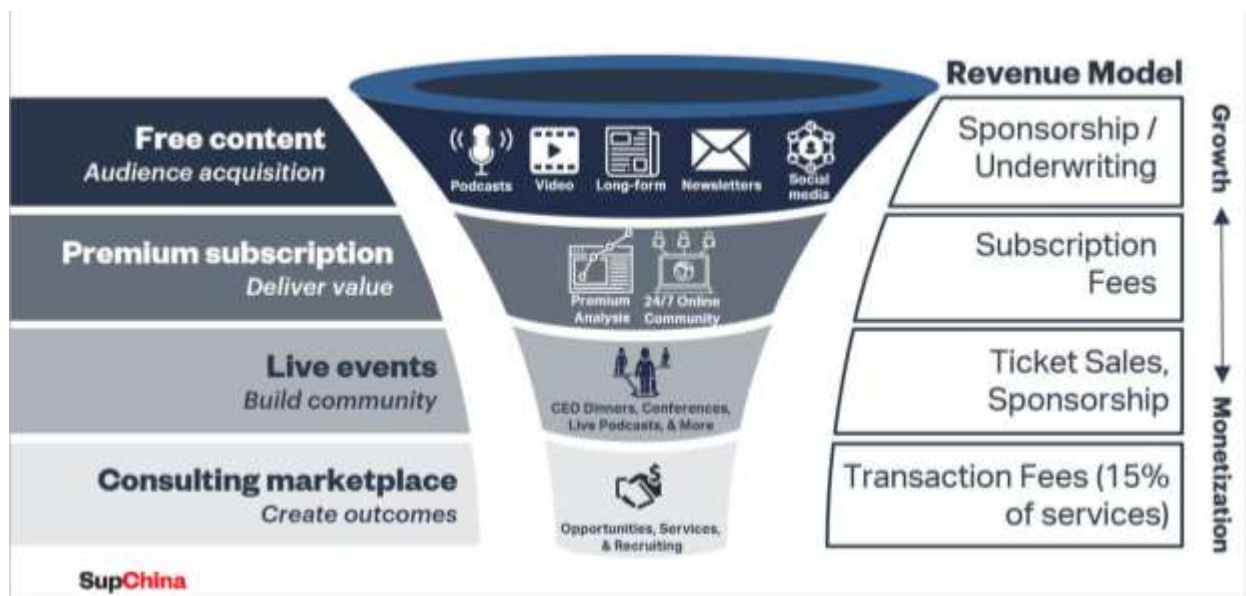
After starting as a news aggregator, we began producing independent journalism of our own, launched a podcast, and we were early in the paid newsletter game. We hosted our first conference in late 2017. With a large core audience of professionals interested in China, we realized there were adjacent opportunities to monetize that audience for higher-priced tiered premium subscriptions, data and research, and consulting work. We now operate an integrated Customer Lifetime Value funnel that monetizes all users — from casual readers through to B2B corporate clients.

As shown in our Customer Lifetime Value funnel, we currently offer:

- Free Content – limited library of SupChina articles and podcasts
- Premium subscription – unlimited access to SupChina's library and current news, webinars and 2 signature conferences – The Women's Conference and The NEXTChina conference; calls with China experts, ability to request coverage of topics, and access to ChinaEdge (B2B company data)
- Live Events - two flagship annual conferences every year, NEXTChina and The SupChina Women's Conference, as well as tens of smaller events — both in-person and online — throughout the year
- Consulting Marketplace – connects leading China consultants with companies, investors, and organizations who need China-related support

We are currently beta testing two new B2B database products: China News Database that is a proprietary, filterable archive of all major and trustworthy news coverage of China in the past 5 years, and ChinaEdge DB that is an interactive database of Chinese companies, industries, and executives, and the relationships among them.

### **Customer Lifetime Funnel**



### Why Invest in SupChina?

We are a multimedia and business platform dedicated to helping the world understand China better by covering all news about the country—business, society, culture, politics, and more—without fear or favor. SupChina magnifies coverage of global issues from a China-specific perspective. Our brand of “stakeholder journalism” is produced by people who know and care deeply about China’s challenges and opportunities, including:

- Jeremy Goldkorn, Editor in Chief who has built numerous China-focused media businesses and sold his last venture to London-based Financial Times
- Kaiser Kuo, Editor at Large who founded the #1 China podcast, Sinica; founded China's first and most successful heavy metal band, Tang Dynasty, and was former Global Communications Lead for Baidu (the Google of China)

Our efforts are being recognized as we experience growth at every stage of the Customer Lifetime Funnel:

- More than 50% year over year total revenue growth in the past 2 years.
- 55% year over year subscription revenue growth the past 3 years. Subscription revenue: \$35,633 in 2018, \$81,456 in 2019, \$99,014 in 2020 and, \$134,627 in 2021, as of September 30, 2021.
- Events have generated surprising growth in corporate sponsorship and premium networking tickets even in online- only formats during the pandemic.
- Our consulting marketplace, where we connect clients with China-based professional service providers, has experienced 500% growth in 2021 YTD vs. 2020.

In addition, we’ve built and maintained incredible partnerships, gained invaluable sponsorships, and received accolades and testimonials from prominent institutes and individuals.

By investing in our equity crowdfunding campaign, you’re empowering us to provide invaluable insights into the real China—on a global scale.

### Market

We believe there is a large global audience interested in what SupChina has to offer.

As an independent, New-York based, China-focused news, information, and businesses services platform, we provide nuanced, authentic, and context-based reporting on China without bias. SupChina navigates through the information and noise surrounding China by contextualizing and connecting the historical and contemporary dots to make sense of them. By comparison, many western media outlets rarely dedicate the time and attention that China and its news cycle warrant beyond the 2 to 3 biggest stories driving headlines. We believe SupChina provides superior information, perspective and analysis about China that is necessary for the time period we are entering—one in which China's rise will steadily increase its relevance for all of us.

We believe that the world is clamoring for a source of China-related information and insight. With a multi-modal platform and diverse revenue streams, SupChina continues its ascent as a Western source on all things China.

The American digital media industry is worth \$85B, and digital subscription revenue for media companies continues to grow by double digits.

We've aimed our content at two of the largest market segments in the world to increase our scope and scale accordingly:

- The 80 million millennials that will soon make up over 80% of the white collar workforce, and have the largest purchasing power; and
- The 50 million Chinese diaspora living across the globe who have an active interest in global and local news with a China-centric focus

## **Roadmap**

Our 2021-22 Strategic Roadmap:

- Launch and scale new product lineup
  - China Companies Database -- interactive database of all important and up-and-coming Chinese companies, their ownership structures, and news and data tracking on all companies (currently in beta testing / soft launch -- new features being released soon and going behind a paywall at that time)
  - China Who's Who Database -- interactive database of all important government and corporate executives and committees / organizations
  - China Org Charts / Relationship Mapping -- interactive interface that combines the data from the companies, government entities, and individuals to show how they are all related
  - China News Database -- a proprietary database of all important China-related news articles from past 5+ years, tagged / sorted / structured to make China-related research easier and better
- Scale up sales and marketing operations
  - Increase advertising budget significantly to drive new readership and subscribers
  - Increase sales team to ramp up corporate and other group subscription sales
  - Increase corporate sponsorship revenue for events / conferences, custom content, and business services
  - Hire and grow our audience growth and audience engagement team to increase revenue from regular (i.e. non-corporate) subscribers
- Grow large-scale content and event partnerships (i.e. partner to produce new podcast with large bank or insurance company, host DC-based "China policy" summit with leading China and U.S. experts, etc.)

## **Employees**

The company currently has 10 full-time employees and 2 part-time employees.

## **Regulation**

n/a

### **Advisory Board**

We have a seasoned Advisory Board, comprised of twenty seven individuals with expertise in the fields of: Chinese business, culture and policy; Finance and Investment; Media and Branding; Law; Education; Technology; and Non-Profit. We do not have formal agreements for any members of our advisory board. Such advisers are not compensated for their services as advisers.

### **Intellectual Property**

The company has a trademark for “SupChina.”

### **Litigation**

The company is not involved in any litigation, and its management is not aware of any pending or threatened legal actions relating to its intellectual property, conduct of its business activities, or otherwise.

### **Property**

The company rented property until August, 2020. Due to COVID limitations, the company decided not to renew the lease and currently conducts its operations virtually.

### **Due Diligence**

Due diligence by CrowdCheck, Inc.



### **RISK FACTORS**

The SEC requires the company to identify risks that are specific to its business and its financial condition. The company is still subject to all the same risks that all companies in its business, and all companies in the economy, are exposed to. These include risks relating to economic downturns, political and economic events and technological developments (such as hacking and the ability to prevent hacking). Additionally, early-stage companies are inherently more risky than more developed companies. You should consider general risks as well as specific risks when deciding whether to invest.

These are the risks that relate to the company:

**The auditor has issued included a “going concern” note in the audited financials.**

We may not have enough funds to sustain the business until it becomes profitable. Even if we raise funds through a crowdfunding round, we may not accurately anticipate how quickly we may use the funds and if it is sufficient to bring the business to profitability.

**If the company cannot raise sufficient funds, it may not succeed.**

The company is offering Non-Voting Common Stock in the amount of up to \$5,000,000 in this offering, with a Target Offering Amount of \$25,000. Even if the maximum amount is raised, the company is likely to need additional funds in the future in order to grow, and if it cannot raise those funds for whatever reason, including reasons relating to the company itself or to the broader economy, it may not survive. If the company manages to raise only the minimum amount of funds sought, it will have to find other sources of funding for some of the plans outlined in "Use of Proceeds."

**The company depends on key personnel and faces challenges recruiting needed personnel.**

The company's future success depends on the efforts of a small number of key personnel. Specifically, the company depends on the skill and experience of two individuals, Anla Cheng and Bob Guterma. Each has a different skill set. If the company is not able to call upon one of these people for any reason, its operations and development could be harmed. In addition, due to its limited financial resources and the specialized expertise required, it may not be able to recruit the individuals needed for its business needs. There can be no assurance that the company will be successful in attracting and retaining the personnel the company requires to operate and be innovative.

**We face significant competition in all aspects of our business.**

We operate in a highly competitive environment. We compete for subscription and advertising revenue with both traditional and other content providers, as well as news aggregators, search engines and social media platforms. Many of those companies have more resources than we do, which may allow them to compete more effectively than us. Competition among these companies is robust, and new competitors can quickly emerge.

Our ability to compete effectively depends on many factors both within and beyond our control, including among others:

- our ability to deliver a breadth of high-quality content that is interesting and relevant to our audience;
- our reputation and brand strength;
- the popularity, usefulness, ease of use, performance, reliability and value of our digital products, compared with those of our competitors;
- the sustained engagement of our audience directly with our products;
- our ability to reach new users in the United States and abroad;
- our ability to develop, maintain and monetize our products;
- the pricing of our products and our content access model;
- our marketing and selling efforts, including our ability to differentiate our products and services from those of our competitors;
- our visibility on search engines and social media platforms and in mobile app stores, compared with that of our competitors;
- our ability to attract, retain, and motivate talented employees, including reporters, producers, editors, and product managers;
- our ability to provide advertisers with a compelling return on their investments; and
- our ability to manage and grow our business in a cost-effective manner.

Some of our current and potential competitors may have greater resources than we do, which may allow them to compete more effectively than us.

**We are in a reputation based business.**

In order to succeed we will need to continue to develop our brand and reputation. They are and will be key assets of the company. Therefore, any negative perceptions or publicity could adversely affect our business, financial condition and results of operations. Our brand might be damaged by incidents that erode consumer trust (such as negative publicity), a perception that our content is unreliable or biased or a decline in the general trust in the



media, which may be in part as a result of changing political and cultural environments in the U.S. and abroad (specifically China) or active campaigns by domestic and international political and commercial actors. We may introduce new products or services that our current and potential audience may not like and that may negatively affect our brand. Our reputation could also be damaged by failures of third-party vendors we rely on in many contexts, including providing content. To the extent we are unable to develop our brand and/or reputation and do the extent either our brand or reputation is damaged, it will negative impact our financial prospects.

**The company is focused on being a China content as well as services provider.**

The company will only succeed (and you will only make money) if there is sufficient demand for our content and services, which are limited to those representing China. In addition, we will only success if are able to provide content and services better than the competition, and priced at a level that allows the company to make a profit and still attract business.

**Technology in the media industry continues to evolve rapidly.**

Advances in technology have led to an increasing number of alternative methods for the delivery of content and have driven consumer demand and expectations in unanticipated directions. If we are unable to exploit new and existing technologies to distinguish our products and services from those of our competitors or adapt to new distribution methods that provide optimal user experiences, our business, financial condition, and prospects may be adversely affected. Technology developments also pose other challenges that could adversely affect our revenues and competitive position. New delivery platforms may lead to pricing restrictions, the loss of distribution control, and the loss of a direct relationship with consumers.

**Our websites and internal networks may be vulnerable to unauthorized persons accessing our systems, which could disrupt our operations.**

The Company uses computers and other technology in substantially all aspects of our business operations, and some of our revenues are dependent on digital products. Such increases expose us to potential cyber incidents resulting from deliberate attacks or unintentional events. Our website activities involve the storage and transmission of proprietary information, which we strive to protect from unauthorized access. However, it is possible that unauthorized persons may be able to circumvent our protections and misappropriate proprietary information, corrupt data, or cause interruptions or malfunctions in our digital operations. The results of these incidents could include, but are not limited to, business interruption, public disclosure of nonpublic information, decreased advertising revenues, misstated financial data, liability for stolen assets or information, increased cybersecurity protection costs, litigation, financial consequences, and reputational damage adversely affecting customer or investor confidence, any or all of which could adversely affect our business. We invest in security resources and technology to protect our data and business processes against risk of data security breaches and cyber-attack, but the techniques used to attempt attacks are constantly changing. A breach or successful attack could have a negative impact on our operations or business reputation.

***Risks Related to the Securities***

**Our founder has control over all stockholder decisions because she controls a substantial majority of our voting stock.**

As a result of the Voting Common Stock that she holds, Anla Cheng, our founder and Chief Executive Officer will be able to exercise voting rights with respect to an aggregate of 6,200,000 shares of Voting Common Stock, which will represent approximately 62% of the voting power of our outstanding capital stock immediately following this offering. As a result, Ms. Cheng has the ability to control the outcome of all matters submitted to our stockholders for approval, including the election, removal, and replacement of directors and any merger, consolidation, or sale of all or substantially all of our assets.

**We are selling non-voting shares**

We are selling shares of Non-Voting Common Stock in this offering, which means except in very limited circumstance you will not have any vote in the company.

**Our valuation and our offering price have been established internally and are difficult to assess.**

SupChina has set the price of its Non-Voting Common Stock at \$2.80 per share. Valuations for companies at this stage are generally purely speculative. Our valuation has not been validated by any independent third party and may decrease precipitously in the future. It is a question of whether you, the investor, are willing to pay this price for a percentage ownership of a start-up company. The issuance of additional shares of Common Stock, or additional option grants may dilute the value of your holdings. You should not invest if you disagree with this valuation. See "Dilution" for more information.

**We are offering bonus shares (effectively a discount on our stock price) to Early Investors.**

Certain investors, specifically, Early Investors, are entitled to a discount to the share price in this offering; see "Plan of Distribution and Selling Stockholders". Therefore, the value of shares of investors who pay the full price in this offering will be immediately diluted by investments made by investors entitled to the discount, who will pay less for the same stake in the company.

**No guarantee of return on investment.**

There is no assurance that a purchaser will realize a return on its investment or that it will not lose its entire investment. For this reason, each purchaser should read the Form C and all Exhibits carefully and should consult with its own attorney and business advisor prior to making any investment decision.

**This offering involves "rolling closings," which may mean that earlier investors may not have the benefit of information that later investors have.**

We may conduct closings on funds tendered in the offering at any time. At that point, investors whose subscription agreements have been accepted will become our shareholders. We may file amendments to our Form C reflecting material changes and investors whose subscriptions have not yet been accepted will have the benefit of that additional information. These investors may withdraw their subscriptions and get their money back. Investors whose subscriptions have already been accepted, however, will already be our shareholders and will have no such right.

**You can't easily resell the securities.**

There are restrictions on how you can resell your securities for the next year. More importantly, there is no market for these securities, and there might never be one. There is no guarantee that the company will ever go public or get acquired by a bigger company. That means the money you paid for these securities could be tied up for a long time.

**The company's management has discretion as to use of proceeds.**

The net proceeds from this offering will be used for the purposes described under "Use of Proceeds." The company reserves the right to use the funds obtained from this offering for other similar purposes not presently contemplated which it deems to be in the best interests of the company and its investors in order to address changed circumstances or opportunities. As a result of the foregoing, the success of the company will be substantially dependent upon the discretion and judgment of management with respect to application and allocation of the net proceeds of this offering. Investors for the Non-Voting Common Stock hereby will be entrusting their funds to the company's management, upon whose judgment and discretion the investors must depend.

**Future fundraising may affect the rights of investors.**

In order to expand, the company is likely to raise funds again in the future, either by offerings of securities or through borrowing from banks or other sources. The terms of future capital raising, such as loan agreements, may include covenants that give creditors greater rights over the financial resources of the company.

**The subscription agreement has a forum selection provision that requires disputes be resolved in state or federal courts in the State of Delaware and our Certificate of Incorporation has a forum selection provision that requires disputes be resolved in the Court of Chancery in the State of Delaware, regardless of convenience or cost to you, the investor.**

In order to invest in this offering, investors agree to resolve disputes arising under the subscription agreement in state or federal courts located in the State of Delaware, for the purpose of any suit, action or other proceeding arising out of or based upon the agreement, including those related federal securities laws. Further, our Certificate of Incorporation contains an exclusive forum provision for certain lawsuits including any derivative action brought on behalf of the company; see “Forum Selection Provisions” below Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. We believe that these exclusive forum provisions apply to claims arising under the Securities Act, but there is uncertainty as to whether a court would enforce such a provision in this context.

The exclusive forum provision in the certificate of incorporation does not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction.

For both instruments, investors will not be deemed to have waived the company’s compliance with the federal securities laws and the rules and regulations thereunder. These forum selection provisions may limit your ability to obtain a favorable judicial forum for disputes with us. Alternatively, if a court were to find a provision inapplicable to, or unenforceable in an action, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

**Investors in this Offering may not be entitled to a jury trial with respect to claims arising under the subscription agreement, which could result in less favorable outcomes to the plaintiff(s) in any action under the agreement.**

Investors in this Offering will be bound by the subscription agreement, which includes a provision under which investors waive the right to a jury trial of any claim they may have against the company arising out of or relating to the agreement, including any claims made under the federal securities laws. By signing the agreement, the investor warrants that the investor has reviewed this waiver with his or her legal counsel, and knowingly and voluntarily waives the investor’s jury trial rights following consultation with the investor’s legal counsel.

If we opposed a jury trial demand based on the waiver, a court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by a federal court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of Delaware, which governs the agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the subscription agreement. You should consult legal counsel regarding the jury waiver provision before entering into the subscription agreement.

If you bring a claim against the Company in connection with matters arising under the agreement, including claims under the federal securities laws, you may not be entitled to a jury trial with respect to those claims, which may have the effect of limiting and discouraging lawsuits against the Company. If a lawsuit is brought against the company under the agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in such an action.

Nevertheless, if the jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms the agreement with a jury trial. No condition, stipulation or provision of the subscription agreement

serves as a waiver by any holder of the Company’s securities, or by the Company, of compliance with any substantive provision of the federal securities laws and the rules and regulations promulgated under those laws.

**Risks Related to COVID-19**

**Actual or threatened epidemics, pandemics, outbreaks, or other public health crises may adversely affect the company’s business.**

The company’s business could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. Specifically, since March 2020, the company has limited its in-person events (including dinners and conferences) due to the pandemic. The risk, or public perception of the risk, of a pandemic or media coverage of infectious diseases could adversely affect the company’s operations and the financial condition of the company’s investors, prospective investors, and potential customers resulting in reduced demand for the company’s securities, products and services, generally. Further, such risks could result in persons avoiding appearing at in-person appointments, ‘Shelter-in-place” or other such orders by governmental entities, which could disrupt the company’s operations if employees, customers and investors are limited in their actions.

**DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES**

This table shows the principal people on the company’s team:

Name	Position	Term of Office	Approx. hours per week (if not full time)
<b>Executive Officers:</b>			
Anla Cheng	Chief Executive Officer	June 2015 - present	Full Time
Bob Guterma	Chief Operating Officer	May 2019 - present	Full Time
<b>Directors:</b>			
Anla Cheng	Director	June 2015 - present	N/A
Clarence Kwan	Director	May 2017 - present	N/A

**Anla Cheng, CEO and Director**

Anla Cheng is the Founder and CEO of SupChina founded in 2015 as an independent digital China news, business, events, consulting marketplace platform and podcasts with social media/website. Prior to 2015, Ms. Cheng ran a Family Office of Asian Hedge Fund of Funds, Centenium Capital Partners LLC. Her career included work as Asia Head, SVP at Robert Fleming, (bought out by JP Morgan). Her career began at Goldman Sachs, then Citi where she was a Pacific Basin analyst, then became an Asian Portfolio Manager for both Institutional and Private Wealth Group. Ms. Cheng received her MBA from the Wharton Graduate School of Business. She is a Trustee of the following Boards: Vice-Chair of China/US at TNC (The Nature Conservancy); FHAO - Facing History and Ourselves (past Chair of China Project); Vice-Chair at China Institute; and past Trustee and current member of Committee 100. She was past Trustee of NY Community Trust, Riverdale Country Day School and MOCA (Museum of Chinese in America) Ms. Cheng is also China/ Global Council Member of Brookings and a Member of NCUSCR and Columbia University’s China Global Center. SupChina/Sinica (podcasts) have received multiple awards from Asia Society; China Institute; the New York Chinese Cultural Center; Ascend; and The Chinese Cultural Foundation and MOCA (Museum of Chinese in America) . Ms. Cheng is a frequent speaker including: Keynote at The Economist – annual

CEO dinner, London; Milken Institute (Dubai and Singapore); Columbia University; NYU; Canadian Mutual Fund Group; China Institute; and many other notable institutions.

**Bob Guterma, COO**

Bob Guterma currently serves as SupChina's Chief Operating Officer (COO) and Chief Product Officer (CPO). Prior to SupChina, from 2016 through 2019, Bob was a partner with Point86 LLC where he worked on mergers and acquisition integrations for Fortune 1000 and private equity clients. He has also served as an advisor to Bantam Communications from 2017 through the present, where he provides financial and strategic advice to the company. Prior to these roles, he worked for Capvision Partners from 2012 through 2015, where he was the company's Chief Compliance Officer and Managing Director. Bob is fluent in Mandarin Chinese and Spanish in addition to conversational German. He holds a bachelor's degree in economics from Georgetown University, where he graduated in 2007.

**Clarence Kwan, Director**

Clarence Kwan, CAIA, CPA, currently serves as a Director at SupChina and has over 40 years of financial advisory and management experience in the U.S., China and Eastern Europe. Since the mid-1980's, he has been advising U.S., Chinese, and other global companies on cross border investments, including mergers & acquisitions, joint ventures, and alternative investments. Clarence retired from Deloitte in 2012 where he held a number of national and international leadership roles, including serving as the National Managing Partner of the U.S. Chinese Services Group, Deputy CEO of Deloitte China, and a founding partner of Deloitte Czech Republic. Since 2012, he has served on the boards of various for-profit and non-profit organizations, including East West Bank, Smartlink Health Solutions, SupChina, Piermont Bank, and the Committee of 100. He was the founding chair of the China Committee, U.S. Council for International Business, and the China Task Force, Business & Industry Advisory Committee to the OECD. From 2004 to 2006, he was a senior advisor to the China Association of Chief Financial Officers. As a recognized expert on U.S.-China cross-border investment, he was frequently invited to speak at seminars, webcasts and conferences, and had been quoted in the Business Week, Financial Times, Fortune, New York Times, Wall Street Journal, Washington Post and other publications. Clarence was born and raised in Hong Kong and is fluent in Mandarin, Cantonese and English. He graduated from the University of Texas at Austin with a B.A. degree in psychology and a master's degree in professional accounting in 1978. He is a Certified Public Accountant and a Certified Alternative Investment Analyst.

**OWNERSHIP AND CAPITAL STRUCTURE**

**Ownership**

The following table shows who owns more than 20% of company's voting securities as of August 12, 2021:

<b>Name of Beneficial owner</b>	<b>Amount and class of securities held</b>	<b>Percent of voting power prior to the Offering</b>
Anla Cheng	6,200,000 Voting Common Stock	78%

The following table describes our capital structure as of August 12, 2021:

<b>Class of Equity</b>	<b>Authorized Limit</b>	<b>Issued and Outstanding</b>	<b>Committed, Not-issued*</b>	<b>Available*</b>
Voting Common Stock	11,000,000	8,000,000	2,000,000	1,000,000

Non-Voting Common Stock	2,000,000	0	0	2,000,000
<b>Convertible Notes</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	
First Note	\$2,580,000	4% per annum	Various dates from September 2019 to April 2021**	
Seed 3 Note	\$2,100,000	3-4% per annum	Various dates from January 2022 to November 2023	

\* Includes 1,950,000 options issued and an additional 50,000 reserved under Sup China Inc. 2016 Equity Incentive Plan.

## USE OF PROCEEDS

The company anticipates using the proceeds from this offering in the following manner for 2021.

<b>Purpose or Use of Funds</b>	<b>Allocation After Offering Expenses for a \$25,000 Raise</b>	<b>Allocation After Offering Expenses for a \$5,000,000 Raise</b>
Content, data and analysis (ongoing content for the products and platforms)	30%	30%
Sales, marketing and advertising	30%	30%
Technology and product development	25%	25%
Conferences, events and partnerships	10%	10%
General Administration	5%	5%

**The identified uses of proceeds are subject to change at the sole direction of the officers and directors based on the business needs of the company.**

## FINANCIAL DISCUSSION

### Financial statements

Our financial statements can be found in Exhibit B to the Form C of which this Offering Memorandum forms a part. The financial statements were audited by BF Borgers CPA, PC. The following discussion should be read in conjunction with our audited financial statements and the related notes included in this Offering Statement.

The company's net revenue for the year ended December 31, 2020 was \$515,335, a 22% increase from \$423,220 in 2019. Net revenue consists of all sales, less cost of sales. The company's income was primarily derived from the sale of sponsorships, events, media production and subscriptions (including subscriptions for online content and SupChina direct). For the year ended December 31, 2020, the company recorded \$97,559 in sponsorships,

\$246,528 in events, \$59,125 in media production and \$127,425 in subscriptions. The primary driver of changes from the year ending December 31, 2019 was the increase in sales of subscriptions and media production, and a decrease in live events and sponsorship sales. Live events and sponsorships experienced a decrease in sales due to restrictions on in-person activities as a result of COVID. Cost of goods sold in 2020 was \$15,885, an 80% decrease from 2019, primarily due to the reduction of costs associated with live events that were limited due to COVID.

The company's operating expenses consist of primarily of content production, employee expenses, contractors, professional services, sales & marketing, and general & administrative costs. Operating expenses in 2020 amounted to \$2,134,761, an 11.7% increase from \$1,910,446 in 2019. The primary components of this change were due to:

- A 14.5% increase in employee expenses to \$963,706, concurrent with a 19% decrease in consulting, contractor and professional services expenses to \$429,081 due to reallocation of resources.
- A 125% increase in content development (including tools and supplies) to \$484,888 due to progress on the company's strategic goals.
- A 95% decrease in travel expenses to \$1,782 due to COVID restrictions.
- A 65% decrease in rent to \$34,962 due to the company's conversion to virtual offices during COVID.

As a result of the foregoing factors, the company's net loss from operations was \$1,595,498 in 2020, a 1% decrease from net loss of \$1,613,480 in 2019.

Other income of \$175,394 in 2020 consists primarily of the company's Paycheck Protection Plan (PPP) loan that was forgiven.

Since the end of the period covered by the financial statements, our product development and content production costs have increased modestly as we launch new products and grow our team; while subscription revenue, consulting services revenue, and corporate sponsorship have all grown as we continue to sell subscriptions, consulting projects, and sponsorship packages to more individuals and groups, and at higher average rates than prior years.

#### ***Liquidity and Capital Resources***

To date, the company has not made any profits and is still a "development stage company." While some financial resources have come from sales, sales only provides a fraction of the money needed to operate the company, and profits are not likely for some time. The Company has incurred significant operating losses since inception. As of December 31, 2020 the company had a working capital deficit of \$7,206,611 and negative shareholders' equity of \$7,200,611.

The company was initially capitalized by loans from the issuance of notes. The principal amount of notes outstanding as of December 31, 2020 was \$4,680,000 with interest accrued in the amount of \$479,303.

The company had approximately \$303,707 cash on hand as of December 31, 2020. Currently, we estimate our burn rate (net cash out) to be on average \$120,000 per month.

#### ***Indebtedness***

As of December 31, 2020 and as of August 20, 2021, the total amount of convertibles notes outstanding was \$4,680,000 and \$4,680,000, respectively, with interest accrued in the amount of \$479,303 and \$626,400, respectively.

#### ***Convertible First Notes***

As of December 31, 2020 and as of August 20, 2021, the total outstanding principal balance of the First Notes was \$2,580,000 and \$2,580,000 respectively, with interest accrued in the amount of \$396,995 and \$492,770, respectively.

### *Convertible Seed 3 Notes*

As of December 31, 2020 and as of August 20, 2021, the total outstanding principal balance of the Seed 3 Notes was \$2,100,000 and \$2,100,000, respectively with interest accrued in the amount of \$82,309 and \$133,630, respectively.

### **Trends and COVID-19**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the company. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

### **RELATED PARTY TRANSACTIONS**

Anla Cheng, CEO holds a combined \$1,330,000 worth of First Notes, purchased from October 2016 to April 2018, with a 3 year maturity date and 4% interest rate per annum that is convertible upon equity financing of at least \$4,000,000. Notes have a valuation cap of \$8,000,000 and 20% discount on equities priced in the financing.

Anla Cheng's company, Centenium Capital Partners, LLC holds a combined \$1,600,000 worth of Seed 3 Notes, purchased from January 2019 to November 2020, with a 3 year maturity date and 3% interest rate per annum that is convertible upon equity financing of at least \$1,000,000. Notes have a valuation cap of \$12,000,000 to \$15,000,000 and 15% discount on equities priced in the financing.

Clarence Kwan holds \$150,000 worth of First Notes, purchased in September 2016, with a 3 year maturity date and 4% interest rate per annum that is convertible upon equity financing of at least \$4,000,000. Notes have a valuation cap of \$8,000,000 and 20% discount on equities priced in the financing.

SupChina's CEO is the President of a 501c3 tax-exempt non-profit organization called The Serica Initiative. The Serica Initiative advocates for causes that are wholly independent of an unrelated to SupChina's business, but which may be of interest to SupChina's existing audience. As such, the two organizations collaborate from time to time. When The Serica Initiative requires certain media production services, for example the production of videos or the organizing of online webinars -- both of which are activities at which SupChina excels, The Serica Initiative may engage SupChina to provide these services as a vendor. When this happens, SupChina prepares a cost estimate for The Serica Initiative, which the latter then compares to market rates for the same services. If and when The Serica Initiative decides to utilize SupChina's provision of services, SupChina would then issue an invoice to The Serica Initiative, who would pay as any other customer would. Revenue to SupChina that falls into this category can be found in the "White Label Media Production" line of the SupChina Profit & Loss Statement.

### **RECENT OFFERINGS OF SECURITIES**

We have made the following issuances of securities within the last three years:

From September 2016 to November 2020, we issued \$4,680,000 of convertible notes, of which \$3,080,000 were issued to related parties, pursuant to Section 4(a)(2) of the Securities Act. The proceeds of this offering were used to fund operations and continue media and business platform, podcast, newsletters, websites, launch products.



## SECURITIES BEING OFFERED AND RIGHTS OF THE SECURITIES OF THE COMPANY

*The following descriptions summarize important terms of our capital stock. This summary reflects SupChina's certificate of incorporation amended September 20, 2021 (the "Amended and Restated Certificate of Incorporation") and is qualified in its entirety by the Certificate of Incorporation and its Bylaws. For a complete description the company's capital stock, you should refer to our Amended and Restated Certificate of Incorporation and our Bylaws and applicable provisions of the Delaware General Corporation Law.*

### General

The Company's authorized securities consist of up to 13,000,000 shares of Common Stock ("Common Stock"), of which 11,000,000 share are designated as Voting Common Stock ("Voting Common Stock") and 2,000,000 of Non-Voting Common Stock ("Non-Voting Common Stock"). As of October 1, 2021 there were 8,000,000 shares of Voting Common Stock outstanding and no shares of Non-Voting Common Stock outstanding.

### Equity

Offering Minimum: \$25,000.00 | 8,929 shares of Non-Voting Common Stock\*

Offering Maximum: \$5,000,000.00 | 1,785,714 shares of Non-Voting Common Stock\*

Type of Security Offered: Non-Voting Common Stock

Purchase Price of Security Offered: \$2.80

Minimum Investment Amount (per investor): \$1,000

*\*Maximum Number of Shares Offered subject to adjustment for bonus shares. See Bonus information below, as well as the Transaction Fee.*

### Early Investors

All investors who invest a minimum of \$1,000 during the first 45 days of the offering are considered Early Investors ("Early Investors"). Early Investors will be given additional shares in an amount of equal to 10% of the shares issued to such investor.

This means eligible shareholders will receive a 10% bonus for any shares they purchase in this offering. For example, if you buy 358 shares of Non-Voting Common Stock at \$2.80 / share, you will receive 35 bonus shares of Non-Voting Common Stock, meaning you'll own 393 shares for \$1002.40. Fractional shares will not be distributed and share bonuses will be determined by rounding down to the nearest whole share.

### Perks\*

In addition, SupChina is offering investment level perks for all investors as described below.

#### **ALL Investors**

ALL Investors, regardless of amount, are eligible for the following perks:

- SupChina Swag – T-shirt or Mug.
- Early access to our award-winning Podcast.

#### **\$1K+ (Wild Goose Pagoda)**

ALL Investors perks plus:

- TWO years of SupChina ACCESS subscription.

#### **\$5K+ (West Lake)**

ALL Investors perks plus:

- TWO years of SupChina ACCESS subscription.
- ONE year of our premium SupChina PRO subscription (\$450 value which includes SupChina Edge – an interactive database; invitations comped for all events).
- FREE General Admission to events and webinars.

#### **\$10K+ (Yellow River)**

ALL Investors perks plus:

- TWO years of SupChina ACCESS subscription.
- TWO years of our premium **SupChina PRO** subscription (\$900 value).
- FREE General Admission to events and webinars.
- 1 VIP ticket to both signature conferences (NEXTChina and Women's Conference – \$1,500 value).

#### **\$10K+ (Yellow River)**

ALL Investors perks plus:

- LIFETIME of SupChina ACCESS subscription.
- TWO years of our premium **SupChina PRO** subscription (\$900 value).
- FREE General Admission to events and webinars.
- 1 VIP ticket to both signature conferences (NEXTChina and Women's Conference – \$1,500 value).
- An annual meeting with our editorial team for you and/or your colleagues (limited to 2 people) to discuss all things China (30 minutes).

#### **\$50K+ (Temple Of Heaven)**

ALL Investors perks plus:

- LIFETIME of SupChina ACCESS subscription.
- TWO years of our premium **SupChina PRO** subscription (\$900 value).
- FREE General Admission to events and webinars.
- 3 VIP tickets to both signature conferences (NEXTChina and Women's Conference – \$4,500 value).
- An annual meeting with our editorial team for you and/or your colleagues (limited to 2 people) to discuss all things China (1 hour).

#### **\$100K+ (Forbidden City)**

ALL Investors perks plus:

- LIFETIME of SupChina ACCESS subscription.
- TWO years of our premium **SupChina PRO** subscription (\$900 value).
- FREE General Admission to events and webinars.
- 8 VIP tickets to both signature conferences (NEXTChina and Women's Conference – \$12,000 value).
- An annual meeting with our editorial team for you and/or your colleagues (up to 5 people) to discuss all things China (over lunch).

#### **\$250K+ (Summer Palace)**

ALL Investors perks plus:

- LIFETIME of SupChina ACCESS subscription.
- TWO years of our premium **SupChina PRO** subscription (\$900 value).
- FREE General Admission to events and webinars.
- 18 VIP tickets to both signature conferences (NEXTChina and Women's Conference – \$27,000 value).
- An annual meeting with our editorial team for you and/or your colleagues (up to 25 people) to discuss all things China (over lunch).

### **\$500K+ (Great Wall)**

ALL Investors perks plus:

- LIFETIME of SupChina ACCESS subscription.
- TWO years of our premium **SupChina PRO** subscription (\$900 value).
- FREE General Admission to events and webinars.
- 28 VIP tickets to both signature conferences (NEXTChina and Women's Conference – \$42,000 value).
- An annual meeting with our editorial team for you and/or your colleagues (up to 100 people) to discuss all things China (over lunch).
- A curated consulting SupChina Direct job within agreed parameters.

*\*The perks are subject to change and may be updated by the company on its campaign page.*

*\*All perks occur after the offering is completed.*

TAX CONSEQUENCES FOR RECIPIENT (INCLUDING FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES) WITH RESPECT TO THE INVESTMENT BENEFIT PACKAGES ARE THE SOLE RESPONSIBILITY OF THE INVESTOR. INVESTORS MUST CONSULT WITH THEIR OWN PERSONAL ACCOUNTANT(S) AND/OR TAX ADVISOR(S) REGARDING THESE MATTERS.

### ***Common Stock***

The rights, preferences, powers, privileges and the restrictions, qualifications and limitations of the Non-Voting Common Stock are identical with those of the Voting Common Stock other than with respect to the voting right.

### ***Dividend Rights***

Subject to preferences that may be applicable to any then outstanding preferred stock, holders of our Common Stock are entitled to receive dividends, if any, as may be declared from time to time by the board of directors out of legally available funds. We have never declared or paid cash dividends on any of our capital stock and currently do not anticipate paying any cash dividends after this offering or in the foreseeable future.

### ***Voting Rights – Voting Common Stock***

Each holder of our Voting Common Stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Directors are elected by a plurality of the votes cast by the shares entitled to vote; shareholders do not have a right to cumulate their votes for directors.

### ***Voting Rights – Non-Voting Common Stock***

Except as required under Delaware corporate law, holders of our Non-Voting Common Stock will only be entitled to vote on whether to amend, alter or repeal (by merger, consolidation, combination, reclassification or otherwise) our Amended and Restated Certification or Bylaws where such action would adversely affect (disproportionally relatively to the Voting Common Stock) the preferences, rights or powers of the Non-Voting Common Stock.

### ***Right to Receive Liquidation Distributions***

In the event of our liquidation, dissolution, or winding up, holders of Common Stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

### ***Rights and Preferences***

The rights, preferences and privileges of the holders of the Company's Common Stock are subject to and may be adversely affected by, the rights of the holders of shares any additional classes of stock that we may designate in the future.

### ***Convertible First Notes***

#### *Interest Rate and Maturity*

In 2018 and prior years, the Company issued promissory notes and convertible notes in exchange for cash for the purpose of funding its continuing operations (the "First Notes"). The First Notes accrue interest at the rate of four percent per annum.

#### *Conversion Terms*

The First Notes are automatically convertible to equity upon equity financing of at least \$4,000,000, at a 20% discount to market value, or at a \$8,000,000 valuation cap, whichever is lower. The First Notes are also optionally convertible upon non-qualified financing, sale of the company, or upon maturity date.

### ***Convertible Seed 3 Notes***

#### *Interest Rate and Maturity*

In 2019 and later years, the Company issued promissory notes and convertible notes in exchange for cash for the purpose of funding its continuing operations (the "Seed 3 Notes"). The Seed 3 Notes accrue interest at the rate of three to four percent per annum.

#### *Conversion Terms*

The Seed 3 Notes are automatically convertible to equity upon equity financing of at least \$1,000,000, at a 15% discount to market value, or at a \$12,000,000 to 15,000,000 valuation cap. The Seed 3 Notes are also optionally convertible upon non-qualified financing or maturity date into newly created Senior Preferred Stock, or upon change in control or sale of the company.

### ***Forum Selection Provisions***

The subscription agreement that investors will execute in connection with the offering includes a forum selection provision that requires any claims against the company based on the agreement to be brought in a state or federal court of competent jurisdiction in the State of [Delaware], for the purpose of any suit, action or other proceeding arising out of or based upon the agreement. The certificate of incorporation contains a forum selection provision that provides that with a few exceptions, the Court of Chancery in the State of Delaware will be the sole and exclusive forum for any shareholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on the company's behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee, (iii) any action asserting a claim against the company, its directors, officers or employees arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's certificate of incorporation or bylaws or (iv) any action asserting a claim against the company, its directors, officers or employees governed by the internal affairs doctrine.

### ***Jury Trial Waiver***

The subscription agreement provides that subscribers waive the right to a jury trial of any claim they may have against us arising out of or relating to the subscription agreement, including any claim under federal securities laws. If we opposed a jury trial demand based on the waiver, a court would determine whether the waiver was enforceable given the facts and circumstances of that case in accordance with applicable case law. Investors will not be deemed to have waived the company's compliance with the federal securities laws and the rules and regulations thereunder.

### **What it Means to be a Minority Holder**

As an investor in Non-Voting Common Stock of the company, you will not have any rights to vote in regard to the corporate actions of the company, including additional issuances of securities, company repurchases of securities, a sale of the company or its significant assets, or company transactions with related parties.

### **Transferability of securities**

For a year, the securities can only be resold:

- In an IPO or other public offering registered with the SEC;
- To the company;
- To an accredited investor; and
- To a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance.

### **Transfer Agent**

The company has selected Colonial Stock Transfer Company, Inc. an SEC-registered securities transfer agent, to act as its transfer agent. They will be responsible for keeping track of who owns the company's securities.

## **DILUTION**

Investors should understand the potential for dilution. The investor's stake in a company could be diluted due to the company issuing additional shares. In other words, when the company issues more shares, the percentage of the company that you own will go down, even though the value of the company may go up. You will own a smaller piece of a larger company. This increase in number of shares outstanding could result from a stock offering (such as an initial public offering, another crowdfunding round, a venture capital round, angel investment), employees exercising stock options, or by conversion of certain instruments (e.g., convertible bonds, preferred shares or warrants) into stock.

If the company decides to issue more shares, an investor could experience value dilution, with each share being worth less than before, and control dilution, with the total percentage an investor owns being less than before. There may also be earnings dilution, with a reduction in the amount earned per share (though this typically occurs only if the company offers dividends, and most early-stage companies are unlikely to offer dividends, preferring to invest any earnings into the company).

The type of dilution that hurts early-stage investors most occurs when the company sells more shares in a "down round," meaning at a lower valuation than in earlier offerings. An example of how this might occur is as follows (numbers are for illustrative purposes only):

- In June 2020 Jane invests \$20,000 for shares that represent 2% of a company valued at \$1 million.

- In December the company is doing very well and sells \$5 million in shares to venture capitalists on a valuation (before the new investment) of \$10 million. Jane now owns only 1.3% of the company but her stake is worth \$200,000.
- In June 2021 the company has run into serious problems and in order to stay afloat it raises \$1 million at a valuation of only \$2 million (the “down round”). Jane now owns only 0.89% of the company and her stake is worth only \$26,660.

This type of dilution might also happen upon conversion of convertible notes into shares. Typically, the terms of convertible notes issued by early-stage companies provide that in the event of another round of financing, the holders of the convertible notes get to convert their notes into equity at a “discount” to the price paid by the new investors, i.e., they get more shares than the new investors would for the same price. Additionally, convertible notes may have a “price cap” on the conversion price, which effectively acts as a share price ceiling. Either way, the holders of the convertible notes get more shares for their money than new investors. In the event that the financing is a “down round” the holders of the convertible notes will dilute existing equity holders, and even more than the new investors do, because they get more shares for their money. Investors should pay careful attention to the aggregate total amount of convertible notes that the company has issued (and may issue in the future, and the terms of those notes).

If you are making an investment expecting to own a certain percentage of the company or expecting each share to hold a certain amount of value, it’s important to realize how the value of those shares can decrease by actions taken by the company. Dilution can make drastic changes to the value of each share, ownership percentage, voting control, and earnings per share.

## Valuation

As discussed in “Dilution” above, the valuation of the company will determine the amount by which the investor’s stake is diluted in the future. An early-stage company typically sells its shares (or grants options over its shares) to its founders and early employees at a very low cash cost, because they are, in effect, putting their “sweat equity” into the company. When the company seeks cash investments from outside investors, like you, the new investors typically pay a much larger sum for their shares than the founders or earlier investors, which means that the cash value of your stake is immediately diluted because each share of the same type is worth the same amount, and you paid more for your shares than earlier investors did for theirs.

There are several ways to value a company, and none of them is perfect and all of them involve a certain amount of guesswork. The same method can produce a different valuation if used by a different person.

*Liquidation Value* — The amount for which the assets of the company can be sold, minus the liabilities owed, e.g., the assets of a bakery include the cake mixers, ingredients, baking tins, etc. The liabilities of a bakery include the cost of rent or mortgage on the bakery. However, this value does not reflect the potential value of a business, e.g., the value of the secret recipe. The value for most startups lies in their potential, as many early-stage companies do not have many assets (they probably need to raise funds through a securities offering in order to purchase some equipment).

*Book Value* — This is based on analysis of the company’s financial statements, usually looking at the company’s balance sheet as prepared by its accountants. However, the balance sheet only looks at costs (i.e., what was paid for the asset), and does not consider whether the asset has increased in value over time. In addition, some intangible assets, such as patents, trademarks or trade names, are very valuable but are not usually represented at their market value on the balance sheet.

*Earnings Approach* — This is based on what the investor will pay (the present value) for what the investor expects to obtain in the future (the future return), taking into account inflation, the lost opportunity to participate in other investments, the risk of not receiving the return. However, predictions of the future are uncertain and valuation of future returns is a best guess.

Different methods of valuation produce a different answer as to what your investment is worth. Typically, liquidation value and book value will produce a lower valuation than the earnings approach. However, the earnings approach is also most likely to be risky as it is based on many assumptions about the future, while the liquidation value and book value are much more conservative.

Future investors (including people seeking to acquire the company) may value the company differently. They may use a different valuation method, or different assumptions about the company's business and its market. Different valuations may mean that the value assigned to your investment changes. It frequently happens that when a large institutional investor such as a venture capitalist makes an investment in a company, it values the company at a lower price than the initial investors did. If this happens, the value of the investment will go down.

#### **How we determined the offering price**

We determined the valuation cap of the convertible note based on the best estimates of our management. The valuation cap is not based on the historical financial performance of the Company or any other objective metric.

### **REGULATORY INFORMATION**

#### **Disqualification**

Neither the company, nor any of its officers or managing members are disqualified from relying on Regulation Crowdfunding.

#### **Annual reports**

The company has not filed annual reports to date. Future annual reports will be posted on the company's website, currently in development, [www.investors.supchina.com](http://www.investors.supchina.com).

#### **Compliance failure**

The company has not previously failed to comply with the requirements of Regulation Crowdfunding.

### **INVESTING PROCESS**

#### **Information Regarding Length of Time of Offering**

**Investment Cancellations:** Investors will have up to 48 hours prior to the end of the offering period to change their minds and cancel their investment commitments for any reason. Once the offering period is within 48 hours of ending, investors will not be able to cancel for any reason, even if they make a commitment during this period.

**Notifications:** Investors will receive periodic notifications regarding certain events pertaining to this offering, such as the company reaching its offering target, the company making an early closing, the company making material changes to its Form C, and the offering closing at its target date.

**Material Changes:** Material changes to an offering include but are not limited to:

A change in minimum offering amount, change in security price, change in management, etc. If an issuing company makes a material change to the offering terms or other information disclosed, including a change to the offering deadline, investors will be given five business days to reconfirm their investment commitment. If investors do not reconfirm, their investment will be cancelled, and the funds will be returned.

**Rolling and Early Closings:** The company may elect to undertake rolling closings, or an early closing after it has received investment interests for its target offering amount. During a rolling closing, those investors that have committed funds will be provided five days' notice prior to acceptance of their subscriptions, release of funds to the company, and issuance of securities to the investors. During this time, the company may continue soliciting investors and receiving additional investment commitments. Investors should note that if investors have already received their securities, they will not be required to reconfirm upon the filing of a material amendment to the Form C. In an early closing, the offering will terminate upon the new target date, which must be at least five days from the date of the notice.

#### **Investor Limitations**

Investors are limited in how much they can invest on all crowdfunding offerings during any 12-month period. The limitation on how much they can invest depends on their net worth (excluding the value of their primary residence) and annual income. If either their annual income or net worth is less than \$107,000, then during any 12-month period, they can invest up to the greater of either \$2,200 or 5% of the greater of their annual income or Net worth. If both their annual income and net worth are equal to or more than \$107,000, then during any 12-month period, they can invest up to 10% of annual income or net worth, whichever is greater, but their investments cannot exceed \$107,000. If the investor is an "accredited investor" as defined under Rule 501 of Regulation D under the Securities Act, as amended, no investment limits apply.

#### **Updates**

Information regarding updates to the offering and to subscribe can be found here, [www.investinsupchina.com](http://www.investinsupchina.com).



## **Report of Independent Registered Public Accounting Firm**

To the shareholders and the board of directors of Sup China Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Sup China Inc. (the "Company") as of December 31, 2020 and 2019, the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

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

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

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

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

/s/ BF Borgers CPA PC

**BF Borgers CPA PC**

We have served as the Company's auditor since 2021  
Lakewood, CO  
October 21, 2021

**SUP CHINA, Inc.**  
**BALANCE SHEETS**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Assets		
Current Assets		
Cash	\$ 303,707	\$ 294,535
Accounts receivable	90	90
Total Current Assets	303,797	294,625
Fixed Assets		
Total Fixed Assets, Net	2,467	3,382
Other Assets		
Security deposit	3,900	3,900
Total Assets	\$ 310,163	\$ 301,906
Liabilities		
Current Liabilities		
Accounts Payable	\$ 10,350	\$ 69,642
Deferred Revenue	276,789	167,677
Due to related parties	2,064,335	1,264,335
Total Current Liabilities	2,351,474	1,501,654
Long-term Liabilities		
Convertible Debt	1,600,000	1,600,000
Convertible Debt - related parties	3,080,000	2,480,000
Accrued Interest	479,303	325,366
Total Long-term Liabilities	5,159,303	4,405,366
Total Liabilities	7,510,777	5,907,020
Stockholders' deficit:		
Common stock, \$.0001 par value, 10,000,000 shares authorized 8,000,000 shares issued and outstanding at December 31, 2020 and 8,000,000 shares issued and outstanding at December 31, 2019	800	800
Additional paid-in capital	50	50
Accumulated deficit	(7,201,463)	(5,605,964)
Total Stockholders' Deficit	(7,200,613)	(5,605,114)
Total Liabilities and Stockholders' Deficit	\$ 310,163	\$ 301,906

See accompanying notes to financial statements

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**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

	<b>For the Years Ended</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
Income		
Affiliate Revenue	\$ 101	\$ 469
Content Sponsorship	97,559	137,468
Discounts Given	482	8,065
Events	246,528	333,098
Subscription Revenue	98,649	-
SupChina Direct	28,776	24,188
White Label Media Production	59,125	-
Total Income	<u>\$ 531,220</u>	<u>\$ 503,288</u>
Cost of Sales	15,885	80,068
Gross Margin	<u>\$ 515,335</u>	<u>\$ 423,220</u>
Operating Expenses		
Advertising/Promotional	14,785	-
Bank Charges	2,831	1,342
Consultant Fees	359,000	438,851
Contractors	8,524	10,975
SupChina Direct Consultant Fees	8,038	13,137
Employee Expenses	963,706	845,002
Content Production	443,034	206,951
Professional Service	53,519	68,215
Rent & Lease	34,962	101,423
Equipment Rental	132	600
Insurance	-	1,384
Office Supplies/Expenses	25,365	28,315
Tools and Supplies	41,854	8,427
Sales & Marketing	41,107	68,924
Meals & Entertainment	1,652	-
Processing Fees	2,892	5,150
Taxes & Licenses	951	4,793
Travel	1,782	39,273
Depreciation	2,515	2,384
General and Administrative expenses	128,112	65,302
Total Operating Expenses	<u>2,134,761</u>	<u>1,910,447</u>
Loss from operations	<u>(1,619,426)</u>	<u>(1,487,227)</u>
Other Income (Expenses)		
Forgiveness of PPP Loan	172,686	-
Other Income	2,708	5,409
Interest Expense	(151,467)	(131,663)
Total Other Income	<u>23,927</u>	<u>(126,254)</u>
Net Loss before Income Taxes	<u>(1,595,499)</u>	<u>(1,613,481)</u>
Income Tax Benefit	<u>-</u>	<u>-</u>
Net Loss	<u>\$ (1,595,499)</u>	<u>\$ (1,613,481)</u>
Net Loss per Common Share - Basic and Diluted	<u>\$ (0.20)</u>	<u>\$ (0.20)</u>
Weighted Average Number of Common Shares Outstanding Basic and Diluted	<u>8,000,000</u>	<u>8,000,000</u>

See accompanying notes to financial statements

**SUP CHINA, Inc.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

	<b>For the Years Ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash Flows from Operating Activities		
Net Loss	\$ (1,595,499)	\$ (1,613,481)
Adjustment to reconcile net loss from operations:		
Depreciation expense	915	918
Gain on forgiveness of PPP Loan	(172,686)	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	-	3,406
Royalty payable	-	7,597
Accounts payable	(59,293)	751
Deferred revenue	109,112	124,581
Accrued interest	153,937	83,301
Due to related parties	800,000	534,808
Net Cash Used in Operating Activities	<u>(763,514)</u>	<u>(858,119)</u>
Cash Flows from Financing Activities		
Proceeds from PPP loan	172,686	-
Issuance of convertible notes - related party	600,000	-
Issuance of convertible notes	-	500,000
Net Cash Provided by Financing Activities	<u>772,686</u>	<u>500,000</u>
Net Increase (Decrease) in Cash	9,172	(358,119)
Cash at Beginning of Period	294,535	652,654
Cash at End of Period	<u>\$ 303,707</u>	<u>\$ 294,535</u>
Supplemental Cash Flow Information:		
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>
Interest Paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

**SUP CHINA, Inc.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

	<b>For the Years Ended</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
Cash Flows from Operating Activities		
Net Loss	\$ (1,595,499)	\$ (1,613,481)
Adjustment to reconcile net loss from operations:		
Depreciation expense	915	918
Gain on forgiveness of PPP Loan	(172,686)	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	-	3,406
Royalty payable	-	7,597
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Due to related parties	800,000	534,808
Net Cash Used in Operating Activities	<u>(763,514)</u>	<u>(858,119)</u>
Cash Flows from Financing Activities		
Proceeds from PPP loan	172,686	-
Issuance of convertible notes - related party	600,000	-
Issuance of convertible notes	-	500,000
Net Cash Provided by Financing Activities	<u>772,686</u>	<u>500,000</u>
Net Increase (Decrease) in Cash	9,172	(358,119)
Cash at Beginning of Period	294,535	652,654
Cash at End of Period	<u>\$ 303,707</u>	<u>\$ 294,535</u>
Supplemental Cash Flow Information:		
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>
Interest Paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

**Sup China Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2019 and 2020**

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

Sup China Inc., a Delaware corporation, was initially formed on June 22, 2015.

The company operates news, information, and business services platform focused on China and generates revenue through subscription and licensing fees, corporate sponsorship, event tickets and sales, and transaction fees for commerce conducted through its online marketplaces.

The Company's accounting year end is December 31.

*Basis of Presentation*

These financial statements are presented in United States dollars and have been prepared in accordance with United States generally accepted accounting principles.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates include estimated useful lives and potential impairment of property and equipment, estimate of fair value of share based payments and derivative instruments and recorded debt discount, valuation of deferred tax assets and valuation of in-kind contribution of services and interest.

Accounts Receivable

We record accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the accounts receivable balances and is charged to other income (expense) in the combined statements of operations. We calculate this allowance based on our history of write-offs, the level of past-due accounts based on the contractual terms of the receivables, and our relationships with, and the economic status of, our customers. As of December 31, 2019 and 2020, an allowance for estimated, uncollectible accounts was determined to be unnecessary.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for significant property and equipment categories are as follows:

Computer equipment	3 years
Furniture and Equipment	5 years

## Revenue Recognition

- **SupChina's revenue** is recognized either by invoice or by automated/instantaneous online purchase. Invoiced revenue is usually recognized and due immediately and is almost always received prior to the provision of services to the payer. Online purchases are recognized and received immediately through various online payment processors.
- **Affiliate Revenue** -- Affiliate Revenue is revenue earned as a "commission" for referring or selling the products of other companies, with whom we have a revenue splitting or revenue referral agreement. It is a nascent area of collaboration with other companies that may or may not grow in the future but to date has been a negligible part of company operations and revenue.
- **Content Sponsorship** -- Content Sponsorship revenue consists of advertising or other promotional content placed on our website, in our newsletters or podcasts, or in other content mediums on behalf of a corporate customer to promote their business, products, or services to our audience.
- **Events Revenue** -- Events Revenue consists of both corporate sponsorship of events that we produce, as well as ticket sales to audience members or attendees to those same events.
- **Subscription Revenue** -- Subscription Revenue consists of subscriber dues paid for access to online digital content and/or information products and experiences. Most subscribers subscribe on an annual basis and their dues are paid annually. Subscription revenue includes subscriptions for individuals as well as group subscriptions to corporations, non-profits, educational institutions, and other organizations.
- **SupChina Direct** -- SupChina Direct is a consulting network that we manage whereby we match the supply and demand of China-related professional services. In exchange for connecting such supply and demand through our marketplace, we earn a transaction fee equal to approximately 15% of the value exchange. For example, if a UK-based consumer goods company ("client") seeks to recruit a China-based marketing agency to support the growth of their sales in the China market, SupChina Direct would identify and vet China-based marketing agencies for the client, and if the client decides to work with one of the agencies we connect them with, we would invoice the client, pay the agency or consultant, and keep a fee of 15% of the value of the invoice.
- **White Label Media Production** -- White Label Media Production is revenue earned when SupChina is engaged to produce content or media on behalf of another organization, and the output of that work is branded with the other organization's brand and not SupChina's own brand. In these cases, SupChina simply receives a professional fee for the production of the content.

Effective January 1, 2018, the Company recognizes revenue in accordance with Accounting Standards Codification 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. Deferred revenue at December 31, 2020 and 2019 amounted to \$276,789 and \$167,677, respectively.

We recognize revenue when the four revenue recognition criteria are met, as follows:

- *Persuasive evidence of an arrangement exists* – our customary practice is to obtain written evidence, typically in the form of a sales contract or purchase order;
- *Delivery* – when custody is transferred to our customers;
- *The price is fixed or determinable* – prices are typically fixed at the time the order is placed and no price protections or variables are offered; and
- *Collectability is reasonably assured* – we typically work with businesses with which we have a long standing relationship, as well as monitoring and evaluating customers' ability to pay.

Refunds and returns, which are minimal, are recorded as a reduction of revenue. Payments received by customers prior to our satisfying the above criteria are recorded as unearned income in the combined balance sheets.

### Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the twelve-month period following the date of these financial statements. The Company has incurred significant operating losses since inception. As of December 31, 2020 the company had a working capital deficit of \$7,206,611 and negative shareholders' equity of \$7,200,611.

Because the Company does not expect that existing operational cash flow will be sufficient to fund presently anticipated operations, this raises substantial doubt about the Company's ability to continue as a going concern. Therefore, the Company will need to raise additional funds and is currently exploring alternative sources of financing. Historically, the Company has raised capital through private placements, as an interim measure to finance working capital needs and may continue to raise additional capital through the sale of common stock or other securities and obtaining some short-term loans. The Company will be required to continue to do so until its operations become profitable. Also, the Company has, in the past, paid for consulting services with its common stock to maximize working capital, and intends to continue this practice where feasible.

On July 1, 2018, the Company adopted Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606"). Results for reporting periods beginning after January 1, 2018, are presented under ASC 606. As of and for the year ended November 30, 2020 the financial statements were not impacted due to the application of Topic 606 because the Company had no revenues.

### Cash and cash equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents. On December 31, 2020, and December 31, 2019, the Company's cash equivalents totaled \$303,707 and \$294,535 respectively.

### Income taxes

The Company accounts for income taxes under FASB ASC 740, "Accounting for Income Taxes". Under FASB ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under FASB ASC 740, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. FASB ASC 740-10-05, "Accounting for Uncertainty in Income Taxes" prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities.

The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company assesses the validity of its conclusions regarding uncertain tax positions quarterly to determine if facts or circumstances have arisen that might cause it to change its judgment regarding the likelihood of a tax position's sustainability under audit.

### Media costs

As a media, content, and digital product-centered business, SupChina has low marginal costs but very high fixed / up-front costs. Thus most costs to the business are categorized as operating expenses and not costs of revenue -- we would incur these costs regardless of whether we sold any product or not, and conversely we would not necessarily incur higher costs even if revenue increased significantly.



### Stock-based Compensation

The Company accounts for stock-based compensation using the fair value method following the guidance outlined in Section 718-10 of the FASB Accounting Standards Codification for disclosure about Stock-Based Compensation. This section requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award- the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service.

### Net Loss per Share

Net loss per common share is computed by dividing net loss by the weighted average common shares outstanding during the period as defined by Financial Accounting Standards, ASC Topic 260, and "Earnings per Share." Basic earnings per common share ("EPS") calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding.

### Impairment of Long-Lived Assets

Management assesses the recoverability of its long-lived assets when indicators of impairment are present. If such indicators are present, recoverability of these assets is determined by comparing the undiscounted net cash flows estimated to result from those assets over the remaining life to the assets' net carrying amounts. If the estimated undiscounted net cash flows are less than the net carrying amount, the assets would be adjusted to their fair value, based on appraisal or the present value of the undiscounted net cash flows.

### Paycheck Protection Program

As U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities to a for-profit entity. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allows for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Company determined it most appropriate to account for the Paycheck Protection Program ("PPP") loan proceeds as an in-substance government grant by analogy to International Accounting Standards 20 ("IAS 20"), *Accounting for Government Grants and Disclosure of Government Assistance*. Under the provisions of IAS 20, "a forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan." IAS 20 does not define "reasonable assurance"; however, based on certain interpretations, it is analogous to "probable" as defined in FASB ASC Subtopic 450-20-20 under U.S. GAAP, which is the definition the Company has applied to its expectations of PPP loan forgiveness. Under IAS 20, government grants are recognized in earnings on a systematic basis over the periods in which the Company recognizes costs for which the grant is intended to compensate (i.e. qualified expenses). Further, IAS 20 permits for the recognition in earnings either (1) separately under a general heading such as other income, or (2) as a reduction of the related expenses. The Company has elected to recognize government grant income separately within other income to present a clearer distinction in its financial statements between its operating income and the amount of net income resulting from the PPP loan and forgiveness.

### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which establishes a new lease accounting model for lessees. The updated guidance requires an entity to recognize assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. In March 2019, the FASB issued ASU 2019-01, *Codification Improvements*, which clarifies certain aspects of the new lease standard. The FASB issued ASU 2018-10, *Codification Improvements to*

*Topic 842, Leases* in July 2018. Also in 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) Targeted Improvements*, which provides an optional transition method whereby the new lease standard is applied at the adoption date and recognized as an adjustment to retained earnings. The amendments have the same effective date and transition requirements as the new lease standard.

We intend to adopt ASC 842 on July 1, 2020. The adoption of this guidance is not expected to have any impact on our financial statements.

### **NOTE 3 – RELATED PARTY TRANSACTION**

Certain employees are also shareholders of the company, and as such draw a salary in addition to holding and/or receiving stock compensation. All employee salaries and stock-based compensation are decided by the board of directors, and no board members receive financial compensation from the company. Due to related parties at December 31, 2020 and December 31, 2019 amounted to \$2,064,335 and \$1,264,335, respectively

SupChina's CEO is the President of a 501c3 tax-exempt non-profit organization called The Serica Initiative. The Serica Initiative advocates for causes that are wholly independent of an unrelated to SupChina's business, but which may be of interest to SupChina's existing audience. As such, the two organizations collaborate from time to time. When The Serica Initiative requires certain media production services, for example the production of videos or the organizing of online webinars -- both of which are activities at which SupChina excels, The Serica Initiative may engage SupChina to provide these services as a vendor. When this happens, SupChina prepares a cost estimate for The Serica Initiative, which the latter then compares to market rates for the same services. If and when The Serica Initiative decides to utilize SupChina's provision of services, SupChina would then issue an invoice to The Serica Initiative, who would pay as any other customer would. Revenue to SupChina that falls into this category can be found in the "White Label Media Production" line of the SupChina Profit & Loss Statement.

### **NOTE 4 – PAYROLL PROTECTION PROGRAM**

In response to the coronavirus disease ("Covid-19") COVID-19 pandemic, the PPP was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and administered by the SBA. Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loan proceeds are fully utilized to pay qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization.

During the year ended December 31, 2020, the Company received a loan of \$172,686 under the PPP provided by Piermount Bank the loan bears interest at 1.0%, with principal and interest payments deferred for the first six months of the loan. After that, the loan and interest would be paid back over a period of 18 months, if the loan is not forgiven under the terms of the PPP. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. When it applied for the loan, the Company believed it would qualify to have the loan forgiven under the terms of the PPP, and therefore considered the loan to be substantively a conditional government grant to be accounted for using an analogy to IAS 20. The Company performed the calculations, applied for, and received PPP loan forgiveness on November 13, 2020.

As the Company received its loan forgiveness prior to December 31, 2020, it has recognized PPP grant income for the full amount of the PPP loan, \$172,686, and no liability for the PPP loan is reflected in the balance sheet as of December 31, 2020.

## **NOTE 5 – CONVERTIBLE NOTES**

During the years ended December 31, 2020 and 2019 the Company issued a total of \$0 and \$500,000 of convertible promissory notes. Interest on note is payable at 3%. Per annum. The terms of the loans are 36 months, In the event that the Company issues and sells shares of its equity securities on or before the Maturity Date in an equity financing with total proceeds to the Company of not less than \$1,000,000 (excluding the conversion of the Notes or other convertible securities issued for capital raising purposes the outstanding principal amount of this Note, together with and any unpaid accrued interest under this Note, shall automatically convert in whole without any further action by the Holder into Equity Securities sold in the Qualified Financing at a conversion price equal to the lesser of (i) the cash price paid per share for Equity Securities by the Investors in the Qualified Financing multiplied by 85%, and (ii) the quotient resulting from dividing \$15,000,000 by the number of shares of Common Stock of the Company that are outstanding immediately prior to the Qualified Financing (assuming conversion of all securities convertible into Common Stock and exercise of all outstanding options and warrants, but excluding the shares of equity securities of the Company issuable upon the conversion of Notes or other convertible securities issued for capital raising purposes. The issuance of Equity Securities pursuant to the conversion of this Note shall be upon and subject to the same terms and conditions applicable to Equity Securities sold in the Qualified Financing. If the Conversion price is less than the price per share at which Equity Securities are issued in the Qualified Financing, the Company may, solely at its option, elect to convert this Note into shares of a newly created series of preferred stock having the identical rights, privileges, preferences and restrictions as the Equity Securities issued in the Qualified Financing, and otherwise on the same terms and conditions, other than with respect to (if applicable): (i) the per share liquidation preference and the conversion price for purposes of price-based anti-dilution protection, which will equal the Conversion Price; and (ii) the per share dividend, which will be the same percentage of the Conversion Price as applied to determine the per share dividends of the Investors in the Qualified Financing. As of December 31, 2020 and December 31, 2019 the total amount of convertibles notes outstanding is \$3,350,000 and \$2,750,000, respectively. December 31, 2020 and December 31, 2019 accrued interest amounted to \$272,608 and \$120,242, respectively

## **NOTE 6 – CONVERTIBLE NOTES – RELATED PARTY**

During the years ended December 31, 2020 and 2019 the Company issued a total of \$600,000 and \$0 of convertible promissory notes to related parties. As of December 31, 2020 and 2019 a related parties is owed a total of \$3,080,000 and \$2,480,000 of convertible promissory notes. Interest on note is payable at 3%. Per annum The terms of the loans are 36 months, In the event that the Company issues and sells shares of its equity securities on or before the Maturity Date in an equity financing with total proceeds to the Company of not less than \$1,000,000 (excluding the conversion of the Notes or other convertible securities issued for capital raising purposes the outstanding principal amount of this Note, together with and any unpaid accrued interest under this Note, shall automatically convert in whole without any further action by the Holder into Equity Securities sold in the Qualified Financing at a conversion price equal to the lesser of (i) the cash price paid per share for Equity Securities by the Investors in the Qualified Financing multiplied by 85%, and (ii) the quotient resulting from dividing \$15,000,000 by the number of shares of Common Stock of the Company that are outstanding immediately prior to the Qualified Financing (assuming conversion of all securities convertible into Common Stock and exercise of all outstanding options and warrants, but excluding the shares of equity securities of the Company issuable upon the conversion of Notes or other convertible securities issued for capital raising purposes. The issuance of Equity Securities pursuant to the conversion of this Note shall be upon and subject to the same terms and conditions applicable to Equity Securities sold in the Qualified Financing. If the Conversion price is less than the price per share at which Equity Securities are issued in the Qualified Financing, the Company may, solely at its option, elect to convert this Note into shares of a newly created series of preferred stock having the identical rights, privileges, preferences and restrictions as the Equity Securities issued in the Qualified Financing, and otherwise on the same terms and conditions, other than with respect to (if applicable): (i) the per share liquidation preference and the conversion price for purposes of price-based anti-dilution protection, which will equal the Conversion Price; and (ii) the per share dividend, which will be the same percentage of the Conversion Price as applied to determine the per share dividends of the Investors in the Qualified Financing. As of December 31, 2020 and December 31, 2019 the total amount of convertibles notes outstanding to

the related parties are \$3,080,000 and \$2,480,000, respectively. December 31, 2020 and December 31, 2019 accrued interest amounted to \$295,095 and \$201,141, respectively

#### **NOTE 7 – STOCKHOLDERS' DEFICIT**

The company has authorized 10,000,000 and issued 8,000,000 common shares with a par value of \$0.0001 as of December 31, 2020 and December 31, 2019, respectively

As of December 31, 2019 and 2020 there is no preferred stock authorized.

As of December 31, 2019 and December 31, 2020 the Company has 1,550,000 and 1,950,000 stock options issued, respectively. The options have an exercise prices ranging from \$.056 to \$.09 per option and vesting terms up to 4 years. The term of the options is 10 years from the date of issuance. As the Options were granted at fair market value the Company did not assign any value to the Option. As of December 31, 2019 and December 31, 2020 the Company has 424,478 and 914,062 stock options vested, respectively

#### **Note 8 - COMMITMENTS AND CONTINGENCIES**

##### **Contingencies**

From time to time, the Company may be involved in legal matters arising in the ordinary course of business. While the Company believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is, or could be, involved in litigation, will not have a material adverse effect on its business, financial condition or results of operations.

#### **NOTE 9 – SUBSEQUENT EVENTS**

On February 17, 2021, the Company received a loan of \$160,973 under the PPP provided by Piermont Bank the loan bears interest at 1.0%, with principal and interest payments deferred for the first six months of the loan. After that, the loan and interest would be paid back over a period of 18 months, if the loan is not forgiven under the terms of the PPP. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. When it applied for the loan, the Company believed it would qualify to have the loan forgiven under the terms of the PPP, and therefore considered the loan to be substantively a conditional government grant to be accounted for using an analogy to IAS 20. The Company performed the calculations, applied for, and received PPP loan forgiveness on September 1, 2021.

On August 31, 2021 the Company amended and restated its Certificate of Incorporation to increase the total number of shares of stock that the Corporation shall have authority to issue is 13,000,000 shares of common stock having a par value of \$.0001 per share of which 11,000,000 are designated as Voting Common Stock and 2,000,000 are designated as Non-Voting Common Stock. The rights, preferences, powers, privileges, and the restrictions, qualifications and limitations of the Non-Voting Common Stock are identical with those of the Voting Common Stock other than in respect of voting rights as set forth herein, and for all purposes under this Amended and Restated Certificate of Incorporation the Voting Common Stock and Non-Voting Common Stock shall together constitute a single class of shares of the capital stock of the Corporation.

The Company has evaluated subsequent events through the filing date of these financial statements and has disclosed that there are no other such events that are material to the financial statements to be disclosed.