

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2021

Remark Holdings

Commission File Number 001-33720

Remark Holdings, Inc.

Delaware
State of Incorporation

33-1135689
IRS Employer Identification Number

800 S. Commerce St.
Las Vegas, NV 89106

Address, including zip code, of principal executive offices

702-701-9514

Registrant's telephone number, including area code

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value per share	MARK	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

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

As of May 14, 2021, a total of 99,916,941 shares of our common stock were outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The matters discussed in this Quarterly Report on Form 10-Q include “forward-looking statements” about the plans, strategies, objectives, goals or expectations of Remark Holdings, Inc. and subsidiaries (“Remark”, “we”, “us”, “our”). You will find forward-looking statements principally in the sections entitled [Risk Factors](#) and [Management’s Discussion and Analysis of Financial Condition and Results of Operations](#). Such forward-looking statements are identifiable by words or phrases indicating that Remark or management “expects,” “anticipates,” “plans,” “believes,” or “estimates,” or that a particular occurrence or event “will,” “may,” “could,” “should,” or “will likely” result, occur or be pursued or “continue” in the future, that the “outlook” or “trend” is toward a particular result or occurrence, that a development is an “opportunity,” “priority,” “strategy,” “focus,” that we are “positioned” for a particular result, or similarly-stated expectations. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this report or such other report, release, presentation, or statement.

In addition to other risks and uncertainties described in connection with the forward-looking statements contained in this report and other periodic reports filed with the Securities and Exchange Commission (“SEC”), there are many important factors that could cause actual results to differ materially. Such risks and uncertainties include general business conditions, changes in overall economic conditions, our ability to integrate acquired assets, the impact of competition and other factors which are often beyond our control.

This should not be construed as a complete list of all of the economic, competitive, governmental, technological and other factors that could adversely affect our expected consolidated financial position, results of operations or liquidity. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, operations, liquidity, financial condition and prospects. We undertake no obligation to update or revise our forward-looking statements to reflect developments that occur or information that we obtain after the date of this report.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REMARK HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(dollars in thousands, except share and per share amounts)

	March 31, 2021	December 31, 2020
	(Unaudited)	
Assets		
Cash and cash equivalents (includes VIE \$335 and \$278, respectively)	\$ 906	\$ 854
Trade accounts receivable, net (includes VIE \$7,825 and \$4,850, respectively)	7,953	5,027
Inventory, net (includes VIE \$57 and \$112, respectively)	1,669	874
Prepaid expense and other current assets (includes VIE \$277 and \$248, respectively)	1,507	2,043
Total current assets	12,035	8,798
Property and equipment, net (includes VIE \$20 and \$43, respectively)	274	321
Operating lease assets (includes VIE \$222 and \$281, respectively)	402	492
Investment in unconsolidated affiliates	1,030	1,030
Other long-term assets (includes VIE \$57 and \$68, respectively)	640	670
Total assets	\$ 14,381	\$ 11,311
Liabilities and Stockholders' Deficit		
Accounts payable (includes VIE \$4,468 and \$3,655, respectively)	\$ 9,016	\$ 8,589
Accrued expense and other current liabilities (includes VIE \$3,873 and \$3,782, respectively)	7,727	6,660
Contract liability (includes VIE \$169 and \$147, respectively)	355	310
Notes payable, net of unamortized discount and debt issuance cost	6,048	1,500
Total current liabilities	23,146	17,059
Loans payable, long-term	1,425	1,425
Operating lease liabilities, long-term (includes VIE \$51 and \$79, respectively)	145	194
Warrant liability	3,335	1,725
Total liabilities	28,051	20,403
Commitments and contingencies		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized; zero issued	—	—
Common stock, \$0.001 par value; 100,000,000 shares authorized; 99,916,941 and 99,505,041 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	100	100
Additional paid-in-capital	352,387	351,546
Accumulated other comprehensive income	(184)	(226)
Accumulated deficit	(365,973)	(360,512)
Total stockholders' deficit	(13,670)	(9,092)
Total liabilities and stockholders' deficit	\$ 14,381	\$ 11,311

See Notes to Unaudited Condensed Consolidated Financial Statements

REMARK HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss
(dollars in thousands, except per share amounts)

	Three Months Ended March 31,	
	2021	2020
Revenue	\$ 4,406	\$ 431
Cost and expense		
Cost of revenue (excluding depreciation and amortization)	2,752	21
Sales and marketing	1,001	416
Technology and development	1,550	648
General and administrative	2,697	2,740
Depreciation and amortization	66	90
Total cost and expense	8,066	3,915
Operating loss	(3,660)	(3,484)
Other income (expense)		
Interest expense	(235)	(461)
Other income, net	1	—
Change in fair value of warrant liability	(1,610)	57
Gain on lease termination	—	1,538
Other income (loss), net	43	(73)
Total other income (expense), net	(1,801)	1,061
Net loss	\$ (5,461)	\$ (2,423)
Other comprehensive loss		
Foreign currency translation adjustments	42	182
Comprehensive loss	\$ (5,419)	\$ (2,241)
Weighted-average shares outstanding, basic and diluted	99,759	53,775
Net loss per share, basic and diluted	\$ (0.05)	\$ (0.05)

See Notes to Unaudited Condensed Consolidated Financial Statements

REMARK HOLDINGS, INC. AND SUBSIDIARIES
 Unaudited Condensed Consolidated Statements of Stockholders' Deficit
 (in thousands, except number of shares)

Three Months Ended March 31, 2021						
	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2020	99,505,041	\$ 100	\$ 351,546	\$ (226)	\$ (360,512)	\$ (9,092)
Net loss	—	—	—	—	(5,461)	(5,461)
Share-based compensation	—	—	20	—	—	20
Equity instrument exercises	411,900	—	821	—	—	821
Foreign currency translation	—	—	—	42	—	42
Balance at March 31, 2021	<u>99,916,941</u>	<u>\$ 100</u>	<u>\$ 352,387</u>	<u>\$ (184)</u>	<u>\$ (365,973)</u>	<u>\$ (13,670)</u>
Three Months Ended March 31, 2020						
	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2019	51,055,159	\$ 51	\$ 319,275	\$ (227)	\$ (346,827)	\$ (27,728)
Net loss	—	—	—	—	(2,423)	(2,423)
Share-based compensation	—	—	47	—	—	47
Common stock issued	15,078,729	15	4,636	—	—	4,651
Foreign currency translation	—	—	—	182	—	182
Balance at March 31, 2020	<u>66,133,888</u>	<u>\$ 66</u>	<u>\$ 323,958</u>	<u>\$ (45)</u>	<u>\$ (349,250)</u>	<u>\$ (25,271)</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

REMARK HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
(dollars in thousands)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (5,461)	\$ (2,423)
Change in fair value of warrant liability	1,610	(57)
Depreciation, amortization and impairments	66	90
Share-based compensation	267	35
Amortization of debt issuance costs and discount	63	—
Loss (gain) on disposal of long-lived assets	—	86
Other	37	538
Changes in operating assets and liabilities:		
Accounts receivable	(2,938)	377
Prepaid expenses	(229)	(545)
Operating lease assets	90	4,040
Accounts payable	968	(440)
Deferred revenue	48	59
Operating lease liabilities	(49)	(4,570)
Net cash used in operating activities	(5,528)	(2,810)
Cash flows from investing activities:		
Purchases of property, equipment and software	(11)	—
Net cash used in investing activities	(11)	—
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	821	4,627
Proceeds from debt issuance	4,770	—
Repayments of debt	—	(472)
Net cash provided by financing activities	5,591	4,155
Net change in cash, cash equivalents and restricted cash	52	1,345
Cash, cash equivalents and restricted cash:		
Beginning of period	854	272
End of period	\$ 906	\$ 1,617
Supplemental schedule of non-cash investing and financing activities:		
Addition of interest to debt principal	\$ —	\$ 378
Accrual of debt issuance costs	\$ 285	\$ —

See Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1. ORGANIZATION AND BUSINESS

Organization and Business

Remark Holdings, Inc. and subsidiaries (“Remark”, “we”, “us”, or “our”), which include its consolidated variable-interest entities (“VIEs”), are primarily technology-focused. Our KanKan data intelligence platform serves as the basis for our development and deployment of artificial-intelligence-based (“AI-based”) solutions for businesses in many industries and geographies. We also own and operate an e-commerce digital media property focused on a luxury beach lifestyle. Our common stock is listed on the Nasdaq Capital Market under the ticker symbol MARK.

We recognize revenue primarily from sales in the U.S. and China of AI-based products and services from our KanKan business.

Economic and political risks

Our operations in China are subject to special considerations and significant risks not typically associated with companies in North America, including risks associated with, among others, the political, economic and legal environment and foreign currency exchange. Our results may be adversely affected by changes in the political conditions in China, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation.

COVID-19

Our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 were impacted by the effects of the COVID-19 pandemic, which has caused a broad shift towards remote working arrangements for many businesses worldwide and injected uncertainty and delay into decision-making processes for such businesses. Varying degrees of preventative measures are still in place around the world, including travel restrictions, shelter-in-place orders, school closings, closures of non-essential businesses and other quarantine measures. The preventative measures have limited our operational capabilities, which could have a material adverse impact on our business and which have created significant uncertainties, such as the potential adverse effect of the pandemic on the economy, our vendors, our employees and customers and customer sentiment in general.

The extent of the impact of the pandemic on our business and financial results will depend largely on future developments, including the duration and severity of the pandemic, the duration of preventative measures implemented by domestic and foreign governments, the impact on capital and financial markets and the related impact on the financial circumstances of our customers, all of which are highly uncertain and cannot be predicted. The pandemic-related situation is changing rapidly, and additional impacts of which we are not currently aware may arise, as recently underscored by the surge in cases in the U.S., India and portions of South America. We are closely monitoring worldwide developments and are continually assessing the potential impact on our business.

Going Concern

During the three months ended March 31, 2021, and in each fiscal year since our inception, we have incurred net losses which have resulted in an accumulated deficit of \$366.0 million as of March 31, 2021. Additionally, our operations have historically used more cash than they have provided. Net cash used in continuing operating activities was \$5.5 million during the three months ended March 31, 2021. As of March 31, 2021, our cash and cash equivalents balance was \$0.9 million, and we had a negative working capital balance of \$11.1 million and total stockholders’ deficit of \$13.7 million.

Our history of recurring operating losses, working capital deficiencies and negative cash flows from operating activities give rise to substantial doubt regarding our ability to continue as a going concern. As a result, management has concluded that there is substantial doubt about our ability to continue as a going concern. Our independent registered public accounting firm, in its report on our consolidated financial statements for the year ended December 31, 2020, has also expressed substantial doubt

about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We intend to fund our future operations and meet our financial obligations through revenue growth from our AI offerings, as well as through sales of our thermal-imaging products. We cannot, however, provide assurance that revenue, income and cash flows generated from our businesses will be sufficient to sustain our operations in the twelve months following the filing of this Form 10-Q. As a result, we are actively evaluating strategic alternatives including debt and equity financings and potential sales of investment assets or operating businesses.

Conditions in the debt and equity markets, as well as the volatility of investor sentiment regarding macroeconomic and microeconomic conditions (in particular, in response to the COVID-19 pandemic), will play primary roles in determining whether we can successfully obtain additional capital. We cannot be certain that we will be successful at raising additional capital.

A variety of factors, many of which are outside of our control, affect our cash flow; those factors include the effects of the COVID-19 pandemic, regulatory issues, competition, financial markets and other general business conditions. Based on financial projections, we believe that we will be able to meet our ongoing requirements for at least the next 12 months with existing cash, cash equivalents and cash resources, and based on the probable success of one or more of the following plans:

- develop and grow new product line(s)
- monetize existing assets
- obtain additional capital through debt and/or equity issuances.

However, projections are inherently uncertain and the success of our plans is largely outside of our control. As a result, there is substantial doubt regarding our ability to continue as a going concern, and we may fully utilize our cash resources prior to May 17, 2022.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

We prepared the accompanying unaudited Condensed Consolidated Balance Sheet as of March 31, 2021, with the audited Consolidated Balance Sheet amounts as of December 31, 2020 presented for comparative purposes, and the related unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss, the Condensed Consolidated Statements of Cash Flows and the Condensed Consolidated Statements of Stockholders' Deficit in accordance with the instructions for Form 10-Q. In compliance with those instructions, we have omitted certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), though management believes the disclosures made herein are sufficient to ensure that the information presented is not misleading.

Our results of operations and our cash flows as of the end of the interim periods reported herein do not necessarily indicate the results we may experience for the remainder of the year or for any other future period.

Management believes that we have included all adjustments (including those of a normal, recurring nature) considered necessary to fairly present our unaudited Condensed Consolidated Balance Sheet and our unaudited Condensed Consolidated Statement of Stockholders' Deficit, each as of March 31, 2021, as well as our unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss and Condensed Consolidated Statements of Cash Flows for all periods presented. You should read our unaudited condensed consolidated interim financial statements and footnotes in conjunction with our consolidated financial statements and footnotes included within the Annual Report on Form 10-K (the "2020 Form 10-K").

Consolidation

We include all of our subsidiaries, including the VIEs for which we are the primary beneficiary, in our condensed consolidated financial statements, eliminating all significant intercompany balances and transactions during consolidation.

To comply with China's laws which restrict foreign ownership of entities that operate within industries deemed sensitive by the Chinese government, we employ what we believe is a commonly-used organizational structure consisting of a wholly-foreign owned enterprise ("WFOE") and the VIEs to operate our KanKan business. We own 100% of the equity of the WFOE, while the VIEs are companies formed in China under local laws which are owned by members of our management team. We funded the registered capital and operating expenses of the VIEs by extending loans to the VIEs' owners. We are the primary beneficiary of the VIEs because the relationships between the VIEs and our WFOE are governed by contractual agreements, including in each case an Exclusive Call Option Agreement, an Exclusive Business Cooperation Agreement, a Proxy Agreement and an Equity Pledge Agreement, which give us control over the operations of the VIEs.

We use the fair value method to account for equity investments in which we cannot exercise significant influence over the investee, such as with our investment in Sharecare, Inc. ("Sharecare"). With regard to our investment in Sharecare, GAAP allows us to continue to carry our investment at cost less impairment until such time as an observable price change in the underlying security occurs. Any gains or losses resulting from a change in fair value are recorded to the statement of operations (see [Note 6](#) for information on our investments in unconsolidated affiliates).

Use of Estimates

We prepare our consolidated financial statements in conformity with GAAP. While preparing our financial statements, we make estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates. On an ongoing basis, we evaluate our estimates, including those related to accounts receivable, share-based compensation, the fair value of the warrant liability, deferred income taxes, and inventory reserve, among other items.

The impact of the COVID-19 pandemic continues to unfold. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

Cash and cash equivalents

Our cash and cash equivalents consist of funds held in bank accounts. Cash equivalents are highly-liquid investments with original maturities of three months or less, including money market funds.

We maintain cash balances in United States dollars ("USD"), Chinese Renminbi ("RMB"), and Hong Kong dollars ("HKD"). The following table, reported in USD, disaggregates our cash balances by currency denomination (in thousands):

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Cash denominated in:		
USD	\$ 557	\$ 563
HKD	7	8
RMB	342	283
Total cash	<u>\$ 906</u>	<u>\$ 854</u>

We maintain substantially all of our USD-denominated cash at a U.S. financial institution where the balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, however, our cash balances may exceed the FDIC-insured limit. As of March 31, 2021, we do not believe we have any significant concentrations of credit risk, although approximately \$0.3 million of our USD-denominated cash balance exceeded the FDIC-insured limit. Cash held by our non-U.S. subsidiaries is subject to foreign currency fluctuations against the USD, although such risk is somewhat mitigated because we transfer U.S. funds to China to fund local operations. If, however, the USD is devalued significantly against the RMB, our cost to further develop our business in China could exceed original estimates.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (an exit price). When reporting the fair values of our financial instruments, we prioritize those fair value measurements into one of three levels based on the nature of the inputs, as follows:

Level 1: Valuations based on quoted prices in active markets for identical assets and liabilities;

Level 2: Valuations based on observable inputs that do not meet the criteria for Level 1, including quoted prices in inactive markets and observable market data for similar, but not identical instruments; and

Level 3: Valuations based on unobservable inputs, which are based upon the best available information when external market data is limited or unavailable.

The fair value hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. For some products or in certain market conditions, observable inputs may not be available.

We believe the reported carrying amounts for cash and cash equivalents, receivables, prepaids and other current assets, accounts payable, accrued expenses and other current liabilities, approximate their fair values because of the short-term nature of these financial instruments.

Foreign Currency Translation

We report all currency amounts in USD. Our China VIEs, however, maintain their books and records in their functional currency, which is RMB.

In general, when consolidating our subsidiaries or VIEs with non-USD functional currencies, we translate the amounts of assets and liabilities into USD using the exchange rate on the balance sheet date, and the amounts of revenue and expense are translated at the average exchange rate prevailing during the period. The gains and losses resulting from translation of financial statement amounts into USD are recorded as a separate component of accumulated other comprehensive loss within stockholders' deficit.

We used the exchange rates in the following table to translate amounts denominated in non-USD currencies as of and for the periods noted:

	2021	2020
Exchange rates at March 31st:		
RMB:USD	0.152	0.141
HKD:USD	0.129	0.129
Average exchange rate during the three months ended March 31st:		
RMB:USD	0.154	0.143

Revenue Recognition

AI-Based Products

We generate revenue by developing AI-based products, including fully-integrated AI solutions which combine our proprietary technology with third-party hardware and software products to meet end-user specifications. Under one type of contract for our AI-based products, we provide a single, continuous service to clients who control the assets as we create them. Accordingly, we recognize the revenue over the period of time during which we provide the service. Under another type of contract, we have performance obligations to provide fully-integrated AI solutions to our customer and we recognize revenue at the point in time when each performance obligation is completed and delivered to, tested by and accepted by our customer.

We recognize revenue when we transfer control of the promised goods or services to our customers, and we recognize an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. If there is uncertainty related to the timing of collections from our customer, which may be the case if our customer is not the ultimate end user of our goods, we consider this to be uncertainty of the customer's ability and intention to pay us when consideration is due. Accordingly, we recognize revenue only when we have transferred control of the goods or services and consideration received from the customer is nonrefundable.

When customers pay us prior to when we satisfy our obligation to transfer control of promised goods or services, we record the amount that reflects the consideration to which we expect to be entitled as a contract liability until such time as we satisfy our performance obligation.

For our contracts with customers, we generally extend short-term credit policies to our customers, typically up to one year for large-scale projects.

We record the incremental costs of obtaining contracts as an expense when incurred, because such costs would otherwise be amortized over a period of less than one year if capitalized.

Other

We generate revenue from other sources, such as from e-commerce activity in which we sell goods to our customers, or media production which involves the production of video or Internet-based content for our customers. We recognize the revenue from these contracts at the point in time when we transfer control of the good sold to the customer or when we deliver the promised media content. Substantially all of our contracts with customers that generate Other revenue are completed within one year or less.

Inventory

We use the first-in first-out method to determine the cost of our inventory, then we report inventory at the lower of cost or net realizable value. We regularly review our inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated sales forecasts.

Net Loss per Share

We calculate basic net loss per share using the weighted-average number of common stock shares outstanding during the period. For the calculation of diluted net loss per share, we give effect to all the shares of common stock that were outstanding during the period plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued, using the treasury stock method. Potential common shares are excluded from the computation when their effect is anti-dilutive. Dilutive potential shares of common stock consist of incremental shares of common stock issuable upon exercise of stock options and warrants.

For the three months ended March 31, 2021 and 2020, there were no reconciling items related to either the numerator or denominator of the loss per share calculation, as their effect would have been anti-dilutive.

Securities which would have been anti-dilutive to a calculation of diluted earnings per share for the three months ended March 31, 2021 and 2020 include 9,528,565 and 10,290,829 outstanding stock options, respectively, and 40,000 and 4,936,313 outstanding stock warrants, respectively.

Segments

Existing GAAP, which establishes a management approach to segment reporting, defines operating segments as components of an entity about which separate, discrete financial information is available for evaluation by the chief operating decision maker. We have identified our Chief Executive Officer as our chief operating decision maker, who reviews operating results to make decisions about allocating resources and assessing performance based upon only one operating segment.

Liabilities Related to Warrants Issued

We record certain common stock warrants we issued (see [Note 4](#) for more detailed information) at fair value and recognize the change in the fair value of such warrants as a gain or loss which we report in the Other income (expense) section in our consolidated statement of operations. We report the warrants that we record at fair value as liabilities because they contain a conditional promise to issue a variable number of our common stock shares upon the warrants' expiration, and the monetary amount of such obligation was fixed at the inception of the contract. We estimate the fair value of the warrants using an option pricing model.

Recently Issued Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-06 ("ASU 2020-06"), *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The ASU will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. The ASU also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. With regard to our financial reporting, ASU 2020-06 will be effective January 1, 2024, and early adoption is permitted, but no earlier than January 1, 2021, including interim periods within that year. We are currently evaluating what effect(s) the adoption of ASU 2020-06 may have on our consolidated financial statements, but we do not believe the impact of the ASU will be material to our financial position, results of operations and cash flows. The effect will largely depend on the composition and terms of the financial instruments at the time of adoption.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*. The ASU requires entities to use a forward-looking approach based on current expected credit losses to estimate credit losses on certain types of financial instruments, including trade receivables, which may result in the earlier recognition of allowances for losses. With regard to our financial reporting, ASU 2016-13 will be effective beginning January 1, 2023, and early adoption is permitted. We do not believe the impact of the ASU will be material to our financial position, results of operations and cash flows.

We have reviewed all accounting pronouncements recently issued by the FASB and the Securities and Exchange Commission. The authoritative pronouncements that we have already adopted did not have a material effect on our financial condition, results of operations, cash flows or reporting thereof, and except as otherwise noted above, we do not believe that any of the authoritative pronouncements that we have not yet adopted will have a material effect upon our financial condition, results of operations, cash flows or reporting thereof.

NOTE 3. REVENUE

We sell AI-based products that include our Remark AI Thermal Kits, rPads and Thermal Kits in the U.S., as well as the various customized products we sell in China based upon facial recognition, gesture recognition and other technologies.

We do not include disclosures related to remaining performance obligations because substantially all our contracts with customers have an original expected duration of one year or less or, with regard to our stand-ready obligations, the amounts involved are not material.

Disaggregation of Revenue

The following table presents a disaggregation of our revenue by major category (in thousands):

	Three Months Ended March 31,	
	2021	2020
AI-based products	\$ 4,020	\$ 324
Other	386	107
Revenue	\$ 4,406	\$ 431

The following table presents a disaggregation of our revenue by country (in thousands):

	Three Months Ended March 31,	
	2021	2020
China	\$ 3,717	\$ 324
United States	689	107
Revenue	\$ 4,406	\$ 431

Significant Judgments

When accounting for revenue we make certain judgments, such as whether we act as a principal or as an agent in transactions or whether our contracts with customers fall within the scope of current GAAP regarding revenue, that affect the determination of the amount and timing of our revenue from contracts with customers. Based on the current facts and circumstances related to our contracts with customers, none of the judgments we make involve an elevated degree of qualitative significance or complexity such that further disclosure is warranted in terms of their potential impact on the amount and timing of our revenue.

Contract Assets and Contract Liabilities

We do not currently generate material contract assets. During the three months ended March 31, 2021, our contract liability changed only as a result of routine business activity.

During the three months ended March 31, 2021 and 2020, we did not recognize a material amount of revenue which was included in the beginning balance of Contract liability.

During the three months ended March 31, 2021 and 2020, we did not recognize revenue from performance obligations that were satisfied in previous periods.

NOTE 4. FAIR VALUE MEASUREMENTS OF CERTAIN LIABILITIES

Liabilities Related to Warrants to Purchase Common Stock

At the end of each reporting period, until expiry, we use an option pricing model to estimate and report the fair value of liabilities related to certain outstanding warrants to purchase common stock. As of March 31, 2021, our outstanding liability-classified warrants include the warrants we issued or that we are obligated to issue as part of the consideration for our acquisition (the “CBG Acquisition”) of assets of China Branding Group Limited (“CBG”) in September 2016 (the “CBG Acquisition Warrants”). The warrants we issued in connection with the financing we obtained for the CBG Acquisition (referred to in our prior reports as the CBG Financing Warrants) expired on September 24, 2020 without being exercised; therefore, the balance of \$3.3 million as of March 31, 2021 represents the liability associated with the CBG Acquisition Warrants.

The following table presents the quantitative inputs, which we classify in Level 3 of the fair value hierarchy, used in estimating the fair value of the CBG Acquisition Warrants:

	March 31, 2021	December 31, 2020
Expected volatility	100.00 %	85.00 %
Risk-free interest rate	0.26 %	0.18 %
Expected remaining term (years)	2.48	2.73

The following table presents the change in the liability balance associated with our liability-classified warrants (in thousands):

	Three Months Ended March 31, 2021	Year Ended December 31, 2020
Balance at beginning of period	\$ 1,725	\$ 115
Expiration of warrants	—	(115)
Increase (decrease) in fair value	1,610	1,725
Balance at end of period	\$ 3,335	\$ 1,725

As of March 31, 2021 and December 31, 2020, warrants outstanding included CBG Acquisition Warrants which may be exercised to purchase 40,000 shares of our common stock at a per-share exercise price of \$10.00 (we are also committed to the future issuance of additional CBG Acquisition Warrants to purchase up to 5,710,000 of the Company’s common shares at the same per-share exercise price as the CBG Acquisition Warrant that has already been issued).

NOTE 5. TRADE ACCOUNTS RECEIVABLE

	March 31, 2021	December 31, 2020
Gross accounts receivable balance	\$ 8,832	\$ 5,988
Allowance for bad debt	(879)	(961)
Accounts receivable, net	\$ 7,953	\$ 5,027

Generally, it is not unusual for Chinese entities to pay their vendors on longer timelines than the timelines typically observed in U.S. commerce. Trade receivables related to our China-based AI projects represent 95% of our gross trade receivables.

NOTE 6. INVESTMENT IN UNCONSOLIDATED AFFILIATE

In 2009, we co-founded a U.S.-based venture, Sharecare, to build a web-based platform that simplifies the search for health and wellness information. The other co-founders of Sharecare were Dr. Mehmet Oz, HARPO Productions, Discovery Communications, Jeff Arnold and Sony Pictures Television. As of March 31, 2021 and December 31, 2020, we owned approximately 4.2% of Sharecare's issued stock, the value of which was \$1.0 million, and maintained representation on its Board of Directors.

NOTE 7. PREPAID EXPENSE AND OTHER CURRENT ASSETS

The following table presents the components of prepaid expense and other current assets (in thousands):

	March 31, 2021	December 31, 2020
Other receivables	\$ 77	\$ 8
Prepaid expense	1,142	1,877
Deposits	158	50
Other current assets	130	108
Total	<u>\$ 1,507</u>	<u>\$ 2,043</u>

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands, except estimated lives):

	Estimated Life (Years)	March 31, 2021	December 31, 2020
Computers and equipment	3	1,077	1,097
Furniture and fixtures	3	42	42
Software	3	5,001	5,006
Leasehold improvements	3	175	174
Total property, equipment and software		<u>\$ 6,295</u>	<u>\$ 6,319</u>
Less accumulated depreciation		<u>(6,021)</u>	<u>(5,998)</u>
Total property, equipment and software, net		<u>\$ 274</u>	<u>\$ 321</u>

For the three months ended March 31, 2021 and 2020, depreciation (and amortization of software) expense was \$0.1 million and \$0.1 million, respectively.

NOTE 9. LEASES

We lease office space and a vehicle under contracts we classify as operating leases. None of our leases are financing leases.

The following table presents the detail of our lease expense, which is reported in General and administrative expense (in thousands):

	Three Months Ended March 31,	
	2021	2020
Operating lease expense	\$ 355	\$ 394
Short-term lease expense	7	75
Lease expense	<u>\$ 362</u>	<u>\$ 469</u>

We reported within continuing operating cash flows for the three months ended March 31, 2021 and 2020, \$0.1 million and a de minimis amount, respectively, of cash paid for amounts included in the measurement of operating lease liabilities.

As of March 31, 2021, our operating leases had a weighted-average remaining lease term of approximately 18 months, and we used a weighted-average discount rate of approximately 13% to measure our operating lease liabilities.

Maturity of Lease Liabilities

The following table presents information regarding the maturities of our undiscounted remaining operating lease payments, with a reconciliation to the amount of the liabilities representing such payments as presented in our March 31, 2021 unaudited Condensed Consolidated Balance Sheet (in thousands):

Operating lease liabilities maturing during the next:

One year	\$ 316
Two years	154
Total undiscounted cash flows	<u>\$ 470</u>
Present value of cash flows	<u>\$ 426</u>

Lease liabilities on balance sheet:

Short-term (included in accrued expenses)	\$ 281
Long-term	145
Total lease liabilities	<u>\$ 426</u>

Other

In March 2021, we prepaid the lease expense for short-term leases on properties in the Los Angeles, California and Miami, Florida areas. The \$0.4 million we paid remained in the balance of Prepaid expense and other current assets as of March 31, 2021.

Significant Judgments

When accounting for our leases, we make certain judgments, such as whether a contract contains a lease or what discount rate to use, that affect the determination of the amount of our lease assets and liabilities. Based on the current facts and circumstances related to our contracts, none of the judgments we make involve an elevated degree of qualitative significance or complexity such that further disclosure is warranted.

NOTE 10. ACCRUED EXPENSE AND OTHER CURRENT LIABILITIES

The following table presents the components of Accrued expense and other current liabilities (in thousands):

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Accrued compensation and benefit-related expense	\$ 1,355	\$ 1,151
Accrued interest	658	485
Other accrued expense	839	721
Other payables	3,563	3,048
Operating lease liability - current	281	382
Other current liabilities	1,031	873
Total	<u>\$ 7,727</u>	<u>\$ 6,660</u>

NOTE 11. DEBT

Short-Term Debt

The following table presents our notes payable (in thousands) as of:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Note payable to private lender	\$ 1,500	\$ 1,500
Note payable to Jefferson Remark Funding LLC	5,000	—
Principal balance of notes payable	6,500	1,500
Unamortized discount and debt issuance cost	(452)	—
Notes payable, net of unamortized discount and debt issuance cost	<u>\$ 6,048</u>	<u>\$ 1,500</u>

On April 12, 2017, we issued a short-term note payable in the principal amount of \$3.0 million to a private lender in exchange for cash in the same amount. The agreement, which does not have a stated interest rate, required us to repay the note plus a fee of \$115 thousand on the maturity date of June 30, 2017. The note is accruing interest at \$500 per day on the unpaid principal until we repay the note in full. As of each of March 31, 2021 and December 31, 2020, the note was past due and accrued interest was \$0.5 million.

On February 10, 2021, we entered into a senior secured promissory note (the "Note") with certain of our subsidiaries as guarantors (the "Guarantors") and Jefferson Remark Funding LLC (the "Lender"), pursuant to which the Lender extended credit to us consisting of a one-year term loan in the principal amount of \$5.0 million. The Note bears interest at 15% per annum, which shall be payable on the last business day of each calendar quarter commencing on March 31, 2021. The entire principal balance, as well as any unpaid accrued interest thereon, is due and payable in full on February 10, 2022. To secure the payment and performance of the obligations under the Note, we, together with the Guarantors, have granted to the Lender a first-priority lien on, and security interest in, all assets of Remark and the Guarantors, subject to certain customary exceptions. The Note contains representations, warranties, events of default, indemnifications and other provisions customary for financings of this type. The occurrence of any event of default under the Note may result in the principal amount outstanding and unpaid interest thereon becoming immediately due and payable. The net cash proceeds to us under the promissory note were \$4.8 million, net of a \$0.2 million discount, and we incurred debt issuance cost of \$0.3 million. Amortization expense of \$0.1 million was recognized during the period, resulting in an unamortized discount and debt issuance cost balance of \$0.4 million at March 31, 2021.

Long-Term Debt

The following table presents our long-term debt (in thousands) as of:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Private lender loan due December 2023	\$ 1,000	\$ 1,000
PPP loan due April 2022	425	425
Loans payable, long-term	<u>\$ 1,425</u>	<u>\$ 1,425</u>

Loan due April 2022

On April 15, 2020, we entered into a loan agreement (the “PPP Loan”) with our bank under the U.S. Small Business Administration’s Paycheck Protection Program. Under the PPP Loan, we borrowed \$0.4 million with a stated interest rate of one percent for a term of two years from the initial disbursement date of April 15, 2020. The PPP Loan is eligible for forgiveness as part of the CARES Act if certain requirements are met. We continue to evaluate and monitor the requirements of the CARES Act that allow for forgiveness. As of March 31, 2021, the SBA loan had an outstanding principal balance of \$0.4 million included in loans payable.

Loan due December 2023

On December 30, 2020, we executed a promissory note with a private lender (the “Private Lender Loan”) under which we borrowed \$1.0 million. The Private Lender Loan bears interest at 10% per annum. The entire principal balance, as well as any interest accrued thereon, is due and payable in full on December 30, 2023, or such earlier date as the principal may become due and payable pursuant to the terms of the Private Lender Loan.

NOTE 12. COMMITMENTS AND CONTINGENCIES

At March 31, 2021, we had no material commitments outside the normal course of business, other than as described below.

During 2020, we advanced \$1.5 million to an unrelated entity (our “China Business Partner”) pursuant to an agreement we entered into with the China Business Partner. We are in the process of negotiating a separate contract with the China Business Partner setting out the terms pursuant to which the China Business Partner will assist us in obtaining contracts from some of the largest companies in China. Under the executed agreement with the China Business Partner, upon receipt of a borrowing request from the China Business Partner, we have an obligation to advance up to an aggregate amount of \$5.1 million over the loan term of five years, though we do have the option to terminate the loan agreement at any time prior to converting the outstanding principal and accrued interest into equity interests of our China Business Partner. The business purpose for the loan was to allow our China Business Partner to purchase and modify hardware to integrate with our software and market such integrated product to potential customers. We are currently in the process of formalizing a more formal business relationship with our China Business Partner. We determined that advances under the loan agreement were effectively marketing costs because realizability of the loan was uncertain given the lack of a formalized business relationship with our China Business Partner and the nature of the use of funds.

During the three months ended March 31, 2021, we advanced an additional \$0.6 million to the China Business Partner, which we included in Sales and marketing expense. Any advances we make under the executed agreement with the China Business Partner will bear a simple interest rate of 10% per annum, payable before each December 31st during the term of the agreement, and will be convertible at our election into equity of the China Business Partner upon any equity financing our China Business Partner undertakes during the term of the agreement.

Contingencies

As of March 31, 2021, we were neither a defendant in any material pending legal proceeding nor are we aware of any material threatened claims against us and, therefore, we have not accrued any contingent liabilities.

CBG Litigation

On February 21, 2018, we initiated a legal proceeding (the “CBG Litigation”) against CBG, Adam Roseman, and CBG’s Joint Official Liquidators (the “JOLs”) arising from the CBG Acquisition. The CBG Litigation was filed in the United States District Court for the District of Nevada and is captioned as *Remark Holdings, Inc., et al. v. China Branding Group, Limited (In Official Liquidation), et al.*, Case No. 2:18-cv-00322. In the CBG Litigation, we sought a declaration from the court that we are entitled to rescission of the purchase agreement relating to the CBG Acquisition and all transactions related to the CBG Acquisition, a declaration that such purchase agreement and the transactions consummated pursuant thereto be rescinded and void ab initio, a declaration that we are not required to deliver the remaining CBG Acquisition Warrants allowing for the purchase of 5,710,000 shares of common stock at a per-share exercise price of \$10.00, an order directing release to us of any consideration held in escrow in connection with the CBG Acquisition, and disgorgement of all consideration paid by us in connection with the CBG Acquisition. We alleged that the defendants fraudulently misrepresented and concealed material information regarding the companies we acquired in the CBG Acquisition.

We entered into a settlement agreement with Mr. Roseman to settle all claims against him, and we dismissed those claims on May 13, 2019. We entered into a Stipulation for Settlement dated January 15, 2019 with CBG and the JOLs, which sets forth the binding terms of their settlement agreement (the “Stipulation for Settlement”). Pursuant to the Stipulation for Settlement, we will issue fully-transferable warrants on a non-diluted basis allowing for the purchase of 5,710,000 shares of our common stock at a per-share exercise price of \$6.00, which warrants are exercisable for a period of 5 years from the date of the Stipulation for Settlement, and which we have the right to cause the warrant holders to exercise if the closing price of our common stock is \$8.00 or greater on any 5 non-consecutive days in any consecutive 30-day trading window. The parties to the Stipulation for Settlement also agreed to negotiate anti-dilution provisions for the warrants. In exchange for the foregoing consideration, the parties to the Stipulation for Settlement agreed to release their claims against each other and enter into a written definitive settlement agreement. After entering into the Stipulation for Settlement, the JOLs demanded the warrants also include an exchange right. We rejected this request and filed a motion to enforce the Stipulation for Settlement on March 12, 2019. The Nevada court issued a report and recommendation on August 2, 2019, which was affirmed on September 24, 2019, requiring the JOLs to submit the written definitive settlement agreement (without an exchange right) to the Grand Court of the Cayman Islands overseeing CBG’s liquidation for approval. An application for sanction to enter the settlement agreement was filed with the Grand Court on December 3, 2019. One month later, on or about January 2, 2020, the Grand Court approved the application, authorizing CBG and the JOLs to enter into the settlement. Counsel for the parties are currently finalizing the settlement agreement.

NOTE 13. STOCKHOLDERS' EQUITY, SHARE-BASED COMPENSATION AND NET LOSS PER SHARE

Common Shares Authorized

Our Amended and Restated Certificate of Incorporation authorizes us to issue up to 100,000,000 shares of our common stock, of which 99,916,941 shares were outstanding as of May 14, 2021. In addition, as of May 14, 2021, we had outstanding stock options allowing for the purchase of as many as approximately 9.5 million shares of common stock and we had outstanding warrants to purchase 40,000 shares of common stock. If all our outstanding stock options and warrants were exercised, the total number of shares of our common stock that we would be required to issue would greatly exceed the number of our remaining authorized but unissued shares of common stock.

As a result of such potential shortfall in the number of our authorized shares of common stock, we will have insufficient shares of common stock available to issue in connection with the exercise of our outstanding stock options and warrants or any future equity financing transaction we may seek to undertake. Accordingly, we are seeking approval of an increase in the number of our authorized shares of common stock at a special meeting of stockholders to be held on May 27, 2021.

Share-Based Compensation

We are authorized to issue equity-based awards under our 2014 Incentive Plan and our 2017 Incentive Plan, each of which our stockholders have approved. We also award cash bonuses (“China Cash Bonuses”) to our employees in China, which grants are not subject to a formal incentive plan and which can only be settled in cash. We grant such awards to attract, retain and motivate eligible officers, directors, employees and consultants. Under each of the plans, we have granted shares of restricted stock and options to purchase common stock to our officers and employees with exercise prices equal to or greater than the fair value of the underlying shares on the grant date.

Stock options and China Cash Bonuses generally expire 10 years from the grant date. All forms of equity awards and China Cash Bonuses vest upon the passage of time, the attainment of performance criteria, or both. When participants exercise stock options, we issue any shares of our common stock resulting from such exercise from new authorized and unallocated shares available at the time of exercise.

The following table summarizes activity under our equity incentive plans related to equity-classified stock option grants as of March 31, 2021, and changes during the three months then ended:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2021	9,942,341	\$ 4.29		
Exercised	(411,900)	1.99		
Forfeited, cancelled or expired	(1,876)	1.40		
Outstanding at March 31, 2021	9,528,565	\$ 4.39	5.4	\$ 1,275
Options exercisable at March 31, 2021	9,503,565	\$ 4.40	5.4	\$ 1,235

The following table summarizes activity under our equity incentive plans related to the China Cash Bonuses as of March 31, 2021, and changes during the three months then ended:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2020	1,055,000	\$ 4.01		
Granted	—	—		
Forfeited, cancelled or expired	—	—		
Outstanding at March 31, 2021	1,055,000	\$ 4.01	6.2	\$ —
Options exercisable at March 31, 2021	805,000	\$ 4.84	5.2	\$ —

The following table presents the change in the liability balance associated with our China Cash Bonuses (in thousands):

	Three Months Ended March 31, 2021	Year Ended December 31, 2020
Balance at beginning of period	\$ 679	\$ 43
Share-based compensation expense related to China Cash Bonuses	248	636
Balance at end of period	<u>\$ 927</u>	<u>\$ 679</u>

On July 27, 2020, we granted to employees and directors, excluding our CEO, options to purchase approximately 5.4 million shares of our common stock. The option agreements governing the grants contain a stipulation that, regardless of vesting, such options do not become exercisable unless and until stockholders approve an amendment to our Amended and Restated Certificate of Incorporation to increase in the number of authorized shares of our common stock in an amount sufficient to allow for the exercise of the options and we have filed a corresponding Certificate of Amendment to our Amended and Restated Certificate of Incorporation reflecting such increase in the number of authorized shares of our common stock. As a result of such stipulation, we determined that a grant date, as defined in GAAP, has not yet occurred regarding the stock options awarded on July 27, 2020 given the requirement for stockholder approval of additional authorized shares to make the stock options exercisable. We have neither measured the fair value of such stock options, recorded stock compensation expense related to such stock options nor reflected them as granted in the table above.

During the three months ended March 31, 2021, we incurred share-based compensation expense of \$0.3 million, while we recorded only a de minimis amount of share-based compensation expense during the three months ended March 31, 2020.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read our discussion and analysis of our financial condition and results of operations for the three months ended March 31, 2021 in conjunction with our unaudited condensed consolidated financial statements and notes thereto set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q. Such discussion and analysis includes forward-looking statements that involve risks and uncertainties and that are not historical facts, including statements about our beliefs and expectations. You should also read “[Special Note Regarding Forward-Looking Statements](#)” in the section following the table of contents of this report.

OVERVIEW

We are a diversified global technology company with leading artificial intelligence (“AI”) and data-analytics solutions, as well as a portfolio of digital media properties.

Our AI Business

Through our proprietary data and AI platform, our Remark AI business (currently known in the Asia-Pacific region as KanKan) generates revenue by delivering AI-based vision products, computing devices and software-as-a-service solutions for businesses in many industries. In addition to the other work that we have ramped up, we continue partnering with top universities on research projects targeting algorithm, artificial neural network and computing architectures which we believe keeps us among the leaders in technology development. Our research team continues to participate in various computer vision competitions at which it wins or ranks near or at the top.

We continue to market Remark AI’s innovative AI-based solutions to customers in the retail, urban life cycle and workplace and food safety markets.

Retail Solutions. Utilizing a client’s existing cameras and strategic sensors placed throughout the store, Remark AI’s retail solutions swiftly analyze real-time customer shopping behavior, such as time of store entry and shelf-browsing habits, and provide managers with a customer heatmap that reflects traffic patterns. Purchase history is also analyzed, leading to relevant offers for future purchase conversions, and customers for their continued loyalty through a special VIP status that brings customized promotions and coupons along with attentive customer service. Remark AI’s retail solutions allow retailers and store managers to make better data-driven decisions regarding store layout, item placement, and pricing strategy, all while anonymizing customers’ identities to protect their privacy.

Urban Life Cycle Solutions. We offer and have installed several solutions in what we call the urban life cycle category. Our urban life cycle solutions include our AI community system which assists in building “smart” communities by enhancing community security and safety. We also have AI solutions that help to make schools “smart” by (i) providing an accurate and convenient method for student check-in and check-out, (ii) providing an autonomous method of campus monitoring that enhances students’ safety by, for example, monitoring students for elevated body temperatures that could indicate viral infections such as influenza or COVID-19, detecting trespassers, detecting dangerous behaviors or physical accidents that could result in injury, and (iii) monitoring the school kitchen for safety violations.

In traffic management, our solutions assist in monitoring traffic for various violations by automatically detecting, capturing, and obtaining evidence regarding violations such as speeding, running red lights, driving against the flow of traffic and even using counterfeit registration plates. Additionally, our solutions provide constant road-condition monitoring, providing control centers with real-time information on traffic conditions such as areas of congestion or other traffic anomalies.

Workplace and Food Safety Solutions. The monitoring and detection capabilities of our solutions ensure that workers are practicing established food safety protocols, wearing the proper personal protective equipment, and complying with local health codes. From commercial kitchens to factories to construction work zones, our safety-compliance algorithms manage regulatory functions, review hygienic and equipment status while checking and alerting management regarding violations.

Our Biosafety Business

We built a new product line of high-quality, highly-effective thermal imaging solutions that leverage our innovative software. We currently focus our efforts predominantly in the U.S. market.

Remark AI Thermal Kits. We sell our Remark AI Thermal Kits to customers needing the ability to scan crowds and areas of high foot traffic for indications that certain persons with elevated temperatures may require secondary screening. Though the kits are semi-customizable, they generally consist primarily of a thermal imaging camera, a calibrating device, a computer to monitor the video feed, supporting equipment and our AI software. Once set up and calibrated, the kits scan a large number of people each minute, providing both thermally enhanced and standard video feeds that allow our customers to evaluate high volumes of people at large gatherings.

Remark AI Thermal Pads. Our Remark AI rPad thermal imaging devices, usually mounted on a wall or a single-post stand, are designed for customers needing the ability to scan individuals on a one-by-one basis in situations where rapid, high-volume scanning is not necessary, such as at a customer's office entrances where employees can be scanned as they enter for indications of an elevated temperature that may require secondary screening. In addition to thermal scanning, we can customize our AI software embedded in the rPad to perform additional safety and security functions including identifying persons for authorized entry.

Other Businesses

We also maintain a digital media portfolio which, in addition to operating businesses, includes an approximately 4.2% ownership in the issued stock of Sharecare, Inc., an established health and wellness platform with more than 100 million users, which has now raised in excess of \$425 million of total capital. We continue to evaluate opportunities to monetize and maximize the value of this asset for our shareholders. In addition to AI-based products revenue from our Remark AI business, activities such as online merchandise sales generated from Bikini.com, our e-commerce website selling swimwear and accessories in the latest styles, also contributed to our consolidated revenue in the current-year and prior-year periods, while advertising also contributed to revenue in prior-year periods.

Overall Business Outlook

Our innovative AI and data analytics solutions continue to gain worldwide awareness and recognition through media exposure, comparative testing, product demonstrations and word of mouth resulting from positive responses and increased acceptance. We intend to expand our business not only in the Asia-Pacific region, where we believe there still are fast-growth AI market opportunities for our solutions, but also in the United States and Europe, where we see a tremendous number of requests for AI products and solutions in the workplace and public safety markets, especially in response to the COVID-19 pandemic. However, the COVID-19 pandemic may also present challenges to our business, as could economic and geopolitical conditions in some international regions, and we do not yet know what will be the ultimate effects on our business. We continue to pursue large business opportunities, but anticipating when, or if, we can close these opportunities is difficult. Quickly deploying our software solutions in the market segments we have identified, in which we may face a number of large, well-known competitors, is also difficult.

Business Developments During 2021

During the first quarter of 2021, we continued working to expand our biosafety business within the U.S., with proof-of concept projects underway, and though our ability to more quickly expand has been slowed by the pace at which businesses are re-opening as pandemic restrictions ease and, in some cases, by regulatory approvals necessary before our potential customers can award contracts, our customers and potential customers continue to show strong interest in our products. Our expectation, therefore, that revenue from the biosafety business will continue to increase as business re-openings and decision-making processes speed up remains unchanged. In China, project completions continued on a steady pace, except as affected by the seasonal closures related to Chinese New Year.

The COVID-19 pandemic continues to have some impact on our business; it has caused a broad shift towards remote working arrangements for many businesses worldwide and injected uncertainty and delay into decision-making processes for such businesses. Varying degrees of preventative measures are still in place around the world, including travel restrictions, shelter-in-place orders, school closings, closures of non-essential businesses and other quarantine measures. As a result, our business and financial results may be adversely impacted by the COVID-19 pandemic for the duration of 2021 and possibly longer, and we are unable to predict the duration or degree of such impact with any certainty. For example, there is surge in COVID-19 infections in India, and other countries are still struggling to contain the spread of the virus, all of which could lead to additional preventative measures including a reintroduction of quarantines in places that have relaxed such quarantines after the initial outbreak.

The following table presents our revenue categories as a percentage of total consolidated revenue during the three months ended March 31, 2021.

	Three Months Ended March 31,	
	2021	2020
AI-based products and services	92 %	75 %
Advertising and other	8 %	25 %

CRITICAL ACCOUNTING POLICIES

During the three months ended March 31, 2021, we made no material changes to our critical accounting policies as we disclosed them in Part II, Item 7 of our 2020 Form 10-K.

RESULTS OF OPERATIONS

The following table summarizes our operating results for the three months ended March 31, 2021, and the discussion following the table explains material changes in the operating results for the three months ended March 31, 2021 compared to the three months ended March 31, 2020.

(dollars in thousands)	Three Months Ended March 31,		Change	
	2021	2020	Dollars	Percentage
Revenue	\$ 4,406	\$ 431	\$ 3,975	922 %
Cost of revenue	2,752	21	2,731	13,005 %
Sales and marketing	1,001	416	585	141 %
Technology and development	1,550	648	902	139 %
General and administrative	2,697	2,740	(43)	(2)%
Depreciation and amortization	66	90	(24)	(27)%
Interest expense	(235)	(461)	226	(49)%
Other income	1	—	1	
Gain on lease termination	—	1,538	(1,538)	(100)%
Change in FV of warrant liability	(1,610)	57	(1,667)	(2,925)%
Other gain (loss)	43	(73)	116	(159)%

Revenue and Cost of Revenue. During the three months ended March 31, 2021, we completed more AI-related projects in China than we did in the comparable period of 2020, a period which was affected by the combined effects of the COVID-19 pandemic, the ongoing U.S.-China trade war and working capital constraints. Additionally, during the three months ended March 31, 2021, our biosafety business contributed \$0.3 million more revenue than in the comparable period of 2020, and we completed an advertising project that added \$0.3 million of revenue, while there was no such activity in the comparable period of 2020.

Cost of revenue during the three months ended March 31, 2021 primarily increased in conjunction with the ramping up of work on our larger contracts in China, with the advertising project contributing to a small portion of the increase in cost of revenue.

Sales and marketing. The increase resulted from an additional payment we made to our China Business Partner to present a combination of their hardware and our KanKan AI software to large potential clients in response to requests for proposals that could result in lucrative contracts on AI projects to modernize such potential clients' facilities and operations.

Technology and development. Our increased activities to continuously improve the biosafety product line developed towards the end of the first quarter of 2020 and to develop new products led to a \$0.7 million increase in expense. Additionally, the increase in our common stock price at March 31, 2021 as compared to the price of our common stock on December 31, 2020 caused a \$0.2 million increase in share-based compensation expense related to our outstanding liability-classified China Cash Bonuses. Stock price is an input to the model we use to estimate the fair value of the China Cash Bonuses, and changes in stock price can cause large fluctuations in our estimates of fair value.

Interest expense. Our prepayment of a large portion of our debt in 2020 when we completed the sale of Vegas.com resulted in less debt principal outstanding and, therefore, the decrease in interest expense for the three months ended March 31, 2021.

Gain on lease termination. During March 2020, we reduced right of use assets and operating lease liabilities relating to one of our leases which was terminated, which resulted in a gain on lease termination of \$1.5 million. We did not have any lease terminations during the three months ended March 31, 2021.

Change in fair value of warrant liability. The change in the fair value of our warrant liability maintains direct relationships with the change in the price of our common stock as of the balance sheet date and the expected volatility in the price of our common stock. The increase in our common stock price between December 31, 2020 and March 31, 2021 contributed to the increase in the fair value of our warrant liability during such period, while the decrease in our common stock price between December 31, 2019 and March 31, 2020 was small in scale and it caused the decrease in the fair value of our warrant liability during such period. Our increase in our estimate of the expected volatility of our stock price that we use as an input to the model used to estimate the fair value of the warrants also contributed to the increase in the fair value of our warrant liability during the three months ended March 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the three months ended March 31, 2021, and in each fiscal year since our inception, we have incurred net losses which have resulted in an accumulated deficit of \$366.0 million as of March 31, 2021. Additionally, our operations have historically used more cash than they have provided. Net cash used in continuing operating activities was \$5.5 million during the three months ended March 31, 2021. As of March 31, 2021, our cash and cash equivalents balance was \$0.9 million, and we had a negative working capital balance of \$11.1 million and total stockholders' deficit of \$13.7 million.

On April 12, 2017, we issued a short-term note payable in the principal amount of \$3.0 million to a private lender in exchange for cash in the same amount. The agreement, which does not have a stated interest rate, required us to repay the note plus a fee of \$115 thousand on the maturity date of June 30, 2017. The note is accruing interest at \$500 per day on the unpaid principal until we repay the note in full. As of March 31, 2021, we owed \$1.5 million in principal and \$0.5 million accrued interest on such note.

On February 10, 2021, we entered into a senior secured promissory note (the "Note") with certain of our subsidiaries as guarantors (the "Guarantors") and Jefferson Remark Funding LLC (the "Lender"), pursuant to which the Lender extended credit to us consisting of a one-year term loan in the principal amount of \$5.0 million. The Note bears interest at 15% per annum, which shall be payable on the last business day of each calendar quarter commencing on March 31, 2021. The entire principal balance, as well as any unpaid accrued interest thereon, is due and payable in full on February 10, 2022. To secure the payment and performance of the obligations under the Note, we, together with the Guarantors, have granted to the Lender a first-priority lien on, and security interest in, all assets of Remark and the Guarantors, subject to certain customary exceptions. The Note contains representations, warranties, events of default, indemnifications and other provisions customary for financings of this type. The occurrence of any event of default under the Note may result in the principal amount outstanding and unpaid interest thereon becoming immediately due and payable. As of March 31, 2021, we owed \$5.0 million in principal and \$0.1 million accrued interest on such note.

Our history of recurring operating losses, working capital deficiencies and negative cash flows from operating activities give rise to substantial doubt regarding our ability to continue as a going concern.

We intend to fund our future operations and meet our financial obligations through revenue growth as well as through sales of our thermal-imaging products. We cannot, however, provide assurance that revenue, income and cash flows generated from our businesses will be sufficient to sustain our operations in the twelve months following the filing of this Form 10-Q. As a result, we are actively evaluating strategic alternatives including debt and equity financings and potential sales of investment assets or operating businesses.

Conditions in the debt and equity markets, as well as the volatility of investor sentiment regarding macroeconomic and microeconomic conditions (in particular, in response to the COVID-19 pandemic), will play primary roles in determining whether we can successfully obtain additional capital. We cannot be certain that we will be successful at raising additional capital.

A variety of factors, many of which are outside of our control, affect our cash flow; those factors include the effects of the COVID-19 pandemic, regulatory issues, competition, financial markets and other general business conditions. Based on financial projections, we believe that we will be able to meet our ongoing requirements for at least the next 12 months with existing cash, cash equivalents and cash resources, and based on the probable success of one or more of the following plans:

- develop and grow new product line(s)
- monetize existing assets
- obtain additional capital through equity issuances.

However, projections are inherently uncertain and the success of our plans is largely outside of our control. As a result, there is substantial doubt regarding our ability to continue as a going concern, and we may fully utilize our cash resources prior to May 17, 2022.

Cash Flows - Continuing Operating Activities

During the three months ended March 31, 2021, we used \$2.7 million more cash in continuing operating activities than we did during the same period of the prior year. The increase in cash used in continuing operating activities is a result of the timing of payments related to elements of working capital.

Cash Flows - Continuing Investing Activities

We engaged in an immaterial amount of investing activities during the three months ended March 31, 2021, and the change in investing activities from the comparable period of the prior year was not material.

Cash Flows - Financing Activities

During the three months ended March 31, 2021, we did not receive any cash proceeds from issuances of shares of our common stock, whereas the same period of 2020 included stock sale proceeds of \$4.6 million. We also received debt proceeds of \$4.8 million during the three months ended March 31, 2021, while we did not issue debt instruments in the same period of the prior year.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

Recently Issued Accounting Pronouncements

Please refer to [Note 2](#) in the Notes to Unaudited Condensed Consolidated Financial Statements included in this report for a discussion regarding recently issued accounting pronouncements which may affect us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures designed to provide reasonable assurance that the information we must disclose in reports we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. We designed our disclosure controls with the objective of ensuring we accumulate and communicate this information to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under Exchange Act, as of the end of the period covered by this report. Based upon that evaluation, our management, including our principal executive officer and principal financial officer, concluded that, because of the material weaknesses in our internal control over financial reporting related to: (i) insufficient documentary evidence that we had reviewed information underlying manual journal entries at a sufficient level of detail, (ii) insufficient documentation of our consideration of appropriate revenue recognition criteria for certain contracts arising from our AI business in China, (iii) an aggregation of deficiencies in our monitoring and activity-level controls related to processes in our AI business in China including accounts payable, accrued liabilities, payroll and fixed assets, and (iv) failure to retain documentary evidence of all inventory purchases and the insufficient evaluation of the impact of discounted sales transactions on the valuation of our inventory, all of which we described in our 2020 Form 10-K, our disclosure controls and procedures were not effective at a reasonable assurance level as of March 31, 2021.

Changes in Internal Control over Financial Reporting

In our 2020 Form 10-K, we disclosed that management had determined that material weaknesses in our internal control over financial reporting (described above) existed. As of the date of this report, the implementation of the plan developed by management to remediate the underlying causes of the material weaknesses and improve the design and operating effectiveness of internal control over financial reporting and our disclosure controls continues. Such implementation has been slowed by various factors, including the COVID-19 pandemic. As a result, there was no change in our internal control over financial reporting during such period that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

CBG Litigation

On February 21, 2018, we initiated a legal proceeding (the “CBG Litigation”) against CBG, Adam Roseman, and CBG’s Joint Official Liquidators (the “JOLs”) arising from the CBG Acquisition. The CBG Litigation was filed in the United States District Court for the District of Nevada and is captioned as *Remark Holdings, Inc., et al. v. China Branding Group, Limited (In Official Liquidation), et al.*, Case No. 2:18-cv-00322. In the CBG Litigation, we sought a declaration from the court that we are entitled to rescission of the purchase agreement relating to the CBG Acquisition and all transactions related to the CBG Acquisition, a declaration that such purchase agreement and the transactions consummated pursuant thereto be rescinded and void ab initio, a declaration that we are not required to deliver the remaining CBG Acquisition Warrants allowing for the purchase of 5,710,000 shares of common stock at a per-share exercise price of \$10.00, an order directing release to us of any consideration held in escrow in connection with the CBG Acquisition, and disgorgement of all consideration paid by us in connection with the CBG Acquisition. We alleged that the defendants fraudulently misrepresented and concealed material information regarding the companies we acquired in the CBG Acquisition.

We entered into a settlement agreement with Mr. Roseman to settle all claims against him, and we dismissed those claims on May 13, 2019. We entered into a Stipulation for Settlement dated January 15, 2019 with CBG and the JOLs, which sets forth the binding terms of their settlement agreement (the “Stipulation for Settlement”). Pursuant to the Stipulation for Settlement, we will issue fully-transferable warrants on a non-diluted basis allowing for the purchase of 5,710,000 shares of our common stock at a per-share exercise price of \$6.00, which warrants are exercisable for a period of 5 years from the date of the Stipulation for Settlement, and which we have the right to cause the warrant holders to exercise if the closing price of our common stock is \$8.00 or greater on any 5 non-consecutive days in any consecutive 30-day trading window. The parties to the Stipulation for Settlement also agreed to negotiate anti-dilution provisions for the warrants. In exchange for the foregoing consideration, the parties to the Stipulation for Settlement agreed to release their claims against each other and enter into a written definitive settlement agreement. After entering into the Stipulation for Settlement, the JOLs demanded the warrants also include an exchange right. We rejected this request and filed a motion to enforce the Stipulation for Settlement on March 12, 2019. The Nevada court issued a report and recommendation on August 2, 2019, which was affirmed on September 24, 2019, requiring the JOLs to submit the written definitive settlement agreement (without an exchange right) to the Grand Court of the Cayman Islands overseeing CBG’s liquidation for approval. An application for sanction to enter the settlement agreement was filed with the Grand Court on December 3, 2019. One month later, on or about January 2, 2020, the Grand Court approved the application, authorizing CBG and the JOLs to enter into the settlement. Counsel for the parties are currently finalizing the settlement agreement.

ITEM 1A. RISK FACTORS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Description	Incorporated Herein By Reference To		Exhibit Number
		Document	Filed On	
10.1	Senior Secured Promissory Note dated February 10, 2021, among Remark Holdings, Inc. and all of its subsidiaries listed on the signature pages thereto and Jefferson Remark Funding LLC.	10-K	03/31/2021	10.7
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.			
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.			
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.			
101.INS	XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.			
101.SCH	XBRL Taxonomy Extension Schema Document			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REMARK HOLDINGS, INC.

Date: May 17, 2021

By: /s/ Kai-Shing Tao

Kai-Shing Tao

Chairman and Chief Executive Officer

(principal executive, financial and accounting officer)

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kai-Shing Tao (the registrant's principal executive officer), certify that:

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

Date: May 17, 2021

By: /s/ Kai-Shing Tao

Kai-Shing Tao

Chief Executive Officer and Chairman

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kai-Shing Tao (the registrant's principal financial officer and principal accounting officer), certify that:

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

Date: May 17, 2021

By /s/ Kai-Shing Tao
Kai-Shing Tao
Chief Executive Officer and Chairman

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kai-Shing Tao, the registrant's principal executive, financial and accounting officer, certify that, to my knowledge:

1. the accompanying Quarterly Report on Form 10-Q for the period ended March 31, 2021 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Remark Holdings, Inc. at the dates and for the periods indicated.

Date: May 17, 2021

/s/ Kai-Shing Tao

Kai-Shing Tao
Chief Executive Officer and Chairman