

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

FORM 20-F

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

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

For the fiscal year ended June 30, 2019

OR

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

OR

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

for the transition period from _____ to _____

Commission file number 333-204074

WINS Finance Holdings Inc.

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

Cayman Islands

(Jurisdiction of incorporation or organization)

1F, Building 1B

**No. 58 Jianguo Road, Chaoyang District
Beijing 100024, People's Republic of China**

(Address of principal executive offices)

**1177 Avenue of the Americas
5th Floor New York, NY 10036
646-694-8538
(New York Office)**

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Ordinary Shares, par value \$.0001 per share

WINS

NASDAQ Capital Market

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

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

As of September 30, 2020, the registrant had 19,837,642 ordinary shares outstanding.

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

Yes No

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

Yes No

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

Yes No

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by checkmark 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 which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP

International Financial Reporting
Standards as issued by the
International
Accounting Standards Board

Other

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

Item 17 Item 18

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

Yes No

TABLE OF CONTENTS

		Page
<u>PART I</u>		
Item 1.	<u>Identity Of Directors, Senior Management and Advisers</u>	<u>1</u>
Item 2.	<u>Offer Statistics and Expected Timetable</u>	<u>1</u>
Item 3.	<u>Key Information</u>	<u>1</u>
A.	<u>Selected financial data</u>	<u>1</u>
B.	<u>Capitalization and indebtedness</u>	<u>3</u>
C.	<u>Reasons for the offer and use of proceeds</u>	<u>3</u>
D.	<u>Risk factors</u>	<u>3</u>
Item 4.	<u>Information on Our Company</u>	<u>19</u>
A.	<u>History and Development of the Company</u>	<u>19</u>
B.	<u>Business Overview</u>	<u>21</u>
C.	<u>Organizational Structure</u>	<u>30</u>
D.	<u>Property, Plants and Equipment</u>	<u>30</u>
Item 4A.	<u>Unresolved Staff Comments</u>	<u>30</u>
Item 5.	<u>Operating and Financial Review and Prospects</u>	<u>31</u>
A.	<u>Operating Results</u>	<u>31</u>
B.	<u>Liquidity and Capital Resources</u>	<u>43</u>
C.	<u>Research and development, patents and licenses, etc.</u>	<u>43</u>
D.	<u>Trend Information</u>	<u>43</u>
E.	<u>Off-balance Sheet Arrangements</u>	<u>45</u>
F.	<u>Tabular Disclosure of Contractual Obligations.</u>	<u>45</u>
Item 6.	<u>Directors, Senior Management and Employees</u>	<u>47</u>
A.	<u>Directors and senior management</u>	<u>47</u>
B.	<u>Compensation</u>	<u>48</u>
C.	<u>Board Practices</u>	<u>49</u>
D.	<u>Employees</u>	<u>50</u>
E.	<u>Share Ownership</u>	<u>50</u>
Item 7.	<u>Major Shareholders and Related Transactions</u>	<u>53</u>
A.	<u>Major shareholders</u>	<u>53</u>
B.	<u>Related party transactions</u>	<u>55</u>
C.	<u>Interests of experts and counsel</u>	<u>55</u>
Item 8.	<u>Financial Information</u>	<u>55</u>
A.	<u>Statements and Other Financial Information</u>	<u>55</u>
B.	<u>Significant Changes</u>	<u>57</u>
Item 9.	<u>The Offer and Listing</u>	<u>57</u>

A.	Offer and listing details	57
B.	Plan of distribution	58
C.	Markets	58
D.	Selling shareholders	58
E.	Dilution	58
F.	Expenses of the issue	58
Item 10.	Additional Information	58
A.	Share capital	58
B.	Memorandum and articles of association	58
C.	Material contracts	62
D.	Exchange controls	62
E.	Taxation	62
F.	Dividends and paying agents	69
G.	Statement by experts	69
H.	Documents on display	69
I.	Subsidiary Information	69
Item 11.	Quantitative and Qualitative Disclosure About Market Risk	70
Item 12.	Description of Securities Other Than Equity Securities	71
<u>PART II</u>		
Item 13.	Defaults, Dividend Arrearages And Delinquencies	72
Item 14.	Material Modifications To The Rights Of Security Holders And Use Of Proceeds	72
Item 15.	Controls and Procedures	72
Item 16	[Reserved]	73
Item 16A	Audit Committee Financial Expert	73
Item 16B	Code of Ethics	73
Item 16C	Principal Accountant Fees and Services	73
Item 16D	Exemption from the Listing Standards for Audit Committees	74
Item 16E	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	74
Item 16F	Change in Registrant’s Certifying Accountant	74
Item 16G	Corporate Governance	75

Item 16H	Mine Safety Disclosure	75
--------------------------	--	--------------------

PART III

Item 17	Financial Statements	75
-------------------------	--------------------------------------	--------------------

Item 18.	Financial Statements	75
--------------------------	--------------------------------------	--------------------

Item 19	Exhibits	75
-------------------------	--------------------------	--------------------

Signatures		77
----------------------------	--	--------------------

CERTAIN INFORMATION

In this Annual Report on Form 20-F, or the “Annual Report”, unless the context indicates otherwise, all references to the terms “Wins Finance” “we,” “us,” “our company,” “the Company” and “our,” refer to Wins Finance Holdings Inc. and its wholly-owned subsidiaries, Wins Holdings LLC (“WHL”), Wins Finance Group Limited (“WFG”), Full Shine Capital Resources Limited (“Full Shine”), Jinshang International Financial Leasing Co., Ltd. (“Jinshang Leasing”), Shanxi Jinchen Agriculture Co., Ltd. (“Jinchen Agriculture”) and Shanxi Dongsheng Finance Guarantee Co., Ltd. (“Dongsheng Guarantee”), all references to “China” or “PRC” and the “Chinese government” refer to the People’s Republic of China and its government. In this Annual Report, all references to “Renminbi,” or “RMB” are to the legal currency of China and all references to “USD”, “U.S. dollars,” “dollars,” “\$” or “US\$” are to the legal currency of the United States.

The Company recently learned that the Changzhi Public Security Bureau (the “Bureau”) enforced a judgement against Jinchen Agriculture and Dongsheng Guarantee, the Company’s wholly owned subsidiary. Pursuant to this action, the Bureau froze the assets of Jinchen Agriculture and Dongsheng Guarantee. The Company’s appointed legal counsel was unable to determine the cause of the freeze as the authorities have not provided such information, but it has advised the Company that the Company no longer has control of the assets or operations of Jinchen Agriculture and Dongsheng Guarantee. Therefore, until the freeze is lifted (and the Company has not been provided any guidance about when the freeze would be lifted), the Company will not be able to consolidate Jinchen Agriculture and Dongsheng Guarantee into its financial statements. The Company’s other business are unaffected by the freeze and continue to operate normally.

The Company’s functional currency is USD. The functional currency of Jinshang Leasing, Jinchen Agriculture and Dongsheng Guarantee is Chinese Yuan, or RMB. For financial reporting purposes, the financial statements of Jinshang Leasing, are prepared using RMB and translated into the Company’s functional currency, USD at the exchange rates quoted by www.oanda.com. Assets and liabilities are translated using the exchange rate at each balance sheet date. Revenue and expenses are translated using average rates prevailing during each reporting period, and owners’ equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive income in shareholders’ equity.

The audited financial statements in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States, or “U.S. GAAP”.

FORWARD-LOOKING STATEMENTS

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

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Not required.

B. Advisers

Not required.

C. Auditors

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected financial data

The following selected financial data should be read in conjunction with Item 5 - "Operating and Financial Review and Prospects" and the Financial Statements and Notes thereto included elsewhere in this Annual Report.

The selected consolidated statements of operations data for the fiscal years ended June 30, 2019, 2018, 2017, 2016, and 2015 and the selected balance sheet data as of June 30, 2019, 2018, 2017, 2016, and 2015 are derived from the audited consolidated financial statements of Wins Finance for those fiscal years.

The audited consolidated financial statements for the fiscal years ended June 30, 2019, 2018, 2017, 2016, and 2015 are prepared and presented in accordance with U.S. GAAP. The selected financial data information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes. The historical financial statements are not necessarily indicative of our future performance.

Statements of Income and Comprehensive Income

(US\$ except share data)	For the years ended June 30,				
	2019	2018	2017	2016	2015
		Restated			
Guarantee service income					
Commissions and fees on financial guarantee services	-	-	2,839,194	6,193,225	7,860,629
(Provision) reversal of provision for financial guarantee services	-	-	3,208,827	(2,907,999)	576,456
Commission and fees on guarantee services, net	-	-	6,048,021	3,285,226	8,437,085
Direct financing lease income					
Direct financing lease interest income	7,595,992	5,697,957	6,047,172	3,164,317	3,547,273
Interest expense for direct financing lease	(411,066)	(1,546,304)	(2,094,587)	(524,409)	(188,173)
Business collaboration fee and commission expenses for leasing projects	(68,342)	(99,320)	(603,873)	(222,206)	(265,829)
Provision for lease payment receivable	(81,585,960)	(3,514,961)	(27,332)	(597,444)	(70,467)
Net direct financing lease income after provision for receivables	(74,469,376)	537,372	3,321,380	1,820,258	3,022,804
Financial advisory and agency income	-	1,695,303	357,284	402,800	3,386,586
Net revenue	(74,469,376)	2,232,675	9,726,685	5,508,284	14,846,475
Non-interest income					
Interest on investment securities	105,878	3,942,719	13,752,538	13,958,540	16,657,246
Total non-interest income	105,878	3,942,719	13,752,538	13,958,540	16,657,246
Non-interest expense					
Business taxes and surcharge	(15,827)	(9,911)	(4,406)	(167,867)	(200,223)
Salaries and employee charges	(542,628)	(540,312)	(879,595)	(1,524,720)	(424,872)
Rental expenses	(102,859)	(175,549)	(247,684)	(271,357)	(190,239)
Other operating expenses	(2,062,802)	(4,554,030)	(46,258)	(4,621,038)	(1,468,741)
Total non-interest expense	(2,724,116)	(5,279,802)	(1,177,943)	(6,584,982)	(2,284,075)
Income (loss) before taxes	(77,087,614)	895,592	22,301,280	12,881,842	29,219,646
Income tax credit (expense)	18,900,720	322,038	(1,951,489)	(764,445)	(3,146,993)
Net (loss) income from continuing operation	(58,186,894)	1,217,630	20,349,791	12,117,397	26,072,653
Income from discontinued operation	8,377,166	8,881,255	-	-	-
Total Net Income	(49,809,728)	10,098,885	-	-	-
Other comprehensive income (loss)					
Foreign currency translation adjustment	(9,623,857)	5,977,187	(5,130,963)	(19,361,292)	1,757,840
Comprehensive income (loss)	(59,433,585)	16,076,072	15,218,828	(7,243,895)	27,830,493
Weighted-average common shares outstanding					
Basic (1)	19,837,642	19,837,642	19,926,510	20,012,356	16,800,000
Diluted (1)	19,837,642	19,837,642	20,082,089	20,012,356	16,800,000
Earnings (loss) per share					
Basic (1)	(2.51)	0.51	1.02	0.61	1.55
Diluted (1)	(2.51)	0.51	1.01	0.61	1.55
From continuing operation	(2.93)	0.06	1.01	0.61	1.55
From discontinued operation(2)	0.42	0.45	-	-	-

- (1) These data have been retrospectively adjusted giving effect to the reverse merger between WFG and Sino, completed on October 26, 2015. More information about the reverse merger is contained in our Consolidated Financial Statements.
- (2) On June 9, 2020, the Changzhi Public Security Bureau enforced a judgement against Jinchen Agriculture and its subsidiary, Dongsheng Guarantee. As a result, the Company lost control over these subsidiaries. Arising from the loss of control, the Company reported the results of these subsidiaries as disposal group classified as held for sale.

	2019	2018	2017	2016	2015
Balance Sheet Data		Restated			
Cash and cash equivalents	\$ 70,312	\$ 13,133,540	\$ 17,002,282	\$ 47,163,965	\$ 9,883,091
Total assets	228,101,794	309,903,262	312,764,090	304,627,280	251,005,424
Total liabilities	13,651,432	36,019,315	54,956,215	60,572,349	13,741,316
Total equity	214,450,362	273,883,947	257,807,875	244,054,931	237,264,108

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk Factors

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

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

Risks Related to Our Business and Operations

We rely heavily on cooperation with commercial banks.

Our business relies heavily on cooperation with commercial banks. Our cooperation arrangements with banks generally have a term of one year and are renewable upon expiration. If we are not able to renew any of these existing arrangements on commercially reasonable terms, or at all, when they expire, the ability to provide bank financing guarantees to clients would be negatively impacted. In addition, regulatory policies and other factors are beyond our control. Furthermore, our cooperation arrangements are concentrated in a small number of commercial banks locally. The proportion of security deposits the banks require from us largely depends on our business relationship and track record with them. As a result, if our relationship with one or more key cooperating banks deteriorates materially or terminates, our business, financial condition and results of operations may be materially and adversely affected.

Our business is subject to greater credit risks than if we provided leases to larger and more established clients, and our proprietary risk management system may not be adequate to protect against client defaults.

The business of providing financial leasing involves a variety of risks, including the risk that the loans we made will not be repaid on time or at all, and our risk management procedures may not fully eliminate these risks. We mainly focus on providing services to Chinese small & medium enterprises (“SMEs”), including microenterprises, which have limited access to financing, and microcredit companies in China. Some of our clients are at the early stage of their business and have limited financial resources, making them vulnerable to adverse competitive, economic or regulatory conditions. These customers may expose us to greater credit risks than larger or more established businesses with longer operating histories. We seek to manage our credit risk exposure through client due diligence, credit approvals, establishing credit limits, requiring security measures and portfolio monitoring. While these procedures are designed to provide us with the information needed to implement adjustments where necessary, and to take proactive corrective actions, there can be no assurance that such measures will be effective in avoiding undue credit risk. During the year ended June 30, 2019, the provision for our lease payment receivables totaled \$81.6million. The dramatic increase of these non-cash provisions is due to the adjustment of China’s financial policy (strengthening financial risk control and deleveraging) which has significantly impacted the financing capacity and labor costs of our SME clients.

Our historical financial results may not be indicative of our future performance.

Our business has achieved rapid growth during the past few years. Our financial leasing business commenced in 2009 and therefore has a limited operating history. Our net revenue increased from \$1.3 million for the year ended June 30, 2012 to \$9.7 million for the year ended June 30, 2017, representing an increase of 672.6%. However, on June 9, 2020, the Changzhi Public Security Bureau (the "Bureau") enforced a judgement against Jinchen Agriculture. Pursuant to this action, the Bureau froze the assets of Jinchen Agriculture and its subsidiary Dongsheng Guarantee. The Company's appointed legal counsel was unable to determine the cause of the freeze as the authorities have not provided such information, but it has advised the Company that the Company no longer has control of the assets or operations of Jinchen Agriculture and Dongsheng Guarantee. Therefore, until the freeze is lifted (and the Company has not been provided any guidance about when the freeze would be lifted), we will not be able to consolidate Jinchen Agriculture and its subsidiary Dongsheng Guarantee into our financial statements. The board of directors have the intent to dispose of Jinchen Agriculture and Dongsheng Guarantee within 12 months after unfreezing of the assets by the Bureau. The Company's other businesses are unaffected by the freeze and continue to operate normally. The Company's net revenue (not including Jinchen Agriculture and Dongsheng Guarantee) decreased from \$2.2 million for the year ended June 30, 2018 to \$(74.5) million for the year ended June 30, 2019, representing a decrease of 3,435.43%, mainly caused by a non-cash provision on our financial leasing businesses that totaled \$81.6 million. During the year ended June 30, 2019, the provision on our leasing business increased to \$81.6 million from \$3.5 million in 2018, representing an increase of 2,221.11%. The limited history of our financial leasing business makes it difficult to evaluate our prospectus.

We may face increasing competition from existing and new market participants.

China's financial services industry for SMEs and microenterprises has experienced substantial growth in recent years, following the rapid development of the Chinese economy and the emergence of a large number of SMEs and microenterprises. For our financial leasing business, our major competitors include independent China leasing companies and foreign-owned leasing companies. Some of our competitors may benefit from lower pricing, a larger customer base, a more established business reputation, more solid business relationships with banks and government authorities, a more mature risk control mechanism or more extensive experience than we might. As we expand our presence, we expect to compete with competitors from other regions, some of which have better knowledge of the target customers and may enjoy stronger relationships with local banks than we do.

Our business model could be negatively affected by changes and fluctuation in the banking industry.

Our business model is premised on the fact that SMEs and microenterprises are generally underserved by the banking industry because commercial banks in China have been reluctant to lend to SMEs and microenterprises without credit support, such as third-party guarantees, or adequate collateral of tangible assets. In the past, this has created opportunities for us to develop and expand our business. But now, new trends in the banking industry or the applicable regulatory requirements may alleviate the high transaction costs or the lack of collateral and public information generally associated with bank financing to our target clients or otherwise make this business more attractive to banks. In the event that commercial banks begin to compete with us by making loans to our target clients on an unsecured basis or require a lower level of credit guarantee in return for higher risk-based interest rates, we may experience greater competition with respect to our financial leasing business. Furthermore, any such direct competition with our cooperating banks will undermine our relationship with them and may adversely affect our business, results of operations and prospects. In September 2019, the CBRC and NDRC in China jointly announced the notice on in-depth development of "credit loan" to support the financing of SMEs to ease the financing difficulty of SMEs, encourage financial institutions to take improving risk management, reduce excessive dependence on mortgage, pledge and guarantee, and gradually increase the proportion of credit loans for SMEs. The issuance of this policy will reduce the dependence of SMEs on the guarantee business.

In addition, our business may be subject to factors affecting the banking industry generally, such as an abrupt spike in China's interbank rates and the subsequent fears of tightened liquidity, as well as the increasing non-performing loan ratios as reported by the banking industry. Such factors adversely affecting China's banking industry may result in constraints on the banking system's liquidity and subsequent reductions in the amount of, or tightened approval requirements for, loans available to our customers or us. As a result, we may experience less available funding. Furthermore, if our customers' business is negatively affected due to any such factors, our customer default risk may increase, which may materially and adversely affect our financial condition or results of operations.

The guarantee business conducted by us in Jinzhong City, Shanxi Province has been frozen by governmental authorities and we are not sure if we will be able to regain control of such business.

Over the past few years, our guarantee business has been concentrated in Jinzhong City, Shanxi Province, through our subsidiaries Jinchen Agriculture and Dongsheng Guarantee, the wholly owned subsidiary of Jinchen Agriculture. On June 9, 2020, the Changzhi Public Security Bureau (the "Bureau") enforced a judgement against Jinchen Agriculture, the Company's wholly owned subsidiary. Pursuant to this action, the Bureau froze the assets of Jinchen Agriculture and its subsidiary Dongsheng Guarantee. Our appointed legal counsel was unable to determine the cause of the freeze as the authorities have not provided us with any information. Our appointed legal counsel has advised us that we no longer have control of the assets or operations of Jinchen Agriculture. Therefore, until the freeze is lifted (and we have not been provided any guidance about when the freeze will be lifted), we will not be able to consolidate Jinchen Agriculture and Dongsheng Guarantee into our financial statements, so we report the frozen assets and liabilities as a disposal group. The assets of disposal group classified as held for sale were \$172.0 million and \$165.6 million for the years ended June 30, 2019 and 2018, and the liabilities of disposal group classified as held for sale were \$3.0 million and \$5.2 million for the years ended June 30, 2019 and 2018, respectively. The freeze of these assets could have a material and adverse effect on our financial results.

We may not be familiar with new regions or markets we enter and may not be successful in offering new products and services.

We may expand our business and enter other regional markets in the future. However, we may be unable to replicate our success in Jinzhong City in new markets. In expanding our business, we may enter markets in which we have limited, or no, experience. We may not be familiar with the local business and regulatory environment and we may fail to attract a sufficient number of customers due to our limited presence in that region. In addition, competitive conditions in new markets may be different from those in our existing market and may make it difficult or impossible for us to operate profitably in these new markets. If we are unable to manage these and other difficulties in our expansion into other regions in China, our prospects and results of operations may be adversely affected.

As we continuously adjust our business strategies in response to the changing market and evolving customer needs, our new business initiatives will likely lead us to offer new products and services. However, we may not be able to successfully introduce new products or services to address our customers' needs because we may not have adequate capital resources or lack the relevant experience or expertise or otherwise. In addition, we may be unable to obtain regulatory approvals for our new products and services. Furthermore, our new products and services may involve increased and unperceived risks and may not be accepted by the market and they may not be as profitable as we anticipated, or at all. If we are unable to achieve the intended results for our new products and services, our business, financial condition, results of operations and prospects may be adversely affected.

Our impairment losses may not be adequate to cover actual losses and any increase to the impairment losses may cause our net income to decrease.

As of June 30, 2019, our allowance for finance lease payment receivable was \$85.2million. The amount of provisions or allowances has been based on our management's assessment of, and expectations concerning, various factors affecting the quality of our loan portfolio, such as the customers' financial condition, repayment ability, historical default rates, the anticipated realizable value of any collateral, regional economic conditions, government policies, interest rates and other factors, and the applicable PRC rules and regulations governing provisions for losses. If our assessment and expectations differ from actual events, or if the quality of loan portfolios deteriorates, our provisions or allowance may not be adequate to cover our actual losses and we may need to set aside additional provisions or allowance, which could materially and adversely affect our profitability. Our business is subject to fluctuations based on local economic conditions. These fluctuations are neither predictable nor within our control and may have a material adverse impact on our operations and financial condition. We may increase our impairment losses for investment in financial leases based on any such change of economic conditions and the change of management's assessment. Regulatory authorities may also require an increase in the provision or allowance for loan losses. Any increase in the allowance for loan losses would result in a decrease in net income and may have a material adverse effect on our financial condition and results of operations.

Our business is concentrated in financial guarantees and financial leasing, and therefore lacks product and business diversification. Accordingly, our future revenues and earnings may be more susceptible to fluctuations than a more diversified company.

Prior to June 9, 2020, our primary business activities consisted of providing guarantee services and offering financial lease as well financial advisory services to our customers. However, the guarantee services were mainly conducted through Dongsheng Guarantee, whose assets were frozen by the Changzhi Public Security Bureau. Until such assets are unfrozen, we will not be able to conduct our Guarantee business, and we have not been advised by the authorities when such assets will be unfrozen. The freeze of Dongsheng Guarantee and our lack of significant product and business diversification could inhibit the opportunities for growth of our business, revenues and profits.

The commission rate in the interest rate in financial leasing business may decrease due to changes in the Chinese economic environment or industry competitiveness, which could negatively affect our revenue and net profit.

If China's economy does not maintain the same growth rate as it has in previous years, or China's macro-economy slows down, the government could tighten money supply, and banks could be less inclined to incur credit risk and extend loans to Chinese SMEs, which could negatively affect our business. New participants may enter the financial sector and our business could face intense competition within our current region, and in the regions into which we plan to expand, due to these new entrants. We might be unable to maintain the same level of interest rates charged for our financial leasing service, in which case our revenue and net profit may decrease.

Our risk management framework, policies and procedures and internal controls may not fully protect us against various risks inherent in our business.

We have established an internal risk management framework, policies and procedures to manage our risk exposures, primarily credit risk, operational risk, compliance risk and legal risk as well as liquidity risk. These risk management policies and procedures are based upon historical behaviors and our experience in the industry. They may not be adequate or effective in managing our future risk exposures or protecting us against unidentified or unanticipated risks, which could be significantly greater than those historically experienced. Although we are continuously updating our policies and procedures, we may fail to predict future risks due to rapid changes in the market and regulatory conditions, and new markets we enter. Although we have established internal controls to ensure our risk management policies and procedures are adhered to by our employees as we conduct our business, our internal controls may not effectively prevent or detect any non-compliance of our policies and procedures, which may have a material adverse effect on our business, financial condition and results of operations. Effective implementation of our risk management and internal controls also depends on our employees. Human error or other mistakes may significantly undercut the effectiveness and performance of our risk management and internal controls, resulting in a material adverse effect on our business, results of operations and financial position.

We had material weaknesses in our internal control in financial reporting as of June 30, 2019 and such material weaknesses could adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner.

Our management identified material weaknesses and concluded that our internal control over financial reporting were not effective as of June 30, 2019. A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The specific material weaknesses we identified in our internal control over financial reporting as of June 30, 2019 related to:

- lack of sufficient accounting personnel qualified in US GAAP and SEC reporting; and
- insufficient accounting staff, which results in a failure to segregate duties sufficiently to ensure a timely and proper preparation and review of the financial statements.

Although we provided more training to our accounting personnel relating to US GAAP and SEC reporting to partially address the foregoing material weaknesses, we do not believe such weaknesses have been remediated and we can provide no assurance that they will be remediated in a timely manner.

Any failure to maintain effective internal controls could adversely impact our ability to report our financial results on a timely and accurate basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis as required by the SEC and NASDAQ, we could face severe consequences from those authorities. In either case, this could result in a material adverse effect on our business. Inferior internal control could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock. We can give no assurance that additional material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future these controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

We may be subject to employee misconduct which is often difficult to detect and could harm our reputation and business.

Employee misconduct may include approving a transaction beyond authorized credit limits, hiding key customer information in the due diligence process, engaging in fraudulent or other improper activities, or otherwise not complying with laws or our risk management procedures. Employee misconduct is often difficult to detect and could take significant time to uncover. We cannot assure you that future incidents of employee misconduct will not subject us to serious penalties or limitations on our business activities. We could also suffer from negative publicity, reputational damage, monetary losses or litigation losses as a result of the misconduct of our employees.

There is often limited information regarding our customers and our ability to perform customer due diligence or detect customer fraud may be compromised as a result.

The information available on SMEs including microenterprises is often limited. Our credit evaluation depends primarily on customer due diligence. We cannot assure you that our customer due diligence will uncover all material information necessary to make a fully informed decision, nor can we assure you that our due diligence efforts will be sufficient to detect fraud committed by our customers. If we fail to perform thorough due diligence or discover customer fraud or intentional deceit, the quality of our credit evaluation may be compromised. A failure to effectively measure and limit the credit risk associated with our loan portfolio could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, we may be unable to monitor our customers' actual use of the financing we guaranteed or provided, or verify if our customers have other undisclosed private money or borrowings. We may not be able to detect our customers' suspicious or illegal transactions, such as money laundering activities, in our business and we may suffer financial and/or reputational damage as a result.

Our continued success is dependent on senior management and our ability to attract and retain qualified personnel.

Our success has been, and in the future will be, dependent on the continued services of our executive directors and senior management. There is no assurance that any or all of our senior management will continue their employment with us. If any senior management personnel are unable or unwilling to continue their service, we may not be able to find a suitable replacement quickly or at all. The loss of the services of any senior management personnel and the failure to locate a suitable replacement might disrupt our business and could have an adverse impact on our ability to manage or operate our business effectively.

Our performance is also dependent on the talents and efforts of highly-skilled individuals. As a result, our continued ability to effectively compete, manage and expand our business depends on our ability to retain and motivate our existing employees and attract new talented and diverse employees. Given our relatively lean human resources structure, the loss of services of any employee holding an important position or possessing industry expertise or experience could have a material adverse effect on our results of operations, business and prospects. Competition in the financial services industry for qualified employees has often been intense, and we may also need to offer higher compensation and other benefits to attract new personnel. A failure to attract and retain qualified personnel and any significant increase in staffing costs could have a negative impact on our ability to maintain our competitive position and grow our business.

The future development and implementation of anti-money laundering laws in China may increase our obligation to supervise and report transactions with our customers, thereby increasing our compliance efforts and costs and exposing us to criminal measures or administrative sanctions for non-compliance.

We believe that we are not currently subject to PRC anti-money laundering laws and regulations and are not required to establish specific identification and reporting procedures relating to anti-money laundering. PRC laws and regulations relating to anti-money laundering have evolved significantly in recent years and may continue to develop. In the future, we may be required to supervise and report transactions with our customers for anti-money laundering or other purposes, which may increase our compliance efforts and costs and may expose us to potential criminal measures or administrative sanctions if we fail to establish and implement the required procedures or otherwise fail to comply with the relevant laws and regulations.

Failure to maintain our reputation and brand name could materially and adversely affect our business.

We believe that the reputation and brand name that we have built over the years plays a significant role in enabling us to obtain business from referrals as well as to attract new customers. A large portion of our new guarantee services were referred to us by our past or existing customers or by banks or other financial institutions. We believe that the building up and the enhancement of our reputation and brand name depend largely on, among others, our credibility among finance providers and other players in the financial services industry which has been developed over the years of our business operations, and our ability to provide diversified services to meet the requirements of our customers and their counter-parties. If we fail to maintain our reputation or our customers or their counter-parties no longer perceive our services to be of high quality or if they should no longer perceive us as a guarantee company with high credibility for whatever reason, our reputation and brand name could be adversely affected which, in turn, could affect our ability to maintain existing or capture future business opportunities. On June 9, 2020, the Changzhi Public Security Bureau enforced a judgement against Jinchen Agriculture and its subsidiary Dongsheng Guarantee. Our guarantee service, mainly operated by Dongsheng Guarantee, has been frozen, and we have no access to its assets or operations. This could have the effect of reducing the number of people who wish to do business with us, and there is also no assurance that our past or existing customers or banks or financial institutions with whom we have business relationships will continue to work with us or to refer new or potential customers to us. In the event our existing or past customers or banks or financial institutions with whom we have business relationships cease to work with us or stop referring new or potential customers to us or substantially reduce their referrals to us, our business, financial condition and results of operations would be adversely affected.

We are heavily dependent on the performance of SMEs, and any decrease in demand for services to SME's in the PRC may adversely impact our business operations.

The rapid growth of the economy of the PRC in the past few years has triggered a surge in the number of new SMEs and the escalation of their respective businesses in general. Despite the growth of SMEs and the growing demand for funding from these SMEs in recent years, there can be no assurance that the demand for financial guarantee services and financial leasing from SMEs will continue to grow. Any adverse development in national or local economic conditions may affect the businesses or funding demands of SMEs which, in turn, may reduce the demand or depress the amount of fees we charge for our services. Any decrease in such demand would have a material adverse effect on our result of operations and financial condition.

We may not be able to keep pace with changing demands in the guarantee business industry.

A significant factor of our competitiveness in the markets for guarantee services is our ability to develop our services so that we are able to continuously tailor our services to the needs and demands of our customers and their counter-parties. Due to the changes in the global economy, the national economy in the PRC or the local economy in Shanxi Province, the changes in the business environment of the SMEs in the PRC and the development of different financial products, there may be changes in the market needs for guarantee services in terms of, among others, the type of services and the scale of guarantees provided. We cannot assure that we will be able to obtain sufficient financial and human resources to develop our business in view of such changes. The scale and expertise of our management team may not be able to meet such market needs and we may not be able to attract suitable personnel for the development of our business. In addition, our risk management system may not keep up with changes in the business requirements of our cooperating institutions and customers. Further, there is no assurance that our new services will be well accepted by the market, or such services can be developed and put into the market in a timely manner or at all. In the event that we are not able to develop new services that meet the needs of our customers or their counter-parties or that our competitors have developed new service offerings that are more accepted by the market than ours, our business, financial condition and results of operations may be materially and adversely affected.

We may be involved in legal proceedings arising from our operations.

We may become involved in disputes with customers, financial providers and/or other parties. These disputes may lead to legal proceedings, and may cause us to suffer costs and delays to our operations. Such legal proceedings may also adversely affect our reputation which in turn could lead to a slowdown in our new business opportunities.

We are subject to certain foreign exchange risks.

We receive all of our revenue in Renminbi, which is currently not a freely convertible currency. A portion of our revenue must be converted into other currencies in order to meet our foreign currency obligations from time to time. For example, we will be required to obtain foreign currency (i.e. US dollars) to make payments of declared cash dividends, if any. The value of Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC and international political and economic conditions. The value of any declared cash dividends in the future may be affected by fluctuations in exchange rates.

Significant revaluation of the Renminbi may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

We have no insurance coverage for our guarantee and financial leasing business, investment assets or deposits in our bank accounts, which could expose us to significant costs and business disruption.

We do not maintain any credit insurance, business interruption insurance, general third-party liability insurance, nor do we maintain key man life insurance or any other insurance coverage except the mandatory social insurance for employees. If we incur any loss that is not covered by our loss reserve, our business, financial condition and results of operations could be materially and adversely affected. Additionally, our major assets are cash deposit in banks and investment securities in assets management products. These assets are not insured or otherwise protected. Should any bank or trust company holding our cash deposits become insolvent, or if we are otherwise unable to withdraw funds, we could lose the cash on deposit with that particular bank or trust company.

The proportion of the financial leasing revenue to our total revenue has gradually increased, but this growth may not continue.

We are still developing our financial leasing business. The success of our financial leasing operations will be highly dependent upon our ability to successfully develop and market our financial leasing services to targeted customers. We may not be able to develop our financial leasing business as planned and generate revenues or profits. The revenue and income potential of our proposed financial leasing business is unproven and the lack of operating history makes it difficult to evaluate the future prospects of this business.

Our knowledge of the Chinese financial leasing industry and market may be limited. Our perception of potential customers' needs and their acceptance of our financial leasing services may not be accurate.

We may not be able to work with equipment providers to successfully purchase qualified equipment identified by our customers on terms acceptable to us. We may not be able to establish sound financial modeling in the calculation of the interest rate and residual value. Such inexperience and lack of active knowledge may lead to failure of our financial leasing business.

Lack of knowledge of financial leasing benefits among potential customers may make it difficult for us to market our services.

Many people in the PRC still perceive leasing companies as a “second-class bank”, and very few recognize the flexibility and benefits that financial leasing provides. We may need to invest a tremendous amount of time and effort toward education people of the benefits of such business so that potential customers can fully appreciate the flexibility leasing offers to deploy their assets. Failure in such education may make it difficult for us to market our financial leasing services.

Our dividend policy is determined by the Board of Directors based the consideration of our performance, cash flow position and future growth strategy. We cannot assure you of declaring dividend at any time in the future.

In the future, we may not have sufficient net income or cash flow for dividend distribution, and we may retain profits to cover cash flow required for further business growth. There is no assurance that we will pay any dividends in the future. If we do not pay dividends, shareholders will not experience investment returns except through the sale of their stock.

Failure to manage our growth could result in a negative impact on our future performance, results of operation and financial condition.

We intend to seek strategic acquisitions in the future in order to further expand our business and service offerings. It is our intention to seek acquisition targets that have the potential to complement our existing business or our business model or to broaden our service offerings. Any failure to successfully acquire or merge with such targets or to successfully integrate newly acquired or merged businesses into our business could have a negative impact on our future performance, results of operations and financial condition.

Our financial performance may fluctuate from period to period and the fluctuations may make it difficult to predict our future performance. The adjustment of our business development strategies according to the new environment may have significantly adverse effect on our performance.

Our financial performance fluctuates with our business volume. For our financial consultancy service, the level of revenue that we can achieve is subject to fluctuations and is dependent on, among other things, the business and performance of our customers and the overall economic condition of the PRC. Accordingly, we are susceptible to revenue volatility between financial periods.

Our financial performance is affected by the market conditions of the vastly diverse industries in which our customers operate and the overall economic conditions of the PRC, which are factors beyond our control. In the event that we are not able to continually and consistently secure new contracts from customers, our future financial performance will be adversely affected.

In order to achieve our long term mission, we may balance our efforts and capital to some newly developed segments, such as leasing or other newly acquired business. This could negatively affect our current financial performance.

Our business strategy could be adjusted subject to various circumstances, such as market opportunity, overall economic condition of the PRC, changes in the government regulations, and so on. Such adjustment could shift our future business focus and demand a large number of resource support, which could negatively affect our future financial performance.

Risk Relating to Doing Business in the PRC

China's economic, political and social conditions, as well as regulatory policies, significantly affect the financial markets in China, as well as our liquidity, access to capital and ability to operate our business.

Our operating subsidiaries are incorporated, and our operations and assets are primarily located, in the PRC. Accordingly, our results of operations, financial condition and prospects are subject to economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained or is sustainable. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may negatively affect us. For example, our financial condition and results of operations may be adversely affected by the following factors:

- an economic downturn in China or any regional market in China;
- inaccurate assessment of the economic conditions of the markets in which we operate;
- economic policies and initiatives undertaken by the PRC government;
- changes in the PRC or regional business or regulatory environment affecting the SME and microenterprise sector;
- changes to prevailing market interest rates;
- a higher rate of bankruptcy; and
- the deterioration of the creditworthiness of SMEs and microenterprises in general.

In addition, an unfavorable financial and economic environment in recent years, including as a result of continued global financial uncertainties and the Eurozone sovereign debt crisis, have had and may continue to have an adverse impact on investors' confidence and financial markets in China. Moreover, concerns over capital market volatility, issues of liquidity, inflation, geopolitical issues, the availability and cost of credit and concerns about the rate of unemployment have resulted in adverse market conditions in China, which may materially and adversely affect our business and operations.

We may not in all cases be able to capitalize on the economic reform measures adopted by the PRC government. Changes in the economic, political and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations or restrictive financial measures, could have an adverse effect on the overall economic growth of the PRC, which could subsequently hinder our current or future business, growth strategies, financial condition and results of operations.

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

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

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

Lack of financial leasing regulations could negatively impact our business.

Currently, there is no uniform equipment title registration process and system in China, as each municipality adopts different procedures. The pending China Financial Leasing Law is expected to unify the registration procedures and protect the lessor against a “good-faith” third-party claim if the leased assets are registered in the lessor’s name. In the absence of such central title registration system, the lessors’ ownership interest on the leased equipment may be threatened. Loss of ownership to the leased equipment will have a negative effect on our financial position.

Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in the PRC could limit the legal protections available to shareholders.

PRC laws and regulations govern our operation in the PRC. Most of our subsidiaries are organized under PRC laws. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedent value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretations of the PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the governmental agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. All of these uncertainties may limit the legal protections available to our investors and shareholders.

Foreign ownership in financial guarantee and financial leasing businesses may be changed due to the uncertainty of evolving PRC laws and regulations.

We operate our financial guarantee and financial leasing business under foreign ownership structures in China. According to the Catalogue for the Guidance of Foreign Investment Industries (“Foreign Investment Catalogue”) promulgated by the Ministry of Commerce of the PRC (“MOFCOM”) and the National Development and Reform Commission (“NDRC”) on June 27, 2017 and effective as of July 28, 2017, our operation of financial guarantee and financial leasing businesses with foreign ownership is permitted under current PRC laws and regulations. However, the PRC laws and regulations are not fully developed and the Chinese government has been revising the laws and regulations since the Reform and Opening-up in 1979. There is still significant uncertainty resulting from the evolving PRC laws and regulations. As a result, foreign investment in these financial industries may be restricted or prohibited in the future if PRC laws and regulations are changed or revised due to the evolving political or economic conditions.

The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God and the occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are under the threat of earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, SARS, H5N1 avian flu, the human swine flu, also known as influenza A (H1N1) or the recent cases of COVID-19. For instance, two serious earthquakes hit Sichuan province in May 2008 and April 2013, and resulted in significant loss of lives and destruction of assets in the region. In addition, the epidemics of COVID-19 continues from December 2019 to the present, causing different degrees of damage to the national and local economies in the PRC. An outbreak of any other epidemics in the PRC, especially in the cities where we have operations, may result in material disruption of our business, which in turn may adversely affect our financial condition and results of operations.

Our shareholders may experience difficulties in effecting service of legal process and enforcing judgments against us, our Directors or senior management and to take action on the basis of violations of the listing rules.

We are a Cayman Islands company and our major operations are located in the PRC, and almost all of our assets and subsidiaries are located in the PRC. Most of our directors and senior management reside within the PRC. The assets of these Directors and senior management are also located within the PRC. As a result, it may not be possible to effect service of process upon most of our Directors and senior management outside the PRC. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States. As a result, in the PRC, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible in relation to any matter that is not subject to a binding arbitration provision.

We are a holding company located outside China and rely on dividend payments from our subsidiaries. Our ability to pay upstream dividends may be restricted due to foreign exchange controls and other Chinese regulations.

We are a holding company and a significant part of our business is carried out through our operating subsidiaries in the PRC. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiaries. If any of our subsidiaries incurs debt or losses, it may impair its ability to pay dividends or other distributions to us, which could adversely affect our ability to pay dividends to our Shareholders.

PRC law requires any foreign invested enterprises, such as our subsidiaries in the PRC, to set aside part of its net profit as statutory reserves. Our PRC subsidiaries are required to set aside each year at least 10% of their after-tax profits for such year, as reported in its PRC statutory financial statements, to the statutory surplus reserve of such PRC subsidiary. Such reserve may not be discontinued until the accumulated amount has reached 50% of the registered capital of the PRC subsidiary. These statutory reserves are not available for distribution to us, except in liquidation. The calculation of distributable profits is based on PRC Accounting Standards and Regulations, which differ in many aspects from US GAAP. As a result, our subsidiary in the PRC may not be able to pay any dividend in a given year to us if it does not have distributable profits as determined under the PRC Accounting Standards and Regulations, even if it has profits for that year as determined under US GAAP.

Limitations on the ability of our PRC operating subsidiary to remit its entire after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We cannot assure that our subsidiaries will generate sufficient earnings and cash flow to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to our Shareholders.

The PRC Enterprise Income Tax Law (“PRC EIT Law”) and its implementation rules stipulate that if an entity is deemed to be a non-PRC resident enterprise without an establishment or place of business in the PRC, withholding tax at the rate of 10% will be applicable to any dividends paid to it by its PRC subsidiary, unless it is entitled to reduction or elimination of such tax, including by tax treaties.

In addition, restrictive covenants in bank credit facilities or other arrangements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make distributions to us. These restrictions could reduce the amount of dividends or other distributions we receive from our subsidiaries, which in turn would restrict our ability to pay dividends to our shareholders.

Failure by our operating subsidiaries to pay us dividends could negatively impact our cash flow and our ability to make dividend distributions to our shareholders, including during periods in which we are profitable.

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

Our reporting currency is the U.S. dollar. However, substantially all of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but requires approval from or registration with appropriate government authorities or designated banks under the "capital account," which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries or variable interest entities. Currently, our PRC subsidiaries, which are wholly-foreign owned enterprises, may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions.

Since 2016, PRC governmental authorities have imposed more stringent restrictions on outbound capital flows, including heightened scrutiny over "irrational" overseas investments for certain industries, as well as over four kinds of "abnormal" offshore investments, which are:

- investments through enterprises established for only a few months without substantive operation;
- investments with amounts far exceeding the registered capital of onshore parent and not supported by its business performance shown on financial statements;
- investments in targets which are unrelated to onshore parent's main business; and
- investments with abnormal sources of Renminbi funding suspected to be involved in illegal transfer of assets or illegal operation of underground banking.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, which tightened the authenticity and compliance verification of cross-border transactions and cross-border capital flow, including requiring banks to verify board resolutions, tax filing forms and audited financial statements before wiring foreign invested enterprises' foreign exchange dividend distribution of over US\$50,000. In addition, the Outbound Investment Sensitive Industry Catalogue (2018) lists certain sensitive industries that are subject to NDRC pre-approval requirements prior to remitting investment funds offshore, which subjects us to increased approval requirements and restrictions with respect to our overseas investment activity. Since a significant amount of our PRC revenue is denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC, make investments, service any debt we may incur outside of China or pay dividends in foreign currencies to our stockholders.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability, limit our ability to inject capital into our consolidated PRC entities, limit the ability of our consolidated PRC entities to distribute profits to us, or otherwise adversely affect us.

On July 4, 2014, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange for Overseas Investment and Financing and Reverse Investment by Domestic Residents via Special Purpose Vehicles, or Circular 37, which replaced the Circular on Relevant Issues Concerning Foreign Exchange Control Over Financing and Return Investment of Domestic Residents through Overseas Special Purpose Vehicles, or Circular 75, previously issued in October 2005. Pursuant to Circular 37, any PRC residents, including both PRC institutions and individual residents, are required to register with the local SAFE branch before making contribution to a company set up or controlled by the PRC residents outside of the PRC for the purpose of overseas investment or financing with their legally owned domestic or offshore assets or interests, referred to in this circular as a "special purpose vehicle." Our current beneficial owners who, to our knowledge, are PRC residents are in the process of registering with the local SAFE branch as required under Circular 37. We cannot, however, provide any assurances that such registration will be completed in a timely manner, or at all, or that any future beneficial owners who are PRC residents will be able to comply with the SAFE regulations in a timely manner, or at all. Any failure of our current or future beneficial owners who are PRC residents to comply with the registration procedures set forth in Circular 37 may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into our consolidated PRC entities, limit our consolidated PRC entities' ability to distribute dividends to us or the offshore entities set up by our beneficial owners or otherwise materially and adversely affect our business.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies. Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

In February 2015, the State Administration of Tax issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7. Public Notice 7 extends its tax jurisdiction to not only indirect transfers but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. Public Notice 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. However, Public Notice 7 provides safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. On October 17, 2017, the State Administration of Taxation, or the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. Pursuant to Public Notice 7 and SAT Bulletin 37, both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions, under Public Notice 7 and SAT Bulletin 37. For the transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Public Notice 7 and SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with Public Notice 7 and SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company and other non-resident enterprises in our group should not be taxed under these circulars. The PRC tax authorities have the discretion under Public Notice 7 and SAT Bulletin 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Public Notice 7 and SAT Bulletin 37, our income tax costs associated with such transactions will be increased, which may have an adverse effect on our financial condition and results of operations. We have made acquisitions in the past and may conduct additional acquisitions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

If the settlement reached between the SEC and the Big Four PRC-based accounting firms (including the Chinese affiliate of our independent registered public accounting firm), concerning the manner in which the SEC may seek access to audit working papers from audits in China of US-listed companies, is not or cannot be performed in a manner acceptable to authorities in China and the US, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In late 2012, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the mainland Chinese affiliates of the “Big Four” accounting firms (including the mainland Chinese affiliate of our independent registered public accounting firm). A first instance trial of the proceedings in July 2013 in the SEC’s internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the Chinese accounting firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the Chinese accounting firms reached a settlement with the SEC whereby the proceedings were stayed. Under the settlement, the SEC accepted that future requests by the SEC for the production of documents would normally be made to the CSRC. The Chinese accounting firms would receive requests matching those under Section 106 of the Sarbanes-Oxley Act of 2002, and would be required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. The CSRC for its part initiated a procedure whereby, under its supervision and subject to its approval, requested classes of documents held by the accounting firms could be sanitized of problematic and sensitive content so as to render them capable of being made available by the CSRC to US regulators.

Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice at the end of four years starting from the settlement date, which was on February 6, 2019. Despite the final ending of the proceedings, the presumption is that all parties will continue to apply the same procedures: i.e. the SEC will continue to make its requests for the production of documents to the CSRC, and the CSRC will normally process those requests applying the sanitisation procedure. We cannot predict whether, in cases where the CSRC does not authorize production of requested documents to the SEC, the SEC will further challenge the four PRC-based accounting firms' compliance with U.S. law.

While these issues raised by the proceedings are not specific to our independent registered public accounting firm or to us, they potentially affect equally all PCAOB-registered audit firms based in China and all businesses based in China (or with substantial operations in China) with securities listed in the United States. In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, public companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, although our independent registered public accounting firm was not named as a defendant in the above SEC administrative proceedings, any negative news about any such future proceedings against these accounting firms may cause investor uncertainty regarding China-based, United States-listed companies, and the market price of our shares may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of our ordinary shares from the Nasdaq or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ordinary shares in the United States.

Risks Related to the Company

We are a foreign private issuer and, as a result, we are not be subject to U.S. proxy rules and are subject to the Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those applicable to a U.S. issuer.

We report under the Exchange Act as a foreign private issuer. Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, while U.S. domestic issuers that are not large accelerated filers or accelerated filers are required to file their annual reports on Form 10-K within 90 days after the end of each fiscal year, in the fiscal years ending on or after December 15, 2011, foreign private issuers will not be required to file their annual report on Form 20-F until four months after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. Although we intend to make interim reports available to our shareholders in a timely manner, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

As a foreign private issuer, we are permitted, and intend, to follow certain home country corporate governance practices instead of otherwise applicable Nasdaq requirements, which may result in less protection than is accorded to investors under rules applicable to domestic U.S. issuers.

As a foreign private issuer, we are permitted, and intend, to follow certain home country corporate governance practices instead of those otherwise required under the Listing Rules of the NASDAQ Stock Market for domestic U.S. issuers. For instance, we intend to follow home country practice in the Cayman Islands with regard to, among other things, director nomination procedures, the approval of compensation of officers, and quorum requirements at general meetings of our shareholders. In addition, we intend to follow our home country law instead of the Listing Rules of the NASDAQ Stock Market that require us to obtain shareholder approval for certain dilutive events, such as the establishment or amendment of certain equity based compensation plans, an issuance that will result in a change of control of the Company, certain transactions other than a public offering involving issuances of a 20% or greater interest in the company, and certain acquisitions of the stock or assets of another company. Following our home country governance practices as opposed to the requirements that would otherwise apply to a United States company listed on Nasdaq may provide less protection to you than what is accorded to investors under the Listing Rules of the NASDAQ Stock Market applicable to domestic U.S. issuers.

Our management team's lack of experience as officers of publicly-traded companies may hinder our ability to comply with the Sarbanes-Oxley Act.

It may be time-consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance staff or consultants in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply with the Sarbanes-Oxley Act's internal controls requirements, we may not be able to obtain the independent auditor certifications that the Sarbanes-Oxley Act requires publicly-traded companies to obtain.

Freeman FinTech Corporation Limited ("Freeman") owns approximately 67% of our outstanding common stock and its interests may differ from those of our other stockholders.

As of June 30, 2019, Freeman owned approximately 67% of our outstanding common stock. Freeman has the right to nominate three members of our board of directors. Freeman will have significant influence over the outcome of matters that require shareholder votes and accordingly over our business and corporate matters. Freeman may exercise its shareholder rights in a way that it believes is in its own best interest, which may conflict with the interest of our other shareholders. These actions may be taken even if Freeman is opposed by our other stockholders.

We may be classified as a passive foreign investment company (“PFIC”), which could result in adverse U.S. federal income tax consequences to U.S. investors.

In general, assuming we are treated as a foreign corporation for U.S. federal income tax purposes, we will be treated as a PFIC for any taxable year in which either (1) at least 75% of our gross income (including our pro rata share of the gross income of certain 25% or more-owned corporate subsidiaries) is passive income or (2) at least 50% of the average value of our assets (including our pro rata share of the assets of certain 25% or more-owned corporate subsidiaries) is attributable to assets that produce, or are held for the production of, passive income. Passive income generally includes, without limitation, dividends, interest, rents, royalties, and gains from the disposition of passive assets. If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder (as defined in the section of this Annual Report captioned “Taxation—United States Federal Income Taxation—General” under Item 10.E.) of our ordinary shares, the U.S. Holder may be subject to increased U.S. federal income tax liability and may be subject to additional reporting requirements. Based on the composition (and estimated values) of our assets and the nature of our income and that of our subsidiaries during our taxable year ended June 30, 2020, we don’t believe that we are a PFIC for such year. However, because we have not performed a definitive analysis as to our PFIC status for such taxable year ended December 31, 2020, there can be no assurance in respect to our PFIC status for such year. There also can be no assurance in respect to our status as a PFIC for our current taxable year or any future taxable year. U.S. Holders of our ordinary shares are urged to consult their own tax advisors regarding the possible application of the PFIC rules. See the discussion in the section of this Annual Report under Item 10.E entitled “Taxation—United States Federal Income Taxation—U.S. Holders—Passive Foreign Investment Company Rules.”

On August 22, 2019, the Company has made a definitive analysis with respect to its PFIC status for taxable year ending December 31, 2018, based on the analysis, the Company is not a PFIC for taxable year ending December 31, 2018.

Based on the composition (and estimated values) of our assets and the nature of our income and that of our subsidiaries during the taxable year ended June 30, 2019, we believe that we are not a PFIC for such year. However, because we have not completed our analysis as to our PFIC status for the 2020 fiscal year, there can be no assurance in respect to our PFIC status for such taxable year.

Additional financing may result in dilution to our shareholders.

We may need to raise additional funds in the future to finance internal growth, to make acquisitions or for other reasons. Any required additional financing may not be available on terms acceptable to us, or at all. If we raise additional funds by issuing equity securities, you may experience significant dilution of your ownership interest and the newly issued securities may have rights senior to those of the holders of our ordinary shares. Alternatively, if we raise additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our operational flexibility, and would also require us to fund additional interest expense. If additional financing is not available when required or is not available on acceptable terms, we may be unable to successfully commercialize our product or continue our research and development.

Future resales of our ordinary shares may cause the market price of our securities to drop significantly, even if our business is doing well.

Pursuant to the merger agreement with Wins Finance Group Ltd. (“WFG”) we issued 16,800,000 of our ordinary shares to the former shareholders of WFG. Pursuant to the merger agreement, the WFG shareholders are restricted from selling any of the ordinary shares that they received as a result of the merger during the twelve-month period after the closing date of the merger, subject to certain exceptions, and the former shareholders of WFG were required to enter into lock-up agreements to such effect.

Subject to these restrictions, the Company entered into an amended and restated registration rights agreement at the closing of the merger with the former shareholders of WFG pursuant to which such holders were granted certain demand and “piggy-back” registration rights with respect to their securities. Furthermore, the former shareholders of WFG may sell our ordinary shares pursuant to Rule 144 under the Securities Act, if available, rather than under a registration statement. In these cases, the resales must meet the criteria and conform to the requirements of that rule, including waiting until one year after our filing with the SEC of a Current Report on Form 8-K containing Form 10 type information reflecting the transactions with WFG.

Upon expiration of the applicable lock-up periods, and upon effectiveness of any registration statement we file pursuant to the amended and restated registration rights agreement or upon satisfaction of the requirements of Rule 144 under the Securities Act, the former shareholders of WFG may sell large amounts of our ordinary shares in the open market or in privately negotiated transactions, which could have the effect of increasing the volatility in our stock price or putting significant downward pressure on the price of our stock.

Also pursuant to the amended and restated registration rights agreement, the initial shareholders of Sino Mercury Acquisition Corp. (“Sino”) are entitled to make a demand that we register the resale of their initial shares at any time commencing three months prior to the date on which their shares may be released from escrow. The presence of these additional ordinary shares trading in the public market may have an adverse effect on the market price of our securities.

If securities or industry analysts do not publish research or reports about us or our business or publish unfavorable research about us or our business, the price of our securities and their trading volume could decline.

The trading market for our securities will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our securities, the price of our securities would likely decline. If one or more of these analysts ceases to cover us or fails to publish regular reports on us, interest in the purchase of our securities could decrease, which could cause the price of our securities and their trading volume to decline.

Our stock price may be volatile, there is limited liquidity in our ordinary shares and purchasers of our securities could incur substantial losses.

Our stock price has been and is likely to continue to be volatile. The stock market in general has, and we in particular have, experienced extreme volatility that has often been unrelated to the operating performance of our company. This volatility may be due, in part, to the small number of our ordinary shares which are publicly tradeable. As a result of this volatility, investors may not be able to sell their securities at or above the price at which they purchased such securities. Broad market and industry factors may negatively affect the market price of our ordinary shares, regardless of our actual operating performance. Further, a systemic decline in the financial markets and related factors beyond our control may cause our share price to decline rapidly and unexpectedly. Finally, because of the significant volatility in our stock price, Nasdaq halted trading in our stock on June 7, 2017 until December 4, 2017. If volatility in our stock price continues after trading recommences, Nasdaq could again halt trading in our stock.

Due to the recent extreme fluctuations in our stock price, we have been the subject of regulatory proceedings and lawsuits, which, if determined against us, could adversely affect our operating results.

Beginning in November 2016 and through June 2017, our stock price experienced extreme price and volume fluctuations having nothing to do with the performance of our business. We do not know the cause of such fluctuations, but such fluctuations have resulted in significant adverse consequences to us. Trading in our ordinary shares was halted by the Nasdaq Stock Market on June 7, 2017 until December 4, 2017 due to the fluctuations, and class action litigations have been filed against us due to such fluctuations and the trading halt. Although we do not believe that the class action litigations have any merit, we cannot predict the outcome of the litigations or how Nasdaq, or whether other regulatory agencies (such as the SEC), will proceed against us. If a judgment is entered against us in the class action litigations or if a regulatory agency take action against us, our business may suffer and the value of our ordinary shares may significantly decrease.

ITEM 4. INFORMATION ON OUR COMPANY

A. History and Development of the Company

Our History

Sino Mercury Acquisition Corp. (“Sino”) was incorporated in the State of Delaware on March 28, 2014. Sino was a blank check company formed in order to effect a merger, capital stock exchange, asset acquisition or other similar business combination with one or more businesses or entities. On September 2, 2014, Sino closed its initial public offering of 4,000,000 units, with each unit consisting of one share of its common stock and one right to receive one-tenth of one share of common stock upon consummation of an initial business combination. On September 24, 2014, Sino consummated the sale of an additional 80,100 units which were subject to an over-allotment option granted to the underwriter of its initial public offering. The units from the initial public offering (including the over-allotment option) were sold at an offering price of \$10.00 per unit, generating total gross proceeds of \$40,801,000. Simultaneously with the consummation of the initial public offering, Sino consummated the private sale of 210,000 units to one of its initial shareholders at \$10.00 per unit (the “Private Units”) for an aggregate purchase price of \$2,100,000. \$38,701,000 of the net proceeds from the initial public offering, together with \$2,100,000 raised from the private sale of units, for a total of \$40,801,000, was deposited into the trust account and the remaining proceeds became available to be used as working capital to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. The initial public offering was conducted pursuant to a registration statement on Form S-1 (Reg. No. 333-197515) that became effective on August 26, 2014.

Wins Finance Holdings Inc. (the “Company”) was incorporated in the Cayman Islands as an exempted company on February 17, 2015 and organized as a wholly-owned subsidiary of Sino, for the purposes of changing the jurisdiction of Sino from Delaware to the Cayman Islands through a merger in which the Company would be the surviving corporation and, immediately following that merger, simultaneously acquiring all of the outstanding equity of Wins Finance Group Limited, a British Virgin Islands international business company (“WFG”), by means of an exchange by the shareholders of WFG (the “WFG Shareholders”) of 100% of the ordinary shares of WFG for cash and ordinary shares of the Company.

WFG is a holding company that was incorporated under the laws of the British Virgin Islands on July 27, 2014. After several recapitalizations and restructurings, WFG holds 100% of the interests of Jinshang Leasing, Jincheng Agriculture and Dongsheng Guarantee through its wholly owned subsidiary, Full Shine. WFG is an integrated financing solution provider with operations located primarily in Jinzhong City, Shanxi Province and Beijing, China. WFG's goal is to assist Chinese small & medium enterprises (SMEs), including microenterprises, which have limited access to financing, in improving their overall fund-raising capability and enable them to obtain funding for business development.

Effective October 26, 2015, the Company consummated the merger and share exchange transactions (the "Business Combination") contemplated by the Agreement and Plan of Reorganization (the "Merger Agreement"), dated as of April 24, 2015 and amended on May 5, 2015, by and among the Company, Sino, WFG and the WFG Shareholders.

Upon the closing of the Business Combination (the "Closing"), the former security holders of Sino were issued an aggregate of 4,726,756 ordinary shares of the Company, including 429,010 ordinary shares of the Company issued in exchange for Sino's then outstanding rights. In connection with the Business Combination, holders of 1,012,379 shares of Sino common stock sold in its initial public offering ("public shares") exercised their rights to convert those shares to cash at a conversion price of \$10.00 per share, or an aggregate of \$10,123,790.

As consideration for their outstanding ordinary shares of WFG at Closing, the WFG Shareholders received an aggregate of 16,800,000 ordinary shares of the Company, which includes 2,500,000 ordinary shares issued at the election of the WFG Shareholders to receive such shares in lieu of cash consideration. The WFG Shareholders elected to receive no cash consideration.

Upon the Closing, Sino's common stock, rights and units ceased trading and the Company's ordinary shares began trading on the NASDAQ Capital Market under the symbol "WINS".

As noted above, the conversion price for holders of public shares electing conversion was paid out of the Company's trust account, which had a balance immediately prior to the Closing of approximately \$30,677,210. Of the remaining funds in the trust account, \$1,057,882 was used to pay transaction expenses and the balance of \$29,619,328 was released to the Company to be used for working capital purposes.

On December 13, 2016, Appelo Ltd. and Wits Global Ltd., each an entity controlled by Mr. Wang Hong (collectively, the "Sellers") entered into an agreement to transfer all of the ordinary shares of the Company owned by them (an aggregate of 13,440,000 ordinary shares (approximately 67% of the Company's outstanding ordinary shares)) to Freeman FinTech Corporation Limited ("Freeman"), a company listed on the Hong Kong Stock Exchange. In connection with the transaction, the Seller transferred certain rights in a registration rights agreement to Freeman.

On August 2, 2017, Spectacular Bid Limited, a wholly owned subsidiary of Freeman, completed the acquisition of approximately 67% of the Company's outstanding shares.

On August 28, 2018, one of our subsidiaries entered into an agreement to acquire a 30% equity interest in HuiYue Finance Leasing (Ningbo) Co., Ltd. ("HuiYue"). HuiYue will be a joint venture between us, Mercury International Financial Leasing (Tianjin) Co., Ltd. (formerly translated as Chenxing International (Tianjin) Financial Leasing Co., Ltd) and Zhongtuo Jinchuang (China) Financial Holding Group Co., Limited (formerly translated as Sino Investment Jinchuang Financial Holding Co., Ltd). On October 26, 2018, the agreement was amended so that our subsidiary would acquire only a 15% interest in HuiYue. We will pay RMB 150 million (or approximately \$22.7 million) for its 15% interest in HuiYue. Pursuant to the agreement, we were required to pay the capital within thirty years, from the date of change of HuiYue's company registration. The first payment of RMB 20 million (\$3.0 million) was made on October 30, 2018. HuiYue will focus on the financial leasing of equipment relating to port logistics, construction machinery, energy conservation and medicine in Ningbo, China. We believe that participating in this investment has the opportunity to boost our growth in the leasing sector by leveraging the local financial, governmental and our client resources.

On June 9, 2020, the Changzhi Public Security Bureau (the "Bureau") enforced a judgement against Jincheng Agriculture and Dongsheng Guarantee, the Company's wholly owned subsidiary. Pursuant to this action, the Bureau froze the assets of Jincheng Agriculture and Dongsheng Guarantee. Our legal counsel was unable to determine the cause of the freeze as the authorities have not provided such information, but it has advised us that the Company no longer has control of the assets or operations of Jincheng Agriculture and Dongsheng Guarantee. Therefore, until the freeze is lifted (and we have not been provided any guidance about when the freeze would be lifted), we will not be able to consolidate Jincheng Agriculture and Dongsheng Guarantee into our financial statements. Our other business is unaffected by the freeze and continue to operate normally.

We are subject to the provisions of the exempted company incorporated under the Companies Law (2013 Revision) of the Cayman Islands. Our principal executive offices are located at 1F, Building 1B, No. 58 Jianguo Road, Chaoyang District, Beijing 100024, People's Republic of China, and our US office is located at 1177 Avenue of the Americas, 5th Floor, New York, NY 10036. Our telephone number is 646-694-8538 and our website is located at winsfinance.com (the information contained therein or linked thereto shall not be considered incorporated by reference in this annual report).

Principal Capital Expenditures

For a discussion of our capital expenditures, see Item 5. “Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

B. Business Overview

Overview

Our company is an integrated financing solution provider with operations located primarily in Jinzhong City, Shanxi Province and Beijing, China. Our goal is to assist Chinese SMEs, which have limited access to financing, to improve their overall fund-raising capability and enable them to obtain funding for business development. We principally operate in the following business lines:

- Financial Guarantees — facilitating SMEs’ financing opportunities by acting as a guarantor to secure credit facilities from lending banks and other financial institutions.
- Financial Leasing — providing direct equipment leasing or purchase-lease-back services to SMEs, to satisfy SMEs’ working capital needs.
- Financial Advisory Services — providing financial advisory services to our clients.

Financial Guarantees

Our company has a 12-year operating history in the financial guarantee business, which we started in 2006. We facilitate financing from banks to SMEs by providing a guarantee to the lenders such that, in the event of a borrower’s default, we will repay the principal, interest and related fees and expenses in connection with the underlying debt. We believe our guarantee services enable our SME customers to obtain financing from banks on better terms, more conveniently, easily and quickly than in the absence of such guarantees. Over the past few years, most of our business has been concentrated in Jinzhong City, Shanxi Province, through our subsidiaries Jinchen Agriculture and Dongsheng Guarantee. However, on June 9, 2020, the Changzhi Public Security Bureau (the “Bureau”) enforced a judgement against Jinchen Agriculture and Dongsheng Guarantee, the Company’s wholly owned subsidiary. Pursuant to this action, the Bureau froze the assets of Jinchen Agriculture and Dongsheng Guarantee. Our appointed legal counsel was unable to determine the cause of the freeze as the authorities have not provided such information, but it has advised us that the Company no longer has control of the assets or operations of Jinchen Agriculture and Dongsheng Guarantee. Therefore, until the freeze is lifted (and we have not been provided any guidance about when the freeze would be lifted), we will not be able to consolidate Jinchen Agriculture and Dongsheng Guarantee into our financial statements. As such, we reported the assets and liabilities of the affected subsidiaries as a disposal group classified as held for sale.

Financial Leasing

Our financial leasing business was started as a way to supplement its financial guarantee business. Most of the financial leasing business at that time was derived from our established guarantee clients, serving as an alternative financing solution for SME clients that owned unencumbered valuable equipment.

In 2009, due to growing needs of SMEs outside our guarantee clients, we expanded our financial leasing business, forming a separate subsidiary within our company in Beijing.

Financial Advisory and Agency Services

In addition to the provision of guarantee services and financial leasing, we also enter into separate financial consultancy services agreements with customers, under which the customer pays us consultancy fees. We provide tailor-made financial consultancy services by proposing various customized financing methods or products to customers and assisting customers in acquiring financing. In connection with these consultancy arrangements, our customers may utilize our guarantee services depending on individual circumstances and if the customer satisfies our requirements and risk assessment criteria. Under certain circumstances, our company could also act as a financing dealer between other financial leasing companies who need capital and financial institutions who are willing to provide capital, in which case it would record a net of interest income for the transactions.

Industry Background

SMEs are A Major Driver of China's Economy

SMEs have become an indispensable driver in promoting economic and employment growth in the PRC, driving technological and enterprise system innovation and contributing to China's economic transformation.

Lack of Financing for SMEs

The financing needs of SMEs have been largely underserved by traditional financial institutions. Chinese SMEs have:

- very limited financing sources. Chinese SMEs largely rely on bank loans. For the purpose of establishing market dominance through control of national resource allocation, most commercial banks in China principally target large, state-owned companies and focus their financial services on key clients, industries, regions and products;
- very limited access to capital markets. China's capital markets primarily support state-owned companies and large private companies, which meet the established criteria of asset scale, revenue and net profit. Most SMEs in China are not qualified to go public and raise capital through China's capital markets.

Credit Gap between Banks and SMEs in China

Historically, traditional banks have been reluctant to lend to SMEs. Although in recent years, under government guidance, traditional banks are attaching greater importance to serving SMEs, they are still reluctant to lend to SMEs for several reasons including:

- bank loans usually require borrowers to provide a full set of credit and asset ownership records, which SMEs generally lack;
- commercial banks, which are mostly government owned, are able to maintain relatively high profit margins and avoid default risk by taking advantage of the implicit government support provided to state enterprise borrowers, thereby having no incentive to serve SMEs;
- SMEs usually have limited operating history and credit profiles, are vulnerable to economic downturns, and have a higher percentage of defaults compared with large, state-owned companies; it is therefore difficult for banks to justify the risk when lending to SMEs; and
- smaller regional or local banks, which have the potential to provide lending to SMEs, are still in an early stage of development and lack vision and energy to aggressively enter this market.

As a result, there remains a significant unmet need for financial services to SMEs in China.

Financial Guarantee — Intermediary between Banks and SMEs

The history of China's financial guarantee industry began in 1993, when the State Council approved the establishment of China National Investment and Guaranty Co., Ltd. Although the financial guarantee industry grew slowly before 2000 with a limited number of guarantee companies (most of which were owned by the government), it has since evolved into an established, regulated, well-recognized and fast-growing segment of China's financial services industry, dominated by private sector entities. In recent years, the financial guarantee industry played an active role in supporting SME financing.

Financial Leasing — Rapid Growth

As financial leasing has increased in China, financial leasing companies devoted to expanding SME financial leasing services have emerged and played an important role in SMEs upgrading their equipment and adopting new technologies. Manufacturer-dependent financial leasing companies (i.e. captive leasing companies, owned by equipment manufacturers) are the major supplier of SME financial leasing services at present. Independent financial leasing companies are expanding into the SME financial leasing field but have been constrained in their expansion due to financial limitations associated with the significant capital requirements of the sector and immobilization of leased assets.

Our Strengths

We believe that the following competitive strengths have contributed to its success and establishes a solid platform for future growth:

Primary focus on Chinese SMEs

We believe that our primary focus on meeting the financing needs of China SMEs has:

- given us specialized insight into the needs and behaviors of SMEs in China, and into the complexities of providing customized financing solutions to specific customers as well as providing industry-wide financing solutions to SMEs in general, thereby enabling us to better understand the business and credit environment customers face;
- contributed to our strong brand reputation locally as a preferred partner for SMEs seeking financing solutions in China as well as for banks which intend to increase their exposure to the SME lending market in China;
- allowed us to utilize our industry knowledge and expertise to better meet the diverse financing needs of China SMEs by developing and offering customized financing solutions that are more flexible and efficient compared to those offered by traditional commercial banks; and
- allowed us to build long-term and enduring relationships with our SME customers.

Effective and practical risk management system for Chinese SME lending

With more than ten years of operating history in serving the financing needs of SMEs, which has sharpened our specialized insight into the business and credit environment SMEs face, we can provide innovative financing solutions based upon the financing needs and creditworthiness of our customers. As most SMEs lack collateral at a level required by traditional commercial banks and are therefore excluded from mainstream bank financing sources, our financing solutions (including financial guarantees and financial leasing) help bridge the “credit-gap” between otherwise creditworthy SMEs and traditional commercial banks in China. Our risk control system, built upon “Trusted Business Circles” of core customers, has proven to be extremely cost-effective, practical and efficient under current conditions in China. Historically in China, due to the fact that the legal system is not fully developed, business trust and honoring of business commitments exists in small circles of personal relationships rather than in a more objective environment. Lending through core enterprises’ “Trusted Business Circles” resolves the information asymmetry in SME lending and provides transparency into customers’ business operations. See the section titled “Our Risk Management” below for additional information on our risk management policies. However, in 2019, with the overall downturn of China’s economy and the implementation of China’s new policies strengthening financial risk control and deleveraging has had a great impact on the liquidity of SMEs. For the sake of prudence, once the clients have breached the contract, we will made provision for all the uncollected principle and interests.

Experienced and motivated management team

We attribute our success to our experienced, dedicated, and motivated management team. Most of our management team members have over 10 years of experience in the financial industry. Certain senior management members also have extensive professional experience in highly regarded multinational financial institutions, which contributes valuable industry awareness and risk management skills and enhances management capability. Our company is committed to maintaining a capable and motivated leadership team which cultivates a market-oriented corporate culture, encourages innovation and operating efficiency and focuses on staying sensitive to changing conditions in the SME sector and regulatory developments in the financial services industry.

We maintain regular professional training programs for employees, and maintain a performance-based and career-driven corporate culture. We provide a significant amount of personal autonomy to employees and encourage sales and marketing staff to source and service their customers as if it were their own personal business. Our ability to retain professional and motivated employees has contributed to our success by maintaining and improving upon the strict standards of our risk management system, as well as by providing trustworthy and professional financing solutions to customers.

Our products

We currently offer the following principal products and services to our customers, which primarily constitute SMEs: (1) financial leasing; and (2) financial advisory and agency services. The following table shows the components of revenue, their respective percentages of our net fee and interest income for the period indicated:

	For the years ended June 30,			
	2019		2018 (Restated)	
	US\$'000	%	US\$'000	%
Direct financing lease income	7,596	100.0%	5,698	77.0%
Financial advisory and agency income	-	-%	1,695	23.0%
Total revenues	7,596	100.0%	7,393	100.0%

Financial Leasing

Our financial leasing business was registered in 2009 for the purpose of providing financing through equipment leasing or equipment-purchase-lease-back services to qualified SME clients.

Due to the loss of the control of our guarantee business, we are expanding our leasing operation outside of the guarantee business. We look for leasing opportunities and clients across China rather than on a regional or local basis. We are currently applying two business strategies for our leasing operation: (1) focusing on a few specific industries with experience and connections, including but not limited to new energy, vehicles, education equipment, and medical devices; and (2) increasing fee revenue through advisory services.

We purchase the applicable asset (typically manufacturing equipment, but also other tangible assets including factory buildings) from the client, and take ownership. We then lease the applicable asset back to the client and charge rent. Upon the expiration of the lease, the client pays a nominal fee (e.g. US \$1) to purchase the applicable asset and thereafter takes title and ownership of the asset.

Typical leasing terms include:

- Asset: Equipment, or some other tangible assets including factory buildings
- Typical Leasing Terms: 3 – 5 years
- Leasing Rate: 10 – 30% over the current benchmark lending rate of PBOC
- Deposit: Based upon the client's qualifications, a deposit of 1% - 10% of contract amount is required from a new leasing client
- Transaction Fee: Based upon the client's qualifications
- Advisory Fee: Based upon the services provided to clients
- Lease Payment Term: Quarterly or semi-annually

We also provide tailor-made financial consultancy services to clients by entering into consultancy services agreements. We may, at the customers' request, provide (1) consultancy services alone, or (2) consultancy services together with financial leasing. We typically propose customized methods of financing to customers according to their needs and circumstances and then assists customers to apply for financing. We may also recommend other financing methods or financial products to customers. During the term of the financial consultancy services agreement, and within the services scope prescribed in such agreement, we provide a variety of financial consultancy services including investigation, research, and locating the source of financing and closing of financing. We also provide advice on financing and cash flow planning and management to better align customers' cash generation activities with their required repayment schedule, thereby improving their liquidity and reducing their default risk.

Most customers for financial consultancy services are SMEs. Many SMEs in China, due to their size of operation, lack experienced staff in handling loan applications, and may not be familiar with compliance matters including relevant rules and regulations or lending bank's requirements. With our established cooperation with lending banks, experience in the financial services field and understanding of the requirements of lending banks, market trends as well as financial products offerings in the market, we are able to provide all-round financial consultancy services to customers. In addition, our financial consultancy services provide an attractive opportunity to expand and diversify our business and client base.

Under certain circumstances, we could also act as a dealer for other financing leasing companies, by providing short-term bridge loans (usually 90 days) against the leasing contracts and leasing receivables of these leasing company borrowers; and in the meantime, we would obtain a bridge loan from other financial institutions at a discounted rate. Typically, the above processes occur simultaneously, and therefore, our resell risk is largely mitigated. In very rare cases, if the leasing borrowers are in default, we will have to use our principal capital to repay the bridge loan to the financial institutions, and hold the leasing contracts and leasing receivables. Therefore, we are very careful in selecting these types of transactions, and only accept a limited number of transactions of this nature.

The provision of financial consultancy and agency services is within the scope of our business license.

Our Risk Management

Risk management is integral to the success of our business. Our risk operation model is based upon a "Trusted Business Circle" concept. China has not yet developed sophisticated credit databases or credit reporting structures, which means that decisions to lend to Chinese SMEs frequently involve reliance on company-provided information which is difficult to independently verify. Our Trusted Business Circle concept involves identifying potential credit-worthy customers through their ongoing participation in an existing supply chain or other relationship with an existing core customer. The Trusted Business Circle is embedded into each customer's ongoing business activity, forming an ecosystem around that existing business activity. The Trusted Business Circle contains core enterprises' business partners, transaction partners, lending banks, major shareholders' friends circle, etc., which provides an opportunity for information verification and cross-referencing and some protection from default as new customers will want to preserve their relationships within the Trusted Business Circle. The system can be scaled as each new participant creates its own Trusted Business Circle.

Principal of Our Risk Management

Our "Trusted Business Circle" refers to two types of relationships: (1) "industry chain", meaning a core enterprise surrounded by a business circle which has an industry chain upstream and downstream trading networks; and (2) "Business Connection", meaning core enterprises' business partners, transaction partners, lending banks, major shareholders' friends circle, etc. which can provide cross-referenced and additional information, transactional history, and business performance regarding potential SME customers.

Typically, SMEs have a relatively high risk profile. Especially in the context of an economic downturn, SMEs have less capability to withstand cyclical challenges compared with large privately-owned companies or state-owned enterprises. In addition, the regulatory and tax frameworks for SMEs are not standardized, which creates some regulatory and tax risk exposure. SMEs also frequently have very limited credit profile and transaction data available for evaluation during the lending process. In 2019, with the overall downturn of China's economy has had a great impact on the most of the China's company. Among them, SMEs are relatively weak in risk tolerance, and bear the brunt of the adverse impact, leading to a substantial increase in our provisions.

Our "Trusted Business Circle" model can, to a certain extent, resolve the issues inherent in SME loans, such as information asymmetry, risk control difficulties and high borrowing costs. Within our operating history, this model has proved extremely effective and efficient in risk control, and has enabled us to take on SME clients which would not normally have been accepted during a standard review process.

The “Industry Chain” model refers to our reliance on core industry chain enterprises to evaluate all participants of an industry chain and design customized and/or standardized financial services and products, offering integrated solutions to all enterprises within the industry chain. We typically target one core enterprise in the targeted industry chain, which is either an existing trusted client of our company or a verifiably reputable or creditworthy company, such as a state-owned enterprise. Surrounding this core enterprise, there are numbers of upstream and downstream SMEs. Through a comprehensive analysis of the information flow, capital flow and logistics among the industry chain’s participants from downstream to upstream, we pick qualified SMEs as clients.

The “Business Connection” model refers to our reliance on business “acquaintances” to crosscheck information to mitigate risks. For example, potential clients may be directly referred by lending banks with which we are already working closely. Typically, “acquaintance” banks are able to share additional information relating to those referred clients with us for risk assessment. Moreover, those SMEs referred by banks naturally value their relationship with the banks, and would like to maintain good standing during and after any transaction with us.

Business Process Risk Management

We have a standard business process for reviewing, processing and approving a guarantee or leasing application.

- **Application Acceptance:** We consider whether to accept a client’s application for a guarantee or lease based upon an initial assessment of the customer’s background and purpose of the request. Typically, potential SMEs clients falling into one of our “Trusted Business Circles” will have much larger probability of acceptance.
- **Due Diligence:** Typically, we review but do not fully rely on a client’s financial statements, which in China are sometimes of questionable accuracy.

We like to access first-hand information which cannot be influenced by the clients. We usually conduct due diligence on the following aspects:

- **Credit History:** although the credit history of SMEs is often limited, we will deny those clients who have any default history with a bank or other financial source;
- **On-Site Investigation:** We determine from direct sources a client’s utility usage, which can help verify their level of business activity (with quarterly monitoring of clients’ utility usage during the term of any transaction);
- **Public Information:** We review employee hiring history in the prior 6 months. Increase in SME hiring typically correlates directly with working capital requirements to expand production capacity. This information is easy to obtain from governmental sources;
- **Net Worth of Controlling Party:** We typically limit transaction value to an amount which is smaller than the net worth of any controlling party of the SME target;
- **Reputation of the Controlling Party:** Typically, there is less risk is less if the reputation of controlling party is good;
- **Lifestyle of Controlling Party:** Lifestyle of controlling party in the past 6 months is also important. Any changes could raise a concern; and
- **Counter-guarantee:** We assess the quality and quantity of the above security measures to determine the extent to which a counter-guarantee is required. Similar due diligence measures and standards are applied to any counter-guarantor.

Based upon the results of the due diligence review, our project manager prepares and submits a credit evaluation report for internal review and approval.

- **Signing, Closing and Auction Agreements:** After internal authorization procedures have been approved, we will proceed with signing and closing. At closing, we sign a pre-authorized auction agreement with any counter-guarantor and the client company pursuant to which, in the event of a default, pledged collateral and/or other specified assets can be sold at auction immediately, at our discretion.
- **Portfolio Management:** In cases where heightened risk is detected in the guarantee business, such as material changes to the customer’s business or difficulties in repaying the underlying financing, our risk management team steps in and participates in any loan modification and related discussions. If a customer defaults, we proceed with the collection process, through which we seek repayment of any defaulted payment which is covered under the guarantee.
- **Collection:** We have a standard collection procedure in our credit guarantee and financial leasing businesses. Our company initiates the collection process when it covers defaulted payments or a customer defaults on the leasing facility grantees. Our business team and risk management team negotiate the terms of a repayment plan with the defaulting customer and enter into a repayment agreement with such defaulting customer. If the defaulting customer fails to make full repayment according to the repayment plan or we are unable to reach an agreement with the defaulting customer regarding the repayment plan, we approach the third party counter-guarantors regarding the payment of the loan (including default payment receivables) or, upon approval from the Risk Management Department at the group level, may take necessary legal action, or directly put counter-guarantee assets in auction.

Operational Risk Management

Operational risk is the risk resulting from inadequate or failed internal controls and systems, human error or external events. We consider operational risk to be one of the major risks in the business sector and believes that this inherent risk can be controlled or mitigated through adequate and comprehensive operational policies and procedures. We have applied the following measures:

- Established a vertical risk management system to ensure the independence of its risk management;
- Continuously improve operational procedures and internal control systems, and utilizes IT systems to monitor and control the performance of each procedure. In particular, we have adopted and have strictly implemented measures to prevent and detect potential employee fraud, such as two-person investigation teams, segregation of business team and credit review team, multiple approval layers, onsite visits and inspection, and interviews conducted by our high-level managers with the owner or management of the borrowers;
- To seek proper damages and pursue legal proceedings, if necessary, if any misconduct by an employee is discovered; and
- Continuously provides ethical education to all employees.

Our SME Clients and Clients' Expansion Strategy

Clients

For the year ended June 30, 2019, there were 3 customers that accounted for 43%, 12% and 11% of the Jinshang Leasing's revenue. For year ended June 30, 2018, there were two customers that accounted for 15% and 14% of the Jinshang Leasing's revenue.

As of June 30, 2019, two customers accounted for 45% and 12%, respectively, of the minimum lease payments receivable of Jinshang Leasing. As of June 30, 2018, five customers accounted for 20%, 20%, 13%, 13% and 12%, respectively, of the minimum lease payments receivable of Jinshang Leasing.

Client Expansion Strategy

Our principal client expansion strategies are through referrals and existing clients.

Referrals inside our "Business Connection" network. We maintain good relationships with a wide array of business entities, including lending banks as well as past or existing SME clients. Some potential clients were referred by the lending banks which have existing cooperation relationships with us. From time to time, some of our potential clients approach us through past or existing clients. Referrals are not subject to any referral fees or rebate arrangements between us and our clients or lending banks.

Transaction partners inside the "Industry Chain" network. We identify well-qualified clients through past or existing clients as trusted members and core enterprises of each industry chain in our network. We approach the supplier companies of these core enterprises as potential clients. As an additional security component, we sometimes provide guarantees supported by supplier companies' accounts receivables where the obligor is a core enterprise customer. Through intervention by us with our existing trusted core enterprise, the supplier SME might receive faster turn-around on cash as working capital, thereby mitigating the risk to us. In addition to our existing trusted SME clients, we look to well-regarded state-owned enterprises or large private companies as potential core enterprise candidates.

Government Regulations

Foreign Investments

According to the Catalogue for the Guidance of Foreign Investment Industries (“Foreign Investment Catalogue”) promulgated by the Ministry of Commerce of the PRC (“MOFCOM”) and the National Development and Reform Commission (“NDRC”) on June 27, 2017 and effective as of July 28, 2017, investments by non-Chinese entities and individuals in financial guarantee and financial leasing business are permitted activities to be undertaken through foreign investments.

Financial Guarantee Businesses

According to Interim Measures for the Administration of Financing Guarantee Companies (“Interim Measures”) promulgated by the Chinese Banking Regulatory Commission, NDRC, the Ministry of Industry and Information Technology, the Ministry of Finance, MOFCOM, the People’s Bank of China and the State Administration for Industry and Commerce, effective March 8, 2010:

- The regulatory department shall stipulate the minimum registered capital of a financing guarantee company in accordance with the local condition, which shall not be less than RMB 5 million. The registered capital shall be paid-in monetary capital;
- The balance of the financing guarantee liabilities provided by a financing guarantee company for any single individual guaranteed party shall not exceed 10% of the net assets of the company, the balance of the financing guarantee liabilities provided for any single individual guaranteed party and the affiliated parties thereof shall not exceed 15% of the net assets of the company, and the balance of the guarantee liabilities provided for bond issuance by any single individual guaranteed party shall not exceed 30% of the net assets of the company;
- The balance of the financing guarantee liabilities of a financing guarantee company shall not be more than 10 times its net assets;
- A financing guarantee company shall make a provision for the unearned liability reserves in an amount equal to 50% of the income from guarantee fees of the year and make a provision for the guarantee indemnity reserves in an amount equal to no less than 1% of the year-end balance of the guarantee liabilities of the year. If the accumulative guarantee indemnity reserves reach 10% of the balance of the guarantee liabilities of the year, provision shall be made for the guarantee indemnity reserves on the basis of the difference; and
- Where a financing guarantee company violates any law, regulation or Interim Measures and if there are provisions on punishment in the relevant laws and regulations, it shall be punished in accordance with the provisions in Interim Measures. Otherwise, the regulatory department shall order it to make rectifications and may give it a warning or fine. If a crime is constituted, it shall be subject to criminal liabilities.

Financial Leasing Businesses

According to Measures for the Administration of Foreign-funded Lease Industry promulgated by the Ministry of Commerce, effective as of March 5, 2005 and repealed on February 22, 2018:

- The total foreign-invested assets of a foreign-funded lease company or foreign-funded financing lease company may not be less than \$5 million;
- A foreign-funded financing lease company must have a registered capital of not less than \$10 million;
- For the purposes of preventing risks and guaranteeing the business operation security, generally, the risk assets of a financing lease company shall not exceed 10 times of the total amount of the net assets of the company. Risk assets shall be determined on the basis of residue assets, namely, the result after deducting the cash, bank deposits, national debts and entrusted lease assets from the total assets of the company.

In 2019 the Ministry of Commerce announced that it would transfer the responsibility of supervising financial leasing companies to the CBRC, which will perform the relevant responsibilities from April 20. The new supervision system has not yet been announced, but it will certainly be stricter than the original one announced by the Ministry of Commerce effective on March 5, 2015.

Employment Matters

Laws and Regulations on Social Insurance

As required under Regulation of Insurance for Labor Injury which was amended on December 8, 2010 and effective January 1, 2011, Provisional Insurance Measures for Maternity of Employees which took effect on January 1, 1995, Regulation of Unemployment Insurance which was promulgated on and took effect on January 22, 1999, the Interim Regulations on the Collection and Payment of Social Insurance Premiums which was promulgated on and took effect on January 22, 1999 and the Interim Provisions on Registration of Social Insurance which was promulgated on and took effect on March 19, 1999, enterprises are required to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. An enterprise that fails to make social insurance contributions in accordance with the relevant regulations may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the enterprise fails to rectify the non-compliance by the stipulated deadline set out by the government authorities, it can be assessed a late fee by the relevant authority in the amount of 0.2% of the amount overdue per day from the original due date.

In addition, on October 28, 2010, National People's Congress Standing Committee promulgated the PRC Social Insurance Law, which became effective on July 1, 2011, to clarify the contents of the social insurance system in the PRC. According to the PRC Social Insurance Law, employees within the PRC must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. According to this law, employees who come from rural area shall participate in social insurance and foreigners working in the PRC may also participate in social insurance. An employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer still fails to rectify the failure to make social insurance contributions within such stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue.

Laws and Regulations on Housing Provident Fund

According to the Regulations on Management of Housing Provident Fund, which became effective on April 3, 1999 and was amended on March 24, 2002, enterprises in the PRC must undertake registration at the appropriate managing center of Housing Provident Fund and then, upon examination by such managing center of Housing Provident Fund, undergo the procedures of opening an account of Housing Provident Fund for their employees at a relevant bank. Enterprises are also obliged to pay and deposit required amounts with Housing Provident Fund in the full amount in a timely manner. An enterprise that fails to make Housing Provident Fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

Legal Proceedings

Except as described below, we are not and have not been involved in any legal proceedings which may have, or have had, a significant effect on our business, financial position and results of operations or liquidity, and we are not aware of any proceedings that are pending or threatened which may have a significant effect on our business, financial position, results of operations, or liquidity. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. We expect that these claims would be covered by insurance, subject to customary deductibles. Any such claims, even if lacking merit, could result in the expenditure of managerial resources and materially adversely affect its business, financial condition and results of operations.

The Company is involved in various legal actions arising in the ordinary course of its business. As of June 30, 2019, the Company was involved in 11 lawsuits in China, which the Company is a defendant in relation to its financing lease business (see below). The cases are in the process of being enforced.

On October 31, 2014, King & Wood Mallesons filed a complaint in Xicheng District People's Court of Beijing on behalf of its client for breach of contract against Jinshang Leasing, our subsidiary. On February 3, 2015, the court agreed with Jinshang Leasing that it did not have jurisdiction over the proceeding, and the case was transferred to the court in Beijing, Haidian. There has been no activity in the case since it was transferred to the Beijing Haidian court. We believe that resolution of this matter will not result in any payment that, in the aggregate, would be material to our financial position or results of operations.

As of June 30, 2018, the Company and certain of its executive officers have been named as defendants in one civil securities lawsuit filed in U.S. District Courts. On April 20, 2017, Michel Desta filed a securities class action complaint in the District Court for the Central District of California seeking monetary damages against us, JianmingHao, Renhui Mu, Peiling (Amy) He, and Junfeng Zhao (entitled *Desta v. Wins Finance Holdings, Inc., et al.*; C.D. Cal. Case No. 2:17-cv-02983) (hereafter, the "California Action"). On June 26, 2017, the Court issued an Order appointing lead plaintiffs and lead counsel, and on August 25, 2017 lead plaintiffs filed an Amended Class Action Complaint. The Amended Complaint (which did not name Peiling (Amy) He as a defendant), alleges a claim against us for securities fraud purportedly arising from alleged misrepresentations concerning Wins' principal executive offices (which alleged misrepresentations resulted in Wins being added to, and then removed from, the Russell 2000 index). On October 24, 2017, we moved to dismiss the Amended Complaint for failure to state a claim as against us.

On March 1, 2018, the District Court for the Central District of California issued an Order denying the Company's motion to dismiss. Thus, the civil action has proceeded to the fact gathering "discovery" stage in respect to the Company.

As a result of a private mediation conducted in November 2018, the Company agreed in principle to settle the class action, on behalf of all remaining defendants. The full terms of that settlement remain confidential (but include certain contingencies concerning shareholder participation in the settlement and required court approvals). The court granted preliminary approval of the settlement by order entered on March 4, 2019. Given that the Company has not yet received the necessary approvals from Chinese regulators as to the transfer of the settlement funds from China to the United States, the Court entered an Order dated August 11, 2020 setting a final settlement approval hearing for March 22, 2021.

On July 24, 2020, Samuel Kamau filed a shareholder class action complaint in the District Court for the Central District of California seeking unspecified monetary damages for alleged violations of the United States Securities Exchange Act of 1934 during the period from October 31, 2018 to July 6, 2020 against Wins Finance Holdings Inc., Renhui Mu, and Junfeng Zhao (entitled Kamau v. Wins Finance Holdings, Inc., et al.; C.D. Cal. Case No. 2:20-cv-06656). Plaintiff’s initial complaint alleges, among other things, that Defendants purportedly violated the securities laws by failing to disclose that the repayment of a RMB 580 million “loan” to Guohong Asset Management Co., Ltd. was “highly uncertain,” and that the resignation of the Company’s former independent auditor was “foreseeably likely” given the non-payment of the foregoing loan as well as alleged material weaknesses in the Company’s control over financial reporting.

The Amended Complaint does not specifically allege the damages purportedly suffered by the class, and we are not yet able to provide a reliable estimate of any such damage claim. We believe that the claims from this proceeding are without merit and basis, we are vigorously defending this proceeding.

C. Organizational Structure

The following is an organizational chart setting forth the ownership of our company’s subsidiaries as of the date of this Annual Report:

Our Current Corporate Structure



D. Property, Plants and Equipment

Our company office space at (a) 1177 Avenue of the Americas, 5th Floor New York, NY 10036, (b) 1F, Building 1B, No. 58. Jianguo Road, Chaoyang District, Beijing, 100024, the PRC, and (c) No. 229.Yutai Road, Yuci District, Jinzhong City, Shanxi Province, 030600, the PRC. We believe that its office space is sufficient for its current purposes.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our financial statements and related notes included in this Annual Report beginning on page F-1. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 3D “Key Information - Risk factors.” and elsewhere in this Annual Report.

Correction of Prior Financial Information

Subsequent to the filing of Form 20F for the financial year ended June 30, 2018, management identified the following accounting errors:

1. As the fact of de-consolidation of subsidiaries Jinchen Agriculture and Dongsheng Guarantee, management reclassified the assets and liabilities of Jinchen Agriculture and Dongsheng Guarantee to the disposal groups held for sale. The balance of total assets and liabilities of the disposal groups held for sale as at 30 June, 2018 is \$ 165,569,072 and \$ 5,238,071 respectively. Management also reclassified the businesses of Jinchen Agriculture and Dongsheng Guarantee in the consolidated statements of operations and comprehensive income and cash flows statement for the year ended 30 June 2018 into the discontinued operation.
2. Management re-evaluate the collectability of the minimum lease payment according to some risks were identified after the 30 June, 2018. The provision of allowance of minimum lease payment was understated with amount of \$ 406,441 for the year ended June 30, 2018 and the balance of the allowance of minimum lease receivable was overstated with amount of \$ 399,451.
3. There was a total of \$ 33,685 interest expense should be recorded in the year ended of 30 June, 2018. This error overstated the net profit before tax of \$ 33,685 and understated the interest payable of \$ 33,105 as at 30 June, 2018.
4. Income tax impact of the errors stated in 2 and 3 above totaled \$ 39,142 which understate the net profit for the year ended June 30, 2018 and understated the income tax payable with amount of \$ 61,394 as at June 30, 2018.
5. The Company understated deferred tax assets of \$ 99,862 as at June 30, 2018.
6. The Company understated the balance of minimum lease payment receivable and deposit from leases recorded in other payable with total amount of \$ 977,690.
7. The Company understated the interest income from financial leasing and overstated the income from agency business with amount of \$ 466 for the year ended June 30, 2018.

Overview

Wins Finance, a Cayman Island holding company with business operations in China, is a leading and integrated lending solution provider mainly serving small-and-medium sized enterprises (SMEs) in Jinzhong City, Shanxi Province and Beijing, China. We are currently providing two financial products and one supplementary service:

- Financial Guarantees: We act as a guarantor both to access and share credit risks and to facilitate financing arrangements between SMEs and banks; we will repay principal, interest and fees and expenses related to the guaranteed loan in the event that a customer default;
- Financial Leasing (or Capital Leasing): We provide direct equipment leasing or purchase-leaseback services to SMEs, to satisfy SMEs’ cash flow needs;
- Financing advisory: We structure suitable financing solutions for SME clients based upon their needs and qualifications, designed to help SMEs save on taxes, lower financing costs, and provide other benefits.

Our financial guarantee business was mainly conducted by Dongsheng Guarantee, which was incorporated on February 22, 2006 in Jinzhong City, Shanxi Province. It typically provides a one-year term of guarantee for customers’ loans and the guarantee scope typically covers the principal amount and interest. However, on June 9, 2020, the Changzhi Public Security Bureau enforced a judgement against Jinchen Agriculture and its subsidiary Dongsheng Guarantee, and all the information and assets of those companies was frozen and can’t be obtained. Because of this, Jinchen Agriculture and Dongsheng Guarantee are no longer under our control and their operations have been seriously and adversely affected. We have not consolidated the financial results of Jinchen and Dongsheng with our results for 2019 due to our lack of control of these entities. The authorities have not explained to the us the reasons for the asset freeze and do not know when, or if, the freeze will be lifted.

Credit risks, including customer defaults from the guarantee business and impairment losses on the investment in financial leases, are inherent in our business. Our risk control system, based upon our “Trusted Business Circle” of core enterprises, has proved practical and efficient given the limitations in the current credit system in China. During these periods there were several financial leasing contracts outstanding. The impaired losses of our lease receivables were \$81.6million and \$3.5million for the years ended June 30, 2019 and 2018, respectively.

Our net revenue (excluding financial guarantee business), which consists primarily of direct financing lease interest income, financial advisory and lease agency income, was \$(74.5) million for the year ended June 30, 2019, representing a decrease of \$76.7million or 3,435%, from \$2.2million for the year ended June 30, 2018. We note that the impairment allowance for the investment in financial leases that have affected our operating results are non-cash items and represent Management’s assessment of the default risk of itsfinance leasing customers. Interest on investment securities was \$0.1million for the year ended June 30, 2019, representing a decrease of \$3.8million or 97.3% from \$ 3.9million for the year ended June 30, 2018. Net loss from continuing operation was \$(58.2) million for the year ended June 30, 2019, representing a decrease of \$59.4million, or 4,950%, from net profit from continuing operation\$1.2million for the year ended June 30, 2018.

On June 9, 2020, the Changzhi Public Security Bureau (the “Bureau”) enforced a judgement against Jinchen Agriculture and Dongsheng Guarantee, the Company’s wholly owned subsidiaries. Pursuant to this action, the Bureau froze the assets of Jinchen Agriculture and Dongsheng Guarantee. Our appointed legal counsel was unable to determine the cause of the freeze as the authorities have not provided such information, but it has advised us that the Company no longer has control of the assets or operations of Jinchen Agriculture and Dongsheng Guarantee. Therefore, until the freeze is lifted (and we have not been provided any guidance about when the freeze would be lifted), we will not be able to consolidate Jinchen Agriculture and Dongsheng Guarantee into our financial statements. The operations will be discontinued, so the net income from Jinchen Agriculture and Dongsheng Guarantee will be reported as Income from discontinued operations, \$8.4 million and \$8.9 million for the year ended June 30, 2019 and 2018, respectively.

Key Factors that Affect Operating Results

Our operating subsidiaries are incorporated, and our operations and assets are primarily located, in the PRC. Accordingly, our results of operations, financial condition and prospects are affected by China's economic and regulation conditions in the following factors: (a) an economic downturn in China or any regional market in China; (b) economic policies and initiatives undertaken by the PRC government; (c) changes in the PRC or regional business or regulatory environment affecting the SME and microenterprise sector; (d) changes to prevailing market interest rates; (e) a higher rate of bankruptcy; (f) the deterioration of the creditworthiness of SMEs and microenterprises in general; and (g) the change of currency exchange rate of RMB to USD. Unfavorable changes could affect demand for the services that we provide and could materially and adversely affect the results of operations. Although we have generally benefited from China's economic growth and the policies to encourage lending to SMEs, we are also affected by the complexity, uncertainties and changes in the PRC economic conditions and regulations governing the non-banking financial industry.

Our results of operations are also affected by the impairment allowance for the investment in financial leases which are a non-cash item and represent an assessment of the risk of future impairment losses. The amount of provisions or allowances has been recorded based on management's assessment. We may increase or decrease the allowance for impairment losses for investment in financial leases based on any such change of economic conditions and the change of management's assessment. Any change in the loan losses would have an effect on our financial condition and results of operations.

We hold a significant amount of investment securities in assets management products issued by banks and financial institutions, including government bonds, corporate bonds and central bank notes. The interest income on these assets highly depends on market interest rate in the market of investment products especially government bonds and corporate bonds, and the management ability of the asset management companies. Any changes on the market conditions will affect our interest income from those investments and then the financial results.

Results of Operations

Year Ended June 30, 2019 Compared to Year Ended June 30, 2018

	For the years ended June 30,		Changes	
	2019	2018	\$	%
Direct financing lease income		Restated		
Direct financing lease interest income	\$ 7,595,992	\$ 5,697,957	\$ 1,898,035	\$ 33.31%
Interest expense for direct financing lease	(411,066)	(1,546,304)	1,135,238	(73.42%)
Business collaboration fee and commission expenses for leasing projects	(68,342)	(99,320)	30,978	(31.19%)
Provision for lease payment receivable	(81,585,960)	(3,514,961)	(78,070,999)	2,221.11%
Net direct financing lease interest income after provision for receivables	(74,469,376)	537,372	(75,006,748)	(13,958.07%)
Financial advisory and lease agency income	-	1,695,303	(1,695,303)	(100.00%)
Net revenue	(74,469,376)	2,232,675	(76,702,051)	(3,435.43%)
Non-interest income				
Interest on investment securities-held to maturity	105,878	3,942,719	(3,836,841)	(97.31%)
Total non-interest income	105,878	3,942,719	(3,836,841)	(97.31%)
Non-interest expense				
Business taxes and surcharge	(15,827)	(9,911)	(5,916)	59.69%
Salaries and employees charges	(542,628)	(540,312)	(2,316)	0.43%
Rental expenses	(102,859)	(175,549)	72,690	(41.41%)
Other operating expenses	(2,062,802)	(4,554,030)	2,491,228	(54.70%)
Total non-interest expense	(2,724,116)	(5,279,802)	2,555,686	(48.40%)
Income before taxes	(77,087,614)	895,592	(77,983,206)	(8,707.45%)
Income tax credit	18,900,720	322,038	18,578,682	(5,769.10%)
NET (LOSSES)/INCOME	(58,186,894)	1,217,630	(59,404,524)	(4,878.70%)
Income from discontinued operation	8,377,166	8,881,255	(504,089)	5.68%
Total Net (Losses) /Income	\$ (49,809,728)	\$ 10,098,885	\$ (59,908,613)	\$ 593.22%

Net Revenue

Our net revenue consists of commissions and fees on our direct financing lease interest income and financial advisory and lease agency income. Net revenue decreased by \$76.7 million, or 3,435.4% to \$(74.5) million for the year ended June 30, 2019, compared to \$2.2 million for the year ended June 30, 2018. The decrease was primarily attributable to the decrease of \$75.0million in net direct financing lease interest income and \$1.7 million in financial advisory and lease agency income. The decrease is mainly due to the worsening of China's economy and strict macro-control of the Chinese government over financial policy, which leads to fewer financing opportunities for our main customers.

Net commissions and fees on financial guarantee services, net direct financing lease interest income, and financial advisory and lease agency income, for the year ended June 30, 2019 were nil, \$(74.8) million and nil, respectively.

	For the years ended June 30,				Changes	
	2019		2018(Restated)		\$	%
	USD	Percentage of Revenue	USD	Percentage of Revenue		
Net direct financing lease interest income	\$ (74,469,376)	100.0%	\$ 537,372	24.0%	\$ (75,006,748)	(13,958.1)%
Financial advisory and agency income	-	-	1,695,303	76.0%	(1,695,303)	(100.0)%
Total	\$ (74,469,376)	100.0%	\$ 2,232,675	100.0%	\$ (76,702,051)	(3,435.4)%

Direct financing lease income

Direct financing lease interest income

Direct financing lease interest income increased by \$1.9 million, or 33.3%, to \$7.6 million for the year ended June 30, 2019, compared to \$5.7 million for the year ended June 30, 2018. The increase was primarily attributable to new contracts signed which aggregated \$67.1 million.

Interest expense for capital lease

Interest expense for capital leases represents the interest incurred on the long-term loans from banks and other financial institutions for financial support for capital leases. Interest expense for capital leases decreased by \$1.1million, or 73.4%, to \$0.4 million for the year ended June 30, 2019, compared to \$1.5 million for the year ended June 30, 2018. The decrease was primarily attributable to the decrease in the average balance of outstanding loans from banks and other financial institutions.

Business collaboration fee and commission expenses for leasing projects

We pay fees and commissions on collaboration for leasing projects for services rendered during the transaction process. Such fee and commissions decreased by 31.2% for the year ended June 30, 2019, compared to the year ended June 30, 2018.

Provision for lease payment receivable

We accrue allowances for the impairment on our investment in direct financing leases based on historical experience and an estimate of collectability of the lease receivables. Provision for lease payment receivable increased by \$78.1million, to \$81.6million, for the year ended June 30, 2019, from \$3.5million for the year ended June 30, 2018. The increase was primarily attributable to adjustment of China's economic policy (strengthening financial risk controls and deleveraging), which has significantly impacted the financing capacity of SMEs and the economic recession in China, which led to the shortage of working capital and the increase in default risk of our SME customers. Jinshang Leasing made a specific allowance of \$85.0million and \$3.5million for the year ended June 30, 2019 and 2018, respectively, for customers individually evaluated for impairment. Jinshang Leasing also made a general allowance of \$0.2 million and \$0.8million for the years ended June 30, 2019 and 2018, respectively, for customers collectively evaluated for impairment. On grounds of prudence, if the client default, we will make allowance for all uncollected principal and interests (including the amount due and not due) as provision.

Net direct financing lease interest income after provision for receivables

Net direct financing lease interest income after provision for receivables decreased by \$75.0 million, or 13,958.07%, to \$(74.5) million for the year ended June 30, 2019, compared to \$0.5 million for the year ended June 30, 2018.

Financial advisory and agency income

Financial advisory and lease agency income decreased by \$1.7 million to nil for year ended June 30, 2019, from \$1.7 million for the year ended in June 30, 2018.

Non-interest income

Interest on investment securities

Interest on investment securities decreased by \$3.8million to \$0.1 million for the year ended June 30, 2019, compared to \$3.9million for the year ended June 30, 2018. The decrease was primarily attributable to the decrease of average balance of investment securities.

Non-interest expenses

Non-interest expenses mainly consisted of business tax and surcharges, salary and benefits for employees, office rental expenses, traveling costs, depreciation of equipment, lawyer's fees, professional fees, consultation fees and office supplies. Non-interest expenses decreased by \$2.6million, or 48.4%, to \$2.7million for the year ended June 30, 2019, compared to \$5.3million for the year ended June 30, 2018. The decrease was primarily caused by a decrease in legal and professional fees from \$2.3 million in the year ended June 30, 2018 to \$0.4million in the year ended June 30, 2019.

Non-interest expenses - Other operating expenses

	For the years ended June 30,	
	2019	2018
		Restated
Legal and professional fees	\$ 483,336	\$ 2,371,324
Audit fees	240,665	384,646
Impairment on investment securities	-	1,272,723
Depreciation	13,820	113,424
Settlement fee for class action	1,260,000	-
Others	64,981	411,913
Total	<u>\$ 2,062,802</u>	<u>\$ 4,554,030</u>

The decrease in other operating expenses was mainly caused by: (i) a decrease in legal and professional fees amounting \$0.5 million and \$2.5 million in the years ended June 30, 2019 and 2018, respectively, with the decrease in 2019 due in part to a decline in legal fees incurred in connection with a Class Action litigation; (ii) an impairment loss of \$1.3 million in the year ended June 30, 2019 on a promissory note (included in investment securities), plus accrued interest, which we purchased from a third party in January 2016 with a principal amount of \$1.0 million, originally bearing interest at 12% per annum and due in January 2017. No such amount was recorded in the year ended June 30, 2018.

Income taxes

The income tax rate of our PRC subsidiaries is 25% pursuant to the Enterprise Income Tax ("EIT") Law. According to the Tax Regulation Caishui [2012] No. 25 issued by the Ministry of Finance of the People's Republic of China, credit guarantee institutions for SMEs are subject to a pre-tax deduction for the provision of default losses equal to 1% of the outstanding guarantee balance, and 50% of guarantee income in current year should be deferred and taxable in the next year. According to Tax Regulation Caishui [2008] No.1, the income from investment in assets management products is subject to a tax-exemption.

Income tax credit increased by \$18.6 million to a tax credit of \$18.9million, for the year ended June 30, 2019, compared to a tax credit of \$0.3million for the year ended June 30, 2018. The increase was primarily attributable to the sharply increase of provision for lease payment receivable. For the years ended June 30, 2019 and 2018, losses before taxes excluding the interest on investment securities and offshore expenses was \$78.5 million and \$1.8million, respectively.

Net income from continuing operation

As a result of the above, net income from continuing operations decreased by \$59.4 million, or 4,878.7%, to \$(58.2) million for the year ended June 30, 2019, compared to \$1.2 million for the year June 30, 2018.

Income from discontinued operation

On June 9, 2020, the Changzhi Public Security Bureau (the “Bureau”) enforced a judgement against Jinchen Agriculture. Pursuant to this action, the Bureau froze the assets of Jinchen Agriculture and its subsidiary Dongsheng Guarantee. Our appointed legal counsel was unable to determine the cause of the freeze as the authorities have not provided us with any information. The legal counsel has advised us that we no longer have control of the assets or operations of Jinchen Agriculture. Therefore, until the freeze is lifted (and we have not been provided any guidance about when the freeze will be lifted), we will not be able to consolidate Jinchen Agriculture into our financial statements, so we are accounting for the frozen assets and liabilities as discontinued operation. For the year ended June 30, 2019 and 2018, income from discontinued operation was \$8.4 million and \$8.9 million. We have plans to dispose Jinchen Agriculture and Dongsheng Guarantee once we are able to do so when the freeze by the Bureau is lifted.

Critical Accounting Policies and Estimates

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. On an ongoing basis, management reviews these estimates using information then currently available. Changes in facts and circumstances may cause Wins Finance to revise its estimates. Material estimates that are particularly susceptible to significant change in the near-term include the determination of the allowances for doubtful accounts receivable and for guarantee losses.

Significant accounting estimates reflected in the financial statements include, but are not limited to: (i) the allowance for doubtful receivables; (ii) estimates of losses on unexpired contracts and financial guarantee service contracts; (iii) accrual of estimated liabilities; (iv) useful lives of long-lived assets; (v) impairment of long-lived assets; (vi) valuation allowance for deferred tax assets; (vii) contingencies; and (viii) share-based compensation.

Operating segments

ASC 280, Segment Reporting, requires companies to report financial and descriptive information about their reportable operating segments, including segment profit or loss, certain specific revenue and expense items, and segment assets. All of the Company’s activities are interrelated, and each activity is dependent and assessed based on how each of the activities of the Company supports the others.

The Company’s chief operating decision-maker (“CODM”) has been identified as the Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for both the financing lease business and the guarantee business. The Company’s net revenues are all generated from customers in the PRC. Hence, The Company operates and manages its business within one reportable segment, which is to provide financial services in the PRC domestic market.

For the year ended June 30, 2019, there were 3 customers that accounted for 43%, 12% and 11% of the Jinshang Leasing’s revenue, respectively. For the year ended June 30, 2018, there were two customers that accounted for 15% and 14% of the Jinshang Leasing’s revenue, respectively.

As of June 30, 2019, two customers accounted for 45% and 12%, respectively, of the minimum lease payments receivable of Jinshang Leasing. As of June 30, 2018, five customers accounted for 20%, 20%, 13%, 13% and 12%, respectively, of the minimum lease payments receivable of Jinshang Leasing.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and all highly liquid investments with original maturities of three months or less that are unrestricted as to withdrawal and use.

Restricted Cash

Restricted cash represents cash pledged to banks by Wins Finance's subsidiary Jinshang Leasing. The banks providing loans to the Company and to pledge a cash deposit of 10% of the loan amount to a time deposit account that is restricted from use. The deposit is released after the bank loan is paid off.

Investments securities – held to maturity

Investments in non-marketable asset management products issued by banks and financial institutions (the issuers) with original maturities of one year or three or five years are classified as investment securities – held to maturity ("HTM"). The Company's asset management products are managed by banks and financial institutions and invested in fixed-income financial products that are permitted by the China Securities Regulatory Commission ("CSRC"), such as government bonds, corporate bonds and central bank notes. The investment portfolios of these products are not disclosed to the Company by the banks or financial institutions.

HTM securities are those securities in which the Company has the ability and intent to hold the security until maturity. HTM securities are recorded at amortized cost. Premiums and discounts on HTM securities are amortized or accreted over the life of the related HTM security as an adjustment to yield using the effective-interest method. There were no such premiums or discounts on HTM securities for any of the reporting periods presented herein.

A decline in the market value of any HTM securities below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. To determine whether an impairment is other-than-temporary, the Company considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts when developing an estimate of cash flows expected to be collected. The Company regularly evaluates the potential for impairment of the HTM securities, in particular when conditions indicate a potential for impairment, but not less than annually. There was no impairment noted for any of the reporting periods presented herein.

Interest income from HTM securities is recognized when the Company's right to receive payment is established. Accrued but unpaid interest income is recorded as interest receivable in the accompanying consolidated balance sheets.

Net investment in direct financing lease

Lease contracts that Jinshang Leasing enters with financing lease customers transfer substantially all the rewards and risks of ownership of the leased assets, other than legal title, to the customers. These financing lease contracts are accounted for as direct financing leases in accordance with ASC 840-10-25 and ASC 840-40-25. At the inception of a transaction, the cost of the leased property is capitalized at the present value of the minimum lease payment receivables and the unguaranteed residual value of the property at the end of the lease. The difference between the sum of (i) the minimum lease payment receivables and the unguaranteed residual value and (ii) the cost of the leased property is recognized as unearned income. Unearned income is recognized over the period of the lease using the effective interest rate method.

Net investment in direct financing leases is recorded at net realizable value consisting of minimum lease payments to be received less allowance for uncollectible, as needed, and less the unearned income. The allowance for lease payment receivable losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on Jinshang Leasing's loss history, known and inherent risks in the transactions, adverse situations that may affect the lessee's ability to repay, the estimated value of any underlying asset, current economic conditions and other relevant factors. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revision as more information becomes available. While management uses the best information available upon which to base estimates, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used for the purposes of analysis.

Jinshang Leasing provides "Specific Allowance" for the lease payment receivable of lease transactions if any specific collectability risk is identified, and a "General Allowance", based on total minimum lease payment receivable balance of those transactions with no specific risk identified, to be used to cover unidentified probable loss. Jinshang Leasing performs periodic and systematic detailed reviews to identify credit risks and to assess the overall collectability, and may adjust its estimates on allowance when new circumstances arise.

Revenue recognition

The Company adopted ASC 606, Revenue from Contracts with Customers ("ASC 606") on January 1, 2018, using the modified retrospective approach. ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

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

Direct financing lease interest income

Direct financing lease interest income is recognized on an accrual basis using the effective interest method over the term of the lease by applying the rate that discounts the estimated future minimum lease payment receivables through the period of the lease to the amount of the net investment in the direct financing lease at inception.

The accrual of financing lease interest income is discontinued when a customer becomes 90 days or more past due on its lease or interest payments to Jinshang Leasing, unless Jinshang Leasing believes the interest is otherwise recoverable. Leases may be placed on non-accrual earlier if Jinshang Leasing has significant doubt about the ability of the customer to meet its lease obligations, as evidenced by consistent delinquency, deterioration in the customer's financial condition or other relevant factors. Payments received while the lease is on non-accrual are applied to reduce the amount of the recorded value. Jinshang Leasing resumes accruing the interest income when Jinshang Leasing determines that the interest has again become recoverable, as, for example, if the customer resumes payment of the previous interest, and shows material improvement in its operating performance, financial position, and similar indicators.

Financial advisory and agency income

Jinshang Leasing provide financing solutions to customers and receive advisory fees as compensation. The Company earns advisory fee income from a range of services it provides to its customers at a point in time. Revenue for those services is recognized when the transactions are completed.

As a licensed finance lease Company, Jinshang Leasing acts as agent in finance lease transactions between other finance lessors and lessees, or between banks and lessees. Jinshang Leasing neither receives the benefit of receiving the lease payments nor assumes the repayment obligations in these transactions. The lease agency income and advisory fees received in these transactions are recognized as income on a net basis during the service period as the related service obligations are completed.

Jinshang Leasing acts as a financing agency between other financial leasing companies that need capital and financial institutions that are willing to provide capital. Other financial leasing companies factor to Jinshang Leasing their right to collect capital lease receivables in order to obtain capital from Jinshang Leasing, and Jinshang Leasing factors to other financial institutions its right to collect debts from these financial leasing companies in order to finance entirely the capital that Jinshang Leasing provides to other financial leasing companies. All of these factoring transactions are structured with recourse rights to the assignor of the receivable. Specifically, the financial institutions bear the credit risk should the financial leasing companies fail to repay capital lease receivables. Financial agency income that Jinshang Leasing earns from factoring transactions is accrued monthly as net interest income and payments that Jinshang Leasing makes on factoring loans from financial institutions are accrued monthly as interest cost, in each case in accordance with the terms of the factoring loan contracts. Jinshang Leasing recorded net interest income of nil in each of the years ended June 30, 2019 and 2018 on these financing agency transactions.

Contract Balances

For the year ended June 30, 2019 and 2018, the Company did not have any significant incremental costs of obtaining contracts with customers incurred and/or costs incurred in fulfilling contracts with customers within the scope of ASC Topic 606, that shall be recognized as an asset and amortized to expenses in a pattern that matches the timing of the revenue recognition of the related contract.

As of June 30, 2019 and 2018, the Company does not have any contract assets (unbilled receivables) since revenue is recognized when the performance obligation is fulfilled and the payment from customers is not contingent on a future event.

Advances received from customers related to unsatisfied performance obligations are recorded as contract liabilities (unearned income), which will be recognized as revenues upon the satisfaction of performance obligations through the transfer of related promised services to customers.

Allocation to Remaining Performance Obligations

The Company has elected to apply the practical expedient in paragraph ASC Topic 606-10-50-14 and did not disclose the information related to transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as of June 30, 2019 and 2018, because either the performance obligation of the Company's contracts with customers has an original expected duration of one year or less or the Company has a right to consideration from a borrower or a customer in an amount that corresponds directly with the value to the borrower or the customer of the Company's performance completed to date, therefore the Company may recognize revenue in the amount to which the Company has a right to invoice or collect.

Property and equipment

Plant and equipment are recorded at cost less accumulated depreciation and impairment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, with 3% salvage value. The average estimated useful lives of property and equipment are discussed in Note 8 in the financial statements.

The Company eliminates the cost and related accumulated depreciation of assets sold or otherwise retired from the corresponding accounts and includes any gain or loss in the statements of income. The Company charges maintenance, repairs and minor renewals directly to expenses as incurred; major additions and improvements of equipment are capitalized.

Impairment of long-lived assets

The Company applies the provisions of ASC No. 360 Sub topic 10, "Impairment or Disposal of Long-Lived Assets" (ASC 360-10) issued by the Financial Accounting Standards Board ("FASB"). ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value.

The Company tests long-lived assets, including property and equipment and finite-lived intangible assets, for impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the net carrying amount of the assets is greater than their fair value. Assets are grouped and evaluated at the lowest level for their identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the future estimated cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, the Company measures the amount of impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate the Company utilizes to evaluate potential investments. The Company estimates fair value based on the information available in making whatever estimates, judgments and projections are considered necessary. There were no impairment losses on long-lived assets in the years ended June 30, 2019 and 2018.

Non-marketable equity investments

On August 28, 2018, a subsidiary of the Company entered into an agreement to acquire a 30% equity interest in HuiYue Finance Leasing (Ningbo) Co., Ltd. ("HuiYue"). HuiYue will be a joint venture between the Company, Mercury International Financial Leasing (Tianjin) Co., Ltd. (formerly translated as Chenxing International (Tianjin) Financial Leasing Co., Ltd) and ZhongtouJinchuang (China) Financial Holding Group Co., Limited (formerly translated as Sino Investment Jinchuang Financial Holding Co., Ltd). The Company was originally required to pay RMB 300 million (\$43.7 million) for its 30% interest in HuiYue.

On October 26, 2018, the parties to the agreement entered into an amendment providing that the Company would acquire only a 15% equity interest in HuiYue (instead of the originally contemplated 30%) for RMB150 million (\$21.8 million). Pursuant to the agreement, the Company was required to pay the capital within thirty years, from the date of change of HuiYue's company registration. The first payment of RMB 20 million (\$2.9 million) was made on October 30, 2018. HuiYue will focus on the financial leasing of equipment relating to port logistics, construction machinery, energy conservation and medicine in Ningbo, China. The Company believes that participating in this investment has the opportunity to boost the Company's growth in the leasing sector by leveraging the local financial, governmental and client resources of the Company.

The Company elected to record its equity investments in this privately held company using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer, since the Company does not have significant influence over HuiYue and its investment in HuiYue is without readily determinable fair value. There was no observable price change for the year ended June 30, 2019.

Equity investments in HuiYue accounted for using the measurement alternative are subject to periodic impairment reviews. The Company's impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of these equity securities.

All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in non-interest income (expenses). Dividend income is recognized when the right to receive the payment is established.

Fair value measurements

ASC Topic 825, Financial Instruments ("Topic 825") requires disclosure of fair value information for financial instruments, whether or not recognized in the balance sheets, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Topic 825 excludes certain financial instruments and all non-financial assets and liabilities from its disclosure requirements. Accordingly, the aggregate fair value amounts do not represent the underlying value of the Company.

Level 1 - inputs are based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs are based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

As of June 30, 2019 and 2018, financial instruments of the Company primarily consisted of cash, restricted cash, accounts receivables, other receivables, and bank and other loans which were carried at cost or amortized cost on the consolidated balance sheets, and carrying amounts approximated their fair values because of their generally short maturities or the rate of interest of these instruments approximate the market rate of interest.

Foreign currency translation

The Company's functional and reporting currency is the United States Dollar ("US dollars" or "USD"). The functional currency of the Company's subsidiaries in the PRC is the Chinese Yuan, or Renminbi ("RMB").

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statements of operations.

For financial reporting purposes, the financial statements of the Company's subsidiaries are prepared using RMB and translated into the Company's functional currency at the exchange rates quoted by www.oanda.com. Assets and liabilities are translated using the exchange rate in effect at each balance sheet date. Revenue and expenses are translated using average rates prevailing during each reporting period, and stockholders' equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive income in stockholders' equity.

	June 30, 2019	June 30, 2018
Balance sheet items, except for equity accounts	6.8680	6.6191
	For the years ended June 30	
	2019	2018
Items in the statements of income and comprehensive income, and statements of cash flows	6.8221	6.5052

Interest expense

Interest expense arising from the loans providing funds for financial leasing contracts is classified as cost of revenue in the consolidated statements of income.

Non-interest expenses

Non-interest expenses primarily consist of salary and benefits for employees, travel cost, entertainment expense, depreciation of equipment, office rental expense, professional service fees, office supplies, and similar items.

Income taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740, "Income Taxes." ASC 740 requires a Company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of, the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment of the changes.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

Operating leases

The Company leases its office premises under lease agreements that qualify as operating leases. The Company adopted ASU No. 2016-02 and related standards (collectively ASC 842, Leases), which replaced previous lease accounting guidance, on January 1, 2019 using the modified retrospective method of adoption. The Company elected the transition method expedient which allows entities to initially apply the requirements by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. As a result of electing this transition method, prior periods have not been restated.

Disposal groups (or non-current assets) held-for-sale and discontinued operations

Disposal groups (or non-current assets) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal groups or the non-current assets (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the significant accounting policies set out elsewhere in Note 20.

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represent a separate major line of business or geographic area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

Commitments and contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among other things, government investigations and tax matters. In accordance with ASC No. 450 Sub topic 20, "Loss Contingencies", the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Liquidity and Capital Resources

We have funded working capital and other capital requirements primarily by equity contribution from shareholders, cash flow from operations, and bank and other loans. Cash is required to maintain security deposits at banks, to issue capital leases to customers, to repay debts, to make default payments, salaries, office rental expenses, income taxes and other operating expenses.

Our management believes that current levels of cash and cash flows from operations will be sufficient to meet our anticipated cash needs for at least the next 12 months. However, we may need additional cash resources in the future if we experience changed business conditions or other developments, and may also need additional cash resources in the future if we wish to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. If it is determined that the cash requirements exceed the amount of cash and cash equivalents on hand, we may seek to issue debt or equity securities or obtain a credit facility.

The following summarizes the key components of our cash flows from continuing operations for the years ended June 30, 2019 and 2018:

	For the years ended	
	June 30,	
	2019	2018
		Restated
Net cash (used in) provided by operating activities	\$ (37,713,446)	\$ 6,687,904
Net cash provided by investing activities	48,386,950	25,669,861
Net cash used in financing activities	(17,200,372)	(20,578,208)
Effect of exchange rate change on cash, cash equivalents and restricted cash	(6,536,360)	(1,351,788)
Net (decrease) increase in cash and cash equivalents and restricted cash	<u>\$ (13,063,228)</u>	<u>\$ 10,427,769</u>

Net cash used in operating activities was approximately \$37.7 million for the year ended June 30, 2019, while net cash provided by operating activities was approximately \$6.7 million for the year ended June 30, 2018. The net cash used in operating activities for the year ended June 30, 2019 mainly consisted of \$41.7 million of cash used in minimum lease payment receivable. The net cash provided by operating activities for the year ended June 30, 2018 mainly consisted of \$10.1 million of cash provided by the net income of current year (excluding non-cash provision for guarantees, and lease payment receivables and impairment loss on investment securities totaled \$4.8 million), offset by \$12.0 million of cash used in interest receivable.

Net cash provided by investing activities was approximately \$48.4 million for the year ended June 30, 2019, while net cash provided by investing activities was approximately \$25.7 million for the year ended June 30, 2018. Net cash provided by investing activities for the year ended June 30, 2019 mainly consisted of \$46.9 million of proceeds from maturities of investment securities and \$4.4 million of withdrawal of pledged bank deposits offset by \$2.9 million of deposits paid to banks for financial leasing services. Net cash provided by investing activities for the year ended June 30, 2018 mainly consisted of \$36.4 million of proceeds from maturities of investment securities, offset by \$10.8 million of purchases of investment securities.

Net cash used in financing activities was approximately \$17.2 million for the year ended June 30, 2019, while net cash used in financing activities was approximately \$20.6 million for the year ended June 30, 2018. Net cash used in financing activities for the year ended June 30, 2019 and 2018 consisted of \$17.2 million and \$20.6 million to repay long term loans respectively.

Commitments and Contractual Obligations

The following table presents our material contractual obligations as of June 30, 2019 and 2018:

Contractual Obligations	Total as at June 30, 2019	Less than 1 year	1 – 3 years	3 – 5 years	5+ years
Bank loans for capital lease business—principal amount	\$ 338,763	338,763	-	\$ -	\$ -
Other loans for capital lease business— principal amount	377,393	377,393	-	-	-
Due to a related party	464,000	464,000	-	-	-
Operating lease obligations	194,089	194,089	-	-	-
	<u>\$ 1,374,245</u>	<u>1,374,245</u>		<u>\$ -</u>	<u>\$ -</u>

Contractual Obligations	Total as at June 30, 2018 (Restated)	Less than 1 year	1 – 3 years	3 – 5 years	5+ years
Bank loans for capital lease business—principal amount	\$ 13,696,574	13,345,068	351,506	\$ -	\$ -
Other loans for capital lease business— principal amount	4,774,510	4,382,920	391,590	-	-
Due to a related party	464,000	464,000	-	-	-
	<u>\$ 18,935,084</u>	<u>18,191,988</u>	<u>743,096</u>	<u>\$ -</u>	<u>\$ -</u>

Off-balance Sheet Arrangements

During the year ended June 30, 2018, Jinshang Leasing and a third party jointly entered into certain finance lease contracts with a customer with total contract amount of \$70.1 million (RMB464 million). Jinshang Leasing provides financing to the customer of \$6.4 million (RMB44 million)(included in Note 6- net investment in direct financing leases) and the third party provides the remaining financing of \$61.2 million (RMB420 million), for a period up to August 2020. Jinshang Leasing also acts as a guarantor and is obligated to pay the third party if the customer fails to pay the obligations when they become due. As of June 30, 2019, the maximum guarantee issued by Jinshang Leasing was \$67.3 million (RMB462 million).

Disposal groups (or non-current assets) held-for-sale and discontinued operations

Disposal groups (or non-current assets) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal groups or the non-current assets (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the significant accounting policies set out elsewhere in Note 20.

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represent a separate major line of business or geographic area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

Impact of Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance supersedes current guidance on revenue recognition in Topic 605, *Revenue Recognition*. In addition, there are disclosure requirements related to the nature, amount, timing, and uncertainty of revenue recognition. On July 1, 2018, we adopted ASC 606, applying the modified retrospective method to contracts that were not completed as of July 1, 2018. The adoption did not have a material impact on retained earnings as of July 1, 2018. Results for reporting periods beginning on or after July 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605. Additional disclosures have been made. Please see the Notes to Consolidated Financial Statements for details.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments- Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The main provisions require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value through earnings, unless they qualify for a measurement alternative. The new guidance will require modified retrospective application to all of our outstanding instruments beginning July 1, 2018, with a cumulative effect adjustment recorded to opening retained earnings as of the beginning of the first period in which the guidance becomes effective. However, changes to the accounting for equity securities without a readily determinable fair value will be applied prospectively. Additional disclosures have been made. Please see the Notes to Consolidated Financial Statements for details.

In November 2016, the FASB issued ASU No. 2016-18, *Statements of Cash Flows (Topic 230): Restricted Cash*. This guidance requires that a statement of cash flows explain the changes during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The standard should be applied to each period presented using a retrospective transition method. The adoption of this standard resulted in our restricted cash being included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

Other accounting standards adopted beginning July 1, 2018 do not have a significant impact on the Company's consolidated financial statements.

Impact of Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)* for recognition of credit losses on financial instruments, which is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (i.e., January 1, 2020, for calendar year entities), with early adoption permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The guidance introduces a new credit reserving model known as the Current Expected Credit Loss (CECL) model, which is based on expected losses, and differs significantly from the incurred loss approach used today. The CECL model requires measurement of expected credit losses not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information and will likely result in earlier recognition of credit reserves. We do not intend to adopt the new standard early and are currently evaluating the impact the new guidance will have on our financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted. We are evaluating this ASU and have not yet determined the effect of this standard on its ongoing financial reporting.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which is part of the FASB disclosure framework project to improve the effectiveness of disclosures in the notes to the financial statements. The amendments in the new guidance remove, modify and add certain disclosure requirements related to fair value measurements covered in Topic 820, *Fair Value Measurement*. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for either the entire standard or only the requirements that modify or eliminate the disclosure requirements, with certain requirements applied prospectively, and all other requirements applied retrospectively to all periods presented. We are currently evaluating the impact of adopting this guidance.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which modifies the guidance related to indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interest. ASU 2018-17 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and early adoption is permitted. We are currently evaluating the impact of adopting this guidance.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and senior management

The following table sets forth information for our executive officers, directors and director nominees as of the date of this Annual Report. Unless otherwise stated, the address for our directors and executive officers is c/o WINS Finance Holdings Inc. 1F, Building 7, No. 58 Jianguo Road, Chaoyang District, Beijing 100024, PRC.

Name	Age	Position(s)
Renhui Mu	45	Chairman, Chief Executive Officer, Chief Operating Officer and Director
Yuchan Cheng	39	Chief Financial Officer
Xiaofeng Zhong (1)(2)(3)	41	Director
Jiyi Li (1)(2)(3)	47	Director
Weiqi Chen (1)(2)(3)	35	Director

- (1) Member of our Audit Committee.
- (2) Member of our Compensation Committee.
- (3) Member of our Nominating Committee

Executive Officers and Directors

Renhui Mu has served as Chief Operating Officer since October 2015 and as a Chairman and Chief Executive Officer since April 2017. Mr. Mu has served as our Co-Chief Executive Officer from October 2015 to April 2017. Mr. Mu joined the Company in October 2013 and served as its Chief Executive Officer and Chief Operating Officer since such date. Previously, Mr. Mu served as a Deputy General Manager of China CITIC Bank (China) Enterprise Bank Department and General Manager of CITIC Bank (China) Enterprise Bank Beijing Branch from January 2010 to September 2013. From December 2006 to December 2009, Mr. Mu served as Vice President of ABN Beijing Branch Enterprise Bank Department. From January 2005 to December 2006, Mr. Mu served as Vice President of Energy and Resource Department in HSBC Bank. From 2000 to January 2005, Mr. Mu served as investment director in the water business department of Hong Kong Inter China Holdings Company. Mr. Mu is a licensed attorney. He obtained his Master degree of civil law and commercial law from Tsinghua University and his Bachelor degree of Arts in English from Tsinghua University in the PRC.

Yuchan Cheng has served as our Chief Financial Officer since August 2020. Ms. Yuchan Cheng served as finance director at Runfa Investment Group, a private investment company focuses on the energy industry, from April 2019 to June 2020. From May 2017 to January 2019, she served as finance Director at Beijing Tong Cheng Yi Long Network Technology Co. LTD, an internet finance company. Ms Cheng also served as finance director at OMEGA International Group, an U.S. privately owned company focusing on professional services (consulting, finance/accounting, legal) from August 2013 to March 2017. She served as finance manager at China National Software & Service Co, LTD from November 2008 to July 2013. Ms. Cheng is a certified Tax Agent and Senior Accountant. She got her Bachelor of Management from Beijing Jiaotong University.

Xiaofeng Zhong has served as a member of our board of directors and the Chairman of Audit committee since August 2017. Mr. Zhong has served as the Vice President of CIF Investment Fund Management Co., Ltd., a subsidiary of China Citic Group since April 2014. From January 2008 until April 2014, Mr. Zhong was the Vice President of Ping An Innovation Capital Investment Co., Ltd., a subsidiary of China Ping An Group. From February 2002 until December 2017, Mr. Zhong was a manager at Deloitte Touche Tohmatsu. He received a Master degree in Finance from Fudan University and a Bachelor degree in International Accounting from Shenzhen University.

Jiyi Li has served as an independent director for the Company since June 2020. Mr. Jiyi Li founded Beijing Microdouble Technology Ltd, an IT company focus on on-line children robot training, in 2018 and has served as its General Manager since then. Previously, Mr. Li served as investment partner at Shengjing Wanglian Technology LLC, a funding company equity invested into SMEs, from August 2015 to January 2018. From October 2012 to August 2015, Mr. Li served as co-founder at Beijing Yunzheng IT Ltd, an on-line finance company. From September 2011 to October 2012, Mr. Li served as secretary of the board and managing partner at Shengjing Wanglian Technology LLC. From February 2008 to September 2011 he served as secretary of the board at Beijing Sumavision Technology LLC. Mr. Li is a licensed attorney. He got his Master of civil law and commercial law from Tsinghua University.

WeiQi Chen has served as an independent director for the company since August 2017. Mr. Chen has been a partner in Autobot Capital, a Venture Investment Fund, since June 2015. He worked for Shenzhen K&C Capital as an investment manager from September 2011 to December 2014. Mr. Chen served for Shenzhen GTJA Investment Group as an associate from February 2009 to August 2011. He worked in the PSF Department of HSBC Shenzhen Branch from January 2008 to December 2008. Mr. Chen holds a Bachelor degree in Economics from the School of Economics at Shenzhen University.

Arrangements Concerning Election of Directors; Family Relationships

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

B. Compensation

The aggregate compensation paid and other payments expensed by us to our directors and executive officers with respect to the year ended June 30, 2019 and 2018 was \$89,708 and \$109,021 respectively. This amount includes approximately \$14,951 and \$10,177 for the year ended June 30, 2019 and 2018 respectively, set aside or accrued to provide pension, severance, retirement or similar benefits or expenses, but does not include business travel, professional and business association dues and expenses reimbursed to office holders, and other benefits commonly reimbursed or paid by companies in our industry.

Employment Agreements with Executive Officers

We have entered into a written employment agreement with Renhui Mu and Yuchan Cheng. These agreements contain provisions customary for a company in our industry regarding non-competition and confidentiality of information, but do not provide for a minimum term of employment. The enforceability of covenants not to compete in China and the United States may be subject to limitations.

Our agreement with each of Mr. Mu and Ms. Cheng does not provide for benefits upon the termination of employment with us, other than payment of salary and benefits during the required notice period for termination of the agreement.

C. Board Practices

Board of Directors

Independence of Directors

As a result of our ordinary shares being listed on Nasdaq we adhere to the rules of Nasdaq in determining whether a director is independent. The Nasdaq listing standards define an “independent director” as a person, other than an executive officer of a company or any other individual having a relationship which, in the opinion of the issuer’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Consistent with these considerations, our board of directors has determined that Xiaofeng Zhong, Jiyi Li and Weiqi Chen are independent directors of our company. Our independent directors have regularly scheduled meetings at which only independent directors are present.

Board Leadership Structure and Role in Risk Oversight

Mr. Mu serves as Chairman of the Board of Directors and as Chief Executive Officer of our company. We believe in the importance of independent oversight and we will endeavor to ensure that this oversight is truly independent and effective through a variety of means, including:

- Having a majority of the board be considered independent.
- At each regularly scheduled Board meeting, all independent directors will typically be scheduled to meet in an executive session without the presence of any management directors.
- The charters for each of standing committees of the Board will require that all of the members of those committees be independent.

Given the small size of the Board of Directors, we do not believe that Mr. Mu’s combined role of Chief Executive Officer and Chairman impact the independent oversight of our majority independent board

Meetings and Committees of the Board of Directors

Audit Committee Information

The audit committee of our board of directors is comprised of Xiaofeng Zhong, Jiyi Li and Weiqi Chen. Xiaofeng Zhong serves as the chairman of the audit committee. Each of the members of the audit committee is independent under the applicable Nasdaq listing standards. The purposes of the audit committee, as specified in our Audit Committee Charter, include, but are not limited to:

- reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommending to the board whether the audited financial statements should be included in our Form 20-F;
- discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of our financial statements;
- discussing with management major risk assessment and risk management policies;
- monitoring the independence of the independent auditor;
- verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;
- reviewing and approving all related-party transactions;
- inquiring and discussing with management our compliance with applicable laws and regulations;
- pre-approving all audit services and permitted non-audit services to be performed by our independent auditor, including the fees and terms of the services to be performed;
- appointing or replacing the independent auditor;
- determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or reports which raise material issues regarding our financial statements or accounting policies; and
- approving reimbursement of expenses incurred by our management team in identifying potential target businesses.

Financial Experts on Audit Committee

Our audit committee will at all times be composed exclusively of “independent directors,” as defined for audit committee members under the Nasdaq listing standards and the rules and regulations of the SEC, who are “financially literate,” as defined under Nasdaq’s listing standards. Nasdaq’s listing standards define “financially literate” as being able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. We are required to certify to Nasdaq that the audit committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual’s financial sophistication. The Board of Directors has determined that Xiaofeng Zhong satisfies Nasdaq’s definition of financial sophistication and also qualify as an “audit committee financial expert” as defined under rules and regulations of the SEC.

Nominating Committee Information

The nominating committee of our board of directors is comprised of Xiaofeng Zhong, Jiyi Li and Weiqi Chen. Each of the members of the nominating committee is independent under the applicable Nasdaq listing standards. The nominating committee is responsible for overseeing the selection of persons to be nominated to serve on our board of directors.

Guidelines for Selecting Director Nominees

The nominating committee will consider persons identified by its members, management, shareholders, investment bankers and others. The guidelines for selecting nominees, which are specified in our Nominating Committee Charter, generally provide that persons to be nominated:

- should have demonstrated notable or significant achievements in business, education or public service;
- should possess the requisite intelligence, education and experience to make a significant contribution to the board of directors and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and
- should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the shareholders.

The nominating committee will consider a number of qualifications relating to management and leadership experience, background and integrity and professionalism in evaluating a person's candidacy for membership on the board of directors. The nominating committee may require certain skills or attributes, such as financial or accounting experience, to meet specific board needs that arise from time to time and will also consider the overall experience and makeup of its members to obtain a broad and diverse mix of board members. The nominating committee will not distinguish among nominees recommended by shareholders and other persons.

Compensation Committee Information

The compensation committee of our board of directors is comprised of Xiaofeng Zhong, Jiyi Li and Weiqi Chen. The compensation committee's duties, which are specified in our Compensation Committee Charter, include, but are not limited to:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating our Chief Executive Officer's performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officer's based on such evaluation;
- reviewing and approving the compensation of all of our other executive officers;
- reviewing our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our annual report disclosure requirements;
- approving all special perquisites, special cash payments and other special compensation and benefit arrangements for our executive officers and employees;
- if required, producing a report on executive compensation to be included in our annual report or proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

Indemnification of Directors and Officers

The Companies Law (2013 Revision) of the Cayman Islands permits the Company to indemnify its directors, officers, employees and agents, subject to limitations imposed by the Companies Law. Our Memorandum and Articles of Association require us to indemnify directors and officers to the full extent permitted by the Companies Law. We have also entered into indemnification agreements with its officers and directors that provide for indemnification to the maximum extent allowed under the Companies Law.

D. Employees

As of June 30, 2019, we had 24 full-time employees. We recruit personnel from the open market and enter into employment contracts with employees. We offer competitive remuneration packages to employees, including salaries and bonuses to qualified employees. We provide staff training on a regular basis to enhance employees' knowledge of financial products in the market and the applicable laws and regulations in relation to the industry in which we operate.

E. Share Ownership

Share Ownership of Executive Officers and Directors

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

On February 14, 2017, Wins Finance terminated the option agreements with our directors and executive officers for no consideration.

As a result of the termination of such options and the automatic termination of options upon the previously announced departures of executive officers and directors of the Company, as of June 30, 2019, the Company did not have any options outstanding.

2015 Long Term Incentive Equity Plan

General

On April 10, 2015, our board of directors adopted the 2015 Long-Term Equity Incentive Plan (the "2015 Plan"), subject to the approval of Sino's shareholders. The 2015 Plan was approved by Sino's shareholders on October 16, 2015. The purpose of the 2015 Plan is to assist in attracting, retaining, motivating, and rewarding certain key employees, officers, directors, and consultants of the Company and its affiliates and promoting the creation of long-term value for shareholders of the Company by closely aligning the interests of such individuals with those of such shareholders. The 2015 Plan authorizes the award of share-based incentives to encourage eligible employees, officers, directors, and consultants, as described below, to expend maximum effort in the creation of shareholder value.

Summary of the 2015 Plan

The 2015 Plan may be administered by the board of directors or a committee of the board. All references in the 2015 Plan to "committee" mean the board, if no committee has been designated to administer the plan. If administered by a committee, such committee shall be composed of at least two directors, all of whom are "outside directors" within the meaning of the regulations issued under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "IRC") and "non-employee" directors within the meaning of Rule 16b-3 under the Exchange Act. Initially, the compensation committee will administer the 2015 Plan.

Subject to the provisions of the 2015 Plan, the committee determines, among other things, the persons to whom from time to time awards may be granted, the specific type of awards to be granted, the number of shares subject to each award, share prices, any restrictions or limitations on the awards, and any vesting, exchange, deferral, surrender, cancellation, acceleration, termination, exercise or forfeiture provisions related to the awards.

Shares Subject to the Plan

10% of our ordinary shares have been reserved for issuance in accordance with the plan's terms. Ordinary shares subject to other awards that are forfeited or terminated will be available for future award grants under the plan. Ordinary shares that are surrendered by a holder or withheld by the Company as full or partial payment in connection with any award under the plan, as well as any ordinary shares surrendered by a holder or withheld by the Company or one of its subsidiaries to satisfy the tax withholding obligations related to any award under the plan, shall not be available for subsequent awards under the plan.

Under the plan, on a change in the number of ordinary shares outstanding as a result of a dividend on ordinary shares payable in ordinary shares, share forward split or reverse split or other extraordinary or unusual event that results in a change in the ordinary shares as a whole, the terms of the outstanding award will be proportionately adjusted.

Eligibility

The Company may grant awards under the plan to employees, officers, directors and consultants who are deemed to have rendered or to be able to render significant services to the Company or its subsidiaries and who are deemed to have contributed or to have the potential to contribute to the success of the Company. An incentive share option may be granted under the plan only to a person who, at the time of the grant, is an employee of the Company or a related company.

Types of Awards

Options. The plan provides both for “incentive” share options as defined in Section 422 of the IRC, and for options not qualifying as incentive options, both of which may be granted with any other share based award under the plan.

The board or committee determines the exercise price per ordinary share purchasable under an incentive or non-qualified share option, which may not be less than 100% of the fair market value on the day of the grant or, if greater, the par value of an ordinary share. However, the exercise price of an incentive share option granted to a person possessing more than 10% of the total combined voting power of all classes of the Company’s share capital may not be less than 110% of the fair market value on the date of grant. The aggregate fair market value of all ordinary shares with respect to which incentive share options are exercisable by a participant for the first time during any calendar year (under all of the Company’s plans), measured at the date of the grant, may not exceed \$100,000 or such other amount as may be subsequently specified under the IRC or the regulations thereunder.

An incentive share option may only be granted within a ten-year period from the effective date of the plan and may only be exercised within ten years from the date of the grant, or within five years in the case of an incentive share option granted to a person who, at the time of the grant, owns ordinary shares possessing more than 10% of the total combined voting power of all classes of the Company’s share capital.

Subject to any limitations or conditions the board or committee may impose, share options may be exercised, in whole or in part, at any time during the term of the share option by giving written notice of exercise to the Company specifying the number of ordinary shares to be purchased. The notice must be accompanied by payment in full of the purchase price, either in cash or, if provided in the agreement, in the Company’s securities or in combination of the two.

Generally, share options granted under the plan may not be transferred other than by will or by the laws of descent and distribution and all share options are exercisable, during the holder’s lifetime, only by the holder (or in the event of legal incapacity or incompetency, the holder’s guardian or legal representative). However, a holder, with the approval of the board or committee, may transfer a non-qualified share option by gift to a family member of the holder, by domestic relations order to a family member of the holder or by transfer to an entity in which more than 50% of the voting interests are owned by family members of the holder or the holder.

Generally, if the holder is an employee, no share options granted under the plan may be exercised by the holder unless he or she is employed by the Company or one of its subsidiaries at the time of the exercise and has been so employed continuously from the time the share options were granted. However, in the event the holder’s employment is terminated due to disability, the holder may still exercise his or her vested share options for a period of 12 months or such other greater or lesser period as the board or committee may determine, from the date of termination or until the expiration of the stated term of the share option, whichever period is shorter. Similarly, should a holder die while employed by the Company or a subsidiary, his or her legal representative or legatee under his or her will may exercise the decedent holder’s vested share options for a period of 12 months from the date of his or her death, or such other greater or lesser period as the board or committee may determine or until the expiration of the stated term of the share option, whichever period is shorter. If the holder’s employment is terminated due to normal retirement, the holder may still exercise his or her vested share options for a period of 12 months from the date of termination or until the expiration of the stated term of the share option, whichever period is shorter. If the holder’s employment is terminated for any reason other than death, disability or normal retirement, the share option will automatically terminate, except that if the holder’s employment is terminated by the Company without cause, then the portion of any share option that is vested on the date of termination may be exercised for a period of three months (or such other greater or lesser period as the committee may specify in the award agreement) from the date of such termination or until the expiration of the stated term of the share option, whichever period is shorter.

Share Appreciation Rights. Under the plan, the committee may grant share appreciation rights in tandem with a share option or alone and unrelated to a share option. The committee may grant share appreciation rights to participants who have been, or are being, granted share options under the plan as a means of allowing the participants to exercise their share options without the need to pay the exercise price in cash. In conjunction with non-qualified share options, share appreciation rights may be granted either at or after the time of the grant of the non-qualified share options. In conjunction with incentive share options, share appreciation rights may be granted only at the time of the grant of the incentive share options. A share appreciation right entitles the holder to receive a number of ordinary shares having a fair market value equal to the excess fair market value of one ordinary share over the exercise price of the related share option, multiplied by the number of shares subject to the share appreciation right. The granting of a share appreciation right in tandem with a share option will not affect the number of ordinary shares available for awards under the plan. The number of shares available for awards under the plan will, however, be reduced by the number of ordinary shares acquirable upon exercise of the share option to which the share appreciation right relates.

Restricted Shares. Under the plan, the committee may award restricted shares either alone or in addition to other awards granted under the plan. The board or committee determines the persons to whom grants of restricted shares are made, the number of shares to be awarded, the price if any to be paid for the restricted shares by the person receiving the shares, the time or times within which awards of restricted shares may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the restricted share awards.

The plan requires that all restricted shares awarded to a holder remain in The Company’s physical custody until the restrictions have terminated and all vesting requirements with respect to the restricted shares have been fulfilled. The Company will retain custody of all dividends or distributions made or declared with respect to the restricted shares during the restriction period. A breach of any restriction regarding the restricted shares will cause a forfeiture of the restricted shares and any retained distributions. Except for the foregoing restrictions, the holder will, even during the restriction period, have all of the rights of a shareholder, including the right to vote the shares.

Other Share-Based Awards. Under the plan, the committee may grant other share-based awards, subject to limitations under applicable law, that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, ordinary shares, as deemed consistent with the purposes of the plan. These other share-based awards may be in the form of purchase rights, ordinary shares awarded that are not subject to any restrictions or conditions, convertible or exchangeable debentures or other rights convertible into ordinary shares and awards valued by reference to the value of securities of, or the performance of, one of the Company's subsidiaries. These other share-based awards may include performance shares or options, whose award is tied to specific performance criteria. These other share-based awards may be awarded either alone, in addition to, or in tandem with any other awards under the plan or any of the Company's other plans.

Accelerated Vesting and Exercisability

If any one person, or more than one person acting as a group, acquires the ownership of our ordinary shares that, together with the shares held by such person or group, constitutes more than 50% of the total fair market value or combined voting power of our ordinary shares, and the Company's board of directors does not authorize or otherwise approve such acquisition, then the vesting periods of any and all share options and other awards granted and outstanding under the plan shall be accelerated and all such share options and awards will immediately and entirely vest, and the respective holders thereof will have the immediate right to purchase and/or receive any and all ordinary shares subject to such share options and awards on the terms set forth in the plan and the respective agreements respecting such share options and awards. An increase in the percentage of shares owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires its shares in exchange for property is not treated as an acquisition of shares.

The committee may, in the event of an acquisition by any one person, or more than one person acting as a group, together with acquisitions during the 12-month period ending on the date of the most recent acquisition by such person or persons, of assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions, or if any one person, or more than one person acting as a group, acquires the ownership of the Company ordinary shares that, together with the shares held by such person or group, constitutes more than 50% of the total fair market value or combined voting power of the Company ordinary shares, which has been approved by the Company's board of directors, (i) accelerate the vesting of any and all share options and other awards granted and outstanding under the plan, or (ii) require a holder of any award granted under the plan to relinquish such award to the Company upon the tender by the Company to the holder of cash in an amount equal to the repurchase value of such award. For this purpose, "gross fair market value" means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets and "repurchase value" means the aggregate fair market value of the shares (if the award to be settled is comprised of ordinary shares) or the aggregate difference between the fair market value of the shares and the exercise price of the award (if the award is a share option or share appreciation right).

Notwithstanding any provisions of the plan or any award granted thereunder to the contrary, no acceleration shall occur with respect to any award to the extent such acceleration would cause the plan or an award granted thereunder to fail to comply with Section 409A of the IRC.

Award Limitation

No participant may be granted awards for more than 1% of the outstanding shares of the Company in any calendar year.

Other Limitations

The board or committee may not modify or amend any outstanding option or share appreciation right to reduce the exercise price of such option or share appreciation right, as applicable, below the exercise price as of the date of grant of such option or share appreciation right. In addition, no option or share appreciation right may be granted in exchange for the cancellation or surrender of an option or share appreciation right or other award having a higher exercise price.

Withholding Taxes

Upon the exercise of any award granted under the plan, the holder may be required to remit to the Company an amount sufficient to satisfy all federal, state and local withholding tax requirements prior to delivery of any certificate or certificates for ordinary shares.

Term and Amendments

Unless terminated by the board, the plan shall continue to remain effective until no further awards may be granted and all awards granted under the plan are no longer outstanding. Notwithstanding the foregoing, grants of incentive share options may be made only until ten years from the date of the consummation of the acquisition. The board may at any time, and from time to time, amend the plan, provided that no amendment will be made that would impair the rights of a holder under any agreement entered into pursuant to the plan without the holder's consent.

United States Federal Income Tax Consequences

The following discussion of the United States federal income tax consequences of participation in the plan is only a summary of the general rules applicable to the grant and exercise of share options and other awards and does not give specific details or cover, among other things, state, local and foreign tax treatment of participation in the plan. The information contained in this section is based on present law and regulations, which are subject to being changed prospectively or retroactively. This summary also assumes that participants are individual citizens or residents of the United States and does not address the passive foreign investment company rules of the IRC, which are discussed generally in the section of this Annual Report under Item 10.E “Taxation – United States Federal Income Taxation – U.S. Holders – Passive Foreign Investment Company Rules.”

Incentive Share Options. Participants will recognize no taxable income upon the grant of an incentive share option. The participant generally will realize no taxable income when the incentive share option is exercised. The excess, if any, of the fair market value of the shares on the date of exercise of an incentive share option over the exercise price will be treated as an item of adjustment for a participant’s taxable year in which the exercise occurs and may result in an alternative minimum tax liability for the participant. The Company will not qualify for any deduction in connection with the grant or exercise of incentive share options. Upon a disposition of the shares after the later of two years from the date of grant or one year after the transfer of the shares to a participant, the participant will recognize the difference, if any, between the amount realized and the exercise price as long-term capital gain or long-term capital loss, as the case may be, if the shares are capital assets.

If ordinary shares acquired upon the exercise of an incentive share option is disposed of prior to the expiration of the holding periods described above, the participant will recognize ordinary compensation income in the taxable year of disposition in an amount equal to the excess, if any, of the fair market value of the shares on the date of exercise over the exercise price paid for the shares; and the Company will qualify for a deduction equal to any amount recognized, subject to the limitation that the compensation be reasonable.

Non-Qualified Share Options. With respect to non-qualified share options:

- upon grant of the share option, the participant will recognize no income provided that the exercise price was not less than the fair market value of the Company ordinary shares on the date of grant;
- upon exercise of the share option, if the ordinary shares are not subject to a substantial risk of forfeiture, the participant will recognize ordinary compensation income in an amount equal to the excess, if any, of the fair market value of the shares on the date of exercise over the exercise price, and the Company will qualify for a deduction in the same amount, subject to the requirement that the compensation be reasonable; and
- The Company will be required to comply with applicable federal income tax withholding requirements with respect to the amount of ordinary compensation income recognized by the participant.

On a disposition of the shares, the participant will recognize gain or loss equal to the difference between the amount realized and the sum of the exercise price and the ordinary compensation income recognized. The gain or loss will be treated as capital gain or loss if the shares are capital assets and as short-term or long-term capital gain or loss, depending upon the length of time that the participant held the shares.

If the shares acquired upon exercise of a non-qualified share option are subject to a substantial risk of forfeiture, the participant will recognize ordinary income at the time when the substantial risk of forfeiture is removed, unless the participant timely files under Section 83(b) of the IRC to elect to be taxed on the receipt of shares, and the Company will qualify for a corresponding deduction at that time. The amount of ordinary income will be equal to the excess of the fair market value of the shares at the time the income is recognized over the amount, if any, paid for the shares.

Share Appreciation Rights. Upon the grant of a share appreciation right, the participant recognizes no taxable income and the Company receives no deduction. The participant recognizes ordinary income and the Company receives a deduction at the time of exercise equal to the cash and fair market value of ordinary shares payable upon the exercise.

Restricted Shares. A participant who receives restricted shares will recognize no income on the grant of the restricted shares and the Company will not qualify for any deduction. At the time the restricted shares are no longer subject to a substantial risk of forfeiture, a participant will recognize ordinary compensation income in an amount equal to the excess, if any, of the fair market value of the restricted shares at the time the restriction lapses over the consideration paid for the restricted shares. A participant’s shares are treated as being subject to a substantial risk of forfeiture so long as his or her sale of the shares at a profit could subject him or her to a suit under Section 16(b) of the Exchange Act. The holding period to determine whether the participant has long-term or short-term capital gain or loss begins when the restriction period expires, and the tax basis for the shares will generally be the fair market value of the shares on this date.

A participant may elect under Section 83(b) of the IRC, within 30 days of the transfer of the restricted shares, to recognize ordinary compensation income on the date of transfer in an amount equal to the excess, if any, of the fair market value on the date of transfer of the restricted shares, as determined without regard to the restrictions, over the consideration paid for the restricted shares. If a participant makes an election and thereafter forfeits the shares, no ordinary loss deduction will be allowed. The forfeiture will be treated as a sale or exchange upon which there is realized loss equal to the excess, if any, of the consideration paid for the shares over the amount realized on such forfeiture. The loss will be a capital loss if the shares are capital assets. If a participant makes an election under Section 83(b), the holding period will commence on the day after the date of transfer and the tax basis will equal the fair market value of shares, as determined without regard to the restrictions, on the date of transfer.

On a disposition of the shares, a participant will recognize gain or loss equal to the difference between the amount realized and the tax basis for the shares.

Whether or not the participant makes an election under Section 83(b), the Company generally will qualify for a deduction, subject to the reasonableness of compensation limitation, equal to the amount that is taxable as ordinary income to the participant, in the taxable year in which the income is included in the participant’s gross income. The income recognized by the participant will be subject to applicable withholding tax requirements.

Dividends paid on restricted shares that are subject to a substantial risk of forfeiture generally will be treated as compensation that is taxable as ordinary compensation income to the participant and will be deductible by the Company subject to the reasonableness limitation. If, however, the participant makes a Section 83(b) election, the dividends will be treated as dividends and taxable as ordinary income to the participant, but will not be deductible by the Company.

Other Share-Based Awards. The federal income tax treatment of other share-based awards will depend on the nature and restrictions applicable to the award.

Section 162(m) Limits. Section 162(m) of the IRC places a limit of \$1,000,000 on the amount of compensation that a publicly traded company may deduct in any one year with respect to each of its chief executive officer and 4 most highly paid executive officers. Certain performance-based compensation approved by shareholders is not subject to the deduction limit. The plan is qualified such that awards under the plan may constitute performance-based compensation not subject to Section 162(m) of the IRC. One of the requirements for equity compensation plans is that there must be a limit to the number of shares granted to any one individual under the plan. Accordingly, the plan provides that the maximum number of shares for which awards may be made to any employee in any calendar year is 40,000. The maximum amount payable pursuant to that portion of a cash award granted under the plan for any fiscal year to any employee that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the IRC may not exceed \$500,000. Under the plan the board of directors or the compensation committee has the power to impose restrictions on awards to ensure that such awards satisfy the requirements for performance-based compensation under Section 162(m) of the IRC.

Certain Awards Deferring or Accelerating the Receipt of Compensation. Section 409A of the IRC, enacted as part of the American Jobs Creation Act of 2004, imposes certain new requirements applicable to “nonqualified deferred compensation plans.” If a nonqualified deferred compensation plan subject to Section 409A fails to meet, or is not operated in accordance with, these new requirements, then all compensation deferred under the plan may become immediately taxable. Share appreciation rights and deferred share awards that may be granted under the plan may constitute deferred compensation subject to the Section 409A requirements. It is our intention that any award agreement governing awards subject to Section 409A will comply with these rules.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major shareholders

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of September 30, 2020 by (i) each person or entity known to us to beneficially own more than 5% of our outstanding ordinary shares; (ii) each of our executive officers and directors individually; and (iii) all of our executive officers and directors as a group.

The percentage of beneficial ownership of our ordinary shares is based on 19,837,642 ordinary shares outstanding as of September 30, 2020. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting power or investment power with respect to securities. All options and warrants currently exercisable or exercisable into ordinary shares within 60 days of September 30, 2020 are deemed to be outstanding and beneficially owned by the shareholder holding such options or warrants for the purpose of computing the number of shares beneficially owned by such shareholder. Such shares are also deemed outstanding for purposes of computing the percentage ownership of the person holding the option or warrant. They are not, however, deemed to be outstanding and beneficially owned for the purpose of computing the percentage ownership of any other shareholder.

Except as indicated in the footnotes below, we believe that the persons named in the table below have sole voting and investment power with respect to the ordinary shares indicated in the table as being beneficially owned by them.

As of September 30, 2020, based on information provided to us by our transfer agent in the United States and other information reasonably available to us, we had 352 holders of record. Such holders of record held, as of that date, 98.8% of our outstanding ordinary shares, the vast majority of which are held outside the United States. The number of record holders is not representative of the number of beneficial holders of our ordinary shares, as 1.2% of our outstanding ordinary shares are recorded in the name of Cede & Co. as nominee for the Depository Trust Company, in whose name all shares held in “street name” are held in the United States.

Name and Address of Beneficial Owner ⁽¹⁾	Ordinary Shares Beneficially Owned	
	Number	Percent ⁽²⁾
5% or Greater Shareholders (other than directors and executive officers)		
Peilin Zhao	1,009,000 ⁽³⁾	5.1%
Great Finance Holdings Limited	1,100,000 ⁽⁴⁾	5.5%
Spectacular Bid Limited	13,440,000 ⁽⁵⁾	67.7%
Cosmic Expert Ltd.	1,620,000 ⁽⁶⁾	8.2%
Directors and Executive Officers		
Renhui Mu	110	*
Junfeng Zhao	840,000 ⁽⁷⁾	4.2%
Yuchan Cheng	-	*
XiaofengZhong	-	*
Jiyi Li	-	*
Weiqi Chen	-	*
All director and executive officers as a group (5 persons)	840,110	4.2%

*Less than 1% of our ordinary shares.

- (1) Unless otherwise indicated the business address for the above individuals and entities is c/o Wins Finance Holdings Inc., 1F, Building 7, No. 58 Jianguo Road, Chaoyang District, Beijing 100024.
- (2) The percentage of beneficial ownership is calculated based on 19,837,642 outstanding ordinary shares, as of September 30, 2020.
- (3) Peilin Zhao’s business address is Room 2705-10, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.
- (4) Represents shares held by Jing Zhao and Great Finance Holdings Limited, of which Ms. Zhao controls and therefore has voting and disposition power over such shares. The foregoing is based on a Schedule 13D/A filed October 16, 2015.
- (5) Freeman FinTech Corporation Limited controls Spectacular Bid Limited. Freeman FinTech Corporation Limited is a publicly traded company on the Hong Kong Stock Exchange.
- (6) Represents shares held by Cosmic Expert Ltd, which Wenyu Li controls. As such, she has voting and dispositive power over such shares.
- Represents shares held by Glowing Assets Holdings Ltd, of which Mr. Zhao is the sole officer and director and as such controls the voting and disposition of such shares.
- (7) disposition of such shares.

None of our shareholders have voting rights different from the voting rights of other shareholders. To the best of our knowledge, we are not owned or controlled, directly or indirectly, by another corporation or by any government. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

B. Related Party Transactions

The Company has adopted a Related Person Policy that requires it (and its subsidiaries) to avoid, wherever possible, all related party transactions that could result in actual or potential conflicts of interests, except as approved by unconflicted executives, the board of directors, or audit committee in accordance with guidelines approved by the board of directors (or the audit committee). Related-party transactions are defined as transactions in which (1) the aggregate amount involved will or may be expected to exceed \$120,000 in any calendar year, (2) the Company or any of its subsidiaries is a participant, and (3) any (a) executive officer, director or nominee for election as a director, (b) greater than 5% beneficial owner of WFG's shares of common stock, or (c) immediate family member, of the persons referred to in clauses (a) and (b), has or will have a direct or indirect material interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity). A conflict of interest situation can arise when a person takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise if a person, or a member of his or her family, receives improper personal benefits as a result of his or her position.

Our audit committee, pursuant to its written charter, is responsible for reviewing and approving related-party transactions to the extent the Company enters into such transactions. The audit committee will consider all relevant factors when determining whether to approve a related party transaction, including whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction. No director may participate in the approval of any transaction in which he is a related party, but that director is required to provide the audit committee with all material information concerning the transaction. Additionally, the Company requires each of its directors and executive officers to complete an annual directors' and officers' questionnaire that elicits information about related party transactions. These procedures are intended to determine whether any such related party transaction impairs the independence of a director or presents a conflict of interest on the part of a director, employee or officer.

Other than the executive and director compensation arrangements and the indemnification agreements and arrangements with respect to directors and officers discussed in Item 6 "Directors, Senior Management and Employees," we have not entered into any transactions since July 1, 2017 to which we have been or are a party to and in which any of our directors, executive officers or holders of more than 5% of our share capital, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

Financial Statements

See Item 18 – Financial Statements.

Legal Proceedings

Except as described below, we are not and have not been involved in any legal proceedings which may have, or have had, a significant effect on our business, financial position and results of operations or liquidity, and we are not aware of any proceedings that are pending or threatened which may have a significant effect on our business, financial position, results of operations, or liquidity. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. Any such claims, even if lacking merit, could result in the expenditure of managerial resources and materially adversely affect its business, financial condition and results of operations.

The Company is involved in various legal actions arising in the ordinary course of its business. As of June 30, 2018, the Company was involved in 3 lawsuits in China, of which 2 of the legal actions were initiated by the Company as plaintiff in relation to the guarantee business, and in the other of which the Company is a defendant in relation to its financing lease business (see below). The Company initiated legal proceedings to collect delinquent balances, interest and penalties from guarantees. 2 of these cases with an aggregated claim of \$639,104 have been adjudicated by the Court in favor of the Company and these cases are in the process of being enforced.

On October 31, 2014, King & Wood Mallesons filed a complaint in Xicheng District People's Court of Beijing on behalf of its client for breach of contract against Jinshang Leasing, our subsidiary. On February 3, 2015, the court agreed with Jinshang Leasing that it did not have jurisdiction over the proceeding, and the case was transferred to the court in Beijing, Haidian. There has been no activity in the case since it was transferred to the Beijing court. We believe that resolution of this matter will not result in any payment that, in the aggregate, would be material to our financial position or results of operations.

As of June 30, 2018, the Company and certain of its executive officers have been named as defendants in one civil securities lawsuit filed in U.S. District Courts. On April 20, 2017, Michel Desta filed a securities class action complaint in the District Court for the Central District of California seeking monetary damages against us, Jianming Hao, Renhui Mu, Peiling (Amy) He, and Junfeng Zhao (entitled *Desta v. Wins Finance Holdings, Inc., et al.*; C.D. Cal. Case No. 2:17-cv-02983) (hereafter, the "California Action"). On June 26, 2017, the Court issued an Order appointing lead plaintiffs and lead counsel, and on August 25, 2017 lead plaintiffs filed an Amended Class Action Complaint. The Amended Complaint (which did not name Peiling (Amy) He as a defendant), alleges a claim against us for securities fraud purportedly arising from alleged misrepresentations concerning Wins' principal executive offices (which alleged misrepresentations resulted in Wins being added to, and then removed from, the Russell 2000 index). On October 24, 2017, we moved to dismiss the Amended Complaint for failure to state a claim as against us. On March 1, 2018, the District Court for the Central District of California issued an Order denying the Company's motion to dismiss. Thus, the civil action has proceeded to the fact gathering "discovery" stage in respect to the Company.

As a result of a private mediation conducted in November 2018, the Company agreed in principle to settle the class action, on behalf of all remaining defendants. The full terms of that settlement remain confidential (but include certain contingencies concerning shareholder participation in the settlement and required court approvals). The court granted preliminary approval of the settlement by order entered on March 4, 2019. Given that the Company has not yet received the necessary approvals from Chinese regulators as to the transfer of the settlement funds from China to the United States, the Court entered an Order dated August 11, 2020 setting a final settlement approval hearing for March 22, 2021.

On July 24, 2020, Samuel Kamau filed a shareholder class action complaint in the District Court for the Central District of California seeking unspecified monetary damages for alleged violations of the United States Securities Exchange Act of 1934 during the period from October 31, 2018 to July 6, 2020 against Wins Finance Holdings Inc., Renhui Mu, and Junfeng Zhao (entitled *Kamau v. Wins Finance Holdings, Inc., et al.*; C.D. Cal. Case No. 2:20-cv-06656). Plaintiff's initial complaint alleges, among other things, that Defendants purportedly violated the securities laws by failing to disclose that the repayment of a RMB 580 million "loan" to Guohong Asset Management Co., Ltd. was "highly uncertain," and that the resignation of the Company's former independent auditor was "foreseeably likely" given the non-payment of the foregoing loan as well as alleged material weaknesses in the Company's control over financial reporting.

The Amended Complaint does not specifically allege the damages purportedly suffered by the class, and we are not yet able to provide a reliable estimate of any such damage claim. We believe that the claims from this proceeding are without merit and basis, we are vigorously defending this proceeding.

Dividend Policy

We have never declared and do not anticipate paying cash dividends in the foreseeable future. See Item 3D “Key Information – Risk factors - Our dividend policy is determined by the Board of Directors based the consideration of our performance, cash flow position and future growth strategy. We cannot assure you of declaring dividend at any time in the future.” Any return on investment may be limited to the value of our securities.” Our board of directors has discretion to declare and pay dividends on our ordinary shares and will make any determination to do so based on then-existing conditions, including our operating results, financial condition, current and anticipated cash needs and other business and economic factors that our board of directors may deem relevant.

B. Significant Changes

Wins Finance Holdings Inc. (the “Company”) recently learned that, on June 9, 2020, the Changzhi Public Security Bureau (the “Bureau”) enforced a judgement against Shanxi Jincheng Agriculture Co., Ltd. (“Jincheng Agriculture”), the Company’s wholly owned subsidiary. Pursuant to this action, the Bureau froze the assets of Shanxi Jincheng and its subsidiary, Dongsheng Guarantee. The Company’s appointed legal counsel was unable to determine the cause of the freeze as the authorities have not provided such information, but it has advised the Company that the Company no longer has control of the assets or operations of Shanxi Jincheng and Dongsheng Guarantee. Therefore, until the freeze is lifted (and the Company has not been provided any guidance about when the freeze would be lifted), the Company will not be able to consolidate Shanxi Jincheng and Dongsheng Guarantee into its financial statements.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ordinary shares were listed on the NASDAQ Capital Market on October 28, 2015 under the symbol “WINS.” Prior to that date, there was no public trading market for our securities. Our ordinary shares were halted by the NASDAQ from June 7, 2017 until December 4, 2017.

We have advised NASDAQ that we will seek to increase the liquidity of our ordinary shares in an attempt to limit the volatility in the trading price of our ordinary shares. We cannot guarantee that any actions we take will have the intended effect of reducing market volatility.

Transfer Agent

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

B. Plan of Distribution

Not applicable.

C. Markets for Ordinary Shares

Our ordinary shares are listed on the NASDAQ Capital Market under the symbols “WINS.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION**A. Share Capital**

Not applicable.

B. Memorandum and Articles of Association**Registration Number and Purposes of the Company**

Our registration number with the Cayman Islands Registrar of Companies is 296825. Our purpose as set forth in our amended and restated memorandum and articles of association is unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.

Voting Rights and Conversion

All ordinary shares have identical voting and other rights in all respects. Subject to any rights or restrictions attached to any shares, every shareholder who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorized representative or by proxy, shall have one vote for every share of which he is the holder. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors. Holders of ordinary shares do not have any conversion, preemptive or other subscription rights and there is no sinking fund or redemption provisions applicable to the ordinary shares.

Ownership and Transfer of Shares

Any shareholder may transfer all or any of his or her shares by an instrument of transfer provided that such transfer complies with applicable rules of the SEC and federal securities laws of the United States. The instrument of transfer of any share shall be in writing and shall be executed by or on behalf of the transferor (and if the directors so require, signed by or on behalf of the transferee). The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the Register of Members.

Election of Directors

The Company may by Ordinary Resolution (as defined below) appoint any person to be a director or may by Ordinary Resolution remove any director. The directors may appoint any person to be a director, either to fill a vacancy or as an additional director provided that the appointment does not cause the number of directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of directors. The term "Ordinary Resolution" means a resolution passed by a simple majority of the shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, and includes a unanimous written resolution.

Powers of Directors

The Company's Amended and Restated Memorandum and Articles of Association provide that the quorum for the transaction of the business of the Board of Directors may be fixed by the Board of Directors, and unless so fixed shall be two if there are two or more directors, and shall be one if there is only one director.

Subject to the provisions of the Companies Act, the Company's Amended and Restated Memorandum and Articles of Association and to any directions given by Special Resolution (as defined in the Companies Act), the business of the Company shall be managed by the Board of Directors who may exercise all the powers of the Company. A duly convened meeting of the Board of Directors at which a quorum is present may exercise all powers exercisable by the Board of Directors. The Company's Amended and Restated Memorandum and Articles of Association provide that all cheques, promissory notes, drafts, bills of exchange and other negotiable or transferable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Board of Directors shall determine by resolution. The Board of Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance. The Board of Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

The Company's Amended and Restated Memorandum and Articles of Association do not provide for any age for the retirement or non-retirement of directors. The Company's Amended and Restated Memorandum and Articles of Association provide that the Company in general meeting fix a minimum shareholding required to be held by a director, but unless and until such a shareholding qualification is fixed a director is not required to hold shares.

Approval of Interested Transactions

The Company's Amended and Restated Memorandum and Articles of Association provide that a director shall be at liberty to vote in respect of any contract or transaction in which he is interested provided that the nature of the interest of any director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon

Dividend Rights

Subject to the Companies Act and the Company's Amended and Restated Memorandum and Articles of Association and except as otherwise provided by the rights attached to any shares, the Company's Board of Directors may resolve to pay dividends and other distributions on shares in issue and authorize payment of the dividends or other distributions out of the funds of the Company lawfully available therefor. No dividend or other distribution shall be paid except out of the realized or unrealized profits of the Company, out of the share premium account or as otherwise permitted by law.

The Company's Amended and Restated Memorandum and Articles of Association provide that except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the par value of the shares that a shareholder holds. The Board of Directors may deduct from any dividend or other distribution payable to any shareholder all sums of money (if any) then payable by him to the Company on account of calls or otherwise.

The Company's Amended and Restated Memorandum and Articles of Association provide that any dividend or other distribution which cannot be paid to a shareholder and/or which remains unclaimed after six months from the date on which such dividend or other distribution becomes payable may, in the discretion of the Board of Directors, be paid into a separate account in the Company's name, provided that the dividend or other distribution shall remain as a debt due to the shareholder. Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or other distribution becomes payable shall be forfeited and shall revert to the Company.

Liquidation Rights

The Company's Amended and Restated Memorandum and Articles of Association provide that if the Company shall be wound up the liquidator shall apply the assets of the Company in satisfaction of creditors' claims in such manner and order as such liquidator thinks fit. Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the shareholders shall be insufficient to repay the whole of the Company's issued share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the par value of the shares held by them; or
- (b) if the assets available for distribution amongst the shareholders shall be more than sufficient to repay the whole of the Company's issued share capital at the commencement of the winding up, the surplus shall be distributed amongst the shareholders in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise.

The Company's Amended and Restated Memorandum and Articles of Association provide that if the Company shall be wound up the liquidator may, subject to the rights attaching to any shares and with the sanction of a Special Resolution of the Company and any other sanction required by the Companies Act, divide among the shareholders in kind the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders. No shareholder shall be required to accept any asset upon which there is a liability.

Shareholder Meetings: Action by Written Consent

The Company's Amended and Restated Memorandum and Articles of Association provide that the Company may, but shall not (unless required by statute) be obliged to, in each year hold a general meeting as its annual general meeting, and shall specify the meeting as such in the notices calling it. Any annual general meeting shall be held at such time and place as the directors shall specify and if no other time and place is prescribed by them, it shall be held at the Company's registered office on the second Wednesday in December of each year at ten o'clock in the morning. General meetings may be called by the Company's Board of Directors or by the Board of Directors at the request of the holder(s) or no less than 10% in par value of the Company's issued shares. The Company's Amended and Restated Memorandum and Articles of Association provide that any request for a meeting made by shareholders must state the object(s) of the meeting and must be signed by the shareholder(s) requesting the meeting and deposited at the Company's registered office.'

The Company's Amended and Restated Memorandum and Articles of Association provide that a person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.

A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by or on behalf of all of the shareholders entitled to receive notice of and to attend and vote at general meetings shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held.

Quorum

The Company's Amended and Restated Memorandum and Articles of Association provide that no business shall be transacted at any general meeting of shareholders of the Company unless a quorum is present. The Company's Amended and Restated Memorandum and Articles of Association provide that two shareholders being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorized representative or proxy shall be a quorum unless the Company has only one shareholder entitled to vote at such general meeting in which case the quorum shall be that one Member present in person or by proxy or (in the case of a corporation or other non-natural person) by its duly authorized representative or proxy.

Approval of Mergers, Consolidations and Acquisitions

The Company's Amended and Restated Memorandum and Articles of Association provide that the Company shall, with the approval of a Special Resolution, have the power to merge or consolidate with one or more constituent companies (as defined in the Companies Act), upon such terms as the Board of Directors may determine.

Access to Corporate Records

The Board of Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of shareholders of the Company and no shareholder (who is not a director) shall have any right of inspecting any account or book or document of the Company except as conferred by Companies Act or authorized by the Board of Directors or by the Company at a general meeting.

Modification of Class Rights

The Company's Amended and Restated Memorandum and Articles of Association provide that if at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied without the consent of the holders of the issued shares of that class where such variation is considered by the Board of Directors not to have a material adverse effect upon such rights; otherwise, any such variation shall be made only with the consent in writing of the holders of not less than two thirds of the issued shares of that class, or with the sanction of a resolution passed by a majority of not less than two thirds of the votes cast at a separate meeting of the holders of the shares of that class.

Registration Rights

For a discussion of registration rights we have granted to our existing shareholders, please see Item 7 "Major Shareholders and Related Party Transactions—Related Party Transactions"

Changes in Capital

Our Amended and Restated Memorandum and Articles of Association provide that the Company may by Ordinary Resolution:

- (a) increase its share capital by such sum as the Ordinary Resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (c) convert all or any of its paid-up shares into stock, and reconvert that stock into paid-up Shares of any denomination;
- (d) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum or into shares without par value; and
- (e) cancel any shares that at the date of the passing of the Ordinary Resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Our Amended and Restated Memorandum and Articles of Association provide that, subject to the provisions of the Companies Act and the provisions of our Amended and Restated Memorandum and Articles of Association regarding the matters to be dealt with by Ordinary Resolution, the Company may by Special Resolution:

- (a) change its name;
- (b) alter or add to its Articles of Association;
- (c) alter or add to its Memorandum of Association with respect to any objects, powers or other matters specified therein; and
- (d) reduce its share capital or any capital redemption reserve fund.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company,” Item 7B “Major Shareholders and Related Party Transactions - Related Party Transactions” or elsewhere in this Annual Report

D. Exchange controls

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

E. Taxation

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

Cayman Islands Taxation

The government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company or its shareholders. The Cayman Islands are not party to any double taxation treaties that are applicable to payments made to or by us.

No Cayman Islands stamp duty will be payable by you in respect of the issue or transfer of shares. However, an instrument transferring title to a share, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

We have received an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (Revised) of the Cayman Islands, for a period of 20 years from the date of the undertaking, being 10 March 2015, that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations, of the Company or (ii) by way of the withholding in whole or in part of a payment of a dividend or other distribution of income or capital by the Company to its shareholders or a payment of principal or interest or other sums due under a debenture or other obligation of the Company.

People’s Republic of China Tax Considerations

If we are considered a PRC resident enterprise under the EIT Law, our stockholders who are deemed non-resident enterprises may be subject to the 10% EIT on the dividends payable by us or any gains realized from the transfer of our common stock, if such income is deemed derived from China, provided that (i) such foreign enterprise investor has no establishment or premises in China, or (ii) it has establishment or premises in China but its income derived from China has no real connection with such establishment or premises. Furthermore, if we are considered a PRC resident enterprise and relevant PRC tax authorities consider the dividends we pay with respect to our common stock and the gains realized from the transfer of our common stock to be income derived from sources within the PRC, it is also possible that such dividends and gains earned by non-resident individuals may be subject to the 20% PRC individual income tax. It is uncertain whether, if we are considered a PRC resident enterprise, holders of our common stock would be able to claim the benefit of tax treaties or arrangements entered into between China and other jurisdictions.

If we are required under the PRC tax law to withhold PRC income tax on our dividends payable to our non-PRC resident stockholders, or if any gains realized from the transfer of our common stock by our non-PRC resident stockholders are subject to the EIT or the individual income tax, your investment in our common stock could be materially and adversely affected.

U.S. Federal Income Taxation

General

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

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

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

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

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

- financial institutions or financial services entities;
- broker-dealers;
- persons that are subject to the mark-to-market accounting rules under Section 475 of the Code;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 5% or more of our voting shares;
- persons that acquired our ordinary shares pursuant to an exercise of employee options, in connection with employee incentive plans or otherwise as compensation;

- persons that hold our ordinary shares as part of a straddle, constructive sale, hedging, conversion or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- controlled foreign corporations; or
- passive foreign investment companies.

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

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

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

U.S. Holders

Taxation of Cash Distributions Paid on Ordinary Shares

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

With respect to non-corporate U.S. Holders, any such dividends may be subject to U.S. federal income tax at the lower applicable regular long term capital gains tax rate (see “— Taxation on the Disposition of Ordinary Shares” below) provided that (1) our ordinary shares are readily tradable on an established securities market in the United States, or, in the event we are deemed to be a PRC “resident enterprise” under the EIT Law, we are eligible for the benefits of the Agreement between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income (the “U.S.-PRC Tax Treaty”), (2) we are not a PFIC, as discussed below, for either the taxable year in which such dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. Under published IRS authority, ordinary shares are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the NASDAQ Capital Market. Although our ordinary shares are currently listed on the NASDAQ Capital Market, U.S. Holders nevertheless should consult their own tax advisors regarding the availability of the lower rate for any dividends paid in respect to our ordinary shares.

If a PRC income tax applies to any cash dividends paid to a U.S. Holder on the ordinary shares, such tax may be treated as a foreign tax eligible for a deduction from such holder’s U.S. federal taxable income or a foreign tax credit against such holder’s U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such PRC tax applies to any such dividends, such U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty, if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

Taxation on the Disposition of Ordinary Shares

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

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

If a PRC income tax applies to any gain from the disposition of the ordinary shares by a U.S. Holder, such tax may be treated as a foreign tax eligible for a deduction from such holder's U.S. federal taxable income or a foreign tax credit against such holder's U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such PRC tax applies to any such gain, such U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty, if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

Passive Foreign Investment Company Rules

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

Based on the composition (and estimated values) of our assets and the nature of our income and that of our subsidiaries during the taxable year ended June 30, 2019, we believe that we are not a PFIC for such year. However, because we have not completed our analysis as to our PFIC status for the 2020 fiscal year, there can be no assurance in respect to our PFIC status for such taxable year.

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

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

Under these rules,

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

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

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

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

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

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

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

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

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

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

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

Additional Taxes

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

Non-U.S. Holders

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

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

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

Backup Withholding and Information Reporting

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

Moreover, backup withholding of U.S. federal income tax at a current rate of 24%, generally will apply to cash dividends paid on our ordinary shares to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of our ordinary shares by a U.S. Holder (other than an exempt recipient), in each case who:

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

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

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

F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. Documents on display

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

A copy of each document (or a translation thereof to the extent not in English) concerning our company that is referred to in this Annual Report is available for public view (subject to confidential treatment of certain agreements pursuant to applicable law) at our offices at 1177 Avenue of the Americas, 5th Floor New York, NY 10036.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest expenses on borrowings and income generated by finance lease receivables, excess cash, which is mostly held in interest-bearing bank deposits and investment securities. We have not used derivative financial instruments in our investment portfolio and to manage our interest rate exposure. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest expense and income may fall short of expectations due to changes in market interest rates.

Credit Risk

Credit risk is one of the most significant risks for our business. Credit risk exposure arises principally in finance lease receivables and in financial guarantees that are off-balance sheet financial instruments.

Credit risk is controlled by the application of credit approvals, limits on the amounts guaranteed and monitoring procedures. We manage credit risk through our risk control system, which commences with the establishment of overall risk management strategies, pre-transaction due diligence and assessment, in-transaction risk evaluation, product design, determination of risk-adjusted pricing, design of counter-guarantee requirements and ongoing post-transaction monitoring. To minimize credit risk, we require collateral in the form of rights to cash, securities or property and equipment. Typically, we also require our guarantee clients to provide one or more personal guarantors, referred to as “counter-guarantors,” so that such personal guarantors are jointly and severally liable for the repayment of the financing guaranteed with the borrower.

We identify credit risk collectively based on industry, geography and customer type. This information is monitored regularly by management.

We hold our cash and bank deposits at Chinese well-known financial institutions located inside the PRC with good reputations and international financial institutions located outside the PRC with high credit ratings from internationally-recognized rating agencies and well-acknowledged in the worldwide. We manage our credit risks by diversity of deposit banks and strict consideration in selection of these institutions by taking into account, among others, their reputation, stability, ratings and reported cash reserve.

Additionally, Chinese financial institutions are subject to a series of risk control regulation and PRC laws, which protect the third-party depositors’ rights over and interests in their depository capital. The PRC bank regulatory authorities are empowered to take over the operation and management when any PRC bank faces a material credit crisis.

Foreign Exchange Risk

The value of the RMB against the U.S. dollar and other currencies is affected by, among others, changes in China’s political and economic conditions and China’s foreign exchange policies. The conversion of RMB into foreign currencies, including U.S. dollars, is based on exchange rates set by the People’s Bank of China. In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, RMB is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the RMB has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. This depreciation halted in 2017, and the RMB appreciated approximately 7% against the U.S. dollar during this one-year period. Since February 2018, the RMB has depreciated significantly, over 8% against the U.S. dollar. With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

Significant revaluation of the RMB may have a material and adverse effect on your investment. To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

A majority of our revenues and costs are denominated in RMB. At the Cayman Islands holding company level, we may receive dividends and other fees paid to us by our subsidiary and consolidated affiliated entities in China. Any significant revaluation of RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ordinary shares in U.S. dollars. For example, an appreciation of RMB against the U.S. dollar would make any new RMB denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into RMB for such purposes. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ordinary shares.

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

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

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

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act) as of June 30, 2019. Based on that evaluation, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures as of June 30, 2019 were not effective due to the material weaknesses in our internal control over financial reporting described below.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statements preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the SEC, our management assessed the effectiveness of our internal control over the financial reporting as of June 30, 2019, using criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, our management concluded that our internal control over financial reporting was not effective as of June 30, 2019 due to the following material weaknesses:

- lack of sufficient accounting personnel qualified in US GAAP and SEC reporting; and
- insufficient accounting staff, which results in a failure to segregate duties sufficiently to ensure a timely and proper preparation and review of the financial statements.

We plan to take steps to remediate the material weaknesses in our internal control over financial reporting as soon as practicable by:

- hiring additional internal staff familiar with US GAAP and SEC reporting. In the past couple of years, we have made offers to hire accounting personnel familiar with US GAAP and SEC reporting experience, but has as of yet been unable to hire a suitable candidate. We now plan to hire a professional recruitment agency to assist us in the identification and selection of appropriate candidates.
- Enhance staff awareness of laws and regulations by conducting more trainings.

· hiring sufficient staff to adequately segregate responsibilities and insure timely preparation of financial statements; and providing training to our accounting personnel on US GAAP, SEC reporting and other regulatory requirements regarding the preparation of financial statements. In July 2018 and July 2017, our financial personnel attended US GAAP and SEC reporting training sessions organized by an international accounting firm. We plan to hold similar US GAAP and SEC reporting training on a regular basis.

Although we increased the training provided to accounting personnel relating to US GAAP and SEC reporting to partially address the foregoing material weaknesses, we do not believe such weaknesses have been remediated and we can provide no assurance that they will be remediated in a timely manner.

We believe that we are taking the steps necessary for remediation of the material weaknesses identified above, and we will continue to monitor the effectiveness of these steps and to make any changes that our management deems appropriate.

Our management does not believe that these material weaknesses had a material effect on our financial condition or results of operations or caused our financial statements as of and for the year ended June 30, 2019 to contain a material misstatement.

Our independent registered public accounting firm, Audit Alliance LLP, has audited the effectiveness of our Company's internal control over financial reporting as of June 30, 2019.

(d) Changes in internal control over financial reporting

Except as disclosed above, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the year ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. It should be noted that while our management believes that our disclosure controls and procedures provide a reasonable level of assurance; our management does not expect that our disclosure controls and procedures or internal financial controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

Our Board of Directors has determined that Xiaofeng Zhong, a member of our audit committee is an audit committee financial expert as defined by rules of the U.S. Securities and Exchange Commission and is an independent director under Nasdaq Listing Rules.

ITEM 16B. CODE OF ETHICS.

We have adopted a Code of Business Conduct and Ethics that applies to all of our subsidiaries and to all of our directors and employees, including our chief executive officer, chief financial officer, controller or principal accounting officer, or other persons performing similar functions, which complies with the "code of ethics" contemplated by Item 16B of Form 20-F promulgated by the U.S. Securities and Exchange Commission. A copy of our Code of Business Conduct and Ethics is available on our website at www.winsholdings.com. If we make any amendment to the Code of Business Conduct and Ethics or grant any waivers, including any implicit waiver, from a provision of the code of ethics, we will disclose the nature of such amendment or waiver on our website to the extent required by the rules and regulations of the U.S. Securities and Exchange Commission. Under Item 16B of the U.S. Securities and Exchange Commission's Form 20-F, if a waiver or amendment of the Code of Business Conduct and Ethics applies to our principal executive officer, principal financial officer, principal accounting officer or controller and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we will disclose such waiver or amendment on our website in accordance with the requirements of Instruction 4 to such Item 16B.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table represents aggregate fees billed to us for professional services rendered by our independent registered public accounting firms during the periods indicated below.

	2019	2018
Audit Fees ⁽¹⁾	\$ 240,665	\$ 384,646
Audit-Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	-	-
Total	\$ 240,665	\$ 384,646

- (1) The audit fees of \$240,665 and \$384,646 for the years ended June 30, 2019 and 2018 were billed by Centurion ZD CPA & Co., our former independent registered public accounting firm, for professional services rendered for the integrated audits and review of our financial statements.
- (2) There were no audit-related fees for the year ended June 30, 2019 and 2018.
- (3) There were no tax fees for the years ended June 30, 2019 and 2018.

The business address of Centurion ZD CPA & Co. is Unit 1304, 13/F., Two Harbourfront, 22 Tak Fung Street, Hung Hom, Hong Kong.

The business address of Audit Alliance is 20 Maxwell Road, #11-09, Maxwell House, Singapore 069113.

Audit Committee Pre-Approval

Our Audit Committee pre-approves all auditing services and permitted non-audit services to be performed for us by our independent auditor, including the fees and terms thereof (subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by our Audit Committee prior to the completion of the audit). All of the services described above were approved by our Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X promulgated by the SEC.

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

Not applicable.

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

On June 28, 2016, the Company, repurchased in privately negotiated transactions 5,100 of its ordinary shares from Bradley Reifler, a former director of the Company, for \$60,180 or \$11.80 per share and 1,480,000 shares from Bluesky LLC for \$17,464,000 or \$11.80 per share. Bluesky LLC is a limited liability company owned and controlled by Bluesky Family Trust, a family trust benefitting the family of Jianming Hao. Of the amounts payable to Bluesky, \$17 million was paid. On December 2, 2016, the Company repurchased 204,005 of its ordinary shares from Richard Xu, a former officer of the Company, for a consideration of \$204.

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

On June 30, 2020, Wins Finance Holdings Inc. (the "Company") received a letter from Centurion ZD CPA & Co. ("CZD") pursuant to which CZD resigned as the Company's independent registered public accounting firm.

CZD's reports on the financial statements of the Company for the fiscal years ended June 30, 2017 and 2018 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. CZD expressed an adverse opinion on the Company's internal control over financial reporting as of June 30, 2017 and 2018 because of material weaknesses.

During the Company's fiscal years ended June 30, 2017 and 2018 and through June 30, 2020, there were no disagreements with CZD on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to CZD's satisfaction, would have caused them to make reference to the subject matter in connection with their report on the Company's consolidated financial statements for such period.

During the Company's years ended June 30, 2017 and 2018 and through June 30, 2020, except with respect to the material weaknesses described below, there were no "reportable events" (defined below) requiring disclosure pursuant to Item 16F(a)(1)(iv) of Form 20-F. As used herein, the term "reportable event" means any of the items listed in paragraphs (a)(1)(v)(A)-(D) of Item 16F of Form 20-F. The following material weaknesses have been identified and included in management's assessment: lack of sufficient accounting personnel qualified in US GAAP, and SEC reporting; and insufficient accounting staff, which results in a failure to segregate duties sufficiently to ensure a timely and proper preparation and review of the financial statements.

The Company has provided CZD with a copy of the foregoing disclosures and has requested that CZD review such disclosures and provide a letter addressed to the Securities and Exchange Commission (“SEC”) as specified by Item 16F(a)(3) of Form 20-F. A copy of such letter was filed as Exhibit 99.1 to the Company’s Current Report on Form 6-k filed with the SEC on July 6, 2020.

On July 17, 2020, Wins Finance Holdings Inc. (the “Company”) engaged Audit Alliance LLP (“AA”) as its principal accountant. During the years ended June 30, 2019 and 2018 and through July 17, 2020, neither the Company nor anyone on its behalf consulted AA regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the consolidated financial statements of the Company, and neither a written report nor oral advice was provided to the Company that AA concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions to Item 16F of Form 20-F) or a reportable event.

ITEM 16G. CORPORATE GOVERNANCE.

Except as stated above, we currently intend to comply with the rules generally applicable to U.S. domestic companies listed on Nasdaq. We may in the future decide to use the foreign private issuer exemption with respect to some or all of the other Nasdaq corporate governance rules. Following our home country governance practices, as opposed to the requirements that would otherwise apply to a company listed on Nasdaq, may provide less protection than is accorded to investors under Nasdaq listing requirements applicable to domestic issuers. For more information, see Item 3D “Key Information - Risk Factors —As a foreign private issuer, we are permitted, and intend, to follow certain home country corporate governance practices instead of otherwise applicable Nasdaq requirements, which may result in less protection than is accorded to investors under rules applicable to domestic U.S. issuers.”

ITEM 16H. MINE SAFETY DISCLOSURE.

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Financial Statements are set forth under Item 18.

ITEM 18. FINANCIAL STATEMENTS

Our Financial Statements beginning on pages F-1 through F-40, as set forth in the following index, are hereby incorporated herein by reference. These Financial Statements are filed as part of this Annual Report.

ITEM 19. EXHIBITS

No.	Description
<u>1.1</u>	<u>Amended and Restated Articles of Association of the Company (incorporated by reference from Annex C-4 to the proxy statement/prospectus forming a part of the registrant’s Registration Statement on Form S-4 (Registration No. 333-204074), originally filed with the SEC on May 11, 2015)</u>
<u>1.2</u>	<u>Certificate of Incorporation on Change of Name of the registrant (incorporated by reference from Annex C-1 to the proxy statement/prospectus forming a part of the registrant’s Registration Statement on Form S-4 (Registration No. 333-204074), originally filed with the SEC on May 11, 2015).</u>
<u>2.1</u>	<u>Form of the Company’s Ordinary Share Certificate (incorporated by reference to Exhibit 4.1 to the registrant’s Registration Statement on Form S-4 (Registration No. 333-204074), originally filed with the SEC on May 11, 2015)</u>
<u>2.2</u>	<u>Agreement and Plan of Reorganization, dated as of April 24, 2015 and amended on May 5, 2015, by and among Sino Mercury Acquisition Corp (“Sino”), Wins Finance Holdings Inc., Wins Finance Group Ltd. (“WFG”) and the shareholders of WFG (incorporated by reference from Annex A to the proxy statement/prospectus forming a part of the registrant’s Registration Statement on Form S-4 (Registration No. 333-204074), originally filed with the SEC on May 11, 2015).</u>
<u>4.1</u>	<u>Amended and Restated Registration Rights Agreement dated as of October 27, 2015 among the Company, the initial stockholders of Sino and the shareholders of WFG (incorporated by reference to Exhibit 10.8 to the definitive Proxy Statement/Prospectus included with the Registration Statement on Form S-4/A filed on September 11, 2015).</u>

4.2	Securities Escrow Agreement dated as of August 26, 2014, as amended on June 21, 2016 by and among the Company and the initial stockholders of Sino (incorporated by reference to Exhibit 10.3 of Sino Mercury Acquisition Corp.'s Form S-1/A filed on July 18, 2014).
4.3	Escrow Agreement dated as of October 27, 2016 among Wins Finance Holdings Inc., the Representative (as described in the Agreement and Plan of Reorganization) and Continental Stock Transfer & Trust Company, as Escrow Agent (incorporated by reference to Annex F to the definitive Proxy Statement/Prospectus included with the Registration Statement on Form S-4/A filed on September 21, 2015)
4.4	Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.2 of Sino's Form 8-K filed on April 27, 2015).
4.5	Loan Contract between Jinshang International Financial Leasing Co., Ltd. and Bank of China, Shouzhou Branch (incorporated by reference to Exhibit 10.9 to the Registrant Statement on Form S-4/A filed on May 11, 2015)
4.6	Loan Contract between Jinshang International Financial Leasing Co., Ltd. and China Citic Bank (incorporated by reference to Exhibit 10.10 to the Registrant Statement on Form S-4/A filed on May 11, 2015)
4.7	Tenancy Agreement between Jinshang International Financial Leasing Co., Ltd. and Beijing Dong Sheng International Culture Industry Development Co., Ltd. (incorporated by reference to Exhibit 10.11 to the Registrant Statement on Form S-4/A filed on May 11, 2015)
4.8	Tenancy Agreement between Shanxi Dongsheng Financial Guarantee Co., Ltd. and Shanxi Province YuciWangcheng Enterprises Limited (incorporated by reference to Exhibit 10.12 to the Registrant Statement on Form S-4/A filed on May 11, 2015)
4.9	2015 Long Term Incentive Equity Plan (incorporated by reference to Annex D to the definitive Proxy Statement/Prospectus included with the Registration Statement on Form S-4/A filed on September 21, 2015)
4.10	Summary Purchase-and-Lease-Back Agreement dated December 23, 2015 by and between Jinshang International Financial Lease Co., Ltd. and Liaoning Sg Automotive Group Co., Ltd.(incorporated by reference to Exhibit 4.10 to Amendment No. 1 to the Annual Report on Form 20-F filed on October 24, 2016)
4.11	Summary Purchase-and-Lease-Back Agreement dated April 23, 2016 by and between Jinshang International Financial Lease Co., Ltd. and Liaoning Sg Automotive Group Co., Ltd.(incorporated by reference to Exhibit 4.11 to Amendment No. 1 to the Annual Report on Form 20-F filed on October 24, 2016)
4.12	Equity Adjustment Agreement with Mercury International Financial Leasing (Tianjin) Co., Ltd. (formerly translated as Chenxing International (Tianjin) Financial Leasing Co., Ltd.) and Zhongtou Jinchuang (China) Financial Holding Group Co., Limited (formerly translated as Sino Investment Jinchuang Financial Holding Co., Ltd.) dated August 28, 2018(incorporated by reference to Exhibit 4.12 to the Annual Report on Form 20-F filed on October 31, 2018)
4.13	Amendment to Equity Adjustment Agreement with Mercury International Financial Leasing (Tianjin) Co., Ltd. (formerly translated as Chenxing International (Tianjin) Financial Leasing Co., Ltd.) and Zhongtou Jinchuang (China) Financial Holding Group Co., Limited (formerly translated as Sino Investment Jinchuang Financial Holding Co., Ltd.) dated October 26, 2018(incorporated by reference to Exhibit 4.12 to the Annual Report on Form 20-F filed on October 31, 2018)
8.1	List of Subsidiaries of the Company(incorporated by reference to Exhibit 4.12 to the Annual Report on Form 20-F filed on October 31, 2018)
12.1	Certification of Chief Executive Officers Pursuant to Rule 13a-14(a)/15d-14(a)
12.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)
13.1	Certification of Chief Executive Officers and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Letter from Centurion ZD CPA & Co., dated July 6, 2020 (incorporated by reference to Exhibit 99.1 to the CurrentReport on Form 20-F filed on July 6, 2020)
101.1NS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

WINS FINANCE HOLDINGS INC.

Date: October 1, 2020

By: /s/

Name: Renhui Mu

Title: Chief Executive Officer and Chief Operating Officer
(Principal Executive Officer)

By: /s/

Name: Yuchan Cheng

Title: Chief Financial Officer
(Principal Financial Officer
and Principal Accounting Officer)

FINANCIAL STATEMENTS

Contents	Page(s)
Reports of Independent Registered Public Accounting Firm	F-2 – F-3
Consolidated Balance Sheets as of June 30, 2019 and 2018	F-4
Consolidated Statements of Income and Comprehensive Income (Loss) for the years ended June 30, 2019 and 2018	F-5
Consolidated Statements of Changes in Stockholders' Equity for the years ended June 30, 2019 and 2018	F-6
Consolidated Statements of Cash Flows for the years ended June 30, 2019 and 2018	F-7
Notes to Consolidated Financial Statements	F-8

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Opinion on the financial statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Wins Finance Holdings Inc. and subsidiaries (collectively, the “Company”) as of June 30, 2019 and 2018, and the related consolidated statements of income and other comprehensive income, changes in stockholders’ equity and cash flows for each of the two years ended June 30, 2019 and 2018, and the related notes (collectively referred to as the “financial statements”). Except for the matter highlighted in the Basis for qualified opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2019 and 2018, and the results of its operations and its cash flows for each of the two years ended June 30, 2019 and 2018, in conformity with U.S. generally accepted accounting principles.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2019 and 2018 consolidated financial statements, and our opinion regarding the effectiveness of the Company’s internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Basis for qualified opinion

Loss of control over subsidiaries

As disclosed in Note 1 to the financial statements, the board of directors are of the view that the Company has lost its ability to control its subsidiaries and has not had control of its subsidiaries since June 9, 2020. The subsidiaries are namely Shanxi Jincheng Agriculture Co., Ltd and Shanxi Dongsheng Finance Guarantee Co., Ltd (collectively “subsidiaries without control”). We were unable to carry out any audit procedures or to obtain information we considered necessary during our audit of the financial statements of the subsidiaries without control stated on the face of the balance sheet of the Company classified as disposal group. Therefore, we could not determine the effect of adjustments, if any, on the financial position of Company as at June 30 2019 and 2018 or on its financial performance and cash flows for the year then ended.

We also did not receive disclosure from management of subsidiaries without control regarding the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud. Accordingly, we could not obtain assurance over the completeness of any allegations of fraud, or suspected fraud, affecting the Company's financial statements as communicated by employees, former employees, analysts, regulators or others. Management of subsidiaries without control is unable to acknowledge their responsibilities for the design, implementation and maintenance of accounting and internal control systems that are designed to prevent and detect fraud and error, the objectives of which are to provide us with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed as authorized.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

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

/s/ **Audit Alliance LLP**

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

Singapore
October 1, 2020

WINS FINANCE HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
(In US dollars, except share data)

	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
ASSETS		
Cash	\$ 70,312	\$ 13,133,540
Restricted cash (Note 4)	-	4,532,372
Investment securities-held to maturity (Note 5)	-	48,345,306
Net investment in direct financing leases (Note 6)	30,011,279	72,223,956
Interest receivable	-	4,425,363
Operating lease, right-of-use asset (Note 7)	163,041	-
Property and equipment, net (Note 8)	48,131	92,199
Deferred tax assets, net (Note 17)	20,836,408	949,511
Other assets (Note 9)	2,106,321	631,943
Non-marketable investment (Note 3<k>)	2,912,040	-
Assets of disposal group classified as held for sale	171,954,262	165,569,072
TOTAL ASSETS	\$ 228,101,794	\$ 309,903,262
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Bank loans for capital lease business (Note 10)	\$ 338,763	\$ 13,696,574
Other loans for capital lease business (Note 10)	377,393	4,774,510
Interest payable	21,494	156,501
Income tax payable (Note 17)	1,202,674	85,481
Deposits from direct financing leases	5,406,497	10,142,244
Operating lease liability-current	57,990	-
Other liabilities (Note 11)	2,552,085	1,461,934
Due to related party (Note 18)	464,000	464,000
Operating lease liability-non-current (Note 7)	194,089	-
Liabilities of disposal group classified as held for sale (Note 20)	3,036,447	5,238,071
Total Liabilities	\$ 13,651,432	36,019,315
Stockholders' Equity		
Common stock (par value \$0.0001 per share, 100,000,000 shares authorized; 19,837,642 issued and outstanding at June 30, 2019 and 2018) (Note 13)	\$ 1,984	1,984
Additional paid-in capital	211,934,432	211,934,432
Statutory reserve (Note 14)	4,687,085	4,687,085
Retained earnings	21,560,152	71,369,880
Accumulated other comprehensive loss	(23,733,291)	(14,109,434)
Total Stockholders' Equity	214,450,362	273,883,947
TOTAL LIABILITIES AND EQUITY	\$ 228,101,794	\$ 309,903,262

See notes to the consolidated financial statements.

WINS FINANCE HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(In US dollars, except share data)

	For the years ended June 30,	
	2019	2018
Direct financing lease income		Restated
Direct financing lease interest income	\$ 7,595,992	\$ 5,697,957
Interest expense for direct financing lease	(411,066)	(1,546,304)
Business collaboration fee and commission expenses for leasing projects	(68,342)	(99,320)
Provision for lease payment receivable	(81,585,960)	(3,514,961)
Net direct financing lease interest income after provision for receivables	\$ (74,469,376)	\$ 537,372
Financial advisory and lease agency income	-	1,695,303
Net revenue	\$ (74,469,376)	\$ 2,232,675
Non-interest income		
Interest on investment securities-held to maturity	105,878	3,942,719
Total non-interest income	\$ 105,878	\$ 3,942,719
Non-interest expense		
Business taxes and surcharges	(15,827)	(9,911)
Salaries and employee charges	(542,628)	(540,312)
Rental expenses (Note 7)	(102,859)	(175,549)
Other operating expenses	(2,062,802)	(4,554,030)
Total non-interest expense	\$ (2,724,116)	\$ (5,279,802)
Income before taxes	(77,087,614)	895,592
Income tax credit (Note 17)	18,900,720	322,038
NET (LOSSES)/INCOME	\$ (58,186,894)	\$ 1,217,630
Income from discontinued operation	\$ 8,377,166	8,881,255
Total Net (Losses)/Income	(49,809,728)	10,098,885
Other comprehensive income (loss)		
Foreign currency translation adjustment	(9,623,857)	5,977,187
COMPREHENSIVE (LOSS)/INCOME	\$ (59,433,585)	\$ 16,076,072
Weighted-average ordinary shares outstanding (Note 16)		
Basic	19,837,642	19,837,642
Diluted	19,837,642	19,837,642
Earnings per share (Note 16)		
Basic	\$ (2.51)	\$ 0.51
Diluted	\$ (2.51)	\$ 0.51
From continuing operation	\$ (2.93)	\$ 0.06
From discontinued operation	\$ 0.42	\$ 0.45

See notes to the consolidated financial statements

WINS FINANCE HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In US dollars, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Statutory Reserve	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balance as of June 30, 2017	19,837,642	\$ 1,984	\$ 211,934,432	\$ (20,086,621)	\$ 3,530,458	\$ 62,427,622	\$ 257,807,875
Statutory reserve	-	-	-	-	1,156,627	(1,156,627)	-
Net income	-	-	-	-	-	10,098,885	10,098,885
Foreign currency translation adjustment	-	-	-	5,977,187	-	-	5,977,187
Balance as of June 30, 2018(Restated)	19,837,642	\$ 1,984	\$ 211,934,432	\$ (14,109,434)	\$ 4,687,085	\$ 71,369,880	\$ 273,883,947
Statutory reserve	-	-	-	-	-	-	-
Net income	-	-	-	-	-	(49,809,728)	(49,809,728)
Foreign currency translation adjustment	-	-	-	(9,623,857)	-	-	(9,623,857)
Balance as of June 30, 2019	19,837,642	\$ 1,984	\$ 211,934,432	\$ (23,733,291)	\$ 4,687,085	\$ 21,560,152	\$ 214,450,362

See notes to the consolidated financial statements.

WINS FINANCE HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In US dollars)

	For the years ended June 30,	
	2019	2018
		Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Continuing Operation</i>		
Net income/(losses)	\$ (58,186,894)	1,217,630
Depreciation	41,000	164,269
Impairment loss on investment securities	-	1,272,723
Provision for lease payment receivables	81,585,960	3,514,961
Deferred tax (benefit)	(20,055,500)	(625,302)
Changes in assets and liabilities:		
Net investment in direct financing leases	(41,724,936)	2,931,168
Interest receivable	4,293,657	(1,392,863)
Other assets	473,025	150,871
Lease receivable in lease agency transaction	(1,930,374)	-
Interest payable	(130,205)	(72,582)
Income tax payable	1,127,838	(178,791)
Deposits from direct financing leases	(4,397,481)	(1,983,386)
Other liabilities	1,190,464	1,689,206
Net Cash Provided by (Used in) Operating Activities from Discontinued Operation	(229,263)	(181,265)
Net Cash Provided by (Used in) Operating Activities	(37,942,709)	6,506,639
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Continuing Operation</i>		
Purchase of investments securities	-	(10,760,608)
Proceeds from maturities of investments securities	46,906,465	36,432,344
Deposits paid to banks for financial leasing services	(2,916,996)	-
Withdrawal of pledged bank deposits	4,397,481	-
Purchase of property, plant and equipment	-	(1,875)
Net Cash Provided by (Used in) Investing Activities from Discontinued Operation	(3,266,588)	(10,485,863)
Net Cash Provided by (Used in) Investing Activities	45,120,362	15,183,998
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Continuing Operation</i>		
Repayment of loans	(17,200,372)	(20,578,208)
Net Cash Provided by (Used in) Financing Activities from Discontinued Operation	-	-
Net Cash (Used in) Provided by Financing Activities	(17,200,372)	(20,578,208)
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH FROM CONTINUING OPERATION	(6,536,360)	(1,351,788)
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH FROM DISCONTINUED OPERATION	5,907,827	1,734,169
NET INCREASE (DECREASE) IN CASH FROM CONTINUING OPERATION	(13,063,228)	10,427,769
NET INCREASE (DECREASE) IN CASH FROM DISCONTINUED OPERATION	2,411,976	(8,932,959)
Cash and cash equivalents at beginning of year	13,133,540	2,705,771
Cash and cash equivalents at beginning of year-disposal groups	5,363,552	14,296,511
Cash and cash equivalents at end of year	\$ 70,312	13,133,540
Cash and cash equivalents at end of year-disposal groups	7,775,528	5,363,552
SUPPLEMENTAL CASH FLOW INFORMATION:		
<i>Continuing Operation</i>		
Cash paid for income taxes	\$ 26,942	482,055
Cash paid for interest expense	\$ 443,186	1,512,691
<i>Discontinued Operation</i>		
Cash paid for income taxes	256,613	436,020
Cash paid for interest expense	-	-

See notes to the consolidated financial statements.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION, PRINCIPAL ACTIVITIES, GOING CONCERN AND MANAGEMENT'S PLANS

The accompanying consolidated financial statements include the financial statements of Wins Finance Holdings Inc. ("Wins Finance") and its subsidiaries, Wins Holdings LLC ("WHL"), Wins Finance Group Limited ("WFG"), Full Shine Capital Resources Limited ("Full Shine"), Jinshang International Financial Leasing Co., Ltd. ("Jinshang Leasing"), Shanxi Jinchen Agriculture Co., Ltd. ("Jinchen Agriculture") and Shanxi Dongsheng Finance Guarantee Co., Ltd. ("Dongsheng Guarantee"). Wins Finance and its subsidiaries are collectively referred to as the "Company".

Wins Finance was incorporated in the Cayman Islands as an exempt company on February 15, 2015 and was then a wholly owned subsidiary of Sino Mercury Acquisition Corp.

WFG was incorporated under the laws of British Virgin Islands on July 27, 2014 and was initially owned 100% by Mr. Wang Hong. On October 23, 2014, WFG acquired a wholly-owned subsidiary, Full Shine, which is a shell company incorporated in the laws of the Hong Kong Special Administrative Region (the "HK SAR" or "Hong Kong"), for \$1.

On December 2, 2014, WFG, through Full Shine, acquired 100% of the equity capital of Jinshang Leasing, a PRC Company, by means of a share exchange (the "Jinshang Leasing Share Exchange") pursuant to which WFG issued 30,000,000 ordinary shares to a personal holding Company owned by Mr. Wang Hong in exchange for Mr. Wang Hong's transferring 100% of the equity capital of Jinshang Leasing to Full Shine.

The share exchange among WFG, Full Shine and Mr. Wang Hong is considered in substance to be a capital transaction, rather than a business combination transaction, because prior to the share exchange WFG and Full Shine did not have any operations, had an immaterial amount of assets, and were controlled by the same owner as Jinshang Leasing. WFG's financial statements as of and for the year ended June 30, 2015 consolidate WFG, Full Shine, Jinshang Leasing, and Jinshang Leasing's direct and indirect wholly-owned PRC subsidiaries Jinchen Agriculture, Dongsheng Guarantee and Tianjin Jiaming. Following the completion of the capital transaction, WFG conducted business operations primarily through Jinshang Leasing and Dongsheng Guarantee.

Jinshang Leasing was incorporated on May 18, 2009 in Beijing, the People's Republic of China (the "PRC") under the laws of PRC and engages primarily in providing financing lease services to small and medium-sized companies and related financing consulting services in the PRC.

Tianjin Jiaming was incorporated on April 23, 2014 as a wholly-owned subsidiary of Jinshang Leasing. Tianjin Jiaming did not conduct any business activities from its inception through September 30, 2015, and it was dissolved on March 30, 2018.

Dongsheng Guarantee was incorporated on February 22, 2006 in Jinzhong City, Shanxi Province, PRC under the laws of PRC and is mainly engaged in providing credit guarantees to small and medium-sized companies and related consulting finance services in the PRC.

Jinchen Agriculture was incorporated on February 29, 2012 in Jinzhong City, Shanxi Province, PRC under the laws of PRC. Jinchen Agriculture did not conduct any business activities from its inception through September 30, 2015.

On October 26, 2015, Wins Finance consummated the transactions contemplated by the Agreement and Plan of Reorganization (the "Merger Agreement"), dated as of April 24, 2015 and amended on May 5, 2015, by and among Wins Finance, Sino Mercury Acquisition Corp. ("Sino"), WFG and the shareholders of WFG (the "WFG Shareholders").

Upon the closing of the transactions contemplated by the Merger Agreement (the "Closing"), (i) Sino merged with and into Wins Finance with Wins Finance surviving the merger (the "Merger") and (ii) the WFG Shareholders exchanged 100% of the ordinary shares of WFG for cash and ordinary shares of Wins Finance (the "Share Exchange" together with the Merger, the "Transactions").

WFG is an integrated financing solution provider with operations located primarily in Jinzhong City, Shanxi Province and Beijing, China. WFG's goal is to assist Chinese small & medium enterprises, including microenterprises, which have limited access to financing, in improving their overall fund-raising capability and enable them to obtain funding for business development.

As a result of the Transactions, the former members of WFG own approximately 78.0% of the stock of Wins Finance and the former stockholders of Sino own the remaining 22.0%.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The Transactions are accounted for as a “reverse merger” and recapitalization at the date of the consummation of the Transactions since the former members of WFG owned a majority of common stock of the Company and WFG’s operations will be the operations of Sino following the Transactions. Accordingly, WFG is deemed to be the accounting acquirer in the Transactions and, consequently, the Transactions are treated as a recapitalization of WFG. As a result, the assets and liabilities and the historical operations that will be reflected in the Sino’s financial statements after consummation of the Transactions will be those of WFG and will be recorded at the historical cost basis of WFG. Sino’s assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of WFG upon consummation of the Transactions. As such, WFG is the continuing entity for financial reporting purpose. SEC Manual requires that in a reverse acquisition of historical shareholder’s equity of the accounting acquirer prior to the merger is retroactively reclassified (a recapitalization) for the equivalent number of shares received in the merger after giving effect to any difference in par value of the registrant’s and the accounting acquirer’s stock by an offset in paid-in-capital. Therefore, the financial statements have been prepared as if WFG had always been the reporting company and then on the share exchange date, had changed its name and reorganized its capital stock.

WHL was incorporated on November 10, 2015 in New York and was disposed on June 30, 2016 to Ms. Wenyu Li, an individual beneficially owning 8.1% of the Company’s ordinary Shares as of June 30, 2016, for a cash consideration of \$270,000 (Note 8), which was the net asset value of WHL on the date of disposal. WHL did not conduct any business activities from its inception.

On December 13, 2016, Appelo Ltd. and Wits Global Ltd., each an entity controlled by Mr. Wang Hong (collectively, the “Sellers”) entered into an agreement to transfer all of the ordinary shares of Wins Finance owned by them (an aggregate of 13,440,000 ordinary shares (approximately 67% of the Company’s outstanding ordinary shares)) to Freeman FinTech Corporation Limited (“Freeman”), a company listed on the Hong Kong Stock Exchange. In connection with the transaction, the Seller transferred certain rights in a registration rights agreement to Freeman.

On August 2, 2017, Spectacular Bid Limited, a wholly owned subsidiary of Freeman, completed the acquisition of approximately 67% of the Company’s outstanding shares, and thereafter, Spectacular Bid Limited and Freeman become the Company’s immediate and ultimate holding company.

On June 9, 2020, the Changzhi Public Security Bureau (the “Bureau”) enforced a judgement against Jinchen Agriculture. Pursuant to the action, the Bureau froze the assets of Jincheng Agriculture and its subsidiaries. Up to the date of the report, the Company’s management was unable to determine the cause of the freeze as the authorities have not provided such information, but it has advised that the Company no longer has control of the assets or operations of Jinchen Agriculture and its subsidiary Dongsheng Guarantee. Therefore, until the freeze is lifted, the Company will not be able to consolidate Shanxi Jinchen and its subsidiary Dongsheng Guarantee into its financial statements. The Company’s other business are unaffected by the freeze and continue to operate normally.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

As at June 30, 2019 and the date of approval of the consolidated financial statements, the Company had the following wholly-owned subsidiaries:

Name of entity	Place and date of establishment	Registered capital	Principal activities
Wins Finance Group Limited("WFG")	British Virgin Islands July 27, 2014		A holding company 100% owned by Wins Finance
Full Shine Capital Resources Limited ("Full Shine")	Hong Kong August 01, 2013	HKD 1.00	A holding company 100% owned by WFG
Jinshang International Financial Leasing Co.,Ltd("Jingshang Leasing")	PRC May 18, 2009	USD 180,000,000.00	A company providing financial leasing services and 100% owned by Full shine
Shanxi Jinchen Agriculture Co.,Ltd ("Jinchen Agriculture")	PRC February 29, 2012 Lost control from June 09, 2020	RMB 350,000,000.00	Did not conduct any business activities and 100% owned by Jinshang Leasing
Shanxi Dongsheng Finance Guarantee ("Dongsheng Guarantee")	PRC February 20,2006 Lost control from June 09,2020	RMB 300,000,000.00	A company providing financial Guarantee services and 100% owned by Jinchen Agriculture

GOING CONCERN AND MANAGEMENT'S PLANS

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred losses for the years ended June 30, 2019 of approximately USD 49.81 million from continuing operation and used net cash in operating activities in 2019 of approximately RMB 37.71 million from continuing operation. The Company has funded these losses primarily through cash generated from operations over the years. The Company expects revenue in the year ended June 30 2020 to decrease 16% as compared with the year ended June 30 2019 due to the adverse impact of the COVID-19 outbreak on the Company's financial leasing business. Besides, because of the COVID-19 outbreak, the lessee's ability to repay the rental expense was affected and the Company had made specific allowance for the lease payment with amount to USD 85,023,066 as of June 30 2019 based on the specific risk of collectability of the lessee was identified.

As of June 30, 2019, the Company's cash balances totaled USD 70,312. The Company has taken an intensive review of operations and expenditures, including selling, distribution and administration expenses, to identify and eliminate inefficiencies and redundancies in order to preserve cash while maintaining the business. Given the Company's existing cash balances and projected cash generated by, and used in, operating activities, the Company believes that it will have sufficient liquidity to fund its operating activities, and react as necessary to market changes, which may include working capital needs for at least twelve months from June 30, 2019. These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities, reported expenses and statement of financial position classification that would be necessary if going concern assumption was not appropriate. These adjustments could be material.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CHANGE IN ACCOUNTING POLICY

The Company has determined its previously issued audited consolidated financial statements for the two years ended June 30, 2018 contained an error with respect to ASC 320, Investments - Debt and Equity Securities. Specifically, investments in non-marketable asset management products issued by banks and financial institutions (the issuers) with original maturities of one year to five years should be accounted for as held-to-maturity and recorded at amortized cost, as the Company had the positive intent and ability, at acquisition, to hold each security to maturity. Such correction of error and change in accounting policy had no impact on the carrying amount of these investments as of June 30, 2018, and it had no effect on the Company's consolidated balance sheet as of June 30, 2018, the Company's net income, the consolidated statements of income and comprehensive income, or the consolidated statements of cash flows for the two years ended June 30, 2018, except that the description of these investments are changed from "short-term investments" to "investment securities".

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and principle of consolidation

The consolidated financial statements of Wins Finance and its subsidiaries are prepared and presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The consolidated financial statements include the financial statements of Wins Finance, its subsidiaries, including the wholly-foreign owned enterprises ("WFOEs") in the PRC.

A subsidiary is an entity in which Wins Finance (i) directly or indirectly controls more than 50% of the voting power; or (ii) has the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meeting of the board of directors or to govern the financial and operating policies of the investee pursuant to a statute or under an agreement among the shareholders or equity holders.

All significant inter-Company transactions and balances have been eliminated upon consolidation.

(b) Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. On an ongoing basis, management reviews these estimates using information then currently available. Changes in facts and circumstances may cause Wins Finance to revise its estimates. Material estimates that are particularly susceptible to significant change in the near-term include the determination of the allowances for doubtful accounts receivable and for guarantee losses.

Significant accounting estimates reflected in the financial statements include, but are not limited to: (i) the allowance for doubtful receivables; (ii) estimates of losses on unexpired contracts and financial guarantee service contracts; (iii) accrual of estimated liabilities; (iv) useful lives of long-lived assets; (v) impairment of long-lived assets; (vi) valuation allowance for deferred tax assets; (vii) contingencies; and (viii) share-based compensation.

(c) Operating segments

ASC 280, Segment Reporting, requires companies to report financial and descriptive information about their reportable operating segments, including segment profit or loss, certain specific revenue and expense items, and segment assets. All of the Company's activities are interrelated, and each activity is dependent and assessed based on how each of the activities of the Company supports the others.

The Company's chief operating decision-maker ("CODM") has been identified as the Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for both the financing lease business and the guarantee business. The Company's net revenues are all generated from customers in the PRC. Hence, The Company operates and manages its business within one reportable segment, which is to provide financial services in the PRC domestic market.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

For the year ended June 30, 2019, there were 3 customers that accounted for 43%, 12% and 11% of the Jinshang Leasing's revenue, respectively. For the year ended June 30, 2018, there were two customers that accounted for 15% and 14% of the Jinshang Leasing's revenue, respectively.

As of June 30, 2019, two customers accounted for 45% and 12%, respectively, of the minimum lease payments receivable of Jinshang Leasing. As of June 30, 2018, five customers accounted for 20%, 20%, 13%, 13% and 12%, respectively, of the minimum lease payments receivable of Jinshang Leasing.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and all highly liquid investments with original maturities of three months or less that are unrestricted as to withdrawal and use.

(e) Restricted Cash

Restricted cash represents cash pledged to banks by Wins Finance's subsidiary Jinshang Leasing. The banks providing loans to the Company and to pledge a cash deposit of 10% of the loan amount to an time deposit account that is restricted from use. The deposit is released after the bank loan is paid off.

(f) Investments securities – held to maturity

Investments in non-marketable asset management products issued by banks and financial institutions (the issuers) with original maturities of one year or three or five years are classified as investment securities – held to maturity ("HTM"). The Company's asset management products are managed by banks and financial institutions and invested in fixed-income financial products that are permitted by the China Securities Regulatory Commission ("CSRC"), such as government bonds, corporate bonds and central bank notes. The investment portfolios of these products are not disclosed to the Company by the banks or financial institutions.

HTM securities are those securities in which the Company has the ability and intent to hold the security until maturity. HTM securities are recorded at amortized cost. Premiums and discounts on HTM securities are amortized or accreted over the life of the related HTM security as an adjustment to yield using the effective-interest method. There were no such premiums or discounts on HTM securities for any of the reporting periods presented herein.

A decline in the market value of any HTM securities below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. To determine whether an impairment is other-than-temporary, the Company considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts when developing an estimate of cash flows expected to be collected. The Company regularly evaluates the potential for impairment of the HTM securities, in particular when conditions indicate a potential for impairment, but not less than annually. There was no impairment noted for any of the reporting periods presented herein.

Interest income from HTM securities is recognized when the Company's right to receive payment is established. Accrued but unpaid interest income is recorded as interest receivable in the accompanying consolidated balance sheets.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(g) Net investment in direct financing leases

Lease contracts that Jinshang Leasing enters with financing lease customers transfer substantially all the rewards and risks of ownership of the leased assets, other than legal title, to the customers. These financing lease contracts are accounted for as direct financing leases in accordance with ASC 840-10-25 and ASC 840-40-25. At the inception of a transaction, the cost of the leased property is capitalized at the present value of the minimum lease payment receivables and the unguaranteed residual value of the property at the end of the lease. The difference between the sum of (i) the minimum lease payment receivables and the unguaranteed residual value and (ii) the cost of the leased property is recognized as unearned income. Unearned income is recognized over the period of the lease using the effective interest rate method.

Net investment in direct financing leases is recorded at net realizable value consisting of minimum lease payments to be received less allowance for uncollectible, as needed, and less the unearned income. The allowance for lease payment receivable losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on Jinshang Leasing's loss history, known and inherent risks in the transactions, adverse situations that may affect the lessee's ability to repay, the estimated value of any underlying asset, current economic conditions and other relevant factors. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revision as more information becomes available. While management uses the best information available upon which to base estimates, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used for the purposes of analysis.

Jinshang Leasing provides "Specific Allowance" for the lease payment receivable of lease transactions if any specific collectability risk is identified, and a "General Allowance", based on total minimum lease payment receivable balance of those transactions with no specific risk identified, to be used to cover unidentified probable loss. Jinshang Leasing performs periodic and systematic detailed reviews to identify credit risks and to assess the overall collectability, and may adjust its estimates on allowance when new circumstances arise.

(h) Revenue recognition

The Company adopted ASC 606, Revenue from Contracts with Customers ("ASC 606") on January 1, 2018, using the modified retrospective approach. ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

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

Direct financing lease interest income

Direct financing lease interest income is recognized on an accrual basis using the effective interest method over the term of the lease by applying the rate that discounts the estimated future minimum lease payment receivables through the period of the lease to the amount of the net investment in the direct financing lease at inception.

The accrual of financing lease interest income is discontinued when a customer becomes 90 days or more past due on its lease or interest payments to Jinshang Leasing, unless Jinshang Leasing believes the interest is otherwise recoverable. Leases may be placed on non-accrual earlier if Jinshang Leasing has significant doubt about the ability of the customer to meet its lease obligations, as evidenced by consistent delinquency, deterioration in the customer's financial condition or other relevant factors. Payments received while the lease is on non-accrual are applied to reduce the amount of the recorded value. Jinshang Leasing resumes accruing the interest income when Jinshang Leasing determines that the interest has again become recoverable, as, for example, if the customer resumes payment of the previous interest, and shows material improvement in its operating performance, financial position, and similar indicators.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Financial advisory and agency income

Jinshang Leasing provide financing solutions to customers and receive advisory fees as compensation. The Company earns advisory fee income from a range of services it provides to its customers at a point in time. Revenue for those services is recognized when the transactions are completed.

As a licensed finance lease Company, Jinshang Leasing acts as agent in finance lease transactions between other finance lessors and lessees, or between banks and lessees. Jinshang Leasing neither receives the benefit of receiving the lease payments nor assumes the repayment obligations in these transactions. The lease agency income and advisory fees received in these transactions are recognized as income on a net basis during the service period as the related service obligations are completed.

Jinshang Leasing acts as a financing agency between other financial leasing companies that need capital and financial institutions that are willing to provide capital. Other financial leasing companies factor to Jinshang Leasing their right to collect capital lease receivables in order to obtain capital from Jinshang Leasing, and Jinshang Leasing factors to other financial institutions its right to collect debts from these financial leasing companies in order to finance entirely the capital that Jinshang Leasing provides to other financial leasing companies. All of these factoring transactions are structured with recourse rights to the assignor of the receivable. Specifically, the financial institutions bear the credit risk should the financial leasing companies fail to repay capital lease receivables. Financial agency income that Jinshang Leasing earns from factoring transactions is accrued monthly as net interest income and payments that Jinshang Leasing makes on factoring loans from financial institutions are accrued monthly as interest cost, in each case in accordance with the terms of the factoring loan contracts. Jinshang Leasing recorded net interest income of nil in each of the years ended June 30, 2019 and 2018 on these financing agency transactions.

Contract Balances

For the year ended June 30, 2019 and 2018, the Company did not have any significant incremental costs of obtaining contracts with customers incurred and/or costs incurred in fulfilling contracts with customers within the scope of ASC Topic 606, that shall be recognized as an asset and amortized to expenses in a pattern that matches the timing of the revenue recognition of the related contract.

As of June 30, 2019 and 2018, the Company does not have any contract assets (unbilled receivables) since revenue is recognized when the performance obligation is fulfilled and the payment from customers is not contingent on a future event.

Advances received from customers related to unsatisfied performance obligations are recorded as contract liabilities (unearned income), which will be recognized as revenues upon the satisfaction of performance obligations through the transfer of related promised services to customers.

Allocation to Remaining Performance Obligations

The Company has elected to apply the practical expedient in paragraph ASC Topic 606-10-50-14 and did not disclose the information related to transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as of June 30, 2019 and 2018, because either the performance obligation of the Company's contracts with customers has an original expected duration of one year or less or the Company has a right to consideration from a borrower or a customer in an amount that corresponds directly with the value to the borrower or the customer of the Company's performance completed to date, therefore the Company may recognize revenue in the amount to which the Company has a right to invoice or collect.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(i) Property and equipment, net

Plant and equipment are recorded at cost less accumulated depreciation and impairment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, with 3% salvage value. The average estimated useful lives of property and equipment are discussed in Note 8.

The Company eliminates the cost and related accumulated depreciation of assets sold or otherwise retired from the corresponding accounts and includes any gain or loss in the statements of income. The Company charges maintenance, repairs and minor renewals directly to expenses as incurred; major additions and improvements of equipment are capitalized.

(j) Impairment of long-lived assets

The Company applies the provisions of ASC No. 360 Sub topic 10, "Impairment or Disposal of Long-Lived Assets" (ASC 360-10) issued by the Financial Accounting Standards Board ("FASB"). ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value.

The Company tests long-lived assets, including property and equipment and finite-lived intangible assets, for impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the net carrying amount of the assets is greater than their fair value. Assets are grouped and evaluated at the lowest level for their identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the future estimated cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, the Company measures the amount of impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate the Company utilizes to evaluate potential investments. The Company estimates fair value based on the information available in making whatever estimates, judgments and projections are considered necessary. There were no impairment losses on long-lived assets in the years ended June 30, 2019 and 2018.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(k) Non-marketable equity investments

On August 28, 2018, a subsidiary of the Company entered into an agreement to acquire a 30% equity interest in Hui Yue Finance Leasing (Ningbo) Co., Ltd. (“Hui Yue”). Hui Yue will be a joint venture between the Company, Mercury International Financial Leasing (Tianjin) Co., Ltd. (formerly translated as Chenxing International (Tianjin) Financial Leasing Co., Ltd) and Zhongtou Jinchuang (China) Financial Holding Group Co., Limited (formerly translated as Sino Investment Jinchuang Financial Holding Co., Ltd). The Company was originally required to pay RMB 300 million (\$43.7 million) for its 30% interest in Hui Yue.

On October 26, 2018, the parties to the agreement entered into an amendment providing that the Company would acquire only a 15% equity interest in Hui Yue (instead of the originally contemplated 30%) for RMB150 million (\$21.8 million). Pursuant to the agreement, the Company was required to pay the capital within thirty years, from the date of change of Hui Yue’s company registration. The first payment of RMB 20 million (\$2.9 million) was made on October 30, 2018. Hui Yue will focus on the financial leasing of equipment relating to port logistics, construction machinery, energy conservation and medicine in Ningbo, China. The Company believes that participating in this investment has the opportunity to boost the Company’s growth in the leasing sector by leveraging the local financial, governmental and client resources of the Company.

The Company elected to record its equity investments in this privately held company using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer, since the Company does not have significant influence over Hui Yue and its investment in Hui Yue is without readily determinable fair value. There was no observable price change for the year ended June 30, 2019.

Equity investments in Hui Yue accounted for using the measurement alternative are subject to periodic impairment reviews. The Company’s impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of these equity securities.

All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in non-interest income (expenses). Dividend income is recognized when the right to receive the payment is established.

(l) Fair value measurements

ASC Topic 825, Financial Instruments (“Topic 825”) requires disclosure of fair value information for financial instruments, whether or not recognized in the balance sheets, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Topic 825 excludes certain financial instruments and all non-financial assets and liabilities from its disclosure requirements. Accordingly, the aggregate fair value amounts do not represent the underlying value of the Company.

Level 1 - inputs are based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs are based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

As of June 30, 2019 and 2018, financial instruments of the Company primarily consisted of cash, restricted cash, accounts receivables, other receivables, and bank and other loans which were carried at cost or amortized cost on the consolidated balance sheets, and carrying amounts approximated their fair values because of their generally short maturities or the rate of interest of these instruments approximate the market rate of interest.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(m) Foreign currency translation

The Company’s functional and reporting currency is the United States Dollar (“US dollars” or “USD”). The functional currency of the Company’s subsidiaries in the PRC is the Chinese Yuan, or Renminbi (“RMB”).

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statements of operations.

For financial reporting purposes, the financial statements of the Company’s subsidiaries are prepared using RMB and translated into the Company’s functional currency at the exchange rates quoted by www.oanda.com. Assets and liabilities are translated using the exchange rate in effect at each balance sheet date. Revenue and expenses are translated using average rates prevailing during each reporting period, and stockholders’ equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive income in stockholders’ equity.

	June 30, 2019	June 30, 2018
Balance sheet items, except for equity accounts	6.8680	6.6191
	For the years ended June 30	
	2019	2018
Items in the statements of income and comprehensive income, and statements of cash flows	6.8221	6.5052

(n) Interest expense

Interest expense derived from the loans providing funds for financial leasing contracts is classified as cost of revenue in the consolidated statements of income.

(o) Non-interest expenses

Non-interest expenses primarily consist of salary and benefits for employees, travel cost, entertainment expense, depreciation of equipment, office rental expense, professional service fees, office supplies, and similar items.

(p) Income taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740, “Income Taxes.” ASC 740 requires a Company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of, the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment of the changes.

Under ASC 740, a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(q) Comprehensive income

Comprehensive income includes net income and foreign currency translation adjustments. Comprehensive income is reported in the statements of operations and comprehensive income.

Accumulated other comprehensive income, as presented on the balance sheets, represents cumulative foreign currency translation adjustments.

(r) Operating leases

The Company leases its office premises under lease agreements that qualify as operating leases. The Company adopted ASU No. 2016-02 and related standards (collectively ASC 842, Leases), which replaced previous lease accounting guidance, on January 1, 2019 using the modified retrospective method of adoption. The Company elected the transition method expedient which allows entities to initially apply the requirements by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. As a result of electing this transition method, prior periods have not been restated.

(s) Share-based compensation

The Company accounts for share-based compensation awards to employees in accordance with ASC Topic 718, "Compensation – Stock Compensation", which requires that share-based payment transactions with employees be measured based on the grant-date fair value of the equity instrument issued and recognized as compensation expense net of estimated forfeitures over the requisite service period. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in future periods.

If an award is cancelled for no consideration and it is not accompanied by a concurrent grant of (or offer to grant) a replacement award, it is accounted for as a repurchase for no consideration. Any unrecognized compensation cost is recognized on the cancellation date. Cancellation of an award, accompanied by a concurrent grant of (or offer to grant) a replacement award, is accounted for as a modification of the cancelled award (ASC 718-20-35-8 through 35-9).

(t) Commitments and contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among other things, government investigations and tax matters. In accordance with ASC No. 450 Sub topic 20, "Loss Contingencies", the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

(u) Earnings per Share (EPS)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed similar to basic net income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if all the potential common shares pertaining to warrants, stock options, and similar instruments had been issued and if the additional common shares were dilutive. Diluted earnings per share are based on the assumption that all dilutive convertible shares and stock options and warrants were converted or exercised. Dilution is computed by applying the treasury stock method for the outstanding unvested restricted stock, options and warrants, and the if-converted method for the outstanding convertible instruments. Under the treasury stock method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later) and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Under the if-converted method, outstanding convertible instruments are assumed to be converted into common stock at the beginning of the period (or at the time of issuance, if later).

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(v) Disposal groups (or non-current assets) held-for-sale and discontinued operations

Disposal groups (or non-current assets) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal groups or the non-current assets (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the significant accounting policies set out elsewhere in Note 20.

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represent a separate major line of business or geographic area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

(w) Impact of recently issued accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance supersedes current guidance on revenue recognition in Topic 605, *Revenue Recognition*. In addition, there are disclosure requirements related to the nature, amount, timing, and uncertainty of revenue recognition. On July 1, 2018, the Company adopted ASC 606, applying the modified retrospective method to contracts that were not completed as of July 1, 2018. The adoption did not have a material impact on retained earnings as of July 1, 2018. Results for reporting periods beginning on or after July 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 605. Additional disclosures have been made. Please see the Notes to Consolidated Financial Statements for details.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments- Recognition and Measurement of Financial Assets and Financial Liabilities*. This new guidance amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The main provisions require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value through earnings, unless they qualify for a measurement alternative. The new guidance will require a modified retrospective application to all of the Company's outstanding instruments beginning July 1, 2018, with a cumulative effect adjustment recorded to opening retained earnings as of the beginning of the first period in which the guidance becomes effective. However, changes to the accounting for equity securities without a readily determinable fair value will be applied prospectively. Please see the Notes to Consolidated Financial Statements for details.

In November 2016, the FASB issued ASU No. 2016-18, *Statements of Cash Flows (Topic 230): Restricted Cash*. This guidance requires that a statement of cash flows explain the changes during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The standard should be applied to each period presented using a retrospective transition method. The adoption of this standard resulted in the Company's restricted cash being included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

Other accounting standards adopted beginning July 1, 2018 do not have a significant impact on the Company's consolidated financial statements.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(x) Impact of recently issued accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)* for recognition of credit losses on financial instruments, which is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (i.e., January 1, 2020, for calendar year entities), with early adoption permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The guidance introduces a new credit reserving model known as the Current Expected Credit Loss (CECL) model, which is based on expected losses, and differs significantly from the incurred loss approach used today. The CECL model requires measurement of expected credit losses not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information and will likely result in earlier recognition of credit reserves. The Company does not intend to adopt the new standard early and is currently evaluating the impact the new guidance will have on its financial position, results of operations and cash flows.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which is part of the FASB disclosure framework project to improve the effectiveness of disclosures in the notes to the financial statements. The amendments in the new guidance remove, modify and add certain disclosure requirements related to fair value measurements covered in Topic 820, *Fair Value Measurement*. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for either the entire standard or only the requirements that modify or eliminate the disclosure requirements, with certain requirements applied prospectively, and all other requirements applied retrospectively to all periods presented. The Company is currently evaluating the impact of adopting this guidance.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which modifies the guidance related to indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interest. ASU 2018-17 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance.

In December 2019, the FASB issued ASU 2019-12 to simplify the accounting in ASC 740, Income Taxes. This guidance removes certain exceptions related to the approach for intra period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This guidance also clarifies and simplifies other areas of ASC 740. This ASU will be effective beginning on January 1, 2021. Early adoption is permitted. Certain amendments in this update must be applied on a prospective basis, certain amendments must be applied on a retrospective basis, and certain amendments must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. The Company does not believe the adoption of this ASU would have a material effect on the Company's consolidated financial statements.

Except as mentioned above, the Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the Company's consolidated balance sheets, statements of income and comprehensive income and statements of cash flows.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 - RISKS

(a) Credit risk

Credit risk is one of the most significant risks for the Company's business. Credit risk exposure arises principally in investments in direct financing leases.

The Company identifies credit risk collectively based on industry, geography and customer type. This information is monitored regularly by management.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from its investments in direct financing leases are set out in Note 6.

The Company's asset management products are managed by banks and financial institutions and invested in fixed-income financial products that are permitted by the China Securities Regulatory Commission ("SRC"), such as government bonds, corporate bonds and central bank notes. Management does not foresee any significant credit risks from these assets and does not expect that these banks or financial institutions may default and cause losses to the Company.

PRC state-owned banks, such as Bank of China, are subject to a series of risk control regulatory standards, and PRC bank regulatory authorities are empowered to take over the operation and management when any of those banks faces a material credit crisis. Meanwhile, China does not have an official deposit insurance program, nor does it have an agency similar to what was the Federal Deposit Insurance Corporation (FDIC) in the U.S. In the event of bankruptcy of one of the financial institutions in which the Company has deposits or investments, it may be unlikely to claim its deposits or investments back in full. As of June 30, 2019 and 2018, the Company held cash and restricted cash of \$Nil and \$4,532,372, respectively, that was not insured by any governmental authority. To limit exposure to credit risk relating to deposits, the Company primarily places cash deposits only with well-known financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

(b) Liquidity risk

The Company is also exposed to liquidity risk, which is the risk that it will be unable to provide sufficient capital resources and liquidity to meet its commitments and business needs. The Company is also exposed to liquidity risk on its short-term investments, including the risks that the banks and financial institutions that manage the Company's short-term investments will be unable to redeem such short-term investments at a price equal to principal and accrued and unpaid interest or, in extreme circumstances, such as significant redemptions or a deterioration of liquidity in the financial markets, may be unable to redeem them at all. As a result, the Company may not have access to the capital related to such short-term investments when needed. Liquidity risk is controlled by the application of financial position analysis and monitoring procedures. When necessary, the Company may turn to other financial institutions, and historically has occasionally take loans from its shareholders to obtain short-term funding to meet liquidity shortages.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(c) Foreign currency risk

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

(d) Business and economic risks

The Company's operations are carried out in the PRC through its direct and indirect WFOEs. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC as well as by the general state of the PRC's economy. The Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

The Company expects revenue in the year ended June 30, 2020 to decrease 16% as compared with the year ended June 30, 2019 due to the adverse impact of the COVID-19 outbreak on the Company's financial leasing business. Besides, because of the COVID-19 outbreak, the lessee's ability to repay the rental expense was affected and the Company had made specific allowance for the lease payment with amount to USD 85,023,066 as of June 30 2019 based on the specific risk of collectability of the lessee was identified.

NOTE 5 - RESTRICTED CASH

Restricted cash represents cash deposited with banks for Jinshang Leasing's bank loans for the capital lease business, in the amount of to \$Nil and \$4.5 million (Note 10) as of June 30, 2019 and 2018, respectively. The banks providing loans to the Company and to pledge a cash deposit of 10% of the loan amount to an time deposit account that is restricted from use. The deposit is released after the bank loan is paid off.

NOTE 6 - INVESTMENTS SECURITIES – HELD TO MATURITY

Investments securities – held to maturity as of June 30, 2019 and 2018 mainly represented asset management products that Jinshang Leasing purchased from financial institutions. The term for the investments is one year or three or five years, and Jinshang Leasing have the ability and intent to hold the security until maturity. Interest from these investments varies from 5% to 5.5% annually, with deduction of a management fee, and was receivable quarterly, annually or upon maturity. Given that the amount of returns of the investments is determinable, the Company recorded these investments at amortized cost using the effective interest.

The following table sets forth the contractual maturity of the balances as of June 30, 2018 in future periods and the balances as of June 30, 2019 was nil.

Maturing within:	HTM securities
Within 1 year	\$ 48,345,306
2 years	-
3 years	-
4 years	-
5 years	-
Thereafter	-
	<u>\$ 48,345,306</u>

Interest income from these investments was \$ 105,878 and \$3,942,719 for the years ended June 30, 2019 and 2018, respectively. Earned but uncollected interest was nil and \$ 4,168,233 as of June 30, 2019 and 2018, respectively.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 7 - NET INVESTMENT IN DIRECT FINANCING LEASES

Jinshang Leasing's leasing operations consist principally of leasing high value equipment under direct financing leases expiring in 1-5 years as of the balance sheets dates. The leases bear effective interest rate of 4.3% - 13.3% per annum.

The following is a summary of the components of the Jinshang Leasing's net investment in direct financing leases at June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
Total minimum lease payments to be received	\$ 121,043,154	\$ 84,513,893
Less: Amounts representing estimated executory costs	-	-
Minimum lease payments receivable	121,043,154	84,513,893
Less: unearned income, representing interest	(5,806,618)	(7,947,361)
Present value of minimum lease receivable	115,236,536	76,566,532
Less: Allowance for uncollectible receivables	(85,225,257)	(4,342,576)
Net investment in direct financing leases	\$ 30,011,279	\$ 72,223,956

Future minimum lease receipts under non-cancellable direct financing lease arrangements are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
Within 1 year	\$ 98,532,910	\$ 43,623,953
2 years	14,124,241	21,496,082
3 years	7,022,776	17,314,603
4 years	1,363,227	2,079,255
5 years	-	-
Total minimum finance lease receivables	\$ 121,043,154	\$ 84,513,893

An account is considered delinquent if a substantial portion of a scheduled payment has not been received by the date the payment was contractually due. The accrual of direct financing lease interest income had been suspended on delinquent finance lease receivables with remaining contractual amounts due of \$12,226,356 and \$4,872,215 as of June 30, 2019 and 2018. As of June 30, 2019 and 2018, there were no recorded investment in direct financing leases past due 90 days or more and still accruing.

The following is a credit quality analysis of finance lease receivables. In the event that an instalment repayment of a finance lease receivables is overdue for more than 30 days, the entire outstanding balance of the finance lease receivables is classified as overdue. If the instalment repayment is overdue within 30 days, only the balance of this instalment is classified as overdue.

	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
Overdue and credit-impaired	\$	\$
– Overdue within 90 days (inclusive)	632,212	389,645
– Overdue above 90 days	3,156,238	818,294
Not yet overdue but credit impaired	81,234,615	2,333,231
Overdue but not credit-impaired		
– Overdue within 30 days (inclusive)	-	-
– Overdue 31 to 90 days (inclusive)	-	-
– Overdue above 90 days	-	-
Neither overdue nor impaired	30,213,471	73,025,362
Less: Allowances for impairment losses	(85,225,257)	(4,342,576)
Net investment in direct financing leases, end of year	\$ 30,011,279	\$ 72,223,956

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The allowance for uncollectible minimum lease payments receivables in direct financing leases for the years ended June 30, 2019 and 2018 were as following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
Allowance for uncollectible receivables at the beginning of year	\$ 4,342,576	\$ 867,316
(Reversal of Provision) for lease payment receivables	(574,002)	(88,179)
Provision for lease payment receivables	82,159,962	3,603,140
Effect of foreign currency translation	(703,279)	(39,701)
Allowance for uncollectible receivables at the end of year	<u>\$ 85,225,257</u>	<u>\$ 4,342,576</u>
	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
Allowance for uncollectible receivables relating to:		
Individually evaluated for impairment	\$ 85,023,066	\$ 3,541,170
Collectively evaluated for impairment	202,191	801,406
Ending balance	<u>\$ 85,225,257</u>	<u>\$ 4,342,576</u>
Minimum lease payments receivable		
Individually evaluated for impairment	\$ 85,572,930	\$ 3,819,856
Collectively evaluated for impairment	35,470,224	80,694,037
Ending balance	<u>\$ 121,043,154</u>	<u>\$ 84,513,893</u>

The finance leases receivable with a gross amount of approximately \$1,433,609 (RMB9,846,081) were pledged as collateral for the Company's other loans (Note 10) as of June 30, 2019. The finance leases receivable with a gross carrying amount of approximately \$3,746,653 (RMB24,799,285) were pledged as collateral for the Company's other loans (Note 10) as of June 30, 2018.

The allowance for credit losses provides coverage for probable and estimable losses in the Company's investment in direct financing leases. The allowance recorded is based on a quarterly review. The determination of the appropriate amount of any provision is highly dependent on management's judgment at that time and takes into consideration all known relevant internal and external factors, including levels of nonperforming leases, customers' financial condition, leased property values and collateral values as well as general economic conditions. When a direct financing lease receivable is determined uncollectible, for example, the customer declares bankruptcy, or the Company reaches agreement of debt restructuring with the customer, the direct financing lease would be written off from the investment in direct financing leases.

Credit Quality of Investment in Direct Financing Lease:

The Company performs a quarterly review on the credit quality of its investments in direct financing leases, by evaluating a variety of factors, including dependence on the counterparties, latest financial position and performance of the customers, actual defaults, estimated future defaults, historical loss experience, leased property values or collateral values, and other economic conditions such as economic trends in the area or country. In cases where heightened risk is detected as a result of factors indicating that a customer is having difficulty repaying the underlying financing, such as a default in making interest payments, material changes to the customer's business, and deterioration of financial condition and cash flow support, the Company classifies the contracts as "abnormal contracts," contracts without such heightened risk indicators are classified as "normal contracts". For those contracts, the Company's WFOE generally initiates negotiations with the customer about possible improvement or remediation measures, such as an improvement plan for cash flow management, third-party support, extension plans and similar measure, and implement close supervision of the remediation measures adopted.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The risk classification of direct financing lease receivables is as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
Normal	\$ 36,020,088	\$ 80,972,723
Abnormal	85,023,066	3,541,170
Total	\$ 121,043,154	\$ 84,513,893

NOTE 8 - LEASES

	<u>June 30, 2019</u>
Operating leases:	
Operating lease right of use assets	\$ 163,041
Current operating lease liabilities	57,990
Non-current operating lease liabilities	194,089
Total operating lease liabilities	\$ 252,079

Maturities of lease liabilities were as follows:

<u>For the year ended June 30,</u>	<u>Operating lease</u>
2020	\$ 115,473
2021	\$ 142,061
Total	\$ 257,534
Less: amount representing interest	\$ 5,455
Present value of future minimum lease payments	\$ 252,079
Less: Current obligations	\$ 57,990
Long-term obligations	\$ 194,089

Operating lease expense for the years ended June 30, 2019 and 2018 was \$ 102,859 and \$ 175,549, respectively. The remaining lease term is one year and eight months as to the year ended June 30, 2019. And the discount rate was 5.46%.

NOTE 9 - PROPERTY AND EQUIPMENT, NET

Property and equipment as of June 30, 2019 and 2018 consisted of the following:

	<u>Useful life</u> <u>(years)</u>	<u>Salvage</u> <u>value</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
Vehicles	5	3%	477,034	494,979
Office equipment	5	3%	196,365	203,751
Electric equipment	5	3%	23,678	24,569
Less: accumulated depreciation			(648,946)	(631,100)
Property and equipment, net			\$ 48,131	\$ 92,199

Depreciation expense totaled \$17,846 and \$164,269 for the years ended June 30, 2019 and 2018, respectively.

NOTE 10 - OTHER ASSETS

Other assets as of June 30, 2019 and 2018 consisted of:

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
Deposit for direct financing lease	\$ 182,782	\$ 604,748
Advance payment to third party companies	872	98
Other receivables	1,922,667	27,097
	<u>\$ 2,106,321</u>	<u>\$ 631,943</u>

Advance payment to the third party companies as of June 30, 2019 and 2018 represented amounts prepaid by Jinshang Leasing for comprising of filter element of purifier fee and employee medical examination fee.

NOTE 11 - LOANS FOR CAPITAL LEASE BUSINESS

Bank loans

Bank loans of \$338,763 and \$13,696,574 as of June 30, 2019 and 2018, respectively, represented RMB denominated loans Jinshang Leasing obtained for Shuguang and Yancheng projects from Huaxia Bank and CITIC Bank. The Huaxia Bank loans for Shuguang project with a total principal of RMB300 million (\$45.3 million) were obtained in December 2015, May 2016 and June 2016, bear interest at the fixed rate of 5.5% per annum, have a term of three years, pledged with the Company's time deposit certificates of \$4.5 million (RMB30 million) (Note 4) as of June 30, 2018, and guaranteed by Liaoning SG Automotive Group Co., Ltd (lessee of Shuguang project). The bank loan for Huaxia Bank was due and repaid as of June 30, 2019.

The CITIC Bank loan for Yancheng project with a principal amount of RMB3.1 million (\$0.5 million) was obtained in April 2015, bears interest at the fixed rate of 5.75% per annum, has a term from April 3, 2015 to February 12, 2020, pledged with time deposit certificate from Potevio New Energy Yancheng Co., Ltd (lessee of Yancheng project) of \$498,898 and \$517,665 (RMB3,426,450) as of June 30, 2019 and 2018, respectively.

Interest expense incurred on the bank loans for the years ended June 30, 2019 and 2018 were \$324,350 and \$1,062,955, respectively.

Other loans

Other loans of \$ 377,393 and \$4,774,510 as of June 30, 2019 and 2018 represented RMB denominated loans Jinshang Leasing obtained in July 2016 and April 2017 for its various direct financing lease projects from Great Wall Guoxing Financial Leasing Co., Ltd. The loans bear interest at the fixed rate of 6% per annum and the term of the loans is thirty months and matures in 2019, and pledged against the Company's receivables from its certain direct financing leases, with a gross carrying amount of \$1,433,609 (RMB9,846,081) and \$3,746,653 (RMB24,799,285) as of June 30, 2019 and 2018, Jinshang Leasing paid deposits totaled \$ 182,782 (RMB1,255,355) and \$ 604,748 (RMB4,002,855) (Note 9) to Great Wall Guoxing Financial Leasing Co., Ltd as of June 30, 2019 and 2018, respectively, which are non-interest bearing and repayable upon maturity of the other loans.

Interest expense incurred on the other loans for the years ended June 30, 2019 and 2018 were \$118,821 and \$449,664, respectively.

As of June 30, 2019, the borrowings will be due according to the following schedule:

	Bank loans (principal amounts)	Other loans (principal amounts)
Within 1 year	\$ 338,763	\$ 377,393
Between 1 to 2 years	-	-
Between 2 to 3 years	-	-
Between 3 to 4 years	-	-
Between 4 to 5 years	-	-
Beyond 5 years	-	-
	<u>\$ 338,763</u>	<u>\$ 377,393</u>

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

As of June 30, 2018, the borrowings will be due according to the following schedule:

	Bank loans (principal amounts)	Other loans (principal amounts)
Within 1 year	\$ 13,345,068	\$ 4,382,920
Between 1 to 2 years	351,506	391,590
Between 2 to 3 years	-	-
Between 3 to 4 years	-	-
Between 4 to 5 years	-	-
Beyond 5 years	-	-
	\$ 13,696,574	\$ 4,774,510

NOTE 12 - OTHER LIABILITIES

Other liabilities as of June 30, 2019 and 2018 consisted of:

	June 30, 2019	June 30, 2018 Restated
Other tax payable	\$ 1,223,716	\$ 1,004,533
Accrued payroll	41,215	39,610
Other payables	1,287,154	417,791
	\$ 2,552,085	\$ 1,461,934

NOTE 13 - SHARE-BASED COMPENSATION

2015 Long-Term Incentive Equity Plan

On October 20, 2015, the Company adopted the 2015 Long-Term Incentive Equity Plan, or the “Plan”, under which the Company may grant options to purchase ordinary shares of the Company to its employees, officers, directors and consultants. The total number of Ordinary Shares reserved and available for issuance under the Plan shall be a number of Ordinary Shares equal to ten percent (10%) of the total outstanding Ordinary Shares as of the closing date of that certain Agreement and Plan of Reorganization, dated as of April 10, 2015, by and among the Company, WFG and the shareholders of WFG (“Merger Agreement”), after taking into account the Ordinary Shares that may be issued pursuant to the Merger Agreement and the conversion of any shares held by the Company’s public shareholders as provided for in the Company’s Amended and Restated Certificate of Incorporation.

The Plan shall be administered by the Board or a Committee. If administered by a Committee, such Committee shall be composed of at least two directors, all of whom are “outside directors” within the meaning of the regulations issued under Section 162(m) of the Code and “non-employee” directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended. Committee members shall serve for such term as the Board may in each case determine and shall be subject to removal at any time by the Board.

The term of each Option shall be fixed by the Committee; provided, however, that an Incentive Option may be granted only within the ten-year period commencing from the Effective Date and may only be exercised within ten years of the date of grant (or five years in the case of an Incentive Option granted to an optionee who, at the time of grant, owns Ordinary Shares possessing more than 10% of the total combined voting power of all classes of voting shares of the Company (“10% Shareholder”).

The exercise price per Ordinary Share purchasable under an Option shall be determined by the Committee at the time of grant and may not be less than 100% of the Fair Market Value on the date of grant (or, if greater, the par value of the Ordinary Shares); provided, however, that the exercise price of an Incentive Option granted to a 10% Shareholder will not be less than 110% of the Fair Market Value on the date of grant.

The Plan was approved and unless terminated by the Board, it shall continue to remain effective until such time as no further awards may be granted and all awards granted under the Plan are no longer outstanding. Notwithstanding the foregoing, grants of Incentive Options may be made only during the ten-year period beginning on the Effective Date.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The following table summarizes stock award activity and related information for all of Wins Finance's Equity Plans for the years ended June 30, 2019 and 2018:

	Number of Shares	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Term In Years
Outstanding, July 1, 2016	1,270,000	12	2.42
Granted	-	12	3.00
Exercised	-	-	-
Forfeited	(1,190,000)	12	-
Canceled	(80,000)	12	-
Outstanding, June 30, 2017 and 2018	-	-	-
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Canceled	-	-	-
Outstanding, June 30, 2019	-	-	-
Exercisable, June 30, 2018 and 2019	-	-	-
Vested and expected to vest, June 30, 2018 and 2019	-	-	-

During the year ended June 30, 2017, 1,190,000 options were forfeited and 80,000 options were cancelled due to the termination of the holders' employment prior to vesting. On February 14, 2017, Wins Finance terminated the remaining option agreements with the employees for no consideration. No options remained outstanding following the cancellation and as of June 30, 2018 and 2019.

The Company measures compensation cost related to share options based on the grant-date fair value of the award using the Binomial Model. The weighted-average assumptions used in the Binomial Model calculation for option grants during the year ended June 30, 2016 were as follows:

Expected volatility	51.5%
Risk-free interest rates	1.77%
Expected terms	5.0 years
Dividend yields	0%
Sub-Optimal behavior multiple	2.80
Fair Value per share of options granted	\$5.27~\$5.44

The expected volatility assumption is based on historical weekly volatility of peer companies' share price. The Company utilized peer company data due to Wins Finance's limited history of publicly traded shares. During the year ended 2016, the expected term assumption represents the remaining life of the option at the grant date. The risk-free interest rates used are based on the USD Treasury Activities (IYC25) Zero Coupon Yield.

The estimated fair value of share-based compensation to employees is recognized as a charge against income on a ratable basis over the requisite service period, which is generally the vesting period of the award.

In connection with the grant of stock options to employees, the Company recorded share-based compensation charges of nil and nil, respectively, for the years ended June 30, 2019 and 2018, respectively. The negative amount in 2017 resulted from the reversal of share-based compensation expense for the Company's options that were cancelled due to the termination of the holder's employment prior to vesting.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 14 - CAPITALIZATION

Common Stock

As of October 26, 2015, Wins Finance is authorized to issue up to 100,000,000 ordinary shares with a par value of \$0.0001, 21,526,747 shares of Common Stock were issued and outstanding. 16,800,000 and 4,726,747 ordinary shares were held by WFG's shareholders and former stockholders of Sino, respectively.

On June 28, 2016, the Company repurchased 5,100 of its ordinary shares from Bradley Reifler, a former director of the Company, for \$60,180, and 1,480,000 shares from Bluesky LLC for \$17,464,000. Of the amounts payable to Bluesky, \$17 million was paid. Bluesky LLC is a limited liability Company owned and controlled by Bluesky Family Trust, a family trust benefitting the family of Jianming Hao, the Company's former Chairman, Co-Chief Executive Officer and President. Balance of \$464,000 remained unpaid as of June 30, 2019 and June 30, 2018

On December 2, 2016, the Company repurchased 204,005 of its ordinary shares from Richard Xu, a former officer of the Company, for a consideration of \$204.

As of June 30, 2019 and 2018, there were 19,837,642 shares of common stock issued and outstanding.

NOTE 15 - STATUTORY RESERVE

In accordance with the PRC regulations on enterprises and the company's articles of association, enterprises established in the PRC are required to provide statutory reserve before any dividend distribution, which is appropriated from net profit as reported in the enterprise's PRC statutory accounts for the calendar year. Before making any dividend distribution, an enterprise is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its respective registered capital based on the enterprise's PRC statutory accounts. The statutory reserve can only be used for specific purposes and is not distributable as cash dividends.

NOTE 16 - EMPLOYEE RETIREMENT BENEFITS

The Company has made employee benefit contributions in accordance with Chinese relevant regulations, including retirement insurance, unemployment insurance, medical insurance, housing fund, work injury insurance and birth insurance. The Company recorded the contribution in the salaries and employee charges when incurred. The contributions made by the Company were \$124,667 and \$ 103,173 for the years ended June 30, 2019 and 2018, respectively.

NOTE 17 - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the years ended June 30, 2019 and 2018, respectively:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
		Restated
Net income/(loss) attributable to the common shareholders	\$ (59,433,585)	\$ 16,076,072
Basic weighted-average common shares outstanding	19,837,642	19,837,642
Effect of dilutive securities	-	
Diluted weighted-average common shares outstanding	<u>19,837,642</u>	<u>19,837,642</u>
Earnings (loss) per share – Basic	\$ (2.51)	\$ 0.51
Earnings (loss) per share – Diluted	<u>\$ (2.51)</u>	<u>\$ 0.51</u>
Earnings (loss) per share – From continuing operations	\$ (2.93)	\$ 0.06
Earnings (loss) per share – From discontinued operations	<u>\$ 0.42</u>	<u>\$ 0.45</u>

Basic earnings per share are computed by dividing the net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed by adding other common stock equivalents, including non-vested common share in the weighted average number of common shares outstanding for a period, if dilutive. As of June 30, 2019 and 2018, there were no dilutive securities..

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 18 - INCOME TAXES

Pursuant to the relevant rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary incorporated therein are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

No Hong Kong Profits Tax has been made for the years ended June 30, 2019 and 2018 as Full Shine had no assessable profits arising in Hong Kong.

The provision for PRC Enterprise Income Tax ("EIT") is calculated at 25% of the estimated assessable profits of the subsidiaries established in the PRC during the years ended June 30, 2019 and 2018.

Under the EIT Law, investment income from security funds is exempted from PRC EIT.

The PRC income tax returns are generally not subject to examination by the tax authorities for tax years before calendar (tax) year 2013. With a few exceptions, the calendar (tax) years 2014—2018 remain open to examination by tax authorities in the PRC. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or its withholding agent. The statute of limitations extends to five years under special circumstances, which are not clearly defined. In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion.

The Company evaluates the level of authority for each uncertain tax position (including the potential application of interest and penalties) based on the technical merits of the position, and measures the unrecognized benefits associated with the tax position. For the years ended June 30, 2019 and 2018, the Company had no unrecognized tax benefits.

The Company does not anticipate any significant increase to its liabilities for unrecognized tax benefits within the next 12 months. The Company will classify interest and penalties, if any, related to income tax matters in income tax expense.

The Company's WFOEs are subject to income taxes in China and are subject to routine corporate income tax audits. Management believes that the WFOEs' tax return positions are fully supported, but tax authorities may challenge certain positions, which may not be fully sustained. Determining the income tax expense for these potential assessments and recording the related effects requires management judgments and estimates. The amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in the Company's income tax expense and, therefore, could have a material impact on the Company's provision for income tax, net income and cash flows. Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty and the timing of the resolution and/or closure of audits is not certain. If any issues addressed in tax audits of the Company's WFOEs are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period such resolution occurs.

Income tax payable represented enterprise income tax at a rate of 25% of taxable income the Company accrued but not paid. Income tax payable as of June 30, 2019 and 2018 comprises:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
		Restated
Jinshang Leasing	1,202,674	85,481
Total	<u>\$ 1,202,674</u>	<u>\$ 85,481</u>
	For the year ended June 30,	
	<u>2019</u>	<u>2018</u>
		Restated
Current income tax (expense)	(1,154,780)	(303,264)
Deferred tax benefit	20,055,500	625,302
Total credit for income taxes	<u>18,900,720</u>	<u>322,038</u>

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The reconciliation between the effective income tax rate and the PRC statutory income tax rate of 25% is as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
PRC statutory tax	25.0%	25.0%
Effect of non-deductible expenses	(27.4%)	49.5%
Effect of non-taxable income	0.5%	(62.4%)
Others	(22.9%)	12.0%
Effective tax rate	<u>(24.8%)</u>	<u>24.1%</u>

Deferred tax arose from the difference in tax and accounting base of the deductible lease payment receivable loss and difference in direct financing lease income recognition between PRC and U.S. GAAP.

	<u>June 30, 2019</u>	<u>June 30, 2018</u> Restated
Deferred tax assets		
Provision for direct financing lease	\$ 21,306,314	\$ 1,085,644
Direct financing lease income	(469,906)	(136,133)
Specific allowance on guarantee	-	-
Total deferred tax assets	<u>20,836,408</u>	<u>949,511</u>
Less: Valuation allowance	-	-
Less: Net off with deferred tax liabilities for financial reporting purposes	-	-
Net total deferred tax assets	<u>\$ 20,836,408</u>	<u>\$ 949,511</u>

For the purpose of presentation in the consolidated balance sheets, certain deferred tax assets and liabilities have been offset.

As of June 30, 2019 and 2018, the Company had net deferred tax assets of \$20,836,408 and \$949,511, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The management considered all available evidence, both positive and negative, in determining the realizability of deferred tax assets at June 30, 2019 and 2018. Management considered carry back availability, the scheduled reversals of deferred tax liabilities, projected future taxable income during the reversal periods, and tax planning strategies in making this assessment. Management also considered recent history of taxable income, trends in the Company's earnings and tax rate, positive financial ratios, and the impact of the downturn in the current economic environment (including the impact of credit on allowance and provision for guarantee and direct financing lease losses; and the impact on funding levels) on the Company. Based upon its assessment, management believes that a valuation allowance was not necessary as of June 30, 2019 and 2018.

As of June 30, 2019 and 2018, the Company intends to permanently reinvest the undistributed earnings of its operating subsidiaries to fund future operations. As such, no provision has been made for deferred tax assets related to the future repatriation of the cumulative undistributed earnings of the PRC subsidiaries of \$ 27,457,220 and \$76,005,988 as of June 30, 2019 and 2018, respectively.

For the years ended June 30, 2019 and 2018, the Company has not been selected for examination by the applicable tax authority and no resolution of tax audits were expected to be material to the financial statements.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 19 - RELATED PARTY TRANSACTIONS AND BALANCES

Related party balances

Related party balances as of June 30, 2019 and 2018 (apart from those disclosed elsewhere in these financial statements) consisted of:

	<u>June 30,2019</u>	<u>June 30,2018</u>
<u>Due to related party</u>		
Bluesky LLC	\$ 464,000	\$ 464,000
	<u>\$ 464,000</u>	<u>\$ 464,000</u>

Bluesky LLC is a limited liability Company owned and controlled by Bluesky Family Trust, a family trust benefitting the family of Jianming Hao, the Company's former Chairman, Co-Chief Executive Officer and President.

The amount due to Bluesky LLC was interest free, unsecured and due on demand.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Guarantee Commitments

During the year ended June 30, 2018, Jinshang Leasing and a third party jointly entered into certain finance lease contracts with a customer with total contract amount of \$70.1 million (RMB464 million). Jinshang Leasing provides financing to the customer of \$6.4 million (RMB44 million) (included in Note 6 - net investment in direct financing leases) and the third party provides the remaining financing of \$61.2 million (RMB420 million), for a period up to August 2020. Jinshang Leasing also acts as a guarantor and is obligated to pay the third party if the customer fails to pay the obligations when they become due. As of June 30, 2019, the maximum guarantee issued by Jinshang Leasing was \$67.3 million (RMB462 million).

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Litigation

The Company is involved in various legal actions arising in the ordinary course of its business. As of June 30, 2019, the Company was involved in 1 lawsuits in China, which the Company is a defendant in relation to its financing lease business (see below). The cases are in the process of being enforced.

On October 31, 2014, King & Wood Mallesons filed a complaint in Xicheng District People's Court of Beijing on behalf of its client for breach of contract against Jinshang Leasing, our subsidiary. On February 3, 2015, the court agreed with Jinshang Leasing that it did not have jurisdiction over the proceeding, and the case was transferred to the court in Beijing, Haidian. There has been no activity in the case since it was transferred to the Beijing Haidian court. We believe that resolution of this matter will not result in any payment that, in the aggregate, would be material to our financial position or results of operations.

As of June 30, 2018, the Company and certain of its executive officers have been named as defendants in one civil securities lawsuit filed in U.S. District Courts. On April 20, 2017, Michel Desta filed a securities class action complaint in the District Court for the Central District of California seeking monetary damages against us, Jianming Hao, Renhui Mu, Peiling (Amy) He, and Junfeng Zhao (entitled *Desta v. Wins Finance Holdings, Inc., et al.*; C.D. Cal. Case No. 2:17-cv-02983) (hereafter, the "California Action"). On June 26, 2017, the Court issued an Order appointing lead plaintiffs and lead counsel, and on August 25, 2017 lead plaintiffs filed an Amended Class Action Complaint. The Amended Complaint (which did not name Peiling (Amy) He as a defendant), alleges a claim against us for securities fraud purportedly arising from alleged misrepresentations concerning Wins' principal executive offices (which alleged misrepresentations resulted in Wins being added to, and then removed from, the Russell 2000 index). On October 24, 2017, we moved to dismiss the Amended Complaint for failure to state a claim as against us.

On March 1, 2018, the District Court for the Central District of California issued an Order denying the Company's motion to dismiss. Thus, the civil action has proceeded to the fact gathering "discovery" stage in respect to the Company.

As a result of a private mediation conducted in November 2018, the Company agreed in principle to settle the class action, on behalf of all remaining defendants. The full terms of that settlement remain confidential (but include certain contingencies concerning shareholder participation in the settlement and required court approvals). The court granted preliminary approval of the settlement by order entered on March 4, 2019. Given that the Company has not yet received the necessary approvals from Chinese regulators as to the transfer of the settlement funds from China to the United States, the Court entered an Order dated August 11, 2020 setting a final settlement approval hearing for March 22, 2021.

On July 24, 2020, Samuel Kamau filed a shareholder class action complaint in the District Court for the Central District of California seeking unspecified monetary damages for alleged violations of the United States Securities Exchange Act of 1934 during the period from October 31, 2018 to July 6, 2020 against Wins Finance Holdings Inc., Renhui Mu, and Junfeng Zhao (entitled *Kamau v. Wins Finance Holdings, Inc., et al.*; C.D. Cal. Case No. 2:20-cv-06656). Plaintiff's initial complaint alleges, among other things, that Defendants purportedly violated the securities laws by failing to disclose that the repayment of a RMB 580 million "loan" to Guohong Asset Management Co., Ltd. was "highly uncertain," and that the resignation of the Company's former independent auditor was "foreseeably likely" given the non-payment of the foregoing loan as well as alleged material weaknesses in the Company's control over financial reporting.

The Amended Complaint does not specifically allege the damages purportedly suffered by the class, and we are not yet able to provide a reliable estimate of any such damage claim. We believe that the claims from this proceeding are without merit and we are vigorously defending this proceeding.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 21 - DISPOSAL GROUPS HELD FOR SALE

As at 30 June 2019 and 30 June 2018, the Company determined that it had lost control of the subsidiaries Jinchen Agriculture and Dongsheng Guarantee.

The management of the Company has concluded that the Company has no option but to de-consolidate Jinchen Agriculture and Dongsheng Guarantee from its financial reporting as at 30 June 2019 and 30 June 2018.

The effect of de-consolidation is that in future, the financial results of the subsidiaries are no longer reported in the Company's Annual Report (i.e. the report will be at a company, not group level) and the investment in the subsidiaries is written down in the Company's accounts as a disposal without consideration. In the event that the Company is able to re-establish control over the PRC subsidiaries and/or their assets, the Company will then re-consolidate and/or recognize this value.

De-consolidation will allow the Company to prepare and issue financial reports that, to the extent possible given the circumstances, most closely and accurately reflect the true financial position of the Company.

As shareholders will be aware, the Company has been unable to complete its financial reporting on a Group basis (including the PRC subsidiaries information). The board did not, until now, believe that de-consolidation was warranted as they were waiting for further information and confirmations on the subsidiaries Jinchen Agriculture and Dongsheng Guarantee. This has led the Company to seek several extensions for submission of the reports and left the Company facing potential de-listing by Nasdaq. The board now believes that the decision to de-consolidate as at 30 June 2019 and 30 June 2018 is justified.

The de-consolidation is based on a combination of factors:

1. The board and the management has incomplete record for the Company itself and no access to the original books and records of the subsidiaries of Jinchen Agriculture and Dongsheng Guarantee due to the freeze by the Bureau.
2. The Company, although owing 100% of the subsidiaries of Shanxi Jinchen and Dongsheng Guarantee, is only able to affect control over them via the cooperation of the managements of the subsidiaries or the Bureau. As the management of the subsidiaries was out of connection and the assets and documents were freeze by the Bureau, there are significant legal and financial obstacles to regaining the control of the subsidiaries.
3. The confirmation by way of site visit that the subsidiaries have ceased operations at the operating offices.
4. The Company's outside law firm was unable to determine the cause of the freeze as the authorities have not provided such information, but it has advised the Company that the Company no longer has control of the assets or operations of Jinchen Agriculture and Dongsheng Guarantee. Therefore, until the freeze is lifted and the Company has not been provided any guidance about when the freeze would be lifted, the Company will not be able to consolidate Jinchen Agriculture and Dongsheng Guarantee into its financial statements.
5. The Company intend to dispose the right to major shareholders which the price will be determined later and subject to shareholder approval.

Given the circumstances and based on the available information, the Board believes that the Company and its shareholders have been the victim of financial misreporting and the loss control of the subsidiaries of Shanxi Jinchen and Dongsheng Guarantee.

The board believes that de-consolidating the accounts as at 30 June 2019 and 30 June 2018 will be the fairest and most accurate way of reporting the company's financial position going forward and will allow the Company to pursue a restructuring and reorganization of its listing to safeguard its remaining value.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Details of the disposal are as follows:

Carrying amounts of assets of which control was lost:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
ASSETS		
Cash	\$ 7,775,528	\$ 5,363,552
Restricted cash	16,026,192	18,550,024
Commission receivable	1,246,707	496,097
Compensation receivable	103,577	107,473
Advance payment	17,724	21,231
Interest receivable	16,408,380	10,731,731
Other receivable	-	1,934
Available-for-sale financial assets	130,313,790	129,928,011
Deferred tax assets	-	240,018
Property and equipment, net	62,364	129,001
TOTAL ASSETS	\$ 171,954,262	\$ 165,569,072
LIABILITIES		
Allowance on guarantee	\$ 359,098	\$ 2,637,236
Unearned Income-Guarantee commission	80,190	88,824
Income tax payable	2,309,505	2,411,031
Other liabilities	77,580	100,980
Deferred tax liabilities	210,074	-
TOTAL LIABILITIES	\$ 3,036,447	\$ 5,238,071
Net assets de-recognised	\$ 168,917,815	160,331,001

NOTE 22 - CORRECTION OF ERRORS

Subsequent to the filling of Form 20F for the financial year ended June 30, 2018, management identified the following accounting errors:

1. As the fact of de-consolidation of subsidiaries Jinchen Agriculture and Dongsheng Guarantee, management reclassified the assets and liabilities of Jinchen Agriculture and Dongsheng Guarantee to the disposal groups held for sale. The balance of total assets and liabilities of the disposal groups held for sale as at 30 June, 2018 is \$165,569,072 and \$5,238,071 respectively. Management also reclassified the businesses of Jinchen Agriculture and Dongsheng Guarantee in the consolidated statements of operations and comprehensive income and cash flows statement for the year ended 30 June 2018 into the discontinued operation.
2. Management re-evaluate the collectability of the minimum lease payment according to some risks were identified after the 30 June, 2018. The provision of allowance of minimum lease payment was understated with amount of \$406,441 for the year ended June 30, 2018 and the balance of the allowance of minimum lease receivable was overstated with amount of \$399,451.
3. There was a total of \$33,685 interest expense should be recorded in the year ended of 30 June, 2018. This error overstated the net profit before tax of \$33,685 and understated the interest payable of \$33,105 as at 30 June, 2018.
4. Income tax impact of the errors stated in 2 and 3 above totaled \$39,142 which understate the net profit for the year ended June 30, 2018 and understated the income tax payable with amount of \$61,394 as at June 30, 2018.
5. The Company understated deferred tax assets of \$99,862 as at June 30, 2018.
6. The Company understated the balance of minimum lease payment receivable and deposit from leases recorded in other payable with total amount of \$977,690.
7. The Company understated the interest income from financial leasing and overstated the income from agency business with amount of \$466 for the year ended June 30, 2018.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

8. As the change of the profit after tax, the company overstated the statutory reserve with amount of \$42,951 as previously reported as at June 30, 2018.
9. The Company incorrectly computed earning per share due to the errors in the net profit after tax. Basic and diluted earnings per share impact of errors was \$0.02 per share.
10. As correction of error and the change of accounting policy in Note 2, the description of these investments are changed from “short-term investments” to “investment securities”.

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

As a result, the financial statements for the year ended June 30, 2018 has been restated as follows:

	June 30, 2018			As currently reported
	As previously reported	Restatement Adjustments		
		Adjustments	Other impacts	
Statement of profit and other comprehensive income (extract)				
Commissions and fees on financial guarantee services (note 21.1)	2,308,567	-	(2,308,567)	-
(Provision) reversal of provision for financial guarantee services (note 21.1)	(1,982,073)	-	1,982,073	-
Provision for guarantee paid on behalf of guarantee service customers (note 21.1)	(2,896,532)	-	2,896,532	-
Commission and fees on guarantee services, net	(2,570,038)	-	2,570,038	-
Direct financing lease interest income (note 21.7)	5,697,491	-	466	5,697,957
Interest expense for direct financing lease (note 21.3)	(1,512,619)	-	(33,685)	(1,546,304)
Business collaboration fee and commission expenses for leasing projects	(99,320)	-	-	(99,320)
Provision for lease payment receivable (note 21.2)	(3,108,520)	(406,441)	-	(3,514,961)
Net direct financing lease interest income after provision for receivables	977,032	(406,441)	(33,219)	537,372
Financial advisory and lease agency income (note 21.7)	1,695,769	-	(466)	1,695,303
Net revenue	102,763	(406,441)	2,536,353	2,232,675
Interest on short term investments	15,095,621	-	(15,095,621)	-
Interest on investment securities-held to maturity	-	-	3,942,719	3,942,719
Total non-interest income	15,095,621	-	(11,152,902)	3,942,719
Business taxes and surcharges (note 21.1)	(13,059)	-	3,148	(9,911)
Salaries and employee charges (note 21.1)	(704,007)	-	163,695	(540,312)
Rental expenses (note 21.1)	(230,889)	-	55,340	(175,549)
Other operating expenses (note 21.1)	(4,789,448)	-	235,418	(4,554,030)
Total non-interest expense	(5,737,403)	-	457,601	(5,279,802)
Income before taxes	9,460,981	(406,441)	(8,158,948)	895,592
Income tax credit (note 21.1 and not 21.4)	1,038,895	(39,142)	(677,715)	322,038
NET (LOSSES)/INCOME	10,499,876	(445,583)	(8,836,663)	1,217,630
Income from discontinued operation	-	-	8,881,255	8,881,255
TOTAL NET INCOME	10,499,876	(445,583)	44,592	10,098,885
Foreign currency translation adjustment (note 21.1 and note 21.2 and note 21.3)	5,969,850	7,570	(233)	5,977,187
COMPREHENSIVE (LOSS)/INCOME	16,469,726	(438,013)	44,359	16,076,072
Basic	0.53	(0.02)	-	0.51
Diluted	0.53	(0.02)	-	0.51
From continuing operation	-	-	0.06	0.06
From discontinued operation	-	-	0.45	0.45

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

June 30, 2018

Balance sheet (extract)

	Restatement Adjustments			As currently reported
	As previously reported	Adjustments	Other impacts	
Cash (note 21.1)	18,497,092		(5,363,552)	13,133,540
Restricted cash (note 21.1)	23,082,396		(18,550,024)	4,532,372
Investment securities-held to maturity (note 21.10)	-		48,345,306	48,345,306
Short-term investments (note 21.1)	178,273,317		(178,273,317)	-
Guarantee paid on behalf of guarantee service customers, net (note 21.1)	107,473		(107,473)	-
Commission receivable (note 21.1)	496,097		(496,097)	-
Net investment in direct financing leases (note 21.2 and note 21.6)	71,645,717	(399,451)	977,690	72,223,956
Interest receivable (note 21.1)	15,157,094		(10,731,731)	4,425,363
Property and equipment, net (note 21.1)	221,200		(129,001)	92,199
Deferred tax assets, net (note 21.1 and note 21.5)	1,089,667	99,862	(240,018)	949,511
Other assets (note 21.1)	654,579		(22,636)	631,943
Assets of disposal group classified as held for sale (note 21.1)	-		165,569,072	165,569,072
TOTAL ASSETS	309,224,632	(299,589)	978,219	309,903,262
Bank loans for capital lease business	13,696,574			13,696,574
Other loans for capital lease business	4,774,510			4,774,510
Interest payable (note 21.3)	123,396		33,105	156,501
Income tax payable (note 21.1 and note 21.4)	2,435,118	61,394	(2,411,031)	85,481
Unearned income from financial guarantee services (note 21.1)	88,824		(88,824)	-
Allowance on guarantee (note 21.1)	2,637,236		(2,637,236)	-
Deposits from direct financing leases (note 21.1 and note 21.6)	9,164,554		977,690	10,142,244
Other liabilities (note 21.1)	1,562,819		(100,885)	1,461,934
Due to related party	464,000			464,000
Liabilities of disposal group classified as held for sale (note 21.1)	-		5,238,071	5,238,071
Total Liabilities	34,947,031	61,394	1,010,890	36,019,315
Common stock (par value \$0.0001 per share, 100,000,000 shares authorized; 19,837,642 issued and outstanding at June 30, 2018)	1,984			1,984
Additional paid-in capital	211,934,432			211,934,432
Statutory reserve (note 21.8)	4,730,036	(42,951)		4,687,085
Retained earnings (note 21.1 and note 21.8)	71,727,920	(325,602)	(32,438)	71,369,880
Accumulated other comprehensive loss (note 21.1, note 21.2, note 21.3, note 21.4 and 21.8)	(14,116,771)	7,570	(233)	(14,109,434)
Total Stockholders' Equity	274,277,601	(360,983)	(32,671)	273,883,947
TOTAL LIABILITIES AND EQUITY	309,224,632	(299,589)	978,219	309,903,262

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

June 30, 2018-

Cash flow Statement (extract)

	<i>As previously reported</i>	<i>Adjustments</i>	<i>Other impacts</i>	<i>As currently reported</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income/(losses)	10,499,876	(445,583)	(8,836,663)	1,217,630
Depreciation (note 21.1)	395,814		(231,545)	164,269
Impairment loss on short-term investments (note 21.10)	1,272,723		(1,272,723)	-
Impairment loss on investment securities (note 21.10)	-		1,272,723	1,272,723
Provision for lease payment receivables (note 21.2)	3,108,520	406,441		3,514,961
Deferred tax (benefit) expense (note 21.1 and note 21.5)	(1,546,049)	(99,862)	1,020,609	(625,302)
Provision (reversal of provision) for guarantee (note 21.1)	1,982,073		(1,982,073)	
Provision for guarantee paid on behalf of guarantee service customers (note 21.1)	2,896,532		(2,896,532)	
Changes in assets and liabilities:				
Net investment in direct financing leases (note 21.2)	3,925,969		(994,801)	2,931,168
Commission receivable (note 21.1)	(504,779)		504,779	
Guarantee paid on behalf of guarantee service customers (note 21.1)	(1,379,966)		1,379,966	
Unearned income from financial guarantee services (note 21.1)	(470,358)		470,358	
Interest receivable (note 21.1)	(12,016,442)		10,623,579	(1,392,863)
Other assets (note 21.1)	145,401		5,470	150,871
Interest payable (note 21.3)	(106,266)		33,684	(72,582)
Income tax payable (note 21.1 and note 21.4)	(410,921)	61,394	170,736	(178,791)
Deposits from direct financing leases	(1,983,386)			(1,983,386)
Other liabilities (note 21.1)	692,504		996,702	1,689,206
Net Cash Provided by (Used in) Operating Activities from Discontinued Operation (note 21.1)			(181,265)	(181,265)
Net Cash Provided by (Used in) Operating Activities	6,501,245	(77,610)	83,004	6,506,639
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of short-term investments (note 21.1)	(50,728,580)		39,967,972	(10,760,608)
Proceeds from maturities of short-term investments (note 21.1)	64,102,479		(27,670,135)	36,432,344
Deposits paid to banks for financial leasing services (note 21.1)	(18,874,650)		18,874,650	
Deposits released from banks for financial guarantee services	20,686,625		(20,686,625)	
Purchase of property, plant and equipment (note 21.1)	(1,875)		-	(1,875)
Net Cash Provided by (Used in) Investing Activities from Discontinued Operation (note 21.1)			(10,485,863)	(10,485,863)
Net Cash Provided by (Used in) Investing Activities	15,183,999		(1)	15,183,998
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of loans	(20,578,208)			(20,578,208)
Net Cash (Used in) Provided by Financing Activities	(20,578,208)			(20,578,208)
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH FROM CONTINUING OPERATION				
	387,774	77,610	(1,817,172)	(1,351,788)
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH FROM DISCONTINUED OPERATION				
			1,734,169	1,734,169
NET INCREASE (DECREASE) IN CASH FROM CONTINUING OPERATION				
	1,494,810		8,932,959	10,427,769
NET INCREASE (DECREASE) IN CASH FROM DISCONTINUED OPERATION				
			(8,932,959)	(8,932,959)
Cash and cash equivalents at beginning of year	17,002,282		(14,296,511)	2,705,771
Cash and cash equivalents at beginning of year-disposal groups			14,296,511	14,296,511
Cash and cash equivalents at end of year	18,497,092		(5,363,552)	13,133,540
Cash and cash equivalents at end of year-disposal groups	-		5,363,552	5,363,552
SUPPLEMENTAL CASH FLOW INFORMATION:				
Continuing Operation				
Cash paid for income taxes	918,075		(436,020)	482,055
Cash paid for interest expense	1,512,619		-	1,512,691
Discontinued Operation				
Cash paid for income taxes			436,020	436,020-
Cash paid for interest expense				

WINS FINANCE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 23 - SUBSEQUENT EVENTS

Loss of control over subsidiaries

On June 9, 2020, the Changzhi Public Security Bureau (the "Bureau") enforced a judgement against Jinchen Agriculture. Pursuant to the action, the Bureau froze the assets of Jincheng Agriculture and its subsidiaries. Up to the date of the report, the Company's management was unable to determine the cause of the freeze as the authorities have not provided such information, but it has advised that the Company no longer has control of the assets or operations of Jinchen Agriculture and its subsidiary Dongsheng Guarantee. Therefore, until the freeze is lifted, the Company will not be able to consolidate Shanxi Jinchen and its subsidiary Dongsheng Guarantee into its financial statements. The Company's other business are unaffected by the freeze and continue to operate normally.

Legal issues

On July 24, 2020, Samuel Kamau filed a shareholder class action complaint in the District Court for the Central District of California seeking unspecified monetary damages for alleged violations of the United States Securities Exchange Act of 1934 during the period from October 31, 2018 to July 6, 2020 against Wins Finance Holdings Inc., Renhui Mu, and Junfeng Zhao (entitled Kamau v. Wins Finance Holdings, Inc., et al.; C.D. Cal. Case No. 2:20-cv-06656). Plaintiffs initial complaint alleges, among other things, that Defendants purportedly violated the securities laws by failing to disclose that the repayment of a RMB 580 million "loan" to Guohong Asset Management Co., Ltd. was "highly uncertain," and that the resignation of the Company's former independent auditor was "foreseeably likely" given the non-payment of the foregoing loan as well as alleged material weaknesses in the Company's control over financial reporting. As of this date and to the best of our knowledge, neither the Company nor the individual Defendants have been served or have agreed to accept service of the summons and complaint. As of this date, Plaintiff has not filed an affidavit of service with the Court concerning service upon any Defendant. In accordance with procedural rules applicable to such securities class actions, the deadline for the submission of motions for appointment as lead plaintiff(s) and lead counsel are due on or before September 24, 2020, following the resolution of which it is common for the newly-appointed lead plaintiff(s) to amend the complaint and allegations underlying the claims. For this reason, we cannot provide a meaningful evaluation at this time of the likelihood of an unfavorable outcome. Similarly, because the action seeks unspecified damages, and because the shareholder class has not yet been certified by the Court, we cannot provide a meaningful evaluation of the amount or range of potential loss. Finally, given the preliminary status of this newly-filed action, we have not yet received instructions from the Company as to whether it will defend or seek to settle this matter.

Influence of COVID-19

The Company expects revenue in the year ended June 30,2020 to decrease 16% as compared with the year ended June 30,2019 due to the adverse impact of the COVID-19outbreak on the Company's financial leasing business. Besides, because of the COVID-19 outbreak, the lessee's ability to repay the rental expense was affected and the Company had made specific allowance for the lease payment with amount to USD 85,023,066 as at June 30 2019 based on the specific risk of collectability of the lessee was identified.

List of Subsidiaries

1. Wins Finance Group Limited (“WFG”) is a wholly owned subsidiary of Wins Finance Holdings Inc. and was incorporated under the laws of British Virgin Islands.
 2. Full Shine Capital Resources Limited (“Full Shine”) is a wholly owned subsidiary of WFG and was incorporated under the laws of the Hong Kong Special Administrative Region.
 3. Jinshang International Financial Leasing Co., Ltd. (“Jinshang Leasing”) is a wholly owned subsidiary of Full Shine and was incorporated in the People’s Republic of China (the “PRC”).
 4. Shanxi Jinchun Agriculture Co., Ltd. is a wholly-owned subsidiary of Jinshang Leasing and was incorporated in the PRC.
 5. Dongsheng Guarantee Co., Ltd. is a wholly-owned subsidiary of Jinshang Leasing and was incorporated in the PRC.
-

Certification Pursuant to Rule 13a-14(a) of the Exchange Act

Renhui Mu, certifies that:

1. I have reviewed this annual report on Form 20-F of WINS Finance 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 company as of, and for, the periods presented in this report;
 4. The company'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 company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Intentionally Omitted;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
-

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: October 1, 2020

By: /s/ Renhui Mu

Name: Renhui Mu

Title: Chief Executive Officer and Chief Operating Officer
(Principal Executive Officer)

Certification Pursuant to Rule 13a-14(a) of the Exchange Act

I, Yuchan Cheng, certify that:

1. I have reviewed this annual report on Form 20-F of WINS Finance 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 company as of, and for, the periods presented in this report;
 4. The company'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 company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Intentionally Omitted;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
 5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.
-

Date: October 1, 2020

By: /s/ Yuchan Cheng
Name: Yuchan Cheng
Title: Chief Financial Officer
(Principal Financial Officer
and Principal Accounting Officer)

Certification Pursuant to 18 U.S.C. Section 1350

Pursuant to U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of WINS Finance Holdings Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended June 30, 2019 of the Company fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

WINS FINANCE HOLDINGS INC.

Date: October 1, 2020

By: /s/ Renhui Mu
Name: Renhui Mu
Title: Chief Executive Officer and Chief Operating Officer (Principal Executive Officer)

Date: October 1, 2020

By: /s/ Yuchan Cheng
Name: Yuchan Cheng
Title: Chief Financial Officer
(Principal Financial Officer
and Principal Accounting Officer)
