

# WINS FINANCE HOLDINGS INC.

## FORM 20-F

(Annual and Transition Report (foreign private issuer))

Filed 03/07/25 for the Period Ending 06/30/24

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Sector	Financials
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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, 2024  
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)

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

Securities registered or to be registered pursuant to Section 12(g) of the Act: Ordinary Shares, par value \$0.0001 per share

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

**As of February 25, 2025, the registrant had 25,892,642 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.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

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

☒ US GAAP

☐ 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

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## 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”), Dalian Ruikai Taifu Investment Management Co., LTD. (“Ruikai taifu”) Zhongrui Xukai (Beijing) Technology Co., LTD. (“Zhongrui xukai”), 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.

On June 9, 2020, the Changzhi Public Security Bureau (the “Bureau”) froze the assets of Jinchen Agriculture and its subsidiary Dongsheng Guarantee. Our legal counsel was unable to determine the cause of the freeze as the authorities did not provide us with this information, and our legal counsel advised us that we no longer have control of the assets or operations of both Jinchen Agriculture and Dongsheng Guarantee. Consequently, the Company’s Board of Directors voted to dispose of Jinchen Agriculture and Dongsheng Guarantee.

On January 6, 2021, Wins Finance and Shanghai Guyuan signed an asset disposal agreement, pursuant to which on January 6, 2021, Wins Finance, sold its entire interest in Shanxi Jinchen Agriculture Ltd. (“Jinchen Agriculture”) (including its subsidiary Shanxi Dongsheng Finance Guarantee Co., Ltd. (“Dongsheng Guarantee”)) to Shanghai Guyuan (the “Purchaser”) in exchange for the Purchaser assuming the obligations of Jinchen Agriculture. Therefore, the Company will not consolidate Jinchen Agriculture and Dongsheng Guarantee into its financial statements after that date. The Company’s other business are unaffected by the disposal and continue to operate normally.

On October 11, 2021, we established Dalian Ruikai Taifu Investment Management Co., LTD., which specializes in the medical equipment sales business. On April 7, 2022, we acquired a 71.43% interest in Zhongrui Xukai (Beijing) Technology Co., LTD. In the future, we believe that the medical equipment sales business will become our main source of income.

On September 19, 2022, Zhongrui Xukai (Beijing) Technology Co., Ltd. acquired 51% shares of Tianjin Runcheng Medical Technology Co., LTD., which is engaged in the sales of medical devices and consumables

On September 19, 2022, Zhongrui Xukai (Beijing) Technology Co., Ltd. acquired 51% shares of Tianjin Runcheng Medical Technology Co., LTD., which is engaged in the sales of medical devices and consumables

On August 24, 2023, Dalian Rikkai Taifu Investment Management Co., Ltd. acquired 50.8198 % of the equity interest of Beijing Shi Yue Gong Tu Medical Equipment Co., LTD., a company engaged in the sale of medical equipment.

Our medical business will mainly focus on the following areas:

- Sales of domestic medical characteristic equipment and consumables.. We have established a sales agent system covering the whole country, and selling PET-CT products (Beijing Ruishi Kang, Beijing Sanuo United, Shanghai United Film), crema ultrasound (Xinbo Medical), B-ultrasound (Shanghai United Film, Samsung), orthopedic consumables (Tianjin Boshuobi) and other products.
  - Cancer diagnosis and treatment center. We will establish regional cancer diagnosis and treatment centers in major regions of China through acquisitions and new construction, providing examination, consultation, treatment, recovery and rehabilitation. In the next five years, we plan to manage 20,000 beds, set up 15-30 regional cancer screening centers (Pet-CT), and establish a cancer disease cooperation network with 300 county-level grassroots public hospitals to jointly build pathology centers, cancer screening centers, and “medical green channel” services. Some tumor patients were transferred to our cancer diagnosis and treatment center for chemoradiotherapy.
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- On September 25, 2024, Wins Finance Holdings Inc. (the “Company”) entered into a supplementary agreement (the “Supplementary Agreement”) with Jude Gongsheng International Medical Investment Management (Beijing) LLC. (聚德共生国际医疗投资管理(北京)有限公司), a China company (“Investor 1”), and Mr. Renhui Mu (“Investor 2”) (“Investor 1” and “Investor 2” together are collectively called the “Investors”) to amend the terms of the share subscription agreement signed on May 15, 2024 (“Main Agreement”). Pursuant to the Main Agreement, the Investors agreed to purchase 76,100,000 ordinary shares of the company for an aggregate purchase price of \$7,610,000 by no later than September 30, 2024 (the “Outside Closing Date”). Pursuant to the Supplementary Agreement, the parties agreed that the Outside Closing Date would be extended to December 31, 2024.
- On November 25, 2024, Wins Finance Holdings Inc. (the “Company”) entered into a share subscription agreement (the “Agreement”) with Mr. Jun Fan (the “Investor”). Pursuant to the Agreement, the Investor agreed to purchase 5,600,000 ordinary shares (the “Shares”) of the company for an aggregate purchase price of \$560,000 (“Purchase Price”). Pursuant to the Agreement, the Investor may require the Company to repurchase the Shares at the Purchase Price within one year of the date of the Agreement.

The Company’s functional currency is USD. The functional currency of Jinshang Leasing, 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](http://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 U.S. generally accepted accounting principles, or “U.S. GAAP”.

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## 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;
- the effects of COVID-19 or other pandemics;
- 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.

## **ENFORCEABILITY OF CIVIL LIABILITIES**

All of our existing directors, Mu Renhui, Cheng Yuchan, and other independent directors are residents of China and all or a substantial portion of their assets are located outside the United States. We are headquartered in China. As a result, it may be difficult for a shareholder to effect service of process within the United States upon us or these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for a shareholder to enforce judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and these persons located in China.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedure Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedure Law based either on treaties between China and the country where the judgment is made or on reciprocity between different jurisdictions, and PRC courts will not recognize or enforce these foreign judgments if PRC courts believe the foreign judgments violate the basic principles of PRC laws or national sovereignty, security or public interest after review. However, currently, China does not have treaties or reciprocity arrangement providing for recognition and enforcement of foreign judgments ruled by courts in the United States. Thus, we believe that it is uncertain whether and on what basis a PRC court would enforce a judgment ruled by a court in the United States. As such, there is uncertainty as to the cost and time constraints associated with seeking enforcement of such a judgment in PRC.

In addition, under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against a company in China for disputes if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit. We believe that it will be, however, difficult for U.S. shareholders to originate actions against us in the PRC in accordance with PRC laws by virtue only of holding securities, to establish a connection to the PRC for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.



## **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. Reserved**

#### **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. Some of the risks related to include:

- We have identified a material weakness in our business continuing status over financial reporting as of June 30, 2022. If we are unable to have more cash flow from our business and develop our business in the new medical business, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and materially and adversely affect our business and operating results.
- We are transitioning our business to medical equipment, a business with which we do not have any experience historically.
- our internal controls could become ineffective in the future. 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.

- Trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act if the PCAOB determines that it cannot inspect or fully investigate our auditor. Additionally, the inability of the PCAOB to conduct inspections may deprive our investors with the benefits of such inspections.
- All our operations are through our office space located in China. However, due to the long arm provisions under the current PRC laws and regulations, the Chinese government may exercise significant oversight and discretion over the conduct of our business and may intervene in or influence our operations at any time, which could result in a material change in our operations and/or the value of our ordinary shares. Changes in the policies, regulations, rules, and the enforcement of laws of the Chinese government may also be quick with little advance notice and our assertions and beliefs of the risk imposed by the PRC legal and regulatory system cannot be certain.
- If the Chinese government chooses to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers, such action may significantly limit or completely hinder our ability to offer or continue to offer ordinary shares to investors and cause the value of our ordinary shares to significantly decline or be worthless.
- The China legal system embodies uncertainties which could limit the legal protections available to the Company.
- A downturn in China or global economy, and economic and political policies of China could materially and adversely affect our business and financial condition.
- China Securities Regulatory Commission and other Chinese government agencies may exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers. As a result, our investors and us will face uncertainty about future actions by the PRC government that could significantly affect our ability to continue to trade in the U.S. and cause the value of our securities to significantly decline or be worthless.
- The Chinese government may exercise significant oversight and discretion over the conduct of our business and may intervene in or influence our operations at any time, which could result in a material change in our operations and/or the value of our securities. We have been traded publicly since 2015 and therefore believe that we are not currently required to obtain approval from Chinese authorities to list on U.S. exchanges; however, if we were required to obtain approval in the future and were denied permission from Chinese authorities to list on U.S. exchanges, we will not be able to continue listing on U.S. exchange, which would materially affect the interest of the investors.
- Our current business is subject to a variety of PRC laws and other obligations regarding financial regulations and medical equipment trading regulations. We have obtained all of the necessary approval on carrying out our business. However, we may not be able to continue our business upon the new change of those laws and obligations.
- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and results of operations we may pursue in the future.
- You may face difficulties in protecting your interests and exercising your rights as a shareholder since we conduct substantially all of our operations in China, and certain of our executive officers and/or directors reside outside the U.S.
- You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management based on foreign laws.
- 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.
- Spectacular Bid Limited owns approximately 67% of our outstanding common stock and its interests may differ from those of our other stockholders.

## **Risks Related to Our Business and Operations**

### **The report of our auditor expresses a qualified opinion for the fiscal year ended June 30, 2020.**

As disclosed elsewhere in this document, because we lost the ability to control our subsidiaries Shanxi Jincheng Agriculture Co., Ltd and Shanxi Dongsheng Finance Guarantee Co., Ltd (collectively “subsidiaries without control”) and our auditor was unable to carry out any audit procedures or to obtain information it considered necessary during its audit of the financial statements of the subsidiaries without control stated on the face of the 2020 balance sheet classified as disposal group. Therefore, the auditor could not determine the effect of adjustments, if any, on our financial position as at June 30 2020 or on our financial performance and cash flows for the year then ended.

The independent auditors report for fiscal year ended June 30, 2020 is qualified due to the loss of control over Shanxi Jincheng Agriculture Co. Ltd and Shanxi Dongsheng Finance Guarantee Co., Ltd.. As a result, the independent auditors state that they were unable to carry out any audit procedures or to obtain information necessary to perform an audit of these subsidiaries. We expect to sign an Engagement Letter with Audit Alliance LLP in the near future to entrust the audit firm to conduct supplementary audits of the aforementioned two companies;

We were unable to provide disclosure to our auditor relating to the subsidiaries without control regarding the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. The management of the subsidiaries without control were 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 the auditor with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed as authorized.

In 2020, two subsidiaries of the company in Shanxi were involved in criminal cases and were frozen and lost control. After the incident, the company fully disclosed the matter to the public through filing and responses to SEC comments. The SEC takes the position that audit reports that express a qualified opinion due to a departure from GAAP, like the one our auditor provided on our financial statements, do not meet the requirements of Regulation S-X, and that financial statements not in conformity with GAAP, like ours, are presumed to be inaccurate or misleading, notwithstanding explanatory disclosures in footnotes or in the accountant’s report. Notwithstanding the position of the SEC, we believed that it was preferable for us to release the information contained in the 2020 Annual Report on Form 20-F to our stockholders than to withhold such information.

### **Our business focus is shifting to medical equipment sales of Wins**

Due to the disposal of our financial guarantee business, we expanded into new business channels and sought new strategic partners, On October 11, 2021, we established Dalian Ruikai Taifu Investment Management Co., LTD., which specializes in the medical equipment sales business. On April 7, 2022, we acquired 71.43% interest in Zhongrui Xukai (Beijing) Technology Co., LTD. Dalian Taifu and Zhongrui Xukai are newly established companies in the medical sector and have not been operating for a long time. Dalian Taifu is responsible administrative licensing, preliminary acceptance and various operating requirements of Shanxi Transformation Comprehensive Reform Health Examination Center, including responsibility for the completion of the medical center, the establishment and improvement of the business systems and staff training. Zhongrui Xukai is mainly engaged in medical equipment and consumables sales and medical service consulting. On September 19, 2022, Zhongrui Xukai (Beijing) Technology Co., Ltd. acquired 51% shares of Tianjin Runcheng Medical Technology Co., LTD., which is engaged in the sales of medical devices and consumables. On August 24, 2023, Dalian Rikkai Taifu Investment Management Co., Ltd. acquired 50.8198% of the equity interest of Beijing Shi Yue Gong Tu Medical Equipment Co., LTD., a company engaged in the sale of medical equipment.

Starting in 2024, over the next 5-10 years, Wins plans to further develop its medical business and improve its revenues and profit margin. Wins plans to continue to acquire private medical groups, medical equipment and consumables manufacturers. Increase the sales of medical equipment and consumables (orthopedic consumables, optic-optical super, Pet-CT, etc.). We expect to continue to conduct our financial business and provide financing services for listed companies and large state-owned enterprises.

The company has preliminarily established a sales channel for medical equipment. Although we expect the market to expand in the future, and that sales revenue will increase as well, there is no guarantee that it will do so. Wins' medical business will also face some challenges, the main risk factors are policy factors and market factors. China has issued many policies in the field of medical and health care to regulate the centralized procurement of medical equipment, consumables and drugs. At the same time, the overall management of the hospital and the corresponding insurance settlement policy have certain standards. These policies will have some impact on the sales of domestic characteristic equipment and consumables of Wins, which could delay the transaction or increase the cost on selling Market competition in the medical industry has intensified. With the increasing number of new products, drugs and diagnosis and treatment programs in the field of cancer diagnosis and treatment, the cancer diagnosis and treatment center of Wins must also update the diagnosis and treatment programs, equipment and drugs in a timely manner. It may increase the cost on development and selling.

**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, 2024, the provision for our lease payment receivables totaled nil million.

**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. On January 6 2021, the company entered into an agreement to transferred Jinchen Agriculture and Dongsheng Guarantee' equity to a third party. Therefore, we will not be able to consolidate Jinchen Agriculture and its subsidiary Dongsheng Guarantee into our financial statements. The Company's other businesses are unaffected by the disposal and continue to operate normally. The Company's net revenue (not including Jinchen Agriculture and Dongsheng Guarantee) increased from \$0.5 million for the year ended June 30, 2023 to \$3.7 million for the year ended June 30, 2024, representing an increase of 603%, mainly caused by the acquisition of Shi Yue Gong Tu Medical Equipment Co., LTD . The Company's net revenue was 2.0 million for the year ended June 30, 2024. The revenue of Shiyuegongtu was \$1.9 million.

**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 improve risk management, reduce excessive dependence on mortgages 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.

**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 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, 2023, our allowance for finance lease payment receivable was \$110.65 million. 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. As of June 30, 2024, our allowance for finance lease payment receivable was \$112.95 million, due to the transformation of our business.

**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 if it 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 in the past. Although we do not currently believe that there are any material weaknesses, any material weaknesses could adversely affect our ability to report our results of operations and financial condition accurately and 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.

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.

**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 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.

**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.

**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 financial leasing businesses may be changed due to the uncertainty of evolving PRC laws and regulations.**

We operate our 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 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 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 sanitization 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 ordinary shares from the Nasdaq or deregistration from the SEC, which would substantially reduce or effectively terminate the trading of our ordinary shares in the United States.

***Trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act if the PCAOB determines that it cannot inspect or fully investigate our auditor. In that case, our securities may no longer be permitted to trade on the over the counter market. The delisting of our securities, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections may deprive our investors with the benefits of such inspections.***

The Holding Foreign Companies Accountable Act, or the HFCAA, was enacted on December 18, 2020. The HFCAA states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or other securities from being traded on a national securities exchange or in the over the counter trading market in the U.S..

Our current auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. However, if it is later determined that the PCAOB is unable to inspect or investigate completely our auditor because of a position taken by an authority in a foreign jurisdiction, the SEC could prohibit them from being traded on a national securities exchange or in the over the counter trading market in the U.S. If our securities are prohibited from being traded on a national securities exchange or in the over the counter trading market in the U.S. due to the PCAOB not being able to conduct inspections or full investigations of our auditor, it would substantially impair your ability to sell or purchase our securities when you wish to do so, and the risk and uncertainty associated with potential delisting and prohibition could have a negative impact on the price of our securities. Also, such delisting and prohibition could significantly affect the Company's ability to raise capital on acceptable terms, or at all, which could have a material adverse effect on the Company's business, financial condition and prospects.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCAA. We will be required to comply with these rules if the SEC identifies us as having a "non-inspection" year under a process to be subsequently established by the SEC. On June 22, 2021, the U.S. Senate passed a bill which, if passed by the U.S. House of Representatives and signed into law, would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two.

On November 5, 2021, the SEC approved the PCAOB's Rule 6100, Board Determinations Under the Holding Foreign Companies Accountable Act. Rule 6100 provides a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether it is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction.

On December 2, 2021, the SEC issued amendments to finalize rules implementing the submission and disclosure requirements in the Holding Foreign Companies Accountable Act. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions.

On August 26, 2022, the PCAOB entered into a Statement of Protocol with the China Securities Regulatory Commission and the Ministry of Finance of the PRC and, as summarized in the “Statement on Agreement Governing Inspections and Investigations of Audit Firms Based in China and Hong Kong” published on the U.S. Securities and Exchange Commission’s official website, the parties agreed to the following: (i) in accordance with the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation; (ii) the PCAOB shall have direct access to interview or take testimony from all personnel of the audit firms whose issuer engagements are being inspected or investigated; (iii) the PCAOB shall have the unfettered ability to transfer information to the SEC, in accordance with the Sarbanes-Oxley Act; and (iv) the PCAOB inspectors shall have access to complete audit work papers without any redactions, with view-only procedures for certain targeted pieces of information such as personally identifiable information. The PCAOB is required to reassess its determinations as to whether it is able to carry out inspection and investigation completely and without obstruction by the end of 2022.

The SEC may propose additional rules or guidance that could impact us if our auditor is not subject to PCAOB inspection. For example, on August 6, 2020, the President’s Working Group on Financial Markets, or the PWG, issued the Report on Protecting United States Investors from Significant Risks from Chinese Companies to the then President of the United States. This report recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfill its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCAA. However, some of the recommendations were more stringent than the HFCAA. For example, if a company was not subject to PCAOB inspection, the report recommended that the transition period before a company would be delisted would end on January 1, 2022.

The SEC has announced that the SEC staff is preparing a consolidated proposal for the rules regarding the implementation of the HFCAA and to address the recommendations in the PWG report. It is unclear when the SEC will complete its rulemaking and when such rules will become effective and what, if any, of the PWG recommendations will be adopted. The SEC has also announced amendments to various annual report forms to accommodate the certification and disclosure requirements of the HFCAA. There could be additional regulatory or legislative requirements or guidance that could impact us if our auditor is not subject to PCAOB inspection. The implications of these possible regulations in addition to the requirements of the HFCAA are uncertain, and such uncertainty could cause the market price of our securities to be materially and adversely affected. If, for whatever reason, the PCAOB is unable to conduct inspections or full investigations of our auditor, the Company could be delisted or prohibited from being traded over the counter earlier than would be required by the HFCAA. If our securities are unable to be listed on another securities exchange by then, such delisting and prohibition would substantially impair your ability to sell or purchase our securities when you wish to do so, and the risk and uncertainty associated with potential delisting and prohibition could have a negative impact on the price of our securities. Also, such delisting and prohibition could significantly affect the Company’s ability to raise capital on acceptable terms, or at all, which would have a material adverse effect on the Company’s business, financial condition and prospects.

Inspections of audit firms that the PCAOB has conducted have identified deficiencies in those firms’ audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. If the PCAOB were unable to conduct inspections or full investigations of the Company’s auditor, investors in our securities would be deprived of the benefits of such PCAOB inspections. In addition, the inability of the PCAOB to conduct inspections or full investigations of auditors would may make it more difficult to evaluate the effectiveness of the Company’s independent registered public accounting firm’s audit procedures or quality control procedures as compared to auditors that are subject to the PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in the audit procedures of our auditor and reported financial information and the quality of our financial statements.



***The PRC government may intervene or influence our operations at any time or may exert more control over offerings conducted overseas and foreign investment in China based issuers, which could result in a material change in our business operations and/or the value of our securities. Additionally, the governmental and regulatory interference could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.***

Statements by the Chinese government in 2021 have indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investments in China-based issuers. The PRC has proposed new rules in 2021 that would require companies collecting or holding large amounts of data to undergo a cybersecurity review prior to listing in foreign countries, a move that would significantly tighten oversight over China based internet giants. On November 14, 2021, the Cyberspace Administration of China, or CAC, has publicly solicited opinion on the Regulation on Network Data Security Management (Consultation Draft), which stipulates that data processor that undertakes data processing activities using Internet networks within China shall apply for the cybersecurity review if it conducts data processing activities that will or may have an impact on the national security. The review is mandatory if the data processor controls more than 1 million users' personal information and intends to be listed or traded in a foreign country, or if the data processor that will or may impact the national security seeks to be listed in Hong Kong. As of the date of this report, the Draft Regulation on Network Data Security Management has not been formally adopted. On December 28, 2021, the Cyberspace Administration of China, jointly with 12 departments under the State Council, promulgated the Measures for Cybersecurity Review, which became effective on February 15, 2022. According to the Measures for Cybersecurity Review, operators of critical information infrastructure purchasing network products and services, and data processors carrying out data processing activities that affect or may affect national security, shall conduct cyber security review. An operator, including operators of critical information infrastructure and data processors, who controls more than 1 million users' personal information must report to the Cyber Security Review Office for a cybersecurity review if it intends to be listed or traded in a foreign country.

As we are not involved in the collection of user data, implicate cybersecurity, or involve any other type of restricted industry, we do not believe that we are subject to the CAC or CSRC. Uncertainties still exist, however, due to the possibility that laws, regulations, or policies in the PRC could change rapidly in the future. Any future action by the PRC government expanding the categories of industries and companies whose foreign securities offerings are subject to review by the CSRC or the CAC could significantly limit or completely hinder our ability to remain publicly traded in the U.S.

**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.

**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.

**Spectacular Bid Limited owns approximately 67% of our outstanding common stock and its interests may differ from those of our other stockholders.**

As of June 30, 2024, Spectacular Bid Limited owned approximately 51.9% of our outstanding common stock. Spectacular Bid has the right to nominate three members of our board of directors. Therefore, Spectacular Bid can control our operations and may have different interests than our other shareholders.

On 28 February 2020, the High Court of the Hong Kong Special Administrative Region (the "High Court") ordered Mr. Lai Ka Yan and Mr. Ho Kwok Leung of Deloitte Touche Tohmatsu & Co. to be appointed as the joint and several provisional liquidators of Spectacular Bid (the "Provisional Liquidators"). It is unclear what will happen to our shares in the future.

**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, 2024, 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 June 30, 2024, 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."

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, 2023, 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 2023 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.

**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. Class action litigations have been filed against us due to such fluctuations and the trading halt instituted by Nasdaq, on which we were listed at the time. Although we do not believe that the class action litigations have any merit, we cannot predict the outcome of the litigations, 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, Jinchun 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.

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.

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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 Zhongtou 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 February 22 2021, a subsidiary of the Company entered into an agreement to Convert Hui Yue’s equity into the creditor’s right of Shenzhen Jiruhai Technology Co., LTD.

On June 16,2021, Beijing Fu Sheng Xing Trading Co., LTD (“Fu Sheng Xing”) was established under the laws of the PRC. Full Shine owns 40% interest in Fu Sheng Xing.

On June 9, 2020, the Changzhi Public Security Bureau (the “Bureau”) froze the assets of Jinchen Agriculture and its subsidiary Dongsheng Guarantee. Our legal counsel was unable to determine the cause of the freeze as the authorities did not provide us with this information, and our legal counsel advised us that we no longer have control of the assets or operations of both Jinchen Agriculture and Dongsheng Guarantee. Consequently, the Company’s Board of Directors voted to dispose of Jinchen Agriculture and Dongsheng Guarantee.

On January 6, 2021, Wins Finance and Shanghai Guyuan signed an asset disposal agreement, pursuant to which on January 6, 2021, Wins Finance, sold its entire interest in Shanxi Jinchen Agriculture Ltd. (“Jinchen Agriculture”) (including its subsidiary Shanxi Dongsheng Finance Guarantee Co., Ltd. (“Dongsheng Guarantee”) to Shanghai Guyuan (the “Purchaser”) in exchange for the Purchaser assuming the obligations of Jinchen Agriculture.

On October 11, 2021, we established Dalian Ruikai Taifu Investment Management Co., LTD., which specializes in the medical equipment sales business. On April 7,2022, We acquired a 71.43% interest in Zhongrui Xukai (Beijing) Technology Co., LTD.In the future, we believe that the medical business will become our main source of income.

On September 19, 2022, Zhongrui Xukai (Beijing) Technology Co., Ltd. acquired 51% shares of Tianjin Runcheng Medical Technology Co., LTD., which is engaged in the sales of medical devices and consumables.

On August 24, 2023, Dalian Rikai Taifu Investment Management Co., Ltd. acquired 50.8198% of the equity interest of Beijing Shi Yue Gong Tu Medical Equipment Co., LTD., a company engaged in the sale of medical equipment.

On September 25, 2024, Wins Finance Holdings Inc. (the “Company”) entered into a supplementary agreement (the “Supplementary Agreement”) with Jude Gongsheng International Medical Investment Management (Beijing) LLC. (聚德共生国际医疗投资管理 (北京) 有限公司), a China company (“Investor 1”), and Mr. Renhui Mu (“Investor 2”) (“Investor 1” and “Investor 2” together are collectively called the “Investors”) to amend the terms of the share subscription agreement signed on May 15, 2024 (“Main Agreement”). Pursuant to the Main Agreement, the Investors agreed to purchase 76,100,000 ordinary shares of the company for an aggregate purchase price of \$7,610,000 by no later than September 30, 2024 (the “Outside Closing Date”). Pursuant to the Supplementary Agreement, the parties agreed that the Outside Closing Date would be extended to December 31, 2024. As of December 31, 2024, the term stipulated in the investment agreement has expired, and this investment agreement is terminated.

On November 25, 2024, Wins Finance Holdings Inc. (the “Company”) entered into a share subscription agreement (the “Agreement”) with Mr. Jun Fan (the “Investor”). Pursuant to the Agreement, the Investor agreed to purchase 5,600,000 ordinary shares (the “Shares”) of the company for an aggregate purchase price of \$560,000 (“Purchase Price”). Pursuant to the Agreement, the Investor may require the Company to repurchase the Shares at the Purchase Price within one year of the date of the Agreement.

In the future, Wins’s medical business will mainly focus on the following areas:

- 1) Sales of domestic medical characteristic equipment and consumables.. We have established a sales agent system covering the whole country, and now we are selling PET-CT products (Beijing Ruishi Kang, Beijing Sanuo United, Shanghai United Film), crema ultrasound (Xinbo Medical), B-ultrasound (Shanghai United Film, Samsung), orthopedic consumables (Tianjin Boshuobi) and other products.
- 2) Cancer diagnosis and treatment center. We will establish regional cancer diagnosis and treatment centers in major regions of China through mergers and acquisitions and new construction, providing the whole process services of examination, consultation, treatment, recovery and rehabilitation in the field of cancer. It is estimated that in the next five years, we will manage 20,000 beds, set up 15-30 regional cancer screening centers (Pet-CT), and establish a cancer disease cooperation network with 300 county-level grassroots public hospitals to jointly build pathology centers, cancer screening centers, and “medical green channel” services. Some tumor patients were transferred to our cancer diagnosis and treatment center for chemoradiotherapy.

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, 5<sup>th</sup> 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 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.
- Medical equipment sales and medical service consulting.

### *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 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 financial 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.

### *Medical equipment and medical service consulting*

Dalian Taifu and Zhongrui Xukai are newly established companies in the medical sector and have not been operating for a long time. Dalian Taifu is responsible for handling the administrative licensing, preliminary acceptance and various operation requirements of Shanxi Transformation Comprehensive Reform Health Examination Center, including responsibility for the completion of the medical center, the establishment and improvement of the business systems and staff training. Zhongrui Xukai is mainly engaged in medical equipment and consumables sales and medical service consulting. On September 19, 2022, Zhongrui Xukai (Beijing) Technology Co., Ltd. acquired 51% shares of Tianjin Runcheng Medical Technology Co., LTD., which is engaged in the sales of medical devices and consumables. On August 24, 2023, Dalian Rikkai Taifu Investment Management Co., Ltd. acquired 50.8198% of the equity interest of Beijing Shi Yue Gong Tu Medical Equipment Co., LTD., a company engaged in the sale of medical equipment. Starting in 2024, in the next 5-10 years, Wins will further develop the medical sector and improve its income sources and profit margin (compared with the net interest margin of debt financing projects (about 2%), the return rate of equipment sales and consumables sales in the general medical field will be increased to about 15%). Based on Wins' development plan and market expectation in 2024, Wins will continue to acquire private medical groups, medical equipment and consumables manufacturers (Tianjin Boshuobi Biotechnology Co., Ltd. and Xinbo Medical Technology Co., Ltd. are expected to be completed in the coming years). Increase the sales of medical equipment and consumables (orthopedic consumables, optic-optical super, Pet-CT, etc.). Continue to do financial business and provide financing services for listed companies and large state-owned enterprises.

### **Industry Background**

#### *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.



### *Financial Leasing*

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.

### *Medical Business*

Despite the global economic recession, China's medical, pharmaceutical and medical device industries have maintained strong growth. Wins will further develop the medical sector and improve its income sources and profit margin (compared with the net interest margin of debt financing projects (about 2%), the return rate of equipment sales and consumables sales in the general medical field will be increased to about 15%). Wins will continue to acquire private medical groups, medical equipment and consumables manufacturers. Increase the sales of medical equipment and consumables (orthopedic consumables, optic-optical super, Pet-CT, etc.). Continue to do financial business and provide financing services for listed companies and large state-owned enterprises. Due to the impact of the COVID-19 epidemic and China's economic downturn, the growth of the medical sector is less than expected, but with the economic recovery and the implementation of economic stimulus policies, the development prospects of the medical sector are very optimistic.

### **Our Strengths**

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

#### *Focus on Chinese Medical Business*

- established a sales agent system covering the whole country, and have begun selling PET-CT products (Beijing Ruishi Kang, Beijing Sanuo United, Shanghai United Film), crema ultrasound (Xinbo Medical), B-ultrasound (Shanghai United Film, Samsung), orthopedic consumables (Tianjin Boshuobi) and other product
- establish regional cancer diagnosis and treatment centers in major regions of China through acquisitions and new construction, providing examination, consultation, treatment, recovery and rehabilitation for cancer patients.

#### *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 make 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.

Wins provides leading health solution in private medical system in the China. Bases on the country wide selling system, we have accessed more than 300 top hospitals and thousands of clinics, provided advanced medical imaging, screening equipment, surgically implanted consumables, accessories, and reagents. Our system builds integrated solution includes sales, production, research and development, promotion, links the hospitals with medical supply chain to bring the most leading-edge medical services to the public.

### **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; and (3) Medical equipment and medical service consulting. 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,			
	2024		2023	
	US\$'000	%	US\$'000	%
Direct financing lease income	—	—	298	18.0 %
Financial advisory and agency income	—	—	—	—
Medical equipment and medical service consulting.	54,564	100.0 %	1,348	82.0 %
<b>Total revenues</b>	<b>54,564</b>	<b>100.0 %</b>	<b>1,646</b>	<b>100.0 %</b>

### *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.

### *Financial Advisory and Agency Services*

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.

#### *Medical equipment and medical service consulting.*

Revenue recognition for the equipment and consulting services: payment and billing shall be made in accordance with the payment term agreed in the contract, and the company shall confirm revenue according to the remitter, amount, time and relevant remarks.

Consumables: Before payment, the hospital will provide warehousing slips to check with the company. If there is no mistake, the company will issue an invoice according to the amount of the hospital's warehousing (i.e. the amount of consumables used). After receiving the invoice, the hospital will collect the money according to the invoice amount. The company shall confirm the income according to the remitter, amount, time and relevant remarks.

Starting from 2022, in the next 5-10 years, Wins Financial will further develop the medical sector and improve its income sources and profit margin (compared with the net interest margin of debt financing projects (about 2%), the return rate of equipment sales and consumables sales in the general medical field will be increased to about 15%). Wins Financial will continue to acquire private medical groups, medical equipment and consumables manufacturers (Tianjin Boshuobi Biotechnology Co., Ltd. and Xinbo Medical Technology Co., Ltd. are expected to be completed in the coming years). Increase the sales of medical equipment and consumables (orthopedic consumables, optic-optical super, PET-CT, etc.). In 2023, the medical sector has become the main source of income for Wins, but Wins continues to do market its financial leasing business and provides financing services for listed companies and large state-owned enterprises.

### **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 leasing application.

- **Application Acceptance:** We consider whether to accept a client's application for a 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

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- 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, 2024, Jinshang Leasing did not generate any revenue. For the year ended June 30, 2023, there were two customers that accounted for 91% and 9% of the Jinshang Leasing's revenue, respectively.

For the year ended June 30, 2024, there was one client that accounted for 100% of the Ruikai Taifu Medical consultation services revenue.

For the year ended June 30, 2024, there was two clients that accounted for 76% and 21% of the Zhongrui Xukai Medical consultation services revenue.

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For the year ended June 30, 2024, there was two clients that accounted for 53% and 20% of the Tianjin Runcheng Medical equipment revenue.

For the year ended June 30, 2024, there was one clients that accounted for 13% of the Shiyuegongtu Medical equipment revenue.

### *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 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 2019. 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.

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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.

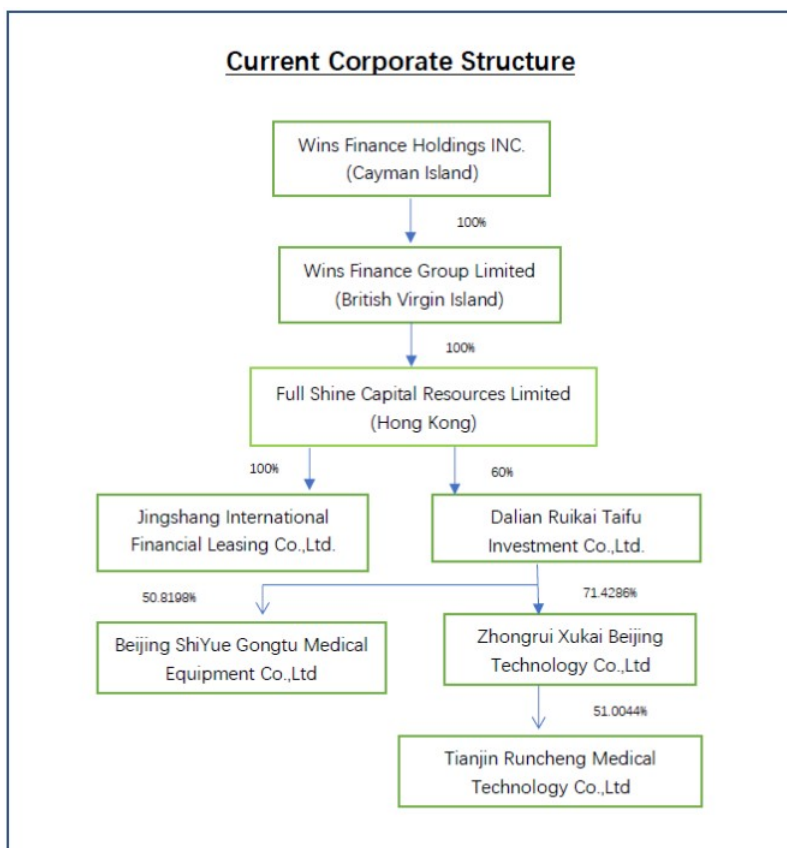
On July 24, 2020, Samuel Kamau filed a shareholder class action complaint in the District Court for the Central District of California seeking unspecified monetary damages for alleged violations of the United States Securities Exchange Act of 1934 during the period from October 31, 2018 to July 6, 2020 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.

As of this date and to the best of our knowledge, neither Wins Finance 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, motions for appointment as lead plaintiff(s) and lead counsel were filed on or before September 24, 2020, following the Court’s resolution of which it is common for the newly-appointed lead plaintiff(s) to amend the complaint and allegations underlying the claims. There is not any update progress since from June 30, 2020.



### 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:



On January 6 2021, the company entered into an agreement to transferred Jinchen Agriculture and Dongsheng Guarantee' equity to a third party.

On October 11, 2021, we established Dalian Ruikai Taifu Investment Management Co., LTD., which specializes in the medical equipment sales business. On April 7,2022, We acquired a 71.43% interest in Zhongrui Xukai (Beijing) Technology Co., LTD. in medical equipment sales and medical service consulting.

On September 19, 2022, Zhongrui Xukai (Beijing) Technology Co., Ltd. acquired 51% shares of Tianjin Runcheng Medical Technology Co., LTD., which is engaged in the sales of medical devices and consumables.

On August 24, 2023, Dalian Ruikai Taifu Investment Management Co., Ltd. acquired 50.8198% of the equity interest of Beijing Shi Yue Gong Tu Medical Equipment Co., LTD., a company engaged in the sale of medical equipment.

### 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 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.*

We are now even more focused upon achieving our core mission which is to help SMEs in China with their funding needs while offering this constituency creative solutions across a wider financial spectrum. We will seek leasing clients across China rather than on strictly a regional or local basis and plan to (1) focus on a few specific industries with experience and connections, such as clean energy, electric vehicles, education equipment and medical devices; and (2) to revitalize our advisory services business through innovative solutions and long-term capital funding planning. We plan upon working harder than ever to achieve sustainable results to both restore and reward our shareholders’ confidence in a niche sector where we believe we are well positioned and have the opportunity to achieve substantial market share.

Starting from 2024, in the next 5-10 years, Wins Financial will further develop the medical sector and improve its income sources and profit margin (compared with the net interest margin of debt financing projects (about 2)%, the return rate of equipment sales and consumables sales in the general medical field will be increased to about 15)%. Wins Financial will continue to acquire private medical groups, medical equipment and consumables manufacturers (Tianjin Boshuobi Biotechnology Co., Ltd. and Xinbo Medical Technology Co., Ltd. are expected to be completed in the coming years). Increase the sales of medical equipment and consumables (orthopedic consumables, optic-optical super, Pet-CT, etc.). In 2024, the medical sector has become the main source of income for Wins, Continue to do financial business and provide financing services for listed companies and large state-owned enterprises.

#### Overview

Wins Finance, a Cayman Island holding company with business operations in China. We have two lines of business, (i) as an integrated lending solution provider mainly serving small-and-medium sized enterprises (SMEs) in Beijing and Shanxi Province providing financial service and supplementary service, and (ii) in medical equipment sales and medical service consulting.

As a lending solutions provider we provide the following services:

- 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.

As a medical equipment sales and medical service consulting business we provide:

- established a sales agent system covering the whole country, and have begun selling PET-CT products (Beijing Ruishi Kang, Beijing Sanuo United, Shanghai United Film), crema ultrasound (Xinbo Medical), B-ultrasound (Shanghai United Film, Samsung), orthopedic consumables (Tianjin Boshuobi) and other product
- establish regional cancer diagnosis and treatment centers in major regions of China through acquisitions and new construction, providing examination, consultation, treatment, recovery and rehabilitation for cancer patients.
- Establish cooperation and promotion sales channels for medical equipment and consumables business in group companies. Through the innovation of hospital supply chain model, the establishment of domestic leading supply chain integrated service industry norms.

Credit risks, including 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 \$0.6 million and \$2.2 million for the years ended June 30, 2024 and 2023, respectively.

On October 11, 2021, we established Dalian Ruikai Taifu Investment Management Co., LTD., which specializes in the medical equipment sales business. On April 7, 2022, We acquired a 71.43% interest in Zhongrui Xukai (Beijing) Technology Co., LTD. In the future, we believe that the medical business will become our main source of income. On September 19, 2022, Zhongrui Xukai (Beijing) Technology Co., Ltd. acquired 51% shares of Tianjin Runcheng Medical Technology Co., LTD., which is engaged in the sales of medical devices and consumables. On August 24, 2023, Dalian Rikkai Taifu Investment Management Co., Ltd. acquired 50.8198% of the equity interest of Beijing Shi Yue Gong Tu Medical Equipment Co., LTD., a company engaged in the sale of medical equipment.

In the future, Wins's medical business will mainly focus on the following areas:

- 1) Sales of domestic medical characteristic equipment and consumables.. We have established a sales agent system covering the whole country, and now we are selling PET-CT products (Beijing Ruishi Kang, Beijing Sanuo United, Shanghai United Film), crema ultrasound (Xinbo Medical), B-ultrasound (Shanghai United Film, Samsung), orthopedic consumables (Tianjin Boshuobi) and other products.
- 2) Cancer diagnosis and treatment center. We will establish regional cancer diagnosis and treatment centers in major regions of China through mergers and acquisitions and new construction, providing the whole process services of examination, consultation, treatment, recovery and rehabilitation in the field of cancer. It is estimated that in the next five years, we will manage 20,000 beds, set up 15-30 regional cancer screening centers (Pet-CT), and establish a cancer disease cooperation network with 300 county-level grassroots public hospitals to jointly build pathology centers, cancer screening centers, and "medical green channel"
- 3) Engaged in the sales of medical consumables and equipment, mainly committed to the cooperation and promotion of medical equipment and consumables business in group companies, and has established sales channels with major group medical sectors. Through the innovation of hospital supply chain model, the establishment of domestic leading supply chain integrated service industry norms.
- 4) Application and development of brain computer medicine

### **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.

## **PRC Limitation on Overseas Listing and Share Issuances**

As our securities have traded in the United States since 2015, (a) the CSRC currently has not issued any definitive rule or interpretation concerning whether we are subject to the M&A Regulations (as defined hereinafter); and (b) our businesses do not relate to any sensitive industry identified by Chinese Law, we believe that we are not required to obtain any licenses or approvals, under applicable PRC laws and regulations, for offering securities to foreign investors. We also believe we are not required to obtain approvals from any PRC government authorities, including the CSRC or the Cyberspace Administration of China (the “CAC”), or any other government entity, to operate and to issue our securities to foreign investors and to trade in the U.S. As of the date of this report, we have not received any inquiry, notice, warning, sanctions or regulatory objection to our offering from the CSRC or any other PRC governmental authorities. However, applicable laws, regulations, or interpretations of PRC may change, and the relevant PRC government agencies could reach a different conclusion and may subject us to a stringent approval process from the relevant government entities in connection with our continued trading in the U.S., and the issuance of shares or the maintenance of our status as a publicly traded company outside China. It is uncertain when and whether we will be required to obtain permission from the PRC government to continue to trade in the U.S. in the future and offer our securities to foreign investors. If we (i) do not receive or maintain such permissions or approvals, should the approval be required in the future by the PRC government, (ii) inadvertently conclude that such permissions or approvals are not required, or (iii) applicable laws, regulations, or interpretations change and we are required to obtain such permissions or approvals in the future, and we are denied permissions or approvals from Chinese authorities to trade in the U.S. or offer our securities to foreign investors, we may not be able to trade in the U.S. or be subject to other severe consequences, which would materially affect the interest of the investors. In addition, any changes in PRC law, regulations, or interpretations may severely affect our operations.

## **Recent PCAOB Developments**

Wins Finance Holdings Inc. is a company incorporated under the laws of the Cayman Islands. For the years ended June 30, 2024 our auditor is Audit Alliance LLP which is located in Singapore. Audit Alliance LLP is subject to the determinations announced by the PCAOB on December 16, 2021. Future Developments in China laws may restrict our auditor’s ability or willingness to continue auditing our business. If Wins cannot be inspected by the PCAOB for three consecutive years, the trading of our securities on any U.S. national securities exchanges, as well as any over-the-counter trading in the U.S., will be prohibited.

## **Transfers of Cash**

Wins Finance Holdings Inc. does not make use of variable interest entity (“VIE”) structures. Our principal operating entities in China are either wholly or partially owned subsidiaries under our offshore parent companies, and we do not have any other operating entity with which our subsidiaries have any contractual controlling relationship.

Current PRC regulations permit our PRC subsidiaries to pay dividends to an overseas entity, for example an entity located in Hong Kong, only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our subsidiaries in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each of such entities in China is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at the discretion of our board of directors.

The PRC government also imposes controls on the conversion of Renminbi (“RMB”), the legal currency of the PRC, into foreign currencies and the remittance of currencies out of the PRC. Therefore, we may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency for the payment of dividends from our profits, if any.

## Results of Operations

Year Ended June 30, 2024 Compared to Year Ended June 30, 2023

	For the years ended June 30,		Changes	
	2024	2023	\$	%
<b>Direct financing lease income</b>				
Direct financing lease interest income	\$ 0	298,310	\$ (298,310)	\$ (100)%
Interest expense for direct financing lease	—	(127,488)	127,488	(100)%
Provision for lease payment receivable	0	(584,653)	584,653	(100)%
<b>Net direct financing lease interest income after provision for receivables</b>	<b>0</b>	<b>(413,831)</b>	<b>(412,831)</b>	<b>(100)%</b>
<b>Medical consulting revenue</b>	6,765	4,757	2,008	42 %
Revenue from sales of medical equipment	54,557,617	1,343,715	53,213,902	3,960 %
<b>Cost of medical equipment</b>	<b>(50,853,512)</b>	<b>(406,649)</b>	<b>(50,446,863)</b>	<b>12,406 %</b>
<b>Net revenue</b>	<b>3,710,870</b>	<b>527,992</b>	<b>3,182,878</b>	<b>603 %</b>
<b>Non-interest expense</b>				
Business taxes and surcharge	(113,204)	(4,786)	(108,418)	2,265 %
Salaries and employees charges	(1,375,575)	(297,151)	(1,078,424)	363 %
Rental expenses	(392,373)	(79,074)	(313,299)	396 %
Other operating expenses	(2,346,737)	(339,065)	(2,007,672)	592 %
<b>Total non-interest expense</b>	<b>(4,227,889)</b>	<b>(720,076)</b>	<b>(3,507,813)</b>	<b>487 %</b>
<b>Loss before taxes</b>	<b>(517,019)</b>	<b>(192,084)</b>	<b>(324,953)</b>	<b>169 %</b>
Income tax expense	(236,021)	(11,175)	(224,846)	2,012 %
<b>NET LOSSES</b>	<b>(753,040)</b>	<b>(203,259)</b>	<b>(549,781)</b>	<b>270 %</b>
Net loss attributable to noncontrolling interests	(536,429)	205,995	(742,424)	(496.00)%
Net loss attributable to Wins finance holdings inc.	<b>(216,611)</b>	<b>(409,254)</b>	<b>(2,401,840)</b>	<b>360 %</b>
Foreign currency translation adjustment	464,219	357,565	\$ 106,654	30 %
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(288,821)</b>	<b>154,306</b>	<b>\$ (443,127)</b>	<b>(287)%</b>
Total comprehensive loss attributable to non-controlling interests	(441,526)	161,936	\$ (603,462)	(373)%
<b>Total comprehensive loss attributable to ordinary shareholders</b>	<b>\$ 152,705</b>	<b>\$ (7,630)</b>	<b>\$ 160,335</b>	<b>(2,101)%</b>

### Net Revenue

Our net revenue consists of commissions and fees on our direct financing lease interest income and Medical consulting revenue. Net revenue increased by \$ 3.2million, or 603 % to \$3.7 million for the year ended June 30, 2024, compared to \$0.5 million for the year ended June 30, 2023. The increase is mainly due to the acquisition of Shiyuegongtu. The revenue of Shiyuegongtu was \$1.9 million.

### Direct financing lease income

#### Direct financing lease interest income

Direct financing lease interest income decrease by \$ 0.3 million, or 100 %, to nil for the year ended June 30, 2024, compared to \$0.3 million for the year ended June 30, 2023, because we're transitioning from our leasing business to medical sales business.

#### 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 \$0.1 million, or 100 %, to nil for the year ended June 30, 2024, compared to \$0.1 million for the year ended June 30, 2023. The decrease is mainly due to the full repayment of outstanding loans from banks and other financial institutions.

*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 decreased by \$0.6, to nil, for the year ended June 30, 2024, from \$0.6 million for the year ended June 30, 2023. The decrease was primarily attributable to the outbreak of COVID-19, affecting the lessee's ability to repay the rental expense and the Company had made specific allowance for the lease payment as at June 30 2023 based on the specific risk of collectability of the lessee was identified. Jinshang Leasing made a specific allowance of \$112.95 million and \$110.65 million for the years ended June 30, 2024 and 2023, respectively, for customers individually evaluated for impairment. Jinshang Leasing also made no general impairment allowance for the years ended June 30, 2024 and 2023. If a client defaults, we 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 was nil for the year ended June 30, 2024, compared to \$(0.4) million for the year ended June 30, 2023.

*Medical consulting revenue*

Medical consulting revenue was \$0.006 million for the year ended June 30, 2024. Consulting revenue is primarily provided to customers for medical-related services provided in the course of transactions. This revenue is a new type of business revenue that began being generated in the year ended June 30, 2023. We plan to expand this segment in the future. Medical consulting revenue is primarily provided to customers for medical-related services provided in the course of transactions.

*Sales of medical equipment*

Sales of medical equipment revenue was \$54.56 million for the year ended June 30, 2024. The medical sector business has become the main source of revenue for wins. Sales of medical equipment revenue increased by \$53.26 million, or 4097 %, to 54.56 million for the year ended June 30, 2024, compared to 1.3 million for the year ended June 30, 2023. The reason for the growth is the acquisition of the Sheyuegongtu. Sales of medical equipment revenue of Sheyuegongtu was \$52.27 million

*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 increase by \$3.5 million, or 500%, to \$4.2 million for the year ended June 30, 2024, compared to \$0.7 million for the year ended June 30, 2023. The increase was primarily caused by the acquisition of the Sheyuegongtu.. Non-interest expenses of Sheyuegongtu is \$2.68 million.

*Non-interest expenses - Other operating expenses*

	<b>For the years ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Audit fee	2,634	59,269
service charge	44,728	157,245
Others	4,133,165	308,004
<b>Total</b>	<b>\$ 4,180,527</b>	<b>\$ 524,518</b>

The increase in other operating expenses was mainly caused by: (i) a decrease in audit fees amounting \$0.05 million in the years ended June 30, 2024; and (ii) the others contain the acquisition of the Sheyuegongtu. The increase is mainly due to the Salaries and employees surcharge.

## **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 \$0.19 million to a tax credit of \$0.2 million for the year ended June 30, 2024, compared to a tax credit of 0.01 million for the year ended June 30, 2023. The increase was primarily attributable to the increase of the medical business revenue increased. For the years ended June 30, 2024 and 2023, losses before taxes excluding the interest on investment securities and offshore expenses was \$(0.52) million and \$(0.19) million, respectively.

## **Net loss from continuing operation**

As a result of the above, net loss from continuing operations was \$ 0.22 million for the year ended June 30, 2024, compared to net loss from continuing operations of \$0.19 million for the year ended June 30, 2023.

## **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, 2022, there were two customers that accounted for 91% and 9% of the Jinshang Leasing’s revenue, respectively. For the year ended June 30, 2021, there were three customers that accounted for 63%, 19% and 14% of the Jinshang Leasing’s revenue, respectively.

As of June 30, 2022, two customers accounted 55% and 45%, respectively, of the minimum lease payments receivable of Jinshang Leasing. As of June 30, 2021, three customers accounted for 70%, 17% and 13%, respectively, of the minimum lease payments receivable of Jinshang Leasing.

For the year ended June 30, 2022, there were one that accounted for 100% of the Ruikai Taifu Medical consultation services revenue.

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For the year ended June 30, 2023, there were two customers that accounted for 91% and 9% of the Jinshang Leasing's revenue, respectively. For the year ended June 30, 2022, there were two customers that accounted for 91% and 9% of the Jinshang Leasing's revenue, respectively.

As of June 30, 2023, two customers accounted 55% and 45%, respectively, of the minimum lease payments receivable of Jinshang Leasing. As of June 30, 2022, two customers accounted for 55% and 45%, respectively, of the minimum lease payments receivable of Jinshang Leasing.

For the year ended June 30, 2023, there was one client that accounted for 100% of the Ruikai Taifu Medical consultation services revenue.

For the year ended June 30, 2023, there was one client that accounted for 100% of the Zhongrui Xukai Medical consultation services revenue.

For the year ended June 30, 2023, there was three clients that accounted for 40%, 11% and 10% of the Tianjin Runcheng Medical equipment revenue.

For the year ended June 30, 2024, there were two customers that accounted for 91% and 9% of the Jinshang Leasing's revenue, respectively. For the year ended June 30, 2023, there were two customers that accounted for 91% and 9% of the Jinshang Leasing's revenue, respectively.

As of June 30, 2024, two customers accounted 55% and 45%, respectively, of the minimum lease payments receivable of Jinshang Leasing. As of June 30, 2023, two customers accounted for 55% and 45%, respectively, of the minimum lease payments receivable of Jinshang Leasing.

For the year ended June 30, 2024, there was one client that accounted for 100% of the Ruikai Taifu Medical consultation services revenue.

For the year ended June 30, 2024, there was two clients that accounted for 76% and 21% of the Zhongrui Xukai Medical consultation services revenue.

For the year ended June 30, 2024, there was two clients that accounted for 53% and 20% of the Tianjin Runcheng Medical equipment revenue.

For the year ended June 30, 2024, there was two clients that accounted for 13% and 9% of the Shiyuegongtu Medical equipment revenue.

### ***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.

### ***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.

### **Contract Balances**

For the years ended June 30, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 5.

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 Subtopic 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, 2023 and 2024

#### **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 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 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, 2021.

On February 22 2021, a subsidiary of the Company entered into an agreement to Convert Hui Yue's equity into the creditor's right of Shenzhen Jiruhai Technology Co., LTD.

On June 16, 2021, Beijing Fu Sheng Xing Trading Co., LTD ("Fu Sheng Xing") was established under the laws of the PRC. Full Shine owns 40% interest in Fu Sheng Xing.

On October 11, 2021, we established Dalian Ruikai Taifu Investment Management Co., LTD., which specializes in the medical equipment sales business. On April 7, 2022, We acquired a 71.43% interest in Zhongrui Xukai (Beijing) Technology Co., LTD.

On September 19, 2022, Zhongrui Xukai (Beijing) Technology Co., Ltd. acquired 51% shares of Tianjin Runcheng Medical Technology Co., LTD., which is engaged in the sales of medical devices and consumables.

On August 24, 2023, Dalian Rikkai Taifu Investment Management Co., Ltd. acquired 50.8198% of the equity interest of Beijing Shi Yue Gong Tu Medical Equipment Co., LTD., a company engaged in the sale of medical equipment.

In the future, Wins's medical business will mainly focus on the following areas:

- 1) Sales of domestic medical characteristic equipment and consumables.. We have established a sales agent system covering the whole country, and now we are selling PET-CT products (Beijing Ruishi Kang, Beijing Sanuo United, Shanghai United Film), crema ultrasound (Xinbo Medical), B-ultrasound (Shanghai United Film, Samsung), orthopedic consumables (Tianjin Boshuobi) and other products.
- 2) Cancer diagnosis and treatment center. We will establish regional cancer diagnosis and treatment centers in major regions of China through mergers and acquisitions and new construction, providing the whole process services of examination, consultation, treatment, recovery and rehabilitation in the field of cancer. It is estimated that in the next five years, we will manage 20,000 beds, set up 15-30 regional cancer screening centers (Pet-CT), and establish a cancer disease cooperation network with 300 county-level grassroots public hospitals to jointly build pathology centers, cancer screening centers, and "medical green channel" services. Some tumor patients were transferred to our cancer diagnosis and treatment center for chemoradiotherapy.
- 3) Engaged in the sales of medical consumables and equipment, mainly committed to the cooperation and promotion of medical equipment and consumables business in group companies, and has established sales channels with major group medical sectors. Through the innovation of hospital supply chain model, the establishment of domestic leading supply chain integrated service industry norms.
- 4) Application and development of brain computer medicine

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, 2024 and 2023, 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](http://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, 2023	June 30, 2024
Balance sheet items, except for equity accounts	7.2258	7.2672
	For the years ended June 30	
	2023	2024
Items in the statements of income and comprehensive income, and statements of cash flows	6.9415	6.9728

## **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.

## **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.

## **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.

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.

## 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, 2024 and 2023:

Our management team believes that there is a gap between the current cash level and the operating needs, and the company is seeking additional financing for its operations.

	For the years ended June 30,	
	2024	2023
Net cash (used in) provided by operating activities	\$ (9,081,141)	\$ 71,872
Net cash used in investing activities	(201)	(19,437)
Net Cash provided by (used in) Financing Activities	9,561,818	(87,438)
Effect of exchange rate change on cash, cash equivalents and restricted cash	(20,132)	(9,731)
Net decrease in cash and cash equivalents and restricted cash	<u>\$ 460,343</u>	<u>\$ (44,734)</u>

Net cash used in operating activities was approximately \$ (9.08) million for the year ended June 30, 2024, while net cash used in operating activities was approximately \$0.07 million for the year ended June 30, 2023. The net cash provided by operating activities for the year ended June 30, 2024 mainly consisted of \$(44.47) million of cash used in Other assets. The net cash used in operating activities for the year ended June 30, 2023 mainly consisted of \$0.06 million of cash used in provision for lease payment receivable. The reason for the growth is the acquisition of the Sheyuegongtu.

Net cash provided by investing activities was \$7.1 million for the year ended June 30, 2024, while net cash used in investing activities was \$0.1 million for the year ended June 30, 2023. Net cash used in investing activities for the year ended June 30, 2024 mainly consisted of \$7.1 million of related to purchase of subsidiaries and other business units. Net cash used in financing activities was \$(0.006) million for the year ended June 30, 2024, while net cash used in financing activities was (0.09) million for the year ended June 30, 2023. The reason for the growth is the acquisition of the Sheyuegongtu.

## Commitments and Contractual Obligations

The following table presents our material contractual obligations as of June 30, 2024 and 2023:

Contractual Obligations	Total as at June 30, 2023	Less than 1 year	1 – 3 years	3 – 5 years	5+ years
Due to a related party	633,627	633,627	—	—	—
Operating lease obligations	0	0	—	—	—
	<u>\$ 633,627</u>	<u>633,627</u>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>

Contractual Obligations	Total as at June 30, 2024	Less than 1 year	1 – 3 years	3 – 5 years	5+ years
Due to a related party	2,932,725	2,932,725	—	—	—
Due from Related party	626,207	626,207	—	—	—
Operating lease obligations	126,388	126,388	—	—	—
	<u>\$ 3,685,320</u>	<u>3,685,320</u>	<u>—</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 \$6.2 million (RMB44 million) (included in Note 4 - net investment in direct financing leases) and the third party provides the remaining financing of \$59.4 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, 2021, the maximum guarantee issued by Jinshang Leasing was \$71.5 million (RMB462 million). As of June 30, 2023, the maximum guarantee issued by Jinshang Leasing was \$63.57 million (RMB462 million).

## Impact of Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments—Credit Losses” (“ASU 2016-13”), which introduces new guidance for credit losses on instruments within its scope. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including, but not limited to, trade and other receivables, held-to-maturity debt securities, loans and net investments in leases. The new guidance also modifies the impairment model for available-for-sale debt securities and requires the entities to determine whether all or a portion of the unrealized loss on an available-for-sale debt security is a credit loss. The standard also indicates that entities may not use the length of time a security has been in an unrealized loss position as a factor in concluding whether a credit loss exists. The ASU is effective for Emerging Growth Company (“EGC”) for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years and effective for public companies excluding EGC and smaller reporting companies for fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Group is in the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12 (“ASU 2019-12”), Simplifying the Accounting for Income Taxes. ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted. The Group is not early adopting the standard and it is in the process of evaluation the impact of adoption of this new standard on its consolidated financial statements.



When a lease is classified as operating, the lessor does not recognize a net investment in the lease, does not derecognize the underlying asset, and, therefore, does not recognize a selling profit or loss. The leased asset continues to be subject to the measurement and impairment requirements under other applicable GAAP 3 before and after the lease transaction. The amendments in this Update amend Topic 842, which has different effective dates for public business entities and most entities other than public business entities. The amendments are effective for fiscal years beginning after December 15, 2021, for all entities, and interim periods within those fiscal years for public business entities and interim periods within fiscal years beginning after December 15, 2022, for all other entities. The Company is currently evaluating the impact of adopting this guidance.

#### **Impact of recently issued accounting pronouncements not yet adopted(con't)**

In October 2021, the FASB issued ASU 2021-07—Compensation—Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards. The measurement objective in Topic 718 for share-based awards is fair value based, and the current price input is measured at fair value. This input is used in determining an award's fair value. The practical expedient in this Update allows a non-public entity to determine the current price of a share underlying an equityclassified share-based award using the reasonable application of a reasonable valuation method. The practical expedient in this Update is effective prospectively for all qualifying awards granted or modified during fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application, including application in an interim period, is permitted for financial statements that have not yet been issued or made available for issuance as of October 25, 2021. The Company is currently evaluating the impact of adopting this guidance.

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, consolidated statements of income and comprehensive income and consolidated statements of cash flows.

## **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.

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
Renhui Mu	49	Chairman, Chief Executive Officer, Chief Operating Officer and Director
Yuchan Cheng	42	Chief Financial Officer
Jianghua Huang (1)(2)(3)	61	Director
Jiyi Li (1)(2)(3)	49	Director
Peng Wang (1)(2)(3)	62	Director

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- (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.

Mr. Jianhua Huang founded Beijing Guoye Fugui Fund Management Company and served as vice general manager from January 2016. From November 2013 to December 2015, Mr. Huang served as manager of investment department at Zhejiang Jinzhou Pipeline Technology Co. LTD. From March 2011 to October 2013, Mr. Huang served as vice manager of investment department at Jilin Aodong Pharmaceutical Group Co., Ltd. From Jun 2008 to December 2011, he served as vice manager of financial department at Anhui Fengyuan Group Co. LTD. Mr. Jianhua Huang is an economist, and experienced on investment management, financing, and acquisition and reorganization. Mr. Huang got his college degree of finance from Hubei Institute of Finance and Economics.

**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.

Mr. Wang peng (“Mr. Wang”), has served as an independent director for the Company since April 14, 2022. Mr. Wang has experience in the fields of economy, finance, medical care, technology, medical investment management, supply chain management, and corporate mergers and acquisitions. He has an in-depth understanding of emerging industries driven by technological innovation, medical financial investment, and corporate development strategies. From September 1985 to March 1996, Mr. Wang served as attending physician at emergency department of Tianjin Haihe Hospital. From March 1996 to March 2015, he served as trade and freight manager at Tianjin Yinda Trading Company Ltd., a subsidiary of Band of China Tianjin Branch. From April 2015 to April 2022, Mr. Wang served as a consultant at Beijing Tianjian Huaxia Hospital Management Co., Ltd. He also served as general manager at Beijing Xingbang Tianjian Technology Ltd., a subsidiary operating company of Beijing Tianjian Huaxia Hospital Management Co., Ltd. from April 2015 to April 2022. Mr. Wang, Peng received his bachelor degree of medicine at Tianjin Medical University in July 1985.

### ***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, 2024 and 2023 was \$ 298,915 and \$242,896 respectively. This amount includes approximately \$ 102,988 and \$42,333 for the year ended June 30, 2024 and 2023 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*

We follow 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 Jianhua Huang, Jiyi Li and Xin He. 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 Jianhua Huang 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 Jianhua Huang Jiyi Li and Xin He. 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 Jianhua Huang Jiye Li and Xin He. 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, 2024, we had 13 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."

## 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 February 25, 2025 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 25,892,642 ordinary shares outstanding as of February 25, 2025. 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 February 25, 2025 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 February 25, 2025, based on information provided to us by our transfer agent in the United States and other information reasonably available to us, we had 351 holders of record. Such holders of record held, as of that date, accounted for 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 <sup>(1)</sup>	Ordinary Shares Beneficially Owned	
	Number	Percent <sup>(2)</sup>
<b>5% or Greater Shareholders (other than directors and executive officers)</b>		
Peilin Zhao	1,009,000 <sup>(3)</sup>	5.1 %
Great Finance Holdings Limited	1,100,000 <sup>(4)</sup>	5.5 %
Spectacular Bid Limited	13,440,000 <sup>(5)</sup>	67.7 %
Cosmic Expert Ltd.	1,620,000 <sup>(6)</sup>	8.2 %
<b>Jun Fan Directors and Executive Officers</b>		
Renhui Mu	5,600,000 <sup>(7)</sup>	
Junfeng Zhao	130,110	*
Yuchan Cheng	840,000 <sup>(8)</sup>	4.2 %
Jianhua Huang	50,000 <sup>(9)</sup>	*
Jiyi Li	65,000 <sup>(10)</sup>	*
Peng Wang	—	*
<b>All director and executive officers as a group (5 persons)</b>	<b>1,085,110</b>	<b>4.2 %</b>

As of February 25, 2025, the common stock was 25,892,642.

\* 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 27, 2022.
- (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) Spectacular Bid Limited is now under management of Deloitte Hong Kong who is the liquidator of Freeman FinTech Corporation Limited. Deloitte. Freeman FinTech Corporation Limited was 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.
- (7) Represents shares held by Glowing Assets Holdings Ltd, of which Mr. Zhao, the former CFO of Wins Finance Holdings Inc., is the sole officer and director and as such controls the voting and 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, 2020, 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.

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, motions for appointment as lead plaintiff(s) and lead counsel were filed on or before September 24, 2020, following the Court's resolution of which it is common for the newly-appointed lead plaintiff(s) to amend the complaint and allegations underlying the claims.

On September 22, 2022, the company reviewed the Parties' Joint Application to Extend Settlement Hearing and rescheduled the settlement hearing for June 26, 2023 at 10:00 a.m.

There is not any update progress since from June 30, 2023.

#### **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**

Except as disclosed elsewhere in this Annual Report, there have been no other significant changes since June 30, 2022, until the date of the filing of this Annual Report.

### **ITEM 9. THE OFFER AND LISTING**

#### **A. Offer and Listing Details**

The Company's ordinary shares have been traded on the OTC Pink Open Market under the symbol WINSF since October 22, 2020.

##### **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**

The Company's ordinary shares have been traded on the OTC Pink Open Market under the symbol WINSF since October 22, 2020.

#### **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. 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, 2022, 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 2022 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](http://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, 2024. 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, 2024 were effective.

#### (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, 2024, 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 effective as of June 30, 2024.

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, 2024.

#### (d) Changes in internal control over financial reporting

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, 2024 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 Jianhua Huang, 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](http://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.

	2024	2023
Audit Fees <sup>(1)</sup>	\$ 70,000	\$ 50,000
Audit-Related Fees <sup>(2)</sup>	—	—
Tax Fees <sup>(3)</sup>	—	—
<b>Total</b>	<b>\$ 70,000</b>	<b>\$ 50,000</b>

- (1) The audit fees of \$60,000 for the years ended June 30, 2022 were billed by Audit Alliance LLP, our independent registered public accounting firm, for professional services rendered for the integrated audits and review of our financial statements

The audit fees of \$50,000 for the years ended June 30, 2023 were billed by Audit Alliance LLP, our independent registered public accounting firm, for professional services rendered for the integrated audits and review of our financial statements

The audit fees of \$80,000 for the years ended June 30, 2024 were billed by Audit Alliance LLP, our 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, 2024 and 2023.
- (3) There were no tax fees for the years ended June 30, 2024 and 2023.

The business address of Audit Alliance LLP 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.**

None.

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

None.

**ITEM 16G. CORPORATE GOVERNANCE.**

None.

**ITEM 16H. MINE SAFETY DISCLOSURE.**

Not applicable.

**ITEM 16J. INSIDER TRADING POLICIES**

**The Company has adopted an insider trading policy governing the purchase, sale, and other disposition of the registrant's securities by directors, senior management, and employees.**

The policy is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to the registrant. A copy of the Policy is filed as Exhibits 11.1.

**ITEM 16K. CYBERSECURITY**

Our board of directors is responsible for overseeing our cybersecurity risk management and be informed on risks from cybersecurity threats. Our board of directors will review, approve, and maintain oversight of the disclosure (i) on Form 6-K for material cybersecurity incidents (if any) and (ii) relating to cybersecurity matters in our periodic reports (including annual report on Form 20-F).

As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

## 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-35, 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
1.1	<a href="#">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)</a>
1.2	<a href="#">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)</a>
2.1	<a href="#">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)</a>
2.2	<a href="#">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)</a>
4.1	<a href="#">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)</a>
4.2	<a href="#">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)</a>
4.3	<a href="#">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 &amp; Trust Company, as Escrow Agent (incorporated by reference to Annex F to the definitive Proxy Statement/Prospectus included with the Registration Statement on Form 424B3 filed on September 21, 2015)</a>
4.4	<a href="#">Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.2 of Sino's Form 8-K filed on April 27, 2015)</a>
4.5	<a href="#">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)</a>
4.6	<a href="#">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)</a>
4.7	<a href="#">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)</a>
4.8	<a href="#">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)</a>
4.9	<a href="#">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 424B3 filed on September 21, 2015)</a>
4.10	<a href="#">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)</a>
4.11	<a href="#">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)</a>

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4.12	<a href="#"><u>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)</u></a>
4.13	<a href="#"><u>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 4.13 to the Annual Report on Form 20-F filed on October 31, 2018)</u></a>
8.1	<a href="#"><u>List of Subsidiaries of the Company (incorporated by reference to Exhibit 8.1 to the Annual Report on Form 20-F filed on October 31, 2018)</u></a>
11.1	<a href="#"><u>Insider Trading Policy</u></a>
12.1	<a href="#"><u>Certification of Chief Executive Officers Pursuant to Rule 13a-14(a)/15d-14(a)</u></a>
12.2	<a href="#"><u>Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)</u></a>
13.1	<a href="#"><u>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</u></a>
99.1	<a href="#"><u>Letter from Centurion ZD CPA &amp; Co., dated July 6, 2020 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 20-F filed on July 6, 2020)</u></a>
101.1NS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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.

Date: March 7, 2025

### **WINS FINANCE HOLDINGS INC.**

By: /s/ Renhui Mu

Name: Renhui Mu

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

By: /s/ Yuchan Cheng

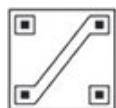
Name: Yuchan Cheng

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

## FINANCIAL STATEMENTS

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<a href="#">Consolidated Statement of Financial Position as of June 30, 2023 and 2024</a>	F-4
<a href="#">Consolidated Statements of Income and Other Comprehensive Income for the years ended June 30, 2022, 2023 and 2024</a>	F-5
<a href="#">Consolidated Statements of Changes in Stockholders' Deficit for the years ended June 30, 2023 and 2024</a>	F-6
<a href="#">Consolidated Statements of Cash Flows for the years ended June 30, 2022, 2023 and 2024</a>	F-7
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**AUDIT ALLIANCE LLP®**

A Top 18 Audit Firm

10 Anson Road, #20-16 International Plaza, Singapore 079903.



UEN: T12LL1223B GST Reg No: M90367663E Tel: (65) 6227 5428

Website: [www.allianceaudit.com](http://www.allianceaudit.com)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and  
Shareholders of Wins Finance Holdings Inc

**Opinion on the Financial Statements**

We have audited the accompanying consolidated statement of financial position of Wins Finance Holdings Inc. and its subsidiaries (the "Company") as of June 30, 2023 and 2024, and the related consolidated statements of operations and other comprehensive income/(loss), changes in stockholders' deficit and cash flows for the years ended June 30, 2022, 2023 and 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of the Company as of June 30, 2023 and 2024, and the results of its operations and its cash flows for each of the years ended June 30, 2022, 2023 and 2024, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP")

**Material Uncertainty Related to Going Concern**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, during the financial year ended June 30, 2024, the Company had a net cash outflow from operating activities amounting to \$9,081,141. The Company incurred a net loss of \$753,040, and as of June 30, 2024, its stockholders' deficit was \$2,313,141, with accumulated losses of \$199,055,605. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

In addition, we draw attention to Note 20 of the financial statements, which describes the uncertainty related to the outcome of the lawsuit filed against the Company, and we also draw attention to Note 1 of the financial statements, which describe the Company facing uncertainty as to the operational impact of the COVID-19 outbreak on the Company's financial leasing business resulting had a material adverse effect on the Company's results of operation, cash flows and liquidity. The financial statements have been prepared on a going concern basis in view of the Company will be able to:

- (a) obtain continued financial support from its related party or its ability to obtain external financing; or
- (b) further implement management's business plan to extend its operations and generate sufficient revenues to meet its obligations.

The validity of the going concern basis on which the financial statements are prepared depends on the Company's ability to operate as a going concern as set forth above. The assumptions are premised on future events, the outcome of which are inherently uncertain. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Our audits included performing procedures to assess the risks of material misstatement of the 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Audit Alliance LLP  
Singapore  
March 7, 2025

We have served as the Company's auditor since 2020.

**WINS FINANCE HOLDINGS INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(In US dollars, except share data)

	June 30, 2023	June 30, 2024
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 114,809	\$ 575,152
Accounts receivable, net	401,399	22,636,995
Advance to suppliers	290,260	18,006,908
Inventories, net	197,198	1,599,069
Due from Related parties	253,626	626,207
Other assets	780,859	3,485,881
Total current assets	2,038,151	46,930,212
Non-current assets		
Right-of-use asset	—	126,388
Property and equipment, net	20,804	22,521
Intangible assets	—	5,277
Total non-current assets	20,804	154,186
<b>TOTAL ASSETS</b>	<b>\$ 2,058,955</b>	<b>\$ 47,084,398</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Liabilities		
Current liability		
Bank loan	—	3,933,853
Accounts payable	234,775	19,597,987
Contract liabilities	392,549	7,316,569
Lease liability	—	110,135
Other liabilities	2,879,024	5,455,302
Total current liability	3,506,348	36,413,846
Non-current liabilities		
Deposits from direct financing leases	1,797,532	1,787,291
Long-term bank loan	—	2,621,572
Due to Related parties	633,627	2,932,725
Other Non-current liabilities	1,245,355	1,232,785
Total non-current liabilities	3,676,514	8,574,373
Total Liabilities	\$ 7,182,862	\$ 44,988,219
Stockholders' Deficit		
Common stock (par value \$0.0001 per share, 100,000,000 shares authorized; 19,837,642 issued and outstanding at June 30, 2023 and 2024)	\$ 1,984	1,984
Additional paid-in capital	211,962,111	214,026,180
Statutory reserve	4,687,085	5,465,625
Accumulated losses	(198,838,994)	(199,055,605)
Accumulated other comprehensive losses	(23,120,642)	(22,751,325)
Total Stockholders' Deficit	(5,308,456)	(2,313,141)
Non-controlling interests	184,549	4,409,320
Total Deficit	(5,123,907)	2,096,179
<b>TOTAL LIABILITIES AND DEFICIT</b>	<b>\$ 2,058,955</b>	<b>\$ 47,084,398</b>

See notes to the consolidated financial statements.

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

	For the years ended June 30,		
	2022	2023	2024
Direct financing lease income			
Direct financial social security sales net lease interest income	242,740	298,310	—
Interest expense for direct financing lease	—	(127,488)	—
Provision for lease payment receivable	(2,258,060)	(584,653)	—
Net direct financing lease interest income after provision for receivables	(2,015,320)	(413,831)	—
Medical consulting revenue	30,682	4,757	6,765
Revenue from sales of medical equipment	—	1,343,715	54,557,617
Cost of medical equipment	—	(406,649)	(50,853,512)
Net revenue	(1,984,638)	527,992	3,710,870
Non-interest expense			
Business taxes and surcharge	(231)	(4,786)	(113,204)
Salaries and employee charges	(276,546)	(297,151)	(1,375,575)
Rental expenses	(76,442)	(79,074)	(392,373)
Other operating expenses	(524,518)	(339,065)	(2,346,737)
Total non-interest expense	(524,518)	(720,076)	(4,227,889)
Loss before taxes	(2,862,375)	(192,084)	(517,019)
Income tax expense	(738)	(11,175)	(236,021)
NET LOSS	(2,863,113)	(203,259)	(753,040)
Net loss attributable to non-controlling interests	(52,019)	205,995	(536,429)
Net loss attributable to Wins Finance Holdings Inc..	(2,811,094)	(409,254)	(216,611)
Other comprehensive income(loss)			
Foreign currency translation adjustment	187,029	357,564	464,219
TOTAL COMPREHENSIVE INCOME/(LOSS)	\$ (2,676,084)	154,305	\$ (288,821)
Total comprehensive income/(loss) attributable to noncontrolling interests	(48,238)	161,935	(441,526)
Total comprehensive (loss)/income attributable to ordinary shareholders	(2,627,846)	(7,630)	152,705
Weighted-average ordinary shares outstanding			
Basic	19,837,642	19,837,642	19,837,642
Diluted	19,837,642	19,837,642	19,837,642
Loss per share attributable to ordinary shareholders			
Basic	\$ (0.14)	(0.02)	\$ (0.01)
Diluted	\$ (0.14)	(0.02)	\$ (0.01)
From continuing operation	\$ (0.14)	(0.01)	\$ (0.04)

See notes to the consolidated financial statements

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

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Losses	Statutory Reserve	Accumulated Losses	Non Controlling interest	Total Deficit
	Shares	Amount						
Balance as of June 30, 2022	19,837,642	\$ 1,984	211,934,432	(23,474,027)	4,687,085	(198,429,740)	(111,635)	(5,391,902)
Investment in new subsidiaries	—	—	—	—	—	—	86,010	86,010
Additional paid-in capital	—	—	27,679	—	—	—	—	27,679
Net loss	—	—	—	—	—	(409,254)	205,995	(203,259)
Foreign currency translation adjustment	—	—	—	353,385	—	—	4,179	357,564
Balance as of June 30, 2023	19,837,642	\$ 1,984	211,962,111	(23,120,642)	4,687,085	(198,838,994)	184,549	(5,123,907)
Investment in new subsidiaries	—	—	—	—	—	—	4,666,298	4,666,298
Statutory Reserve	—	—	—	—	778,540	—	—	778,540
Additional paid-in capital	—	—	2,064,069	—	—	—	—	2,064,069
Net loss	—	—	—	—	—	(216,611)	(536,429)	(753,040)
Foreign currency translation adjustment	—	—	—	369,317	—	—	94,902	464,219
Balance as of June 30, 2024	19,837,642	\$ 1,984	214,026,180	(22,751,325)	5,465,625	(199,055,605)	4,409,320	2,096,179

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,		
	2022	2023	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (2,863,113)	\$ (203,259)	\$ (753,040)
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation	297	1,397	6,991
Property and equipment written off	—	—	2,115
Allowance for inventory obsolescence	—	—	33,428
Allowance for credit losses	—	—	719,689
Amortization of right of use assets	—	—	114,929
Provision for lease payment receivables	2,258,060	56,291	—
Acquisition of additional interests in subsidiaries	—	116,785	7,100,518
Changes in assets and liabilities:			
Net investment in direct financing leases	(194,077)	609,547	—
Accounts receivable	—	(166,561)	(23,177,517)
Advances to suppliers	—	(302,150)	(18,466,444)
Other assets	186,571	(472,753)	(2,823,874)
Inventories, net	—	(205,276)	(1,493,120)
Other non-current liability	—	1,296,367	—
Deposits from direct financing leases	115,404	(236,406)	—
Contract liabilities	—	408,629	7,218,714
Lease liability	—	—	(194,305)
Accounts payable	—	240,647	20,182,202
Other liabilities	70,478	(1,071,387)	2,448,573
Net Cash Provided by (Used in) Operating Activities	207,923	71,872	(9,081,141)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	(1,300)	(19,437)	(201)
Net cash paid for purchases of subsidiaries and other business units	(69,594)	—	—
Net Cash Used in Investing Activities	(70,894)	(19,437)	(201)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment to loan from related parties	—	(264,014)	(201,426)
Proceeds from short-term borrowings	—	—	6,817,934
Borrowings from related parties	—	176,576	2,945,310
Net Cash (Used in) Provided by Financing Activities	—	(87,438)	9,561,818
<b>EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH FROM CONTINUING OPERATION</b>	(6,116)	(9,731)	(20,132)
<b>NET INCREASE/(DECREASE) CASH FROM CONTINUING OPERATION</b>	130,913	(44,734)	460,344
Cash and cash equivalents at beginning of year	28,630	\$ 159,543	\$ 114,809
Cash and cash equivalents at end of year	159,543	114,809	575,152
<b>SUPPLEMENTAL NON-CASH FINANCING ACTIVITY:</b>			
Acquisition of additional interests in subsidiaries	\$ —	\$ 116,785	\$ 7,100,518

See notes to the consolidated financial statements.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**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 Finance Group Limited ("WFG"), Full Shine Capital Resources Limited ("Full Shine"), Jinshang International Financial Leasing Co., Ltd. ("Jinshang Leasing"), Shanxi Jincheng Agriculture Co., Ltd. ("Jincheng Agriculture"), Shanxi Dongsheng Finance Guarantee Co., Ltd. ("Dongsheng Guarantee"), Dalian Ruikai Taifu Investment Management Co., Ltd. ("Ruikai Taifu"), Zhongrui Xuikai Beijing Technology Co., Ltd. ("Zhongrui Xuikai") and Beijing Shiyue Gongtu Medical Equipment Co., Ltd. ("Shiyue Gongtu"). 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 17, 2015 and is 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 HK\$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 Jincheng 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 and it was disposed on January 6, 2021.

Jincheng Agriculture was incorporated on February 29, 2012 in Jinzhong City, Shanxi Province, PRC under the laws of PRC. Jincheng Agriculture did not conduct any business activities from its inception through September 30, 2015 and it was disposed on January 6, 2021.

Ruikai Taifu was incorporated on October 11, 2021 in Dalian City Liaoning Province, PRC under the laws of PRC. Ruikai Taifu is mainly engaged in business services in China and is the subsidiary of the Company.

On April 1, 2022, pursuant to the Capital Increase Agreement, the Company, through Ruikai Taifu, held a 71.43% equity interest in Zhongrui Xuikai, a Company registered in Beijing, China. Zhongrui Xuikai is mainly engaged in technology promotion, application services and medical device sales.

On September 19, 2022, pursuant to the Capital Increase Agreement, the Company, through Zhongrui Xuikai, held a 51% equity interest in Tianjin Runcheng, a Company registered in Tianjing, China. Tianjin Runcheng is mainly engaged in sales of medical devices and consumables.

On August 24, 2023, Dalian Ruikai Taifu Investment Management Co., Ltd. acquired 50.8198% of the equity interest of Beijing Shi Yue Gong Tu Medical Equipment Co., LTD., a Company engaged in the sale of medical equipment.



**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 1 - ORGANIZATION, PRINCIPAL ACTIVITIES, GOING CONCERN AND MANAGEMENT'S PLANS (CON'T)**

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%.

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, 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.

**WINS FINANCE HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 1 - ORGANIZATION, PRINCIPAL ACTIVITIES, GOING CONCERN AND MANAGEMENT'S PLANS (CON'T)**

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.

Jinshang Leasing has entered into an agreement for disposal of Jinchen Agriculture and Dongsheng Guarantee to Shanghai Guyan Investment Management Co., Ltd on January 6, 2021.

As at 30 June 2024 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	US\$ 30,000,100.00	A holding Company 100% owned by Wins Finance
Full Shine Capital Resources Limited ("Full Shine")	Hong Kong August 01, 2013	HK\$ 1.00	A holding Company 100% owned by WFG
Jinshang International Financial Leasing Co.,Ltd ("Jingshang Leasing")	PRC May 18, 2009	US\$ 180,000,000.00	A Company providing financial leasing services and  100% owned by Full shine
Dalian Ruikai Taifu Investment Management Co.,Ltd ("Ruikai Taifu")	PRC October 11, 2021	RMB 100,000,000.00	A Company providing business service industry and 60% owned by Full shine
Zhongrui Xuikai Beijing Technology Co., Ltd ("Zhongrui Xuikai")	PRC June 22, 2018	RMB 28,000,000.00	A Company providing medical equipment sales and 71.43% owned by Ruikai Taifu
Tianjin Runcheng Medical Technology Co., LTD ("Tianjin Runcheng")	PRC July 10, 2020	RMB 20,410,000.00	A Company providing medical equipment sales and 51% owned by Zhongrui Xuikai
Beijing Shiyue Gongtu Medical Equipment Co., Ltd. ("Shiyuegongtu")	PRC December 11, 2017	RMB 50,000,000	A company providing medical equipment sales and 51% owned by Ruikai Taifu

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 1 - ORGANIZATION, PRINCIPAL ACTIVITIES, GOING CONCERN AND MANAGEMENT'S PLANS (CON'T)**

**Going concern and management 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. In addition, Note 20 to the Company financial statements, which describes the uncertainty related to the outcome of the lawsuit filed against the Company. During the financial year ended June 30, 2024, the Company had net cash outflow from operating activities amounting to \$9,081,141. The Company incurred a net loss of \$753,040, and as of June 30, 2024, its stockholders' deficit was \$2,313,141, with accumulated losses of \$199,055,605. As of the fiscal year ended June 30, 2024, the Company's revenue has significantly increased compared to the fiscal year ended June 30, 2023, due to the end of the COVID-19 pandemic and the expansion of new business ventures according to the Company's management plan. However, the Company is still operating at a loss. The Company's ability to continue as a going concern depends upon:

- (1) the continued financial support from its related party or its ability to obtain external financing; or
- (2) further implement management's business plan to extend its operations and generate sufficient revenues to meet its obligations.

While the Company believes in the viability of its strategy to increase sales volume and in its ability to raise additional funds, there can be neither any assurances to that effect, nor any assurance that the Company will be successful in securing sufficient funds to sustain the operations

As of June 30, 2024, the Company's having a minimum cash balance on the consolidated statement of financial position. 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, 2024. 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.

**NOTE 2 - 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 U.S. generally accepted accounting principles ("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.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

**(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 that are 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, inventory reserve provision and for guarantee losses.

Significant accounting estimates reflected in the consolidated 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) contingencies; and (vii) share-based compensation; (viii) inventory reserve provision.

**(c) Operating segments**

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Company's chief operating decision maker ("CODM") in order to allocate resources and assess performance of the segment.

In accordance with ASC 280, segment reporting, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's CODM for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company's CODM has been identified as the chief executive officer (the "CEO"), who reviews combined results when making decisions about allocating resources and assessing performance of the Company. The Company has determined that there is only one reportable operating segment.

**(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.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

**(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 statement of financial position.

**(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.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

**(h) Revenue recognition**

The Company recognizes revenues pursuant to ASC 606, Revenue from Contracts with Customers (“ASC 606”). In accordance with ASC 606, revenues from contracts with customers are recognized when control of the promised goods or services is transferred to the Company’s customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services, reduced by value added tax (“VAT”). To achieve the core principle of this standard, the Company applies the following five steps:

1. Identification of the contract, or contracts, with the customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognition of the revenue when, or as, a performance obligation is satisfied.

Each of significant performance obligations and the application of ASC 606 to the Company’s revenue arrangements are discussed in further detail below.

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.

Revenue from sales of medical equipment

The Company purchases medical devices products directly from reputable manufacturers, and resells them through its sales/distribution network to the customers who need them by signing sales contracts with them. For performance obligations that are fulfilled at a point in time, the Company should recognize revenue at the point in time when the customer obtains control of the relevant goods. When the customer receives the product for acceptance, the customer has gained control of the product.

We have determined that we are the principal based on the following factors: (1) Primary Responsibility for Fulfillment. We are primarily responsible for fulfilling the contract (e.g., shipping goods to the customer). (2) Inventory Risk. We bear inventory risk before or after the goods are transferred to the customer (e.g., during shipping or on return). (3) Discretion in Pricing. We have the discretion to set the prices for the goods provided. (4) Form of Consideration. Our compensation is the full amount for the goods provided, not a commission or a net amount.

The Company determines that the customer has acquired control over the product by the following five points: (1) The Company has a present right to receive payment for the merchandise, i.e., the customer has a present obligation to pay for the merchandise, (2) The Company has transferred legal ownership of the goods to the customer, i.e. the customer has legal ownership of the goods, (3) The Company has transferred the goods to the customer in kind, that is, the customer has physical possession of the goods, (4) The Company has transferred the main risks and rewards of ownership of the goods to the customer, i.e. the customer has acquired the main risks and rewards of ownership of the goods, (5) The customer has accepted the goods. Therefore, the Company is recognizing sales revenue of medical devices at the point of time.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

**(h) Revenue recognition (con't)**

Contract Balances

For the year ended June 30, 2023 and 2024, 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, 2023 and 2024, 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, 2023 and 2024, 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.

**(i) Property and equipment, net**

Property 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 5.

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 consolidated statements of income and comprehensive 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.



**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

**(j) Impairment of long-lived assets (con't)**

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, 2023 and 2024.

**(k) Accounts receivable, net**

Account receivables are stated net of provision of credit losses. The Company has developed a current expected credit loss ("CECL") model based on historical experience, the age of the accounts receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The Company considers historical collection rates, current financial status, macroeconomic factors, and other industry-specific factors when evaluating for current expected credit losses.

**(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, 2023 and 2024, 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 statement of financial position, 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, 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

**(m) Foreign currency translation**

The Company's 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.

	<u>June 30, 2023</u>	<u>June 30, 2024</u>
Statement of financial position items, except for equity accounts	7.2258	7.2672
	<u>For the years ended June 30</u>	
	<u>2023</u>	<u>2024</u>
Items in the statements of income and comprehensive income, and statements of cash flows	6.9415	6.9728

**(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 and comprehensive 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, 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

**(q) Comprehensive income**

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

Accumulated other comprehensive income, as presented on the consolidated statement of financial position, represents cumulative foreign currency translation adjustments.

**(r) Operating leases**

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current and non-current lease liabilities on the Company's consolidated statement of financial position.

ROU lease assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, the Company use its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay to borrow an amount equal to the lease payments under similar terms. The operating lease ROU assets also include initial direct costs incurred and any lease payments made to the lessor or before the commencement date, minus any lease incentives received. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

**(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.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

**(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).

**(w) Impact of recently issued accounting pronouncements**

In December 2023, the FASB issued ASU No.2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". This ASU requires additional quantitative and qualitative income tax disclosure to enable financial statements users to better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. This ASU is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company plans to adopt this guidance effective January 1, 2025, and the adoption of this ASU is not expected to have a material impact on its financial statements.

In March 2024, the FASB issued ASU 2024-02, "Codification Improvements—Amendments to Remove References to the Concepts Statements". This update contains amendments to the Codification that remove references to various FASB Concepts Statements. These issues to remove references to various Concepts Statements and the amendments apply to all reporting entities within the scope of the affected accounting guidance. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2024. Early application of the amendments in this Update is permitted for any fiscal year or interim period for which financial statements have not yet been issued (or made available for issuance). The Company believes the future adoption of this ASU is not expected to have a material impact on its financial statements.

In November 2024, the FASB issued ASU 2024-03, "Income Statement—Reporting Comprehensive Income (Subtopic 220-40): Disaggregation of Income Statement Expenses." This pronouncement introduces new disclosure requirements aimed at enhancing transparency in financial reporting by requiring disaggregation of specific income statement expense captions. Under the new guidance, entities are required to disclose a breakdown of certain expense categories, such as: employee compensation; depreciation; amortization, and other material components. The disaggregated information can be presented either on the face of the income statement or in the notes to the financial statements, often using a tabular format. The ASU is effective for fiscal years beginning after December 15, 2025, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating these new disclosure requirements and does not expect the adoption to have a material impact.

Except for the above-mentioned pronouncements, there are no new recent issued accounting standards that will have a material impact on the consolidated financial position, statements of operations and cash flows.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

**(w) Related parties**

The Company identifies related parties, and accounts for, discloses related parties transactions in accordance with ASC 850, “Related parties Disclosures” and other relevant ASC standards.

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

Transactions between related parties commonly occurring in the normal course of business are considered to be related parties transactions. Transactions between related parties are also considered to be related parties transactions even though they may not be given accounting recognition. While ASC does not provide accounting or measurement guidance for such transactions, it nonetheless requires their disclosure.

**(x) Employee retirement benefits**

Pursuant to the relevant regulations of the PRC government, the Company’s PRC subsidiaries participate in a local municipal government social benefits plan, and is required to contribute a certain percentage of the basic salaries of its employees to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees. The Company’s only obligation is to pay the ongoing required contributions. Contributions are charged to expense as incurred. There are no provisions whereby forfeited contributions may be used to reduce future contributions. Amounts contributed during the years ended June 30, 2023 and 2024, are discussed in Note 11.

**(y) Deposits from direct financing leases**

The deposit for direct finance leasing is delivered to the Company by the customer when the Company signs the finance lease contract as a guarantee for the performance of the contract. the deposit does not bear interest.

After the expiration of the lease term or early termination of the contract, and after the customer has paid off all the rent, liquidated damages and other payables, the Company will return the deposit to the customer if no other expenses are incurred.

If both parties agree to terminate the contract early, the Company shall not set off the security deposit against the rent of other periods, otherwise the customer may set off the security deposit against the outstanding rent of each period on the date of each rent payment; the order of setting off the security deposit is from the last rent to the next period.

During the lease period, if the customer fails to fulfill the payment obligation according to the contract, the Company has the right to deduct the amount due to the Company from the security deposit, and the customer must make up the security deposit and the relevant overdue interest within the time required by the company.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

**(z) Advance to suppliers**

Advances to suppliers include prepayments to the Company's suppliers, advance payment depends on specific circumstances, such as the nature of goods or services, negotiations with suppliers, and the delivery time of products or services received from suppliers after the advance payment. The Company continuously monitors suppliers' delivery and payment, while maintaining an estimated credit loss reserve based on historical experience and any specific supplier problems (such as the identified inventory supply interruption). If the Company has difficulty in receiving payment from any supplier, the Company will take the following measures: stop buying products from the supplier, demand an immediate refund of the Company's advance payment, and take legal actions if necessary. During the reporting periods, no legal proceedings were brought. If all these steps are unsuccessful, the management will decide whether the advance payment should be retained or cancelled. The balance of allowance for doubtful accounts relating to advances to suppliers was Nil as of June 30, 2023 and 2024.

**(aa) Accounts payable**

Accounts payable represent liabilities for goods provided to the Company prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities. Accounts payable are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method.

**(ab) Other assets**

Other assets include deposits receivable, loans receivable, prepaid expenses, notes receivable, and other receivables.

Deposits receivable refer to the deposits or guarantees paid by the Company for leases or contractual performance. Loans receivable refer to short-term loans provided by the Company to individuals, which are typically due and repayable, including principal and interest, within one year. Prepaid expenses refer to expenses paid in advance by the Company for future services or goods, such as prepaid office expenses and insurance premiums, which are amortized over the benefit period. Notes receivable refer to commercial notes received by the Company for the sale of goods or provision of services, which are usually due and collectible within one year. Other receivables mainly include other short-term claims, such as petty cash advances to employees and amounts due to be refunded from transactions.

**(ac) Other liabilities**

Other liabilities include employee compensation payable, taxes payable and other payables.

Employee compensation payable refers to the salary, social security, provident fund and bonus payable to the Company's employees before the end of the current fiscal year. taxes payable refers to the composition of VAT and surtax payable under PRC tax before the end of the fiscal year. Other payables mainly consist of loans payable, lawyer fees, service fees, etc.

**(ad) Inventories, net**

Inventories, primarily consisting of finished goods, is stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the normal course of business less any costs to complete and sell products. Cost of inventory is determined using first-in-first-out method. Allowances for obsolescence are also assessed based on expiration dates, as applicable, taking into consideration historical and expected future product sales.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 3 - 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 4.

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, 2023 and 2024, the Company held cash and restricted cash was all Nil, 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.

**(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.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 3 - RISKS (CON'T)**

**(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.

**NOTE 4 - NET INVESTMENT IN DIRECT FINANCING LEASES**

Jinshang Leasing's leasing operations consist principally of leasing high value equipment under direct financing leases expiring in 1-6 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, 2024 and 2023

	June 30, 2024	June 30, 2023
Total minimum lease payments to be received	\$ 112,964,579	\$ 113,888,592
Less: Amounts representing estimated executory costs	—	—
Minimum lease payments receivable	112,964,579	113,888,592
Less: unearned income, representing interest	—	(3,243,488)
Present value of minimum lease receivable	112,964,579	110,645,104
Less: Allowance for uncollectible receivables	(112,964,579)	(110,645,104)
Net investment in direct financing leases	\$ —	\$ —

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

	June 30, 2024	June 30, 2023
Within 1 year	\$ —	\$ 6,030
2 years	5,995	—
3 years	—	38,797
4 years	38,576	96,582,534
5 years	96,032,319	11,900,382
6 years	16,887,689	5,360,850
Total minimum finance lease receivables	\$ 112,964,579	\$ 113,888,592



**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 4 - NET INVESTMENT IN DIRECT FINANCING LEASES (CON'T)**

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 \$112,964,579 and \$110,645,104 as of June 30, 2024 and 2023. As of June 30, 2024 and 2023, 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.

	June 30, 2024	June 30, 2023
Overdue and credit-impaired	\$ —	\$ —
– Overdue above 90 days	—	11,302,893
Not yet overdue but credit impaired	112,964,579	99,342,211
	—	—
Less: Allowances for impairment losses	(112,964,579)	(110,645,104)
Net investment in direct financing leases, end of year	<u>\$ —</u>	<u>\$ —</u>

The allowance for uncollectible minimum lease payments receivables in direct financing leases for the years ended June 30, 2024 and 2023 were as following:

	June 30, 2024	June 30, 2023
Allowance for uncollectible receivables at the beginning of year	\$ 110,645,104	\$ 119,067,356
(Reversal of Provision)for lease payment receivables	—	(1,755,062)
Effect of foreign currency translation	2,319,475	(6,667,190)
Allowance for uncollectible receivables at the end of year	<u>\$ 112,964,579</u>	<u>\$ 110,645,104</u>

	June 30, 2024	June 30, 2023
Allowance for uncollectible receivables relating to:		
Individually evaluated for impairment	\$ 112,964,579	\$ 110,645,104
Ending balance	<u>\$ 112,964,579</u>	<u>\$ 110,645,104</u>

	June 30, 2024	June 30, 2023
Minimum lease payments receivable		
Individually evaluated for impairment	\$ 112,964,579	\$ 110,645,104
Collectively evaluated for impairment	—	3,243,488
Ending balance	<u>\$ 112,964,579</u>	<u>\$ 113,888,592</u>

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 4 - NET INVESTMENT IN DIRECT FINANCING LEASES (CON'T)**

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.

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

	June 30, 2024	June 30, 2023
Normal	\$ —	\$ 3,243,488
Abnormal	112,964,579	110,645,104
Total	<u>\$ 112,964,579</u>	<u>\$ 113,888,592</u>

**NOTE 5 - ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net consisted of the following:

	June 30, 2024	June 30, 2023
Accounts receivable	\$ 23,356,684	\$ 401,399
Less: allowance for credit losses	(719,689)	—
Accounts receivable, net	<u>\$ 22,636,995</u>	<u>\$ 401,399</u>

Allowance for expected credit loss movements:

	June 30, 2024	June 30, 2023
Beginning balance	\$ —	\$ —
Provision	719,689	—
Ending balance	<u>\$ 719,689</u>	<u>\$ —</u>

**WINS FINANCE HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 6 - INVENTORIES, NET**

Inventories, net consisted of the following:

	June 30, 2024	June 30, 2023
Finished goods	1,632,497	197,198
Less: allowance for inventory reserve	(33,428)	—
<b>Total inventories, net</b>	<b>\$ 1,599,069</b>	<b>\$ 197,198</b>

As of June 30, 2023, the balance of finished goods had been completely sold out by the report release date. As of June 30, 2024, 90% of the balance of finished goods had been sold out by the report release date.

**NOTE 7 - PROPERTY AND EQUIPMENT, NET**

Property and equipment as of June 30, 2024 and 2023 consisted of the following:

	Useful life (years)	Salvage value	June 30, 2024	June 30, 2023
Office equipment	5	3 %	205,890	186,642
Electric equipment	5	3 %	73,778	30,418
Vehicles	4	3 %	—	17,622
Less: accumulated depreciation			(257,148)	(213,879)
<b>Property and equipment, net</b>			<b>\$ 22,521</b>	<b>\$ 20,804</b>

Depreciation expense totaled \$6,991 and \$1,397 for the years ended June 30, 2024 and 2023, respectively.

**NOTE 8 - OTHER ASSETS**

Other assets as of June 30, 2024 and 2023 consisted of:

	June 30, 2024	June 30, 2023
Deposits receivable	2,243,171	474,640
Loans receivable	578,138	274,129
Prepaid expense	300,520	—
Notes receivable	153,744	—
Other receivables	210,308	32,090
<b>Other assets</b>	<b>\$ 3,485,881</b>	<b>\$ 780,859</b>

Deposits receivable refer to the deposits or guarantees paid by the Company for leases or contractual performance, which are expected to be recovered within one year.

Loans receivable refer to interest-free loans made to third parties. As of the date of this report, 85% of the Loans receivable balance as of June 30, 2023, had been recovered. 55% of the Loans receivable balance as of June 30, 2024, had been recovered.

**WINS FINANCE HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 9 - OTHER LIABILITIES**

Other liabilities as of June 30, 2024 and 2023 consisted of:

	June 30, 2024	June 30, 2023
Other tax payable	\$ 2,576,283	\$ 1,535,202
Accrued payroll	346,297	149,761
Legal fee payable	319,599	321,430
Loans payable	543,517	58,660
Audit fee payable	—	50,000
Rental and property management fee payable	244,445	245,846
Deposit payable for goods	1,206,973	421,905
Other payables	218,188	96,220
	<u>\$ 5,455,302</u>	<u>\$ 2,879,024</u>

**NOTE 10 - 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, 2024**

**NOTE 10 - SHARE-BASED COMPENSATION (CON'T)**

The following table summarizes stock award activity and related information for all of Wins Finance's Equity Plans for the years ended June 30, 2024 and 2023:

	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, 2018, 2019, 2020, 2021, 2022 and 2024	—	—	—
Granted	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Canceled	—	—	—
Outstanding, June 30, 2024	—	—	—
Exercisable, June 30, 2023 and 2024	—	—	—
Vested and expected to vest, June 30, 2023 and 2024	—	—	—

2015 Long-Term Incentive Equity Plan (con't)

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, 2023 and 2024.

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, 2024 and 2023, 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, 2024**

**NOTE 11 - 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 LLC, \$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, 2023 and June 30, 2022.

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, 2024 and 2023, there were 19,837,642 shares of common stock issued and outstanding.

**NOTE 12 - 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 13 - 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 Companies were \$111,208 and \$32,239 for the year ended June 30, 2024 and 2023, respectively.

**NOTE 14 - LOSS PER SHARE**

The following table sets forth the computation of basic and diluted loss per share for the years ended June 30, 2024 and 2023, respectively:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Net loss attributable to the common shareholders	\$ (216,611)	\$ (409,254)
Basic weighted-average common shares outstanding	19,837,642	19,837,642
Effect of dilutive securities		
Diluted weighted-average common shares outstanding	19,837,642	19,837,642
Loss per share – Basic	\$ (0.01)	\$ (0.02)
Loss per share – Diluted	\$ (0.01)	\$ (0.02)

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, 2024 and 2023, there were no dilutive securities.

**WINS FINANCE HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2024**

**Note 15 - Bank loans**

	June 30, 2024	June 30, 2023
<b>Short-term bank loans</b>		
Shenzhen Qianhai Weiyu Bank Co., Ltd.	\$ 80,925	\$ —
Bank of Ningbo Co., Ltd. Beijing Xicheng Science and Technology Branch	412,814	—
Beijing Bank Co., Ltd. Ma Jiapu Branch	2,752,092	—
Postal Savings Bank of China Limited	688,022	—
<b>Total short-term bank loans</b>	<u>\$ 3,933,853</u>	<u>\$ —</u>
	June 30, 2024	June 30, 2023
<b>Long-term bank loans</b>		
Sichuan Xinwang Bank Co., Ltd.	2,621,572	—
<b>Total Long-term bank loans</b>	<u>\$ 2,621,572</u>	<u>\$ —</u>

The following table summarizing the loan commencement date, loan maturity date, loan amount in RMB and its equivalent to the United States dollar, and the effective interest rate of each bank loans:

	Loan commencement date	Loan maturity date	Loan amount in RMB	Loan amount in USD	Effective interest rate
<b>For the year ended June 30, 2024 short-term bank loans</b>					
Shenzhen Qianhai Weiyu Bank Co., Ltd.	2023/7/4	2025/7/4	588,095	\$ 80,925	4.68 %
Bank of Ningbo Co., Ltd. Beijing Xicheng Science and Technology Branch	2024/4/17	2025/4/16	1,000,000	137,605	4.2 %
Bank of Ningbo Co., Ltd. Beijing Xicheng Science and Technology Branch	2024/4/26	2025/4/26	2,000,000	275,209	4.2 %
Beijing Bank Co., Ltd. Ma Jiapu Branch	2023/10/17	2024/10/17	10,000,000	1,376,046	3.45 %
Beijing Bank Co., Ltd. Ma Jiapu Branch	2024/4/30	2025/4/30	10,000,000	1,376,046	3.45 %
Postal Savings Bank of China Limited	2023/11/17	2024/11/16	5,000,000	688,023	4.5 %
<b>Total short-term bank loans</b>			<u>28,588,095</u>	<u>\$ 3,933,853</u>	
<b>For the year ended June 30, 2024 Long-term bank loans</b>					
Sichuan Xinwang Bank Co., Ltd.	2023/3/11	2026/6/21	19,051,489	2,621,572	11~11.5 %
<b>Total Long-term bank loans</b>			<u>19,051,489</u>	<u>\$ 2,621,572</u>	

The loan from Shenzhen Qianhai Weiyu Bank Co., Ltd was guaranteed by Zhang Guohua.

The loan from Bank of Ningbo Co., Ltd. Beijing Xicheng Science and Technology Branch was guaranteed by Fan Jun, Wang Xiaoqin, Wang Zikang.

The loan from Sichuan Xinwang Bank Co., Ltd was guaranteed by Fan Jun, Wang Xiaoqin.

The loan from Beijing Bank Co., Ltd. Ma Jiapu Branch was guaranteed by Beijing Zhongguancun Science and Technology Financing Guarantee Co., Ltd., Wang Xiaoqin, Fan Jun.

The loan from Postal Savings Bank of China Limited was guaranteed by Fan Jun, Wang Xiaoqin, Beijing Haidian Science and Technology Enterprise Financing Guarantee Co., Ltd.

**WINS FINANCE HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2024**

**Note 16 - Right-of-use asset**

As of June 30, 2024 and 2023, the Company has signed a total of one operating leases for office space, with terms ranging from two years. The remaining lease term was an of 0.8 years and 1.8 years, respectively. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right of use assets and lease liabilities. The Company's lease agreements do not provide a readily determinable implicit rate nor is it available to the Company from its lessors. Instead, the Company estimates its incremental borrowing rate based on long-term interest rates published by the People's Bank of China in order to discount lease payments to present value. The weighted average discount rate of the Company's operating leases was 4.75% per annum and 4.75% per annum as of June 30, 2024 and 2023, respectively.

Supplemental balance sheet information related to operating leases from the Company's operations was as follows:

	As of June 30, 2024	As of June 30, 2023
Right-of-use asset	\$ 126,388	\$ —
Operating lease liability	110,135	—
Total operating lease liability	<u>\$ 110,135</u>	<u>\$ —</u>

The weighted average remaining lease terms and discount rates for all of operating leases were as follows as of March 31, 2024

For the years ended June 30, 2024 and 2023, the amortization of right-of-use assets amounted to \$114,929 and Nil, respectively.

The following table presents maturity of lease liabilities as of June 30, 2024:

	As of June 30, 2024
Twelve months ending June 30, 2025	\$ 111,451
Total future minimum lease payments	111,451
Less: imputed interest	(1,317)
Total	<u>\$ 110,135</u>

**NOTE 17 - 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, 2024 and 2023 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, 2024 and 2023.

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 parties transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion.



**WINS FINANCE HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 17 - INCOME TAXES (CON'T)**

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, 2024 and 2023, 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 expense represents the enterprise income tax accrued by the Company at a rate of 25% of taxable income. As of June 30, 2024, and 2023, the income tax expense included:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Zhongrui Xuikai	910	10,820
Tianjin Runcheng	8,845	355
Shiyuegongtu	226,266	—
Total	<u>\$ 236,021</u>	<u>\$ 11,175</u>
	<u>For the year ended June 30,</u>	<u>2023</u>
	<u>2024</u>	<u>2023</u>
Current income tax expense	<u>\$ (236,021)</u>	<u>(11,175)</u>
Total expense for income taxes	<u>\$ (236,021)</u>	<u>(11,175)</u>

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

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
PRC statutory tax	25 %	25 %
Effect of non-deductible expenses	1.3 %	— %
Effect of preferential tax rate	—	(22.5)%
Effective tax rate	<u>26.3 %</u>	<u>2.5 %</u>

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 18 - RELATED PARTIES TRANSACTIONS AND BALANCES**

Related parties balances

1) Nature of relationships with related parties

Name	Relationship with the Company
Beijing Fu Sheng Xing Trading Co., LTD.	Wanrui Wanjia (Beijing) Science and Trade Co., Ltd. holds 60% of the shares, and Fushun Capital Co., Ltd. holds 40% of the shares.
Wanrui Wanjia (Beijing) Technology and Trade Co., LTD	Jinshang International Financial Leasing Co., Ltd. Legal Person Wu Zhe Holdings 100%
Wang Junying	Shareholders of Tianjin Runcheng
Wang Mingsheng	Shareholders of Ruikai Taifu
Wang Xiaohua	Shareholders of Zhongrui Xukai
Wang Zikang	Shareholders of Shiyuegongtu
Wang Xiaoqin	Shareholders of Shiyuegongtu
Wang Wenlong	Shareholders of Ruikai Taifu
Zhongrui Huatai (Beijing) Hospital Management Co. LTD	The legal representative of the Company is Wang Mingsheng, who holds 40% of the shares; Wang Wenlong is the major shareholder with a shareholding ratio of 60%
Tianjin Kangye Tiancheng Trading Co. LTD	Shareholder of Wang Mingsheng

2) Related parties balances as of June 30, 2024 and 2023 (apart from those disclosed elsewhere in these consolidated financial statements) consisted of:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Due from related parties		
Beijing Fu Sheng Xing Trading Co., LTD.	\$ 116,596	\$ 131,249
Wanrui Wanjia (Beijing) Technology and Trade Co., LTD	411,912	65,584
Wang Junying	—	48,489
Wang Zikang	89,443	—
Wang Mingsheng	8,256	8,304
Total	<u>\$ 626,207</u>	<u>\$ 253,626</u>

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Due to Related parties		
Bluesky LLC	\$ —	\$ 464,000
Zhongrui Huatai (Beijing) Hospital Management Co. LTD	89,335	89,847
Wang Wenlong	13,760	—
Wang Xiaohua	43,136	45,183
Wang Xiaoqin	2,752,092	—
Tianjin Kangye Tiancheng Trading Co. LTD	34,402	34,597
Total	<u>\$ 2,932,725</u>	<u>\$ 633,627</u>

**NOTE 19 - DEPOSITS FROM DIRECT FINANCING LEASES**

The deposit for direct finance leasing is delivered to the Company by the customer when the Company signs the finance lease contract as a guarantee for the performance of the contract, the deposit does not bear interest. The balance of the direct financing margin as of June 30, 2023 and 2024 was \$ 1,797,532 and \$ 1,787,291 respectively.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 20 - COMMITMENTS AND CONTINGENCIES**

Lease commitments:

The Company's Zhongrui Xuikai entered into operating lease agreements with landlords to lease office space in Beijing.

The following table sets forth our contractual obligations as of June 30, 2024:

For the year ended June 30,	Operating lease
2025	\$ 11,696
Total	\$ 11,696

Litigation

*The Company is involved in various legal actions arising in the ordinary course of its business. As of June 30, 2024, 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, 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.

**WINS FINANCE HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024**

**NOTE 20 - COMMITMENTS AND CONTINGENCIES (CON'T)**

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, motions for appointment as lead plaintiff(s) and lead counsel were filed on or before September 24, 2020, following the Court's resolution of which it is common for the newly-appointed lead plaintiff(s) to amend the complaint and allegations underlying the claims. There is not any update progress since from June 30, 2024.

**NOTE 21 - SUBSEQUENT EVENTS**

No subsequent event which had a material impact on the Company was identified through the date of issuance of the consolidated financial statements.

## INSIDER TRADING POLICY

U.S. Federal securities laws prohibit:

- the purchase or sale of securities by persons who are aware of material nonpublic information about a company, and/or
- the disclosure of material nonpublic information about a company to others who then trade in the company's securities.

These transactions are commonly known as "insider trading."

Insider trading violations are pursued vigorously by the Securities and Exchange Commission. In light of the severity of the possible sanctions, both to you individually and to WINS. We have established a policy to assist all of us in complying with our obligations. Any violation of this or any other Company policy could subject you to disciplinary action.

The Company's Board of Directors adopted the attached STATEMENT OF COMPANY POLICY PROHIBITING INSIDER TRADING IN COMPANY SECURITIES (the "Policy") effective May 23, 2024. Memorandum, which is available to all employees, officers and directors of WINS:

**WINS Finance Holdings Inc.**

## STATEMENT OF COMPANY POLICY PROHIBITING INSIDER TRADING IN COMPANY SECURITIES

To All Wins Finance Holdings Inc. Employees, Officers and Directors:

Because the stock and debt securities ("Company Securities") of Wins Finance Holdings, Inc. (the "Company") are publicly traded, there are certain important restrictions and limitations that United States federal securities laws impose on you relating to trading in Company Securities and disclosing information regarding the Company. If you violate these restrictions in any way, you may be subject to serious criminal and civil liabilities and sanctions, including civil penalties of up to three times the illegal profit you gained or loss you avoided on the stock trade. Your violation may also subject the Company to criminal and civil penalties. A violation would also severely damage the Company's reputation and business relationships.

In an effort to apply uniform conduct guidelines to all employees of the Company and its subsidiaries, the Company's Board of Directors has adopted the following Policy Statement, which applies to all Company personnel at every level. The Company's executive officers and other employees also remain subject to the Company's other policies. There are no exceptions for transactions that you think may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure). You should expect that any violation of this Policy Statement will result in the Company imposing serious sanctions, including dismissal for cause of the persons involved.'

1. Prohibition against Trading on or Disclosing Material Nonpublic Information. It is our policy that if you become aware of any material information relating to the Company that has not yet been made available to the general public by press release or otherwise, you and your family members and relatives are strictly prohibited from buying or selling Company Securities or directly or indirectly disclosing such information to any other person who may trade in Company Securities until one full trading day has elapsed following the Company's release of such information to the general public. It is difficult to describe exhaustively what constitutes

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“material” information, but you should assume that any information, positive or negative, that might affect prices of Company Securities or otherwise might be of significance to an investor in determining whether to purchase, sell or hold Company Securities would be “material.” Some examples of information that would typically be considered material include: earnings information (favorable or unfavorable), including annual, quarterly or monthly financial results and guidance or projections relating to future earnings; a potential merger, joint venture or material acquisition or disposition of a business; new products or services, or developments regarding clients or suppliers; changes in senior management of the Company; and pending significant litigation or a change in the status of such litigation.

This list includes just a few examples of material information and is not intended to be all- inclusive.

It is also our policy that if you become aware of any material nonpublic information in the course of your employment or service with the Company relating to any other company, including the Company’s suppliers and customers, then you may not trade in that company’s securities until the information becomes public or is no longer material.

2. Applicability of Policy to Transactions under Company Benefit Plans. The following are special applications of the insider trading prohibition to transactions under Company benefit plans:

Stock Option Exercises. During Blackout Periods (see Section 6 below), the Company does not permit stock option exercise activity except as described in Sections 6 and 9 below.

401(k) Plan. The insider trading prohibition and blackout policy (as discussed in Section 6 below) do apply to many transactions in the Company’s 401(k) plan. The prohibition and blackout policy do not apply to purchases of Company stock in the Company’s 401(k) plan resulting from your periodic contribution of money to the plan pursuant to a payroll deduction election that you made previously in compliance with the policies. However, the prohibition and blackout policy do apply to (a) an election to begin or terminate investing in the Company stock fund of the 401(k) plan, (b) an election to increase or decrease the percentage of your periodic contributions that will be allocated to the Company stock fund, (c) an election to make an intra- plan transfer of an existing account balance into or out of the Company stock fund, (d) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation: of some or all of your Company stock fund balance and (e) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund.

Managed Account Program under 401(k) Plan. Executive officers may not participate in the managed account program offered by Financial Engines under the 401(k) plan (the “Managed Account Program”); however, other employees who are otherwise subject to the blackout policy can participate in the Managed Account Program. Pursuant to the terms of the Managed Account Program, a participant will provide Financial Engines full authority to make investment decisions on the participant’s behalf under the 401(k) plan. Once an individual is enrolled in the Managed Account Program, he or she will not be able to make investment decisions directly through Fidelity (the 401(k) plan provider) until such individual terminates his or her participation in the Managed Account Program in accordance with the

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terms of such program. Specifically, with respect to the Company stock fund in the 401(k) plan, a participant in the Managed Account Program will not be able to make (1) an election to begin or terminate investing in the Company stock fund, (2) an election to increase or decrease the percentage of your periodic contributions that will be allocated to the Company stock fund, or (3) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund; the terms of the Managed Account Program will govern all such actions, copies of which terms and conditions are available by contacting Shareholder Services. The blackout policy will not apply to trades that Financial Engines effects as a part of the Managed Account Program.:

Common Stock Purchase Plan for Employees. The insider trading, pre-clearance and blackout policies do not apply to purchases of Company stock under the Company's Common Stock Purchase Plan for Employees resulting from your periodic contribution of money to the Plan through payroll deductions pursuant to your previously made election. However, the policies do apply to the following: (a) an election to participate or terminate participation in the Plan or to increase or decrease your level of participation in the Plan, in each case other than during the annual enrollment period for the Plan, and (b) sales of Company stock purchased pursuant to the Plan.

3. Certain Transactions. Trading on an exchange in puts, calls or any other derivative securities relating to Company Securities, or engaging in hedging or monetization transactions relating to Company Securities, is prohibited at all times. In addition, no employee may engage in short sales of Company Securities. Also, you may own a discretionary brokerage account (an investment account, also called a controlled account, in which you provide complete authority to your broker to act on your behalf in buying and selling securities without your prior approval or knowledge of the type and price of the security) that makes transactions in Company Securities. The insider trading and pre-clearance policies apply to these accounts.

4. Confidentiality. Serious problems could be caused for the Company and you by any unauthorized disclosure of internal information about the Company, whether or not for the purpose of facilitating improper trading in the Company's stock. It is our policy that you should not discuss internal Company matters or developments with anyone outside of the Company, except as required in your performance of regular employment duties. Please refer to the Company Communication Policy and the Company Ethics Policy for further guidance on the Company's policies concerning confidential information.

5. Company Assistance. If you have any doubts as to your responsibilities under this Policy Statement, then you should seek guidance and clarification from the Company's General Counsel or the Company's Shareholder Services department. Please do not try to resolve uncertainties on your own.

6. Blackout Policy. If you are an employee of the type identified below or you are a director, then you are subject to periodic prohibitions on the trading of Company Securities ("Blackout Periods") under the Company's blackout policy.

- Persons Subject to Regular Quarterly Blackouts.
  - Executive Officers;
  - Group Presidents and their direct reports;
  - Group Regional Financial Controllers;
-

- Employee recipients of the Company's monthly financial statements and periodic financial plans and forecasts (such recipients may be periodically updated by the Company's Chief Financial Officer); and,
- Other persons notified by Shareholder Services in light of the access such persons may have to key, nonpublic financial and other data.

Such employees will receive written notice from the Manager of Shareholder Services when a regular Quarterly Blackout Period commences. The Quarterly Blackout will remain in effect until such employees receive notice from the Manager of Shareholder Services that the Quarterly Blackout has ended.

The following outlines the terms of the blackout policy, which applies to all transactions in Company Securities including open market and other purchases (other than pursuant to certain employee benefits plans as described in Section 2 above) and sales, exercises of stock options (including cashless exercises, but subject to certain exceptions referred to below), gifts, trust transfers and other non-sale transfers. These restrictions also apply to your spouse, children and relatives who share your home and certain entities in which you or any of the mentioned family members have a financial interest (e.g., certain trusts, partnerships and corporations). Quarterly Blackout Periods. The information contained in the Company's quarterly earnings announcements may be considered material nonpublic information. To protect against potential insider trading based on access to such information, the Company has established four routine quarterly Blackout Periods ("Quarterly Blackout Periods") when transactions in Company Securities are prohibited for those subject to restrictions during regular Quarterly Blackout Periods. Each Quarterly Blackout Period begins on the 15th day of the month preceding the month in which Company earnings are released, and ends one full trading day after the Company communicates its earnings release for the subject period. For example, if the Company issues a quarterly earnings press release at 7:00 a.m. on a Tuesday, and the New York Stock Exchange is open for trading on Tuesday, persons subject to this policy shall not be permitted to trade in Company Securities until the market opens Wednesday.

**WINS Finance Holdings Inc.**

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## 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: March 7, 2025

By: /s/ Renhui Mu

Name: Renhui Mu

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

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## 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: March 7, 2025

By: /s/ Yuchan Cheng

Name: Yuchan Cheng

Title: Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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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, 2024 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: March 7, 2025

By: /s/ Renhui Mu

Name: Renhui Mu

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

Date: March 7, 2025

By: /s/ Yuchan Cheng

Name: Yuchan Cheng

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

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