FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Puhui Wealth Investment Management Co., Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Puhui Wealth Investment Management Co., Ltd. and its subsidiaries (collectively, the "Company") as of June 30, 2019 and 2018, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity (deficiency), and cash flows for each of the three years in the period ended June 30, 2019, 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 financial position of the Company as of June 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Friedman LLP

We have served as the Company's auditor since 2017.

New York, New York
October 30, 2019

PUHUI WEALTH INVESTMENT MANAGEMENT CO., LTD AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2019	June 30, 2018
ASSETS		
CURRENT ASSETS		
Cash	$ 2,004,625	$ 4,809,040
Short-term investments	706,226	1,101,317
Accounts receivable	1,853,041	1,673,764
Accounts receivable - related parties	1,013,135	1,051,718
Other receivables	213,252	206,831
Loans receivable - related party	1,647,858	-
Prepaid expenses	1,278,133	265,138
Deferred offering costs	-	700,094
Total current assets	8,716,270	9,807,902
PROPERTY AND EQUIPMENT, NET	223,385	135,682
OTHER ASSETS		
Long-term security deposits	384,860	-
Acquisition prepayment	2,447,259	416,761
Intangible asset, net	10,241	-
Long-term prepaid expenses	2,247,872	-
Deferred tax assets, net	347,195	782,911
Total other assets	5,437,427	1,199,672
Total assets	$ 14,377,082	$ 11,143,256
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Customer deposits	$ -	$ 250,529
Other payables and accrued liabilities	808,328	677,215
Other payables - related party	-	196,300
Deferred revenues	227,622	303,637
Taxes payable	10,512	356,440
Current portion of long-term debt	315,983	302,001
Total current liabilities	1,362,445	2,086,122
LONG-TERM DEBT	1,206,565	1,208,003
Total liabilities	2,569,010	3,294,125
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred shares, $0.001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding as of June 30, 2019 and June 30, 2018	-	-
Ordinary shares, $0.001 par value, 49,000,000 shares authorized, 11,507,558 and 10,000,000 shares issued and outstanding as of June 30, 2019 and June 30, 2018, respectively	11,508	10,000
Additional paid-in capital	21,911,045	14,613,119
Accumulated deficit	(9,221,341)	(6,764,155)
Accumulated other comprehensive loss	(251,958)	(7,320)
Total shareholders' equity attributable to controlling shareholders	12,449,254	7,851,644
Noncontrolling interests	(641,182)	(2,513)
Total shareholders' equity	11,808,072	7,849,131
Total liabilities and shareholders' equity	$ 14,377,082	$ 11,143,256

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

PUHUI WEALTH INVESTMENT MANAGEMENT CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the Years Ended June 30,		
	2019	2018	2017
REVENUES			
Revenues	$ 3,072,809	$ 2,808,346	$ 1,510,181
Revenues - related parties	129,122	1,351,515	5,174,464
Sales taxes	(21,297)	(20,680)	(35,109)
Total revenues	3,180,634	4,139,181	6,649,536
OPERATING EXPENSES			
Cost of revenues	(316,718)	(367,548)	(82,076)
Selling expenses	(2,005,367)	(1,500,572)	(3,533,367)
General and administrative expenses	(3,421,412)	(1,888,310)	(1,860,962)
Impairment loss	(5,628)	(78,984)	-
Total operating expenses	(5,749,125)	(3,835,414)	(5,476,405)
(LOSS) INCOME FROM OPERATIONS	(2,568,491)	303,767	1,173,131
OTHER INCOME (EXPENSES)			
Interest income	62,967	11,526	1,091
Other finance expenses	(206,081)	(128,112)	(564)
Other income (expenses), net	808	86,966	(41,001)
Total other expenses, net	(142,306)	(29,620)	(40,474)
(LOSS) INCOME BEFORE INCOME TAXES	(2,710,797)	274,147	1,132,657
PROVISION (BENEFIT) FOR INCOME TAXES			
Current	11,803	298,935	-
Deferred	380,302	(150,615)	175,435
Total income tax provision	392,105	148,320	175,435
NET (LOSS) INCOME	(3,102,902)	125,827	957,222
Less: Net loss attributable to noncontrolling interests	(645,716)	(349,519)	-
NET (LOSS) INCOME ATTRIBUTABLE TO PUHUI WEALTH	$ (2,457,186)	$ 475,346	$ 957,222
NET (LOSS) INCOME	$ (3,102,902)	$ 125,827	$ 957,222
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustment	(271,194)	(34,199)	14,645
COMPREHENSIVE (LOSS) INCOME	$ (3,374,096)	$ 91,628	$ 971,867
Less: Comprehensive loss attributable to noncontrolling interests	(672,272)	(350,314)	-
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO PUHUI WELATH	$ (2,701,824)	$ 441,942	$ 971,867
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES			
Basic and diluted	10,793,017	10,000,000	10,000,000
EARNINGS PER SHARE			
Basic and diluted	$ (0.23)	$ 0.05	$ 0.10

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

PUHUI WEALTH INVESTMENT MANAGEMENT CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

	Preferred shares		Ordinary Shares		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
	Shares	Par Value	Shares	Par Value					
BALANCE, June 30, 2016	-	$ -	10,000,000	$ 10,000	$ 8,056,610	$ (8,196,723)	$ 11,439	$ -	$ (118,674)
Net income for the year	-	-	-	-	-	957,222	-	-	957,222
Capital contribution	-	-	-	-	434,631	-	-	-	434,631
Foreign currency translation gain	-	-	-	-		-	14,645	-	14,645
BALANCE, June 30, 2017	-	-	10,000,000	10,000	8,491,241	(7,239,501)	26,084	-	1,287,824
Capital contribution from controlling shareholders	-	-	-	-	3,957,752	-	-	-	3,957,752
Capital contribution from noncontrolling shareholders	-	-	-	-	2,164,126	-	-	347,801	2,511,927
Net income (loss) for the year	-	-	-	-	-	475,346	-	(349,519)	125,827
Foreign currency translation loss	-	-	-	-	-	-	(33,404)	(795)	(34,199)
BALANCE, June 30, 2018	-	-	10,000,000	10,000	14,613,119	(6,764,155)	(7,320)	(2,513)	7,849,131
Issuance of ordinary share through Initial public offering, net	-	-	1,507,558	1,508	7,297,926	-	-	-	7,299,434
Disposal of subsidiaries	-	-	-	-	-	-	-	33,603	33,603
Net loss for the year	-	-	-	-	-	(2,457,186)	-	(645,716)	(3,102,902)
Foreign currency translation loss	-	-	-	-	-	-	(244,638)	(26,556)	(271,194)
BALANCE, June 30, 2019	-	$ -	11,507,558	$ 11,508	$21,911,045	$ (9,221,341)	$ (251,958)	$ (641,182)	$11,808,072

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

PUHUI WEALTH INVESTMENT MANAGEMENT CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years Ended June 30, 2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (3,102,902)	$ 125,827	$ 957,222
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	135,939	78,514	93,403
Loss on disposal of property and equipment	78	280	62,556
Impairment loss on equity security	5,628	78,984	-
Loss from disposal of subsidiaries	32,641	-	-
Deferred tax provision (benefits)	380,302	(150,615)	175,435
Change in operating assets and liabilities			
Accounts receivable	(242,674)	(1,332,431)	(354,868)
Accounts receivable - related parties	-	(1,070,648)	-
Other receivables	(402,174)	114,479	194,237
Prepaid expenses	(932,928)	(139,496)	67,652
Long-term prepaid expenses	(2,248,912)	-	-
Customer deposit received (returned)	(233,541)	968,426	-
Other payables and accrued liabilities	156,724	177,776	(325,688)
Other payables - related party	(190,666)	199,834	-
Deferred revenues	(65,413)	309,102	-
Taxes payable	(426,597)	319,696	(44,115)
Net cash (used in) provided by operating activities	(7,134,495)	(320,272)	825,834
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of short-term invesements	365,462	-	-
Purchases of short-term investments	(24,347)	(1,913,794)	-
Loans receivable to related party	(1,661,514)	-	-
Acquisition prepayment	(2,042,460)	-	-
Purchases of property and equipment	(159,514)	(132,998)	(8,270)
Proceeds from sale of property and equipment	990	3,536	38,707
Purchase of intangible asset	(12,644)	-	-
Net cash (used in) provided by investing activities	(3,534,027)	(2,043,256)	30,437
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of deferred offering costs	-	(712,696)	-
Payment of acquisition deposit	-	(424,263)	-
Capital contribution from shareholders	-	6,469,679	434,631
Short-term advances made to related parties	-	-	(1,366,925)
Short-term advances from related parties	-	-	367,130
Proceeds from issuance of ordinary shares through IPO, net	8,032,912	-	-
Proceeds from long-term debt	-	1,537,184	-
Net cash provided by (used in) financing activities	8,032,912	6,869,904	(565,164)
EFFECT OF EXCHANGE RATE ON CASH	(168,805)	(19,854)	6,731
(DECREASE) INCREASE IN CASH	(2,804,415)	4,486,522	297,838
CASH, beginning of year	4,809,040	322,518	24,680
CASH, end of year	$ 2,004,625	$ 4,809,040	$ 322,518
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for income tax	$ 240,508	$ 27,722	$ -
Cash paid for interest	$ 197,999	$ -	$ -
NON-CASH TRANSACTIONS OF FINANCING ACTIVITIES			
Fair value adjustment offsetting customer deposits with short-term investment	$ -	$ 713,568	$ -
Prepaid IPO costs to be net against IPO proceeds	$ 733,478	$ -	$ -

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

Note 1 – Nature of business and organization

Puhui Wealth Investment Management Co., Ltd. ("Puhui Cayman" or the "Company") is a limited company incorporated on November 30, 2017 under the laws of the Cayman Islands.

PCZ Limited ("Puhui BVI") is a wholly-owned subsidiary of Puhui Cayman established under the laws of the British Virgin Islands on December 6, 2017. HZF (HK) Limited ("Puhui HK") is a wholly-owned subsidiary of Puhui BVI established in Hong Kong on December 18, 2017. Beijing Rucong Enterprise Management and Advisory Co., Ltd. ("Rucong") or ("Puhui WFOE") is a wholly-owned subsidiary of Puhui HK established on January 30, 2018 under the laws of the People's Republic of China ("PRC" or "China").

The Company, through its variable interest entity ("VIE"), Puhui Wealth Investment Management (Beijing) Co. Ltd. ("Puhui Beijing"), and subsidiaries and VIE, are engaged in providing investment advisory services and private equity fund management to high-net-worth individuals and enterprises in China.

From its inception on September 24, 2013 to October 2016, Puhui Beijing mainly marketed and promoted wealth investment products of its then parent company, Finup Co. Ltd. (previously known as Puhui Finance Wealth Management Co., Ltd.) or "Finup", to retail investors and earned commissions based on a percentage of the qualified products its clients purchased. Finup is primarily engaged in internet financial services, including peer-to-peer, or P2P, lending business in China. The Company's business highly relied on Finup, and the commissions from Finup and one of the other former shareholders, Shanghai Fengsui Investment Management Co., Ltd ("Shanghai Fengsui") accounted for substantially all of the Company's operation prior to October 2016.

Starting from October 2016, Puhui Beijing's main business is providing financial products and advisory services of its own to high-net-worth clients and has also developed an in-house asset management business through its wholly owned subsidiaries, Qingdao Puhui Zhuoyue Investment management Co., Ltd. ("Qingdao Puhui") and Shanghai Pucai Investment Management Co., Ltd. ("Shanghai Pucai"). The Company also has other majority owned subsidiaries for its advisory services where the Company partners with other entities. The Company's headquarters are located in Beijing, China.

On January 30, 2018, Puhui Cayman completed a reorganization of entities under common control of its five shareholders, who collectively owned a majority of the equity interests of Puhui Cayman prior to the reorganization. Puhui Cayman, Puhui BVI, and Puhui HK were established as the holding companies of Puhui WFOE. Puhui WFOE is the primary beneficiary of Puhui Beijing and its subsidiaries, and all of these entities included in Puhui Cayman are under common control which results in the consolidation of Puhui Beijing and subsidiaries which have been accounted for as a reorganization of entities under common control at carrying value. The financial statements are prepared on the basis as if the reorganization became effective as of the beginning of the first period presented in the accompanying consolidated financial statements of Puhui Cayman.

The accompanying consolidated financial statements include the activities of the Company and each of the following entities:

Name	Background	Ownership
Subsidiaries		
Puhui BVI	● A British Virgin Islands company ● Incorporated on December 6, 2017	100%
Puhui HK	● A Hong Kong company ● Incorporated on December 18, 2017	100% owned by Puhui BVI
Puhui WFOE	● A PRC limited liability company and a deemed wholly foreign owned enterprise ("WFOE") ● Incorporated on January 30, 2018 ● Registered capital of $10 million, to be fully funded by January 2040	100% owned by Puhui HK

Name	Background	Ownership
VIE and subsidiaries of VIE		
Puhui Beijing **	● A PRC limited liability company ● Incorporated on September 24, 2013 ● Registered capital of $8,501,241 (RMB 53, 000,000)	VIE of Puhui WFOE
Qingdao Puhui *	● A PRC limited liability company ● The Company's wholly owned subsidiary ● Incorporated on October 29, 2015 ● Registered capital of $781,115 (RMB 5,000,000)	100% owned by Puhui Beijing
Shanghai Pucai	● A PRC limited liability company ● The Company's wholly owned subsidiary ● Incorporated on July 8, 2014 ● Registered capital of $818,170 (RMB 5,000,000)	100% owned by Puhui Beijing
Beijing Pusheng	● A PRC limited liability company ● The Company's wholly owned subsidiary ● Incorporated on March 19, 2018 ● Registered capital of $1,579,255 (RMB 10,000,000) to be fully funded by January 1, 2040 ● No operations	100% owned by Puhui Beijing Disposed in January 2019***
Shanghai Ruyue	● A PRC limited liability company ● The Company's wholly owned subsidiary ● Incorporated on April 27, 2017 ● Registered capital of $1,449,260 (RMB 10,000,000) to be fully funded by March 29, 2037	100% owned by Puhui Beijing
Beijing Haidai Puhui Information Consulting Co. Ltd. ("Beijing Haidai")	● A PRC limited liability company ● Incorporated on May 30, 2018 ● Registered capital of $15,634,038 (RMB 100,000,000) to be fully funded by December 31, 2040	57% owned by Puhui Beijing
Beijing Ruyue Haipeng Management Consulting Co., Ltd. ("Beijing Haipeng")	● A PRC limited liability company ● Incorporated on June 23, 2017 ● Registered capital of $243,697 (RMB 1,666,666) to be fully funded by January 1, 2040	60% owned by Shanghai Ruyue
Shanghai Hengshi Business Consulting Co., Ltd. ("Shanghai Hengshi")	● A PRC limited liability company ● Incorporated on July 21, 2017 ● Registered capital of $49,244 (RMB 333,333) of which $19,698 (RMB 133,333) to be fully funded by May 21, 2030 and $29,546 (RMB 200,000) to be fully funded by April 21, 2037	60% owned by Shanghai Ruyue Disposed in June 2019***
Shanghai Shengshi Enterprise Management Consulting Co., Ltd. ("Shanghai Shengshi")	● A PRC limited liability company ● Incorporated on August 15, 2017 ● Registered capital of $249,576 (RMB 1,666,666) to be fully funded by August 14, 2037	60% owned by Shanghai Ruyue

Name	Background	Ownership
Beijing Puhui Shanying Management Consulting Co., Ltd. (“Beijing Shanying”)	● A PRC limited liability company ● Incorporated on September 5, 2017 ● Registered capital of $76,311 (RMB 500,000) to be fully funded by January 1, 2040	60% owned by Shanghai Ruyue
Beijing Ruyue Jiahe Management Consulting Co., Ltd. (“Beijing Jiahe”)	● A PRC limited liability company ● Incorporated on July 14, 2017 ● Registered capital of $343,962 (RMB 2,333,333) to be fully funded by January 1, 2040	60% owned by Shanghai Ruyue
Beijing Zhangpuji Management Consulting Co., Ltd. (“Beijing Zhangpuji”)	● A PRC limited liability company ● Incorporated on September 15, 2017 ● Registered capital of $30,564 (RMB 200,000) to be fully funded by January 1, 2040 ● No operations	50% owned by Shanghai Ruyue Disposed in May 2019***
Shanghai Junshen Enterprise Management Consulting Co., Ltd. (“Shanghai Junshen”)	● A PRC limited partnership ● Incorporated on July 17, 2019 ● Registered capital of $72,650 (RMB 500,000) to be fully funded by June 30, 2038	70% owned by Shanghai Ruyue
Beijing Fenghui Management Consulting Co., Ltd. (“Beijing Fenghui”)	● A PRC limited liability company ● Incorporated on October 23, 2017 ● Registered capital of $75,326 (RMB 500,000) to be fully funded by January 1, 2040	51% owned by Beijing Jiahe
Beijing Lingsheng Chuangyuan Management Consulting Co., Ltd. (“Beijing Lingsheng”)	● A PRC limited liability company ● Incorporated on January 22, 2018 ● Registered capital of $78,059 (RMB 500,000) to be fully funded by January 1, 2040	51% owned by Beijing Jiahe
Suzhou Shanghui Management Consulting Co., Ltd. (“Suzhou Shanghui”)	● A PRC limited liability company ● Incorporated on March 13, 2018 ● Registered capital of $79,076(RMB 500,000) to be fully funded by February 28, 2048	70% owned by Beijing Fenghui
Beijing Puhui Ruihe Management Consulting Co., Ltd. (“Puhui Ruihe”)	● A PRC limited partnership ● Incorporated on June 26, 2018 ● Registered capital of $75,996 (RMB 500,000) to be fully funded by January 1, 2040	70% owned by Beijing Lingsheng
Beijing Hongsheng Management Consulting Co., Ltd. (“Beijing Hongsheng”)	● A PRC limited partnership ● Incorporated on January 21, 2019 ● Registered capital of $73,775 (RMB 500,000) to be fully funded by December 31, 2040	70% owned by Beijing Lingsheng

* Qingdao Puhui is a general partner in ten limited partnerships it set up with registered capital of RMB1.0 million. The purpose of these limited partnerships is to raise capital from investors and transform these limited partnerships into investment funds for fund management business. Upon establishment, Qingdao Puhui is deemed to be the primary beneficiary thus consolidates these limited partnerships as it acts as the only general partner and one Vice President of the Company acts as the only limited partner. Once investors have been admitted as the new partners with agreed capital injection, these limited partners will file their status with the PRC authority in accordance with the rules and regulations on investment funds in China, and therefore obtain the qualification to officially start business as an investment fund in China. Upon filing of the investment fund status, the Company reassesses its interests in these limited partnerships and determines if it would continue to consolidate or deconsolidate these limited partnerships in accordance with the requirements ASU 2015-02. As of June 30, 2019, two out of the ten limited partnerships have been filed as investment funds and are in operations, including Beijing Ruying Consulting Center (LP) and Xinyu Jiji. Both limited partnerships are not consolidated in the Company’s consolidated financial statements. The other eight limited partnerships has no activities as of June 30, 2019 other than initial set up fees incurred. See Note 2 for consolidation policies.

** Puhui Beijing was a general partner in two limited partnerships, Beijing Jiongheng Management Consulting Center (Limited Partnership) ("Beijing Jiongheng") and Beijing Jiongying Management Consulting Center (Limited Partnership) ("Beijing Jiongying"). By following similar evaluation as above, these two limited partnerships were considered as VIEs of Puhui Beijing. These two partnerships were dissolved in January 2019 and there was no activity as of the date of dissolution.

*** The Company disposed of Beijing Pusheng, Shanghai Hengshi, and Beijing Zhangpuji during January through June of 2019, resulting in a loss from disposal of subsidiaries of approximately $33,000. As the disposal of these entities do not represent a strategic change according to ASC 360, the Company did not report such disposals as discontinued operations.

Contractual Arrangements

In the PRC, investment activities by foreign investors are principally governed by the Guidance Catalog of Industries for Foreign Investment, or the Catalog, which was promulgated and is amended from time to time by the PRC Ministry of Commerce, or MOFCOM, and the PRC National Development and Reform Commission, or NDRC. The Catalog divides industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalog are generally open to foreign investment unless specifically restricted by other PRC regulations. However, the provision of market surveys business by foreign-invested enterprises is currently restricted. Since the Company and Puhui WFOE (its PRC subsidiary) are both considered as foreign investors or foreign invested enterprises under PRC law, the Company conducts the majority of its activities in PRC through its consolidated VIE, Puhui Beijing, in order to comply with the aforementioned regulations. As such, Puhui Beijing is controlled through contractual arrangements in lieu of direct equity ownership by the Company or any of its subsidiaries.

Such contractual arrangements are a series of five agreements (collectively the "Contractual Arrangements") including a Technical Consultation and Services Agreement, a Business Cooperation Agreement, an Equity Option Agreements, a Pledge Agreement, and a Voting Rights Proxy and Financial Supporting Agreement. These contractual agreements obligate Puhui WFOE to absorb a majority of the risk of loss from Puhui Beijing's activities and entitle Puhui WFOE to receive a majority of their residual returns. In essence, Puhui WFOE has gained effective control over Puhui Beijing. Therefore, the Company believes that Puhui Beijing should be considered as a Variable Interest Entity ("VIE") under the Statement of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810 "Consolidation". Accordingly, the accounts of Puhui Beijing are consolidated with those of Puhui WFOE and ultimately are consolidated into those of Puhui Cayman.

The significant terms of the Contractual Arrangements are as follows:

Technical Consultation and Services Agreement

Pursuant to the exclusive technical consultation and services agreement and the exclusive business cooperation agreement between Puhui WFOE and Puhui Beijing, Puhui WFOE is engaged as exclusive provider of management consulting services to Puhui Beijing in the area of fund management, human resources, technology and intellectual property rights. For such services, Puhui Beijing agrees to pay service fees such as an annual fee in amounts equal to 90.2077% of Puhui Beijing's net income and also has the obligation to absorb 90.2077% of Puhui Beijing's losses.

The technical consultation and services agreement remains in effect for 20 years from the date when the agreement was signed. The technical consultation and services agreement can be extended only if Puhui WFOE gives its written consent of extension of the agreement before the expiration of the agreement and Puhui Beijing shall agree to the extension without reserve.

Business Cooperation Agreement

Pursuant to the business cooperation agreement between Puhui WFOE and Puhui Beijing, Puhui WFOE has the exclusive right to provide Puhui Beijing with technical support, business support and related consulting services including but not limited to technical services, business consultations, equipment or property leasing, marketing consultancy, system integration, product research and development, and system maintenance. In exchange, Puhui WFOE is entitled to a service fee that equals 90.2077% of the net income of Puhui Beijing determined under U.S. GAAP. The service fees may be adjusted based on the services rendered by Puhui WFOE in that specific month and the operational needs of Puhui Beijing.

The Business Cooperation Agreement shall remain effective unless it is terminated or is compelled to terminate under applicable PRC laws and regulations. Puhui WFOE may terminate this Business Cooperation Agreement at any time by giving 30 days' prior written notice to Puhui Beijing.

Equity Option Agreements

Pursuant to the exclusive equity option agreement between the shareholders who collectively owned 90.2077% of Puhui Beijing (the "Participating Shareholders") and Puhui WFOE, the Participating Shareholders jointly and severally grant Puhui WFOE an option to purchase their equity interests in Puhui Beijing. The purchase price shall be the lowest price then permitted under applicable PRC laws. If the purchase price is greater than the registered capital of Puhui Beijing, the Participating Shareholders of Puhui Beijing are required to immediately return any amount in excess of the registered capital to Puhui WFOE or its designee of Puhui WFOE. Puhui WOFE may exercise such option at any time until it has acquired all equity interests of Puhui Beijing, and freely transfer the option to any third party. The agreement will terminate at the date on which all of the Participating Shareholders' equity interests of Puhui Beijing has been transferred to Puhui WFOE or its designee.

Pledge Agreements

Pursuant to the equity pledge agreement between the Participating Shareholders and Puhui WFOE, such Participating shareholders pledge 90.2077% of their equity interests in Puhui Beijing to Puhui WFOE as collateral to secure the obligations of Puhui Beijing under the exclusive consulting services and operating agreement. The Participating Shareholders may not transfer or assign transfer or assign the pledged equity interests, or incur or allow any encumbrance that would jeopardize Puhui WFOE's interests, without Puhui WFOE's prior approval. In the event of default, Puhui WFOE as the pledgee will be entitled to certain rights and entitlements, including the priority in receiving payments by the evaluation or proceeds from the auction or sale of whole or part of the pledged equity interests of Puhui Beijing. The agreement will terminate at the date the Participating Shareholders have transferred all of their pledged equity interests pursuant to the equity option agreement.

Voting Rights Proxy and Financial Supporting Agreements

Pursuant to the voting rights proxy and financial supporting agreement between the Participating Shareholders and Puhui WFOE, the Participating Shareholders have given Puhui WFOE an irrevocable proxy to act on their behalf on all matters pertaining to Puhui Beijing and to exercise all of their rights as shareholders of Puhui Beijing, including the right to attend shareholders meeting, to exercise voting rights and to transfer all or a part of their equity interests in Puhui Beijing. In consideration of such granted rights, Puhui WFOE agrees to provide the necessary financial support to Puhui Beijing whether or not Puhui Beijing incurs loss, and agrees not to request repayment if Puhui Beijing is unable to do so. The agreement shall remain in effect for 20 years from the date when the agreement was signed.

Note 2 – Summary of significant accounting policies

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities Exchange Commission ("SEC").

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries and their VIEs. All intercompany transactions and balances are eliminated in consolidation.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power or has the power to: govern the financial and operating policies; appoint or remove the majority of the members of the board of directors; cast a majority of votes at the meeting of the board of directors.

U.S. GAAP provides guidance on the identification of VIE and financial reporting for entities over which control is achieved through means other than voting interests. The Company evaluates each of its interests in an entity to determine whether or not the investee is a VIE and, if so, whether the Company is the primary beneficiary of such VIE. In determining whether the Company is the primary beneficiary, the Company considers if the Company (1) has power to direct the activities that most significantly affects the economic performance of the VIE, and (2) receives the economic benefits of the VIE that could be significant to the VIE. If deemed the primary beneficiary, the Company consolidates the VIE. The Company has determined that Puhui Beijing is a VIE subject to consolidation and Puhui Cayman is the primary beneficiary.

In February 2015, the FASB issued Accounting Standards Update ("ASU") 2015-02, "Amendments to the Consolidation Analysis". The guidance amends the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. The revised consolidation guidance, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs, (ii) eliminated the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships.

Under ASU 2015-02, the service fees the Company earns, including carried interest earned in the capacity of general partner or fund manager, are commensurate with the level of effort required to provide such services and are at arm's length and therefore are not deemed as variable interests.

The Company evaluates its variable interest in each of the limited partnerships upon establishment, and re-evaluates its variable interest in these limited partnerships after funds are received from new limited partners and the investment funds are officially formed in accordance with the rules and regulations in China.

To evaluate whether the investment funds in the legal form of limited partnerships the Company managed as general partner are VIEs or not, the Company firstly assessed whether a simple majority or lower threshold of limited partnership interests, excluding interests held by the general partner, parties under common control of the general partner, or parties acting on behalf of the general partner, have substantive kick-out rights or participating rights. If such rights exist, the limited partnership is not deemed as a VIE and no further analysis will be performed. If it's assessed to be a VIE, the Company further assesses whether there is any interest that may constitute a variable interest.

Beijing Ruying Consulting Center (LP) ("Beijing Ruying") was set up in November 2017 as an investment fund for asset management purpose. It received capital contributions of RMB33,600,000 (approximately $4.9 million) from 20 limited partners. The limited partners do not have kick out rights nor participating rights. We did not make any capital contribution. As the general partner, we have the authority to make investment decisions mainly to develop, manage and market financial products for Beijing Ruying which are the most significant activities that most impact the economic performance of Beijing Ruying. The management fees are compensation for the asset management services the Company provided to Beijing Ruiying and the management fee rate is comparable to fees that fund managers receive in the asset management industry in China. Consequently, the management fees are considered to be commensurate with the level of effort required to provide those services. The Company is not deemed a primary beneficiary as the general partner is not obligated to absorb losses or receive benefits of the VIE that could potentially be significant to the entity and therefore Beijing Ruying in not consolidated.

Xinyu Jiji was incorporated on September 8, 2017 with registered capital of $1,677,699 (RMB 11,000,000). Upon establishment, it was considered the Company's VIE and thus was consolidated by the Company since Qingdao Puhui is a general partner in Xinyu Jiji Investment Center (LP) and Beijing Puhui has invested approximately $1 million which accounted for 63.6% of the total interests in the fund making the Company the primary beneficiary of Xinyu Jiji. Starting January 8, 2018, Xinyu Jiji has admitted more limited partners thus reducing the Company's ownership in the fund to around approximately 8.3%. Two other limited partners collectively owned more than 33% and the rest of the 15 limited partners own the remaining 58.7% of the fund. The Company reevaluated the VIE model and concluded the Company is not a primary beneficiary after Xinyu Jiji admitted more limited partners as of January 8, 2018. As a result, Xinyu Jiji was deconsolidated by the Company since January 8, 2018.

Liquidity

In assessing the Company's liquidity, the Company monitors and analyzes its cash on-hand and its operating and capital expenditure commitments. The Company's liquidity needs are to meet its working capital requirements, operating expenses and capital expenditure obligations. As of June 30, 2019, the Company's working capital was approximately $7.4 million and the Company had cash of approximately $2.0 million. Although the Company believes that it can realize its current assets in the normal course of business, the Company's ability to repay its current obligations will depend on the future realization of its current assets and the future operating revenues generated from its operations.

The Company expects to realize the balance of its current assets within the normal operating cycle of a twelve month period. If the Company is unable to realize its current assets within the normal operating cycle of a twelve month period, the Company may have to consider supplementing its available sources of funds through the following sources:

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

Based on the above considerations, the Company's management is of the opinion that it has sufficient funds to meet the Company's working capital requirements and current liabilities as they become due one year from the date of this report. However, there is no assurance that management will be successful in their plans. There are a number of factors that could potentially arise that could undermine the Company's plans, such as changes in the demand for the Company's products or installations, PRC government policy, economic conditions, and competitive pricing in the industries that the Company operates in.

Use of estimates and assumptions

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 and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Significant accounting estimates reflected in the Company's consolidated financial statements include, but are not limited to, allowance for doubtful accounts, the useful lives of property and equipment, recoverability of long-lived assets, provision for income taxes, and valuation allowance of deferred tax assets. Actual results could differ from these estimates.

Foreign currency translation and transaction

The reporting currency of the Company is the U.S. dollar. The Company in China conducts its businesses in the local currency, Renminbi (RMB), as its functional currency. Assets and liabilities are translated at the unified exchange rate as quoted by the People's Bank of China at the end of the period. The statement of income accounts are translated at the average translation rates and the equity accounts are translated at historical rates. Translation adjustments resulting from this process are included in accumulated other comprehensive income (loss). Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

Translation adjustments included in accumulated other comprehensive loss amounted to $251,958 and $7,320 as of June 30, 2019 and June 30, 2019, 2018, respectively. The balance sheet amounts, with the exception of shareholders' equity at June 30, 2019 and June 30, 2018 were translated at 6.87 RMB and 6.62 RMB to $1.00, respectively. The shareholders' equity accounts were stated at their historical rates. The average translation rates applied to statement of income accounts for the years ended June 30, 2019 and 2018 were 6.82 RMB and 6.51 RMB, respectively. Cash flows are also translated at average translation rates for the periods, therefore, amounts reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets.

Revenue recognition

On July 1, 2018, the Company adopted ASC 606, Revenue from Contracts with Customers using the modified retrospective method for all contracts not completed as of the date of adoption. Accordingly, revenue for the year ended June 30, 2019 was presented under ASC 606, while comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Those types of revenues are accounted for as contracts with customers. Under the guidance of ASC 606, the Company is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract and (e) recognize revenue when (or as) the Company satisfies its performance obligation. Revenues are recorded, net of sales related taxes and surcharges.

The adoption of ASC 606 did not significantly change (i) the timing and pattern of revenue recognition for all of the Group's revenue streams, and (ii) the presentation of revenue as gross versus net. Therefore, the adoption of ASC 606 did not have a significant impact on the Company's financial position, results of operations, equity or cash flows as of the adoption date and for the year ended June 30, 2019.

Transaction Price Allocation

At times, the Company enters into contracts that provides wealth management advisory, recurring services and other services to funds that it serves as general partner/co-general partner or fund manager.

Each of the wealth management service, recurring service, and other service represent a separate performance obligation. The Company allocate the total consideration among various performance obligations at inception of contracts based on their relative stand-alone selling price ("SSP"). The Company has observable SSP for its wealth management marketing services and other services for certain products as it provides such services separately to other similar customers. The Company has not sold its recurring services separately. The Company adopts either the adjusted market assessment approach or the residual approach when the SSP is not directly observable and is either highly variable or uncertain. Revenue for the respective performance obligation is recognized in the same manner as described above.

One-time commissions

The Company enters into financial advisory service agreements with product providers, which specifies the key terms and conditions of the arrangement. Such agreements do not include rights of return, credits or discounts, rebates, price protection or other similar privileges. Upon establishment of a financial product, the Company earns a one-time commission from product providers, calculated as a percentage of the value of the financial products purchased by its clients. The Company defines the "establishment of a financial product" for its revenue recognition purpose as the time when both of the following two criteria are met: (1) the Company's client has entered into a purchase or subscription contract with the relevant product provider and, if required, the client has transferred a deposit to an escrow account designated by the product provider and (2) the product provider has issued a formal notice to confirm the establishment of financial product or loan issuance. Revenue is recorded upon the establishment of the financial product, when the provision of service concludes and the fee becomes fixed and determinable, assuming all other revenue recognition criteria have been met, and there are no future obligations or contingencies.

Subscription fees

A one-time subscription fee is charged on funds that the Company manages as stipulated in the fund agreement for fund formation services the Company provides and for distribution of products. These subscription fees are computed as a percentage of the investment received in the funds and recognized upon the establishment of the funds.

Recurring service fees

Recurring service fee arises from on-going services provided to product providers after the distribution of financial product including investment relationship maintenance and coordination and product reports distribution. It is calculated as a percentage of either the contribution received or daily asset value of investments in the financial products purchased by the Company's clients, calculated from the establishment date of the financial product. As the Company provides these services throughout the contract term, revenue is recognized over the contract term, assuming all other revenue recognition criteria have been met. Recurring service agreements do not include rights of return, credits or discounts, rebates, price protection or other similar privileges.

Recurring management fees

Recurring management fee arises from the fund management services provided to funds the Company manages. Management fees are computed as a percentage of the investment received in a fund per annum or a percentage of daily asset value and are recognized as earned over the specified contract period. Management fee received in advance of the specified contract period are recorded as deferred revenues. Management fees received in advance of the specified contract period are recorded as deferred revenues.

Performance-based income

In a typical arrangement in which the Company serves as fund manager, the Company is entitled to a performance-based fee or carried interest based on the extent by which the fund's investment performance exceeds a certain threshold at the end of the contract term. Such performance-based fee is typically calculated and distributed at the end of the contract term when the cumulative return of the fund can be determined, and is not subject to clawback provisions. The Company does not record any performance-based income until the end of the contract term.

Other service fees

Other service fees refer to revenue generated from consulting services provided to companies. Service fees are negotiated case by case, and are specified in agreements before services are provided. Revenue is recognized upon completion of the services and when collectability is reasonably assured.

Sales taxes: One-time commissions, recurring service fees, recurring management fees, and other service fees that are earned and received in the PRC are subject to a Chinese value-added tax ("VAT") at a rate of 3% to 6% of the gross proceeds or at a rate approved by the Chinese local government. One-time commissions, recurring service fees, recurring management fees, and other service fees that are earned and received in the PRC are also subject to various miscellaneous sales taxes at a rate of 7% of the VAT.

Cash

Cash consists of demand deposits placed with banks which are unrestricted as to withdrawal and use.

Accounts receivable (including related parties)

Accounts receivable represented accounts due from the Company's product providers. An allowance for doubtful accounts may be established and recorded based on management's assessment of potential losses based on the credit history and relationships with the customers. Management reviews its receivables on a regular basis to determine if the bad debt allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. No allowance was required as of June 30, 2019 and June 30, 2018.

Investments

The Company invests in debt securities and equity securities and accounts for the investments based on the nature of the products invested and the Company's intent and ability to hold the investments to maturity.

The Company accounts for investments in debt securities as held-to-maturity when it has both the positive intent and ability to hold them until maturity. Investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value with changes in fair value recognized in earnings. Investments that do not meet the criteria of held-to-maturity or trading securities are classified as available-for-sale, and are reported at fair value with changes in fair value deferred in other comprehensive income.

The Company records investments in equity securities at their fair value. Where readily determinable fair value is not available, the Company measures the investment by using the investment cost minus any impairment, if necessary. Gains or losses are realized when such investments are sold. If the Company has influence in the private equity funds as in a general partner in a limited partnership, the equity method is used where investments are recorded at fair value.

The Company records investments in private equity funds under the cost method when they do not qualify for the equity method. Gains or losses are realized when such investments are sold.

The Company reviews its investments, for other-than-temporary impairment based on the specific identification method and considers available quantitative and qualitative evidence in evaluating potential impairment. If the cost of an investment exceeds the investment's fair value, the Company considers, among other factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than cost and the Company's intent and ability to hold the investment to determine whether another-than-temporary impairment has occurred.

If the investment's fair value is less than the cost of an investment and the Company determines the impairment to be other-than-temporary, the Company recognizes an impairment loss based on the fair value of the investment. The Company recorded impairment charges of $5,628, $78,984 and $0 for the years ended June 30, 2019, 2018 and 2017, respectively.

Investment in affiliates

Affiliated companies are entities over which the Company does not have control. The Company accounts for equity investments in entities over which it has significant influence but does not own a majority voting interest or otherwise control using the equity method. Under this method, the Company's share of profits or losses of affiliated companies is recognized in the statements of operations. The Company generally considers an ownership interest of 20% or higher to represent significant influence. The Company accounts for the investments in entities over which it has neither control nor significant influence, and no readily determinable fair value is available, using the investment cost minus any impairment, if necessary.

The Company also considers whether it has control over the funds that it serves as general partner or fund manager, and the Company also hold equity interest in those funds to the extent the risk and return is deemed acceptable.

Equity interest of more than 3-5% has generally been viewed as more than minor so that may imply significant influence. These funds are not consolidated by the Company based on the facts that the Company is not the primary beneficiary of these funds, or substantive kick-out rights exist which are exercisable by a simple-majority of non-related limited partners of these funds to dissolve (liquidate) the funds or remove the Company as the general partner of the funds without cause. The equity method of accounting is accordingly used for investments by the Company in these funds.

Other receivables

Other receivables include non-trade related advances, such as employee advances, rental and other deposits. An allowance for doubtful accounts is established and recorded based on managements' assessment of potential losses based on the credit history and relationships with the parties. Management reviews its receivables on a regular basis to determine if the bad debt allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. No allowance was required as of June 30, 2019 and 2018.

Loans receivable – related party

Loans receivable – related party represent demand loans to Beijing Sipaike Customer Management Consulting Co., Ltd., with 0.5% interest per month. Management regularly reviews the aging of receivables and changes in payment trends and records allowance when management believes collection of amounts due are at risk. Accounts considered uncollectable are written off against allowances after exhaustive efforts at collection are made. As of June 30, 2019, no allowance was deemed necessary.

Prepaid expenses

Prepaid expenses represented advance payments made to its vendors for certain services such as refundable deposits, insurance, consulting, communication, rent, and property management fee.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a 0% - 5% residual value. The estimated useful lives are as follows:

	Useful Life
Office equipment and furnishing	3-5 years
Vehicle	4 years
Leasehold improvements	Shorter of the remaining lease terms or estimated useful lives

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the consolidated statements of income and comprehensive income (loss). Expenditures for maintenance and repairs are charged to earnings as incurred, while additions, renewals and betterments, which are expected to extend the useful life of assets, are capitalized. The Company also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances warrant revised estimates of useful lives.

Intangible Assets, net

Intangible assets, net, are stated at cost, less accumulated amortization. Amortization expense is recognized on the straight-line basis over the estimated useful lives of the assets as follows:

Classification	Estimated Useful Life
Software	5 years

Impairment for long-lived assets

Long-lived assets, including property and equipment with finite lives are reviewed for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be recoverable. The Company assesses the recoverability of the assets based on the undiscounted future cash flows the assets are expected to generate and recognize an impairment loss when estimated discounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. If an impairment is identified, the Company would reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values. As of June 30, 2019 and June 30, 2018, no impairment of long-lived assets was recognized.

Customer deposits

Customer deposits represent the funds received from preferred investors to be invested in targeted financial products. These funds will be returned to investors with the contracted investment returns from the financial products upon maturity or exit of the investments. Pursuant to agreements with clients, the client pays a 1.5% service fee to the Company. If the total return of the investment is lower than 10%, clients will receive all proceed from liquidation of the investment. If the total return of the investment is higher than 10% upon liquidation of the investment, the Company is entitled to a contingent fee of 40% of the proceeds exceeding 10% of total return on investment. The Company is not obligated to provide any specific return. Any subsequent change in fair value of the investment held for on behalf of the customers will be attributable to the investors and adjusted through customer deposit.

Noncontrolling Interests

Noncontrolling interest consists of an aggregate of 9.7923% of the equity interest of Puhui Beijing and subsidiaries held by Beijing Synergetic and 40% interest of Beijing Haipeng, Beijing Jiahe, Shanghai Shengshi, Shanghai Shangying and a 43% interest of Beijing Haidai held by other investors. Excess of contribution received from noncontrolling shareholders over carrying value of the entity is recorded in additional paid in capital. The noncontrolling interests are presented in the consolidated balance sheets, separately from equity attributable to the shareholders of the Company. Noncontrolling interests in the results of the Company are presented on the face of the consolidated statement of operations as an allocation of the total income or loss for the year between non-controlling interest holders and the shareholders of the Company.

Noncontrolling interest consist of the following:

	June 30, 2019	June 30, 2018
Beijing Synergetic	$ 239,683	$ 376,681
Beijing Haipeng	(176,258)	(71,624)
Beijing Jiahe	(220,831)	(142,493)
Shanghai Hengshi*	-	(20,978)
Shanghai Shengshi	(198,290)	(113,631)
Beijing Shanying	(103,147)	(26,418)
Beijing Haidai	(182,339)	(4,050)
Total noncontrolling interest	$ (641,182)	$ (2,513)

* Disposed in June 2019.

Operating leases

The Company leases offices and dormitories under operating lease agreements. Certain lease agreements contain scheduled rent increases, tenant improvement allowances or free rent clauses during the term of the lease which are recorded as deferred rent liabilities. Deferred rent liabilities represent the cumulative amount charged to operations under these leases in excess of the amounts paid. Rent expense is amortized on a straight-line basis to operating expense over the applicable lease term.

Income taxes

The Company accounts for income taxes in accordance with U.S. GAAP. Under the asset and liability method as required by this accounting standard, the recognition of deferred income tax liabilities and assets is for the expected future tax consequences of temporary differences between the income tax basis and financial reporting basis of assets and liabilities. Provision for income taxes consists of taxes currently due plus deferred taxes.

The charge for taxation is based on the results for the fiscal year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes is accounted for using the asset and liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the years ended June 30, 2019, 2018 and 2017.

Fair value measurement

The accounting standard regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company. The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements. The Company considers the carrying amount of cash, accounts receivable, other receivables, short term held-to maturity investments, other payable and accrued liabilities, based on the short-term maturity of these instruments to approximate their fair values because of their short-term nature.

The accounting standards define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosure requirements for fair value measures. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

Commitments and contingencies

In the normal course of business, the Company is subject to contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, such as government investigations and tax matters. The Company recognizes a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Company may consider many factors in making these assessments including historical and the specific facts and circumstances of each matter.

Earnings per share

Basic earnings (loss) per share are computed by dividing income (loss) available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock. As of June 30, 2019, there was no diluted shares.

Defined contribution plan

The full-time employees of the Company are entitled to staff welfare benefits including medical care, housing fund, pension benefits, unemployment insurance and other welfare, which are government mandated defined contribution plans. The Company is required to accrue for these benefits based on certain percentages of the employees' respective salaries, subject to certain ceilings, in accordance with the relevant PRC regulations, and make cash contributions to the state-sponsored plans out of the amounts accrued. Total expenses for the plans were $730,454, $393,242 and $614,923 for the years ended June 30, 2019, 2018 and 2017, respectively.

Recently issued accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018, and requires a modified retrospective approach to adoption assuming the Company will remain an emerging growth company at that date. Early adoption is permitted. In September 2017, the FASB issued ASU No. 2017-13, which to clarify effective dates that public business entities and other entities were required to adopt ASC Topic 842 for annual reporting. A public business entity that otherwise would not meet the definition of a public business entity except for a requirement to include or the inclusion of its financial statements or financial information in another entity's filing with the SEC adopting ASC Topic 842 for annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. ASU No. 2017-13 also amended that all components of a leveraged lease be recalculated from inception of the lease based on the revised after tax cash flows arising from the change in the tax law, including revised tax rates. The difference between the amounts originally recorded and the recalculated amounts must be included in income of the year in which the tax law is enacted. The Company adopted ASU 2016-02 on July 1, 2019. The adoption of ASU 2016-02 recognized additional operating liabilities of approximately $2.0 million, with corresponding right of use ("ROU") assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases with a term longer than 12 months.

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. The guidance largely aligns the accounting for share-based payment awards issued to employees and nonemployees, whereby the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company plans to adopt this update in the first quarter of fiscal year 2020. The ASU is required to be applied on a prospective basis to all new awards granted after the date of adoption. The Company does not expect adoption of the standard to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 removes, modifies and adds certain disclosure requirements in Topic 820 "Fair Value Measurement". ASU 2018-13 eliminates certain disclosures related to transfers and the valuations process, modifies disclosures for investments that are valued based on net asset value, clarifies the measurement uncertainty disclosure, and requires additional disclosures for Level 3 fair value measurements. ASU 2018-13 is effective for the Company for annual and interim reporting periods beginning July 1, 2020. The Company is currently evaluating the impact ASU 2018-13 will have on its consolidated financial statements.

In May 2019, the FASB issued ASU 2019-05, which is an update to ASU Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced the expected credit losses methodology for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. The amendments in Update 2016-13 added Topic 326, Financial Instruments—Credit Losses, and made several consequential amendments to the Codification. Update 2016-13 also modified the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with Subtopic 326-30, Financial Instruments— Credit Losses—Available-for-Sale Debt Securities. The amendments in this Update address those stakeholders' concerns by providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in Update 2016-13 while still providing financial statement users with decision-useful information. ASU 2019-05 is effective for the Company for annual and interim reporting periods beginning July 1, 2020. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

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

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation mainly reclassifying prepaid expenses to acquisition prepayment (see Note 7 and 8). These reclassifications have no effect on the reported revenues, net income or total assets.

Note 3 – Variable interest entity

On January 30, 2018, Puhui WFOE entered into Contractual Arrangements with Puhui Beijing and its Participating Shareholders. The significant terms of these Contractual Arrangements are summarized in "Note 1 - Nature of business and organization" above. As a result, the Company classifies Puhui Beijing as a VIE. Puhui Qingdao is the general partner in ten limited partnerships and consolidated eight partnerships as disclosed in Note 1.

A VIE is an entity that has either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest, such as through voting rights, right to receive the expected residual returns of the entity or obligation to absorb the expected losses of the entity. The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary and must consolidate the VIE. Puhui WFOE is deemed to have a controlling financial interest and be the primary beneficiary of Puhui Beijing because it has both of the following characteristics:

(1) The power to direct activities at Puhui Beijing that most significantly impact such entity's economic performance, and

(2) The obligation to absorb losses of, and the right to receive benefits from Puhui Beijing that could potentially be significant to such entity.

Pursuant to the Contractual Arrangements, Puhui Beijing pays service fees equal to 90.2077% of its net income to Puhui WFOE. At the same time, Puhui WFOE is obligated to absorb 90.2077% of Puhui Beijing's losses. The Contractual Arrangements are designed so that Puhui Beijing operates for the benefit of Puhui WFOE and ultimately, the Company.

Accordingly, the accounts of Puhui Beijing are consolidated in the accompanying financial statements pursuant to ASC 810-10, Consolidation. In addition, their financial positions and results of operations are included in the Company's audited consolidated financial statements.

The carrying amount of the VIE's consolidated assets and liabilities are as follows:

	June 30, 2019	June 30, 2018
Current assets	$ 6,085,868	$ 9,807,902
Property and equipment, net	223,385	135,682
Other noncurrent assets	867,756	1,199,672
Total assets	$ 7,177,009	$ 11,143,256

	June 30, 2019	June 30, 2018
Current liabilities:		
Customer deposits	$ -	$ 250,529
Other payables and accrued liabilities	744,984	677,215
Due to related party	-	196,300
Due to Puhui Cayman	3,029,071	3,915,964
Deferred revenues	227,622	303,637
Taxes payable	10,512	356,440
Current portion of long-term debt	315,983	302,001
Long-term debt	1,206,565	1,208,003
Total liabilities	$ 5,534,737	$ 7,210,089

The summarized operating results of the VIEs are as follows:

	For the year ended June 30, 2019	For the year ended June 30, 2018	For the year ended June 30, 2017
Operating revenues	$ 3,180,634	$ 4,139,181	$ 6,649,536
(Loss) income from operations	(1,660,384)	303,767	1,173,131
Net (loss) income	$ (2,195,951)	$ 125,827	$ 957,222

Note 4 – Short-term investments

Short-term investments consist of the following:

	June 30, 2019	June 30, 2018
Available for sale securities (1)	$ 172,966	$ 278,365
Investments at cost (2)	169,608	445,451
Investments accounted using equity method (3)	363,652	377,501
Total investments	$ 706,226	$ 1,101,317

Fair value disclosure:

	June 30, 2019	June 30, 2019 Fair Value Level 1	Level 2	Level 3
Available for sale securities	172,966	172,966	-	-

	June 30, 2018	June 30, 2018 Fair Value Level 1	Level 2	Level 3
Available for sale securities	278,365	278,365	-	-

There is no transfer between the levels for the periods presented.

(1) In fiscal year 2018, Puhui Beijing invested $1,057,003 in a publicly listed company, of which, $105,700 was invested by Puhui Beijing and $951,303 was invested on behalf of and funded by investors. Due to the subsequent declining stock price, management concluded the price decline was significant and other than temporary, and accordingly, recorded an impairment of $778,638 against the investment cost as of June 30, 2018, among which $78,984 was recorded as an impairment loss, representing Puhui's share of the investment loss, and $700,773 was recorded against customer deposits, with a $1,119 exchange rate difference.

As of June 30, 2019, Puhui Beijing returned all of investors' funds. Puhui Beijing recorded additional impairment of $5,628 against its investment cost as of June 30, 2019. Puhui Beijing's investment in this publicly listed company, net of impairment and exchange rate differences amounted to $20,232 as of June 30, 2019.

As June 30, 2019, the Company also invested a total of $152,734 in two U.S. publicly listed companies, which are publicly traded on Nasdaq.

(2) As of June 30, 2019, the Company invested a total of $168,153 in two entities which invest in U.S. public companies and are still at their funding stage, so the cost approximates fair value as of June 30, 2019. The Company also invested $1,455 in a private equity fund product.

(3) As of June 30, 2019, the Company invested in a private equity fund in the amount of $363,652. The Company accounted for the private equity fund using the equity method since the Company is the general partner and owns around approximately 8.3% of the fund after the fund completed a second funding stage and was established on May 25, 2018, thus the Company has significant influence. The underlying assets of the fund will be invested in the medical and life sciences industry. Investment losses for the years ended June 30, 2019 and 2018 amounted to approximately $3,700 and nil, respectively.

Note 5 – Accounts receivable

	June 30, 2019	June 30, 2018
Accounts receivable	$ 1,853,041	$ 1,673,764
Less: Allowance for doubtful accounts	-	-
Total accounts receivable	$ 1,853,041	$ 1,673,764

Note 6 – Other receivables

Other receivables consist of the following:

	June 30, 2019	June 30, 2018
Security deposits for rents	$ 595,435	$ 206,054
Employee advances	2,677	777
Subtotal	598,112	206,831
Less: Long-term security deposits	(384,860)	-
Total other receivables	$ 213,252	$ 206,831

Note 7 – Prepaid expenses

Prepaid expenses consist of the following:

	June 30, 2019	June 30, 2018
Consulting fees (1)	$ 3,169,545	$ 144,286
Rent	135,025	89,566
Housing provident fund	-	14,175
Taxes	90,118	-
Others	131,317	17,111
Subtotal	3,526,005	265,138
Less: Long-term prepaid expenses	(2,247,872)	-
Total prepaid expenses	$ 1,278,133	$ 265,138

(1) As of June 30, 2019, the Company prepaid approximately $1.8 million, $0.5 million and $0.3 million of consulting fees to three third party service providers for various strategic planning and business development consulting services. The consulting service periods ranged from 1 year to 5 years.

Note 8 – Acquisition prepayment

On April 12, 2018, the Company entered into a Memorandum of Understanding with a Hong Kong based financial services company to acquire 100% of its equity. The financial services company owns financial licenses which will enable the Company to expand its business in Hong Kong. The total cost of the acquisition will amount to HKD 29,390,000 (approximately $3.7 million). The Company has prepaid approximately $2.4 million as of June 30, 2019 with $1.3 million to be paid upon closing. On September 24, 2019, the Hong Kong Securities and Futures Commission approved the acquisition and it is expected to be completed by third fiscal quarter 2020.

Note 9 – Property and equipment, net

Property and equipment consist of the following:

	June 30, 2019	June 30, 2018
Office equipment and furniture	$ 296,767	$ 284,422
Vehicle	143,411	-
Leasehold improvements	164,815	110,466
Less: accumulated depreciation and amortization	(381,608)	(259,206)
Total	$ 223,385	$ 135,682

Depreciation and amortization expense for the years ended June 30, 2019, 2018 and 2017 amounted to $133,621, $78,514 and $93,403, respectively. The Company disposed of certain fixed asset and incurred a loss from disposal in the amount of $78, $280 and $62,556 for the years ended June 30, 2019, 2018 and 2017, respectively.

Note 10 – Intangible assets, net

Intangible assets consist of the following:

	June 30, 2019	June 30, 2018
Software	$ 12,540	$ -
Less: accumulated depreciation and amortization	(2,299)	-
Total	$ 10,241	$ -

Amortization expense for the years ended June 30, 2019, 2018 and 2017 amounted to $2,318, $0 and $0, respectively.

Note 11 – Other payables and accrued liabilities

Other payables and accrued liabilities consist of the following:

	June 30, 2019	June 30, 2018
Advances from former shareholder (1)	$ 363,652	$ 377,501
Salary payables	214,103	127,128
Interest payables	116,210	120,635
Accrued professional fees	63,344	-
Accrued rent	24,676	31,813
Others	26,343	20,138
Total	$ 808,328	$ 677,215

(1) The advances are provided by former shareholder, Shanghai Fengshui. The fund is bearing no interest and due on demand. As of June 30, 2019, Shanghai Fengshui did not request repayment of the fund.

Note 12 - Long term debt

In November 2017, Puhui Beijing entered into two loan agreements for a total amount of approximately $1.5 million with two individuals, which mature in November 2020. The interest rate is 13.5% per annum. Twenty percent of the principal or, approximately $0.3 million, is due in one year from the loan origination date upon request. The two individuals did not request repayment as of June 30, 2019.

On January 30, 2019, the Company financed a vehicle with a three year loan for a total of approximately of $0.1 million. The Company paid a down payment of approximately $51,000, monthly payments will be approximately $2,000 from February 2019 to January 2022, with an interest rate of 6% per annum. As of June 30, 2019, approximately $68,000 of loan payments remained outstanding, of which approximately $25,000 are due within one year from June 30, 2019.

Interest expense for the years ended June 30, 2019, 2018 and 2017 amounted to $199,861, $122,806 and $0, respectively.

Note 13 – Taxes

Income tax

Cayman Islands and BVI

Under the current laws of the Cayman Islands and BVI, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends to the shareholders, no withholding tax will be imposed.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our subsidiary established in Hong Kong is subject to 16.5% income tax on taxable income generated from operations in Hong Kong. In addition, payments of dividends from our Hong Kong subsidiary to us are not subject to any Hong Kong withholding tax. The Company did not generate any revenue from operations in Hong Kong since its inception, and therefore is not subject to any income taxes in Hong Kong.

PRC

Under the Income Tax Laws of the PRC, the Company's VIE and the subsidiaries of the VIE are subject to income tax at a rate of 25%.

The Company's income tax (benefit) expense is as follows:

	For the Years Ended June 30,		
	2019	2018	2017
Current			
China	$ 11,803	$ 298,935	$ -
Deferred			
China	380,302	(150,615)	175,435
Total income tax expense	$ 392,105	$ 148,320	$ 175,435

The following table reconciles China statutory rates to the Company's effective tax rate:

	For the Years Ended June 30,		
	2019	2018	2017
China income tax rate	25.0%	25.0%	25.0%
Effect of permanent difference	7.3%	9.6%	3.1%
Change in valuation allowance	(46.8)%	19.5%	(12.6)%
Effective tax rate	(14.5)%	54.1%	15.5%

Deferred tax assets - China

According to Chinese tax regulations, net operating losses can be carried forward to offset operating income for the next five years. Significant components of deferred tax assets were as follows:

	June 30, 2019	June 30, 2018
Net operating losses	$ 2,062,386	$ 1,685,498
Deferred revenues	56,906	75,909
Impairment loss	-	19,391
Total deferred tax assets	$ 2,119,292	$ 1,780,798
Valuation allowance	(1,772,097)	(997,887)
Deferred tax assets, net	$ 347,195	$ 782,911

The following table summarizes the changes in deferred tax assets:

	June 30, 2019	June 30, 2018
Deferred tax assets – beginning balance	$ 1,780,798	$ 1,543,718
NOL recognized	424,725	103,056
Temporary differences addition	-	100,117
Exchange rate difference	(86,231)	33,907
Total deferred tax assets	$ 2,119,292	$ 1,780,798
Valuation allowance	(1,772,097)	(997,887)
Deferred tax assets, net	$ 347,195	$ 782,911

The Company evaluated the recoverable amounts of deferred tax assets, and provided a valuation allowance to the extent that future taxable profits will be available against which the net operating loss and temporary difference can be utilized. The Company considers both positive and negative factors when assessing the future realization of the deferred tax assets and applied weigh to the relative impact of the evidences to the extent it could be objectively verified.

The Company's NOL resides with different tax reporting entities. Management has provided a 100% allowance for those NOL's incurred by all its PRC VIE and subsidiaries except for Puhui Beijing because those entities either had historical losses or were in set up stage and thus are not probable to generate adequate taxable income in the next five years. Puhui Beijing incurred a NOL of $8.6 million resulting in $2.2 million of deferred tax assets as of June 30, 2015. It started to make profits and utilize the NOL carryforwards in the fiscal years from 2016 to 2019. Management has provided partial allowances for Puhui Beijing's NOL to the extent that the NOL will be utilized to offset future taxable income. As of June 30, 2019, and after the valuation allowance, Puhui Beijing has a net operating loss carryforward for income tax purposes of $1.2 million which are available to offset future taxable income through 2020, resulting in approximately $0.3 million of deferred tax assets.

Puhui Beijing's tax year is based on a calendar year from January 1 to December 31. It has generated pre-tax income (net of permanent differences) since both fiscal year and tax year of 2016. Puhui Beijing also generated pre-tax income for tax year of 2017 from January 1, 2017 to December 31, 2017 and utilized a portion of the NOL carryforwards. Puhui Beijing generated taxable income to realize a portion of its NOL for tax year 2018 (which is based on calendar year) with the remaining NOL to be realized in 2019-2020. As such, management believes its current level of valuation allowance is sufficient for the Company's deferred tax assets.

As such, the Company believes Puhui Beijing's continuing utilization of its NOL and our internal forecast of future taxable income based on existing products outweighs the negative evidences of a decrease in revenue and net income for the year ended June 30, 2019. The Company subsequently re-evaluated the valuation allowance for deferred tax assets by its PRC entity annually, and made any additions or reversals based on the results of its re-evaluation.

The following table summarizes the changes in valuation allowance for deferred tax assets:

	June 30, 2019	June 30, 2018
Beginning balance	$ 997,887	$ 923,453
Additions	805,027	358,140
Reversals	-	(305,582)
Exchange difference	(30,817)	21,876
Ending balance	1,772,097	997,887

Taxes payable consisted of the following:

	June 30, 2019	June 30, 2018
VAT taxes payable	$ -	$ 62,366
Income taxes payable	-	266,417
Other taxes payable	10,512	27,657
Totals	$ 10,512	$ 356,440

Note 14 – Concentration of risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. As of June 30, 2019 and 2018, $267,636 and $4,809,040 were deposited in banks located in the PRC, respectively. The Hong Kong Deposit Protection Board pays compensation up to a limit of HKD $500,000 (approximately $73,000) if the bank with which an individual/a company hold its eligible deposit fails. As of June 30, 2019 and 2018, $1,736,989 and $0 were deposited in banks located in Hong Kong, respectively.

Customer concentration risk

For the year ended June 30, 2019, three customers accounted for 33.7%, 14.3%, and 13.6% of the Company's revenues. For the year ended June 30, 2018, four customers accounted for 17.2%, 15.7%, 13.7% and 13.0% of the Company's revenues. For the year ended June 30, 2017, one customer accounted for 66% of the Company's revenues.

Note 15 – Segment reporting

ASC 280, "Segment Reporting", establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details on the Company's business segments.

The Company uses the management approach to determine reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker ("CODM") for making decisions, allocating resources and assessing performance. The Company's CODM has been identified as the CEO, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Company.

Based on the management's assessment, the Company determined that it has only one operating segment and therefore one reportable segment as defined by ASC 280, which is value-added wealth management services.

The following table presents revenue by major service categories (from third parties and related parties) for years ended June 30, 2019, 2018 and 2017, respectively:

	June 30, 2019	June 30, 2018	June 30, 2017
Investment advisory	$ 3,138,423	$ 4,020,791	$ 6,591,971
Fund management	63,508	139,070	92,674
Sales taxes	(21,297)	(20,680)	(35,109)
Total revenues	$ 3,180,634	$ 4,139,181	$ 6,649,536

All of the Company's revenue are derived from, and its assets are located in the PRC.

Note 16 – Related party transactions

Accounts receivable – related party consisted of the following:

	Relationship	June 30, 2019	June 30, 2018
Beijing Dongfang Puzhong Consulting Center (Limited Partnership)	Shareholder of Puhui Beijing	$ 358,561	$ 372,216
Beijing Dongfang Henghui Consulting Center (Limited Partnership)	Shareholder of Puhui Beijing	654,574	679,502
Total		$ 1,013,135	$ 1,051,718

Loans receivable – related party consisted of the following:

	Relationship	June 30, 2019	June 30, 2018
Beijing Sipaike Customer Management Consulting Co., Ltd.	Under common control of shareholder of Puhui Beijing	1,647,858	-
Total		$ 1,647,858	$ -

As of June 30, 2019, the Company advanced RMB 11.0 million or approximately $1.6 million to Beijing Sipaike Customer Management Consulting Co., Ltd. The loans are due on demand and bear an interest rate is 0.5% per month. The Company received full amount with interest in October 2019.

Other payables – related party consisted of the following:

	Relationship	June 30, 2019	June 30, 2018
Ru Peng Limited	Shareholder of Puhui Cayman	$ -	$ 196,300
Total		$ -	$ 196,300

Revenues – related party consisted of the following:

	Relationship	For the years ended June 30, 2019	2018	2017
Peng Ji	limited partner of Beijing Puhui Rushun Management Consulting Center Limited Partnership	$ 113,459	$ -	$ -
Finup Co., Ltd.	Former shareholder	-	-	4,414,124
Shanghai Fengsui Investment Management Co., Ltd.	Former shareholder	-	-	332,886
Huzhou Meiyu Investment and Management Limited Partnership	Under common control of Shanghai Fengsui	-	-	427,454
Beijing Dongfang Henghui Consulting Center (Limited Partnership)	Shareholder of Puhui Beijing	-	652,578	-
Beijing Dongfang Puzhong Consulting Center (Limited Partnership)	Shareholder of Puhui Beijing	-	357,468	-
Beijing Synergetic SIFT Asset Management Co. Ltd.	Minority shareholder of Puhui Beijing	-	171,555	-
Xinyu Jiji Investment Center (Limited Partnership)	Company's investee under equity method	15,663	169,914	-
Total		$ 129,122	$ 1,351,515	$ 5,174,464

Note 17 – Equity

Capital contribution

For the year ended June 30, 2017, Puhui Beijing received $434,631 of capital contributions from its controlling interest shareholders. For the year ended June 30, 2018, the Company received $3,957,752 and $2,511,927 of capital contributions from its controlling and non-controlling interest shareholders, respectively.

Ordinary shares issuances

On November 30, 2017, 10,000,000 ordinary shares of the Company were issued to the Participating Shareholders in connection with the restructuring of the Company. The financial statements are prepared on the basis as if the reorganization became effective as of the beginning of the first period presented in the accompanying consolidated financial statements.

On May 18, 2018, the Company's Board of Directors approved a 10-for-1 forward stock split. Upon completion of the split, 1,000,000 authorized but unissued ordinary shares are re-designated as preferred shares with par value of $0.001. All shares and per share amounts in the consolidated financial statements have been retroactively restated to reflect the stock split and re-designation of shares.

On December 27, 2018, the Company successfully closed its initial public offering ("IPO") and sold an aggregate of 1,507,558 ordinary shares at a price to the public of $6.0 per share for total gross proceeds of $9.05 million before expenses and underwriting commissions, netting approximately $8.03 million.

Restricted net assets

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiary. Relevant PRC statutory laws and regulations permit payments of dividends by Puhui WFOE, Puhui Beijing and its fully owned subsidiaries only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the accompanying consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of Puhui WFOE, Puhui Beijing and its wholly owned subsidiaries.

Puhui WFOE, Puhui Beijing and its wholly owned subsidiaries are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, Puhui WFOE, Puhui Beijing and its wholly owned subsidiaries may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff bonus and welfare fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by State Administration of Foreign Exchange.

As of June 30, 2019 and 2018, no statutory reserve has been attributed by Puhui WFOE, Puhui Beijing and its wholly owned subsidiaries.

As a result of the foregoing restrictions, Puhui WFOE, Puhui Beijing and its wholly owned subsidiaries are restricted in their ability to transfer their net assets to the Company. Foreign exchange and other regulation in the PRC may further restrict Puhui WFOE, Puhui Beijing and its wholly owned subsidiaries from transferring funds to the Company in the form of dividends, loans and advances. As of June 30, 2019 and 2018, amounts restricted are the net assets of Puhui WFOE, Puhui Beijing and its wholly owned subsidiaries, which amounted to $11,808,072 and $7,849,131, respectively.

Employee Stock Compensation

The Puhui Wealth Investment Management Co., Ltd. 2018 Equity Incentive Plan ("Incentive Plan") was approved by the board of directors on June 15, 2018 by unanimous written consent. The Incentive Plan, which will be administered by the Compensation Committee of our Board of Directors, allows for awards up to a maximum of 1,500,000 restricted ordinary shares. Under the Incentive Plan, the Compensation Committee may grant ordinary shares to directors, officers, managers, employees, consultants and advisors of our company or our affiliates; provided, that the Compensation Committee may not grant to any one person in any one calendar year awards for more than 150,000 ordinary share in the aggregate. No shares have been granted as of the date of this report.

Note 18 – Commitments and contingencies

Contingencies

From time to time, the Company may be subject to certain legal proceedings, claims and disputes that arise in the ordinary course of business. Although the outcomes of these legal proceedings cannot be predicted, the Company does not believe these actions, in the aggregate, will have a material adverse impact on its financial position, results of operations or liquidity. As of June 30, 2019, the Company was not aware of any litigations or lawsuits against them.

Commitments

On April 12, 2018, the Company entered into a Memorandum of Understanding with a Hong Kong based financial services company to acquire 100% of its equity. The total cost of the acquisition amounted to HKD 29,390,000 (approximately $3.7 million). The Company has prepaid approximately $2.4 million as of June 30, 2019 with $1.3 million to be paid upon closing. On September 24, 2019, the Hong Kong Securities and Futures Commission approved the acquisition and it is expected to be completed by third fiscal quarter 2020.

The Company has entered into various operating lease agreements for nine office units and two residential units. The expiration of the leases are between August 31, 2019 to August 31, 2022.

Total operating lease expense for the years ended June 30, 2019, 2018, and 2017 were approximately $964,000, $572,000, and $1,179,000, respectively. The Company's commitments for minimum lease payment under these operating leases with a term of one year or more are as follow:

Twelve months ending June 30,	**Minimum lease payment**
2020	$ 1,467,560
2021	949,929
2022	481,466
2023	77,588
Total minimum payments required	$ 2,976,543

Note 19 - Subsequent events

For purpose of preparing these consolidated financial statements, the Company considered events through October 30, 2019, which is the date the consolidated financial statements were available for issuance. Except for those disclosed above, there were no material subsequent events that required recognition or additional disclosure in these consolidated financial statement