

Puhui Wealth Investment Management Co., Ltd. Announces Financial Results for the Fiscal Year Ended June 30, 2021

BEIJING, Oct. 29, 2021 /PRNewswire/ -- **Puhui Wealth Investment Management Co., Ltd. (Nasdaq: PHCF)** ("Puhui" or the "Company"), a third-party wealth management service provider with a focus on wealth management services for high net worth ("HNW") individuals and corporate clients, today announced its financial results for the year ended June 30, 2021. The Company also filed these results on Form 20-F with the Securities and Exchange Commission, which can be viewed at www.sec.gov. All amounts in this press release are in USD unless otherwise noted.

Financial and Operating Highlights

- Revenues for the year ended June 30, 2021 were approximately \$2.0 million, compared to approximately \$2.2 million in the prior year.
- The Company had 138 clients for the year ended June 30, 2021.
- As of June 30, 2021, the Company's subsidiary served as manager or general partner of five funds with an aggregate of approximately \$16.7 million under management.
- As of June 30, 2021, the Company maintained 5 offices based in Beijing, Shanghai, Suzhou, Qingdao and Hong Kong, respectively.
- Puhui had approximately \$0.6 million of cash and approximately \$0.5 million of working capital deficit as of June 30, 2021, as compared to approximately \$0.7 million of cash and approximately \$2.3 million of working capital as of June 30, 2020.

Mr. Zhe Ji, the Chairman and CEO of the Company, stated, "While COVID-19 pandemic impacted our business during fiscal year 2021, our team has done an outstanding job providing high quality wealth management service to our high net worth individuals and corporate clients. With the rapid recovery of the COVID-19 pandemic and resumption of business activities in China, our business that has been adversely affected by the pandemic is on the right track to return to normal operations. However, we will continue to monitor the potential impact by any regional resurgence of the pandemic on our business activities. In the meantime, we aim to focus on expanding our wealth and asset management services globally. The acquisition of Granville Financial Services Company Limited ("Granville"), has enriched our existing investment portfolios and allows us to assist our clients with more diversified investment products from international market. Granville is a registered exchange participant of The Stock Exchange of Hong Kong Ltd and a licensed corporation of The Securities and Futures Commission with Type 1 (Dealing in Securities), Type 2 (Dealing in Futures), and Type 9 (Asset

Management), Granville's financial qualifications and licenses gives us confidence in our ability to achieve an accelerated business growth."

Mr. Ji continued, "In addition to our expansion strategy, we expect to manage our costs through implementing effective measures. The cost optimization will be an integral aspect of the Company's broad strategy to improve operating efficiency. We aim to continuing to provide high levels of services to our clients and invest in our business to capture the significant opportunities ahead of us. Looking forward, we will strive to increase our product offerings to our clients, create additional revenue sources, gain market share and provide higher returns to our shareholders."

Financial Review for the Fiscal Year Ended June 30, 2021

Wealth Management

- Since fiscal year ended June 30, 2017, Puhui's core business has been the marketing of financial products to HNW clients and small and medium enterprises in China. As a growing independent wealth management service provider, the Company maintains a sizable client base, consisting of 138 clients as of June 30, 2021 (54 of which have purchased products the Company markets more than once). This compares to 1,106 clients as of June 30, 2020, with 495 purchasing products more than once.

Asset Management

- Starting in June 2017, Puhui also launched its in-house asset management business. As of June 30, 2021, the Company's subsidiaries served as manager or general partner of five funds with an aggregate of approximately \$16.7 million under management, compared to approximately \$21.6 million under management as of June 30, 2020.

Revenues

- The Company categorizes revenues into third-party revenues and related-party revenues. Revenues mainly include one-time commissions, recurring services fees and recurring management fees. Related party revenues consist primarily of one-time commission fees charged for affiliates or recurring management fees received from fund/limited partnership where the Company's subsidiaries serve as manager or general partner.

- Total revenues were approximately \$2.0 million for the year ended June 30, 2021, compared to approximately \$2.2 million in the prior year, a decrease of approximately \$0.2 million. The overall decline was mainly due to the decrease in one-time commissions as a result of the decrease in the aggregate value of wealth management products distributed. Puhui's customers were negatively impacted by the COVID-19 pandemic, which reduced their budgets for investment in 2021.

Cost of Revenues

- Puhui's cost of revenues consists of compensation paid to financial product development team members along with benefits. The Company's cost of revenues were \$260,358 and \$202,637 for the years ended June 30, 2021 and 2020, respectively, an increase of \$57,721. The increase was mainly due to the increase in salary of product development team.

Operating Expense

- The Company's operating expenses decreased to approximately \$6.0 million from approximately \$6.7 million in the prior year, a decrease of approximately \$0.7 million, largely due to a decrease in selling expenses. The decrease in selling expenses was mainly due to the decrease in salaries and rent as the Company closed several of its sales offices in fiscal year 2021 which reduced headcount in selling department due to inability to carry out marketing functions during the pandemic.

Net Loss Attributable to Puhui Wealth

- Net loss attributable to Puhui Wealth for the year ended June 30, 2021 was approximately \$4.7 million, or \$(0.41) per basic and diluted share based on 11.5 million weighted average number of ordinary shares, as compared to net loss of approximately \$4.0 million, or \$(0.35) per basic and diluted share based on 11.5 million weighted average number of ordinary shares for the year ended June 30, 2020.

Liquidity and Capital Resources

- The Company historically financed its operations primarily through cash flows from operations, capital contributions from shareholders, long term debt, and initial public offering. Based on its current revenue and expense projection, the Company believes it will generate approximately

the same or similar amount of revenue in the coming year as compared to the current year as the Company and China are both recovering from the impact of the pandemic. If the Company's revenue does not achieve its expected level, management plans to implement cost saving measures to reduce operating cash outflow.

- As of June 30, 2021, the Company had cash of approximately \$0.6 million, as compared to approximately \$0.7 million as of June 30, 2020.
- As of June 30, 2021, the Company had approximately \$0.5 million in working capital deficit.

About Puhui Wealth Investment Management Co., Ltd.

Headquartered in Beijing, China and founded in 2013, Puhui is a third-party wealth management service provider focusing on marketing financial products (including private equity and other diversified products and services) to, and managing funds for, individuals and corporate clients in the PRC. On December 27, 2018, the Company's ordinary shares were listed and began trading listed on the Nasdaq Capital Market (ticker: PHCF).

Additional information about Puhui can be found at the Company's corporate website: www.puhuiwealth.com.

Additional Disclosure Concerning COVID-19

The impacts of COVID-19 on Puhui's business, financial condition, and results of operations include, but are not limited to, the following:

- The Company closed its offices and implemented work from-home policy beginning in February 2020, as required by relevant PRC regulatory authorities. The Company reopened its offices in June 2020 as COVID-19 got under control in China.
- The Company's customers have been negatively impacted by the outbreak, which reduced their budgets for investment in 2021. As a result, the Company's revenue and income has been negatively impacted in 2021 and the Company expects the result of operations for the fiscal year 2022 to improve but there is no guarantee that its total revenue or profitability will remain at a similar level compared to fiscal year 2021.

- The economy may worsen if the COVID-19 outbreak continues. The Company's product provider may be negatively impacted by the outbreak and resurgence, however the Company has not seen any significant disruption of its product supply to date.

Forward Looking Statement

This news release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "anticipate", "believe", "expect", "estimate", "plan", "outlook", and "project" and other similar expressions that indicate future events or trends or are not statements of historical matters. These statements are based on our management's current expectations and beliefs, as well as a number of assumptions concerning future events.

Such forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside of our control and all of which could cause actual results to differ materially from the results discussed in the forward-looking statements. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements can be found in our reports filed with the Securities and Exchange Commission, which are available, free of charge, on the SEC's website at www.sec.gov.

For more information, please contact Investor Relations:

Ascent Investor Relations LLC

Tina Xiao

Tel: +1 917-609-0333

Email: tina.xiao@ascent-ir.com

PUHUI WEALTH INVESTMENT MANAGEMENT CO., LTD AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2021	June 30, 2020
--------------------------	--------------------------

ASSETS

CURRENT ASSETS

Cash	\$ 581,289	\$ 744,436
Short-term investments	394,767	515,729
Accounts receivables	-	454,411
Accounts receivables - related parties	222,907	1,138,498
Other receivables	117,848	100,302
Other receivables - related parties	887,955	1,284,676
Prepaid expenses	1,047,712	1,122,164
Total current assets	<u>3,252,478</u>	<u>5,360,216</u>

PROPERTY AND EQUIPMENT, NET	<u>190,895</u>	<u>436,325</u>
-----------------------------	----------------	----------------

OTHER ASSETS

Long-term security deposits	234,819	422,783
Right-of-use assets, net	1,049,069	1,285,145
Long-term prepaid expenses	837,829	1,599,647
Deferred tax assets, net	179,310	159,720
Intangible asset, net	821,012	918,787
Goodwill	1,864,053	1,864,053
Total other assets	<u>4,986,092</u>	<u>6,250,135</u>

Total assets	<u>\$ 8,429,465</u>	<u>\$ 12,046,676</u>
--------------	---------------------	----------------------

LIABILITIES AND EQUITY**CURRENT LIABILITIES**

Acquisition payable	\$ 368,439	\$ 368,439
Deferred revenue	377,161	1,061,162
Other payables and accrued liabilities	1,133,895	630,457
Other payables - related party	-	6,334
Operating lease liabilities - current	508,501	841,041
Financing lease liabilities - current	52,492	44,791
Taxes payable	25,097	86,656
Current portion of long-term debt	1,255,687	25,835
Total current liabilities	<u>3,721,272</u>	<u>3,064,715</u>

NON-CURRENT LIABILITIES

Operating lease liabilities - noncurrent	516,262	486,970
Financing lease liabilities - noncurrent	22,933	68,826
Other payable - related parties	909,382	-
Long-term debt	-	1,145,825
Total non-current liabilities	<u>1,448,577</u>	<u>1,701,621</u>
Total liabilities	<u>5,169,849</u>	<u>4,766,336</u>

COMMITMENTS AND CONTINGENCIES**EQUITY**

Preferred shares, \$0.001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding as of June 30, 2021 and June 30, 2020	-	-
Ordinary shares, \$0.001 par value, 49,000,000 shares authorized, 11,507,558 shares issued and outstanding as of June 30, 2021 and June 30, 2020	11,508	11,508
Additional paid-in capital	21,911,045	21,911,045
Accumulated deficit	(18,321,053)	(13,267,289)
Accumulated other comprehensive loss	289,443	(83,012)
Total equity attributable to controlling shareholders	<u>3,890,943</u>	<u>8,572,252</u>

Noncontrolling interest	(631,327)	(1,291,912)
Total equity	3,259,616	7,280,340
Total liabilities and equity	\$ 8,429,465	\$ 12,046,676

PUHUI WEALTH INVESTMENT MANAGEMENT CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Years Ended		
	June 30,		
	2021	2020	2019
REVENUES			
Revenues	\$ 1,006,000	\$ 1,481,980	\$ 3,052,371
Revenues - related parties	1,025,016	697,500	128,263
Total revenues	2,031,016	2,179,480	3,180,634
OPERATING EXPENSES			
Cost of revenues	(260,358)	(202,637)	(316,718)
Selling expenses	(735,402)	(1,517,968)	(2,005,367)
General and administrative expenses	(4,962,114)	(4,977,537)	(3,427,040)
Total operating expenses	(5,957,874)	(6,698,142)	(5,749,125)
LOSS FROM OPERATIONS	(3,926,858)	(4,518,662)	(2,568,491)
OTHER INCOME (EXPENSES)			
Interest income	219	74,824	62,967
Other finance expenses	(181,276)	(191,238)	(206,081)
Loss from disposal of subsidiaries	(953,959)	-	(32,641)
Other income (expenses), net	(67,830)	126,858	33,449
Total other income (expenses), net	(1,202,846)	10,444	(142,306)
LOSS BEFORE INCOME TAXES	(5,129,704)	(4,508,218)	(2,710,797)
PROVISION FOR INCOME TAXES			
Current	-	-	11,803
Deferred	(11,065)	179,449	380,302
Total income tax provision	(11,065)	179,449	392,105
NET LOSS	(5,118,639)	(4,687,667)	(3,102,902)
Less: Net loss attributable to noncontrolling interest	(382,839)	(641,719)	(645,716)
NET LOSS ATTRIBUTABLE TO PUHUI WEALTH	\$ (4,735,800)	\$ (4,045,948)	\$ (2,457,186)
NET LOSS	\$ (5,118,639)	\$ (4,687,667)	\$ (3,102,902)
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustment	408,485	159,935	(271,194)
COMPREHENSIVE LOSS	\$ (4,710,154)	\$ (4,527,732)	\$ (3,374,096)
Less: Comprehensive loss attributable to noncontrolling interest	(346,809)	(650,730)	(672,272)

COMPREHENSIVE LOSS ATTRIBUTABLE TO PUHUI WELATH	<u>\$ (4,363,345)</u>	<u>\$ (3,877,002)</u>	<u>\$ (2,701,824)</u>
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES			
Basic and diluted	<u>11,507,558</u>	<u>11,507,558</u>	<u>10,793,017</u>
EARNINGS PER SHARE			
Basic and diluted	<u>\$ (0.41)</u>	<u>\$ (0.35)</u>	<u>\$ (0.23)</u>

PUHUI WEALTH INVESTMENT MANAGEMENT CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended		
	June 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (5,118,639)	\$ (4,687,667)	\$ (3,102,902)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	375,947	269,812	135,939
Amortization of operating lease right-of-use assets	690,749	795,912	-
Loss on disposal of property and equipment	-	-	78
Impairment loss on equity securities	-	-	5,628
Loss from disposal of subsidiaries	956,371	-	32,641
Gain from disposal of marketable securities	-	(5,271)	-
Loss from equity method investment	7,513	3,547	-
Deferred tax provision (benefits)	(11,065)	179,449	380,302
Change in operating assets and liabilities			
Accounts receivables	485,416	1,356,454	(242,674)
Accounts receivables - related parties	998,897	(155,986)	-
Other receivables	211,321	93,383	(402,174)
Prepaid expenses	102,575	60,961	(932,928)
Long-term prepaid expenses	771,510	644,554	(2,248,912)
Accounts payable	-	(1,413)	-
Deferred revenue	(765,922)	847,265	(298,954)
Other payables and accrued liabilities	453,020	41,609	156,724
Other payables - related parties	-	6,384	(190,666)
Operating lease liabilities	(760,233)	(752,682)	-
Taxes payable	(68,106)	165,353	(426,597)
Net cash used in operating activities	<u>(1,670,646)</u>	<u>(1,138,336)</u>	<u>(7,134,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of short-term investments	150,900	178,237	365,462
Purchases of short-term investments	-	(1,425)	(24,347)
Loans receivable to related party	-	-	(1,661,514)
Repayment from related parties	506,779	318,194	-
Acquisition prepayment	-	-	(2,042,460)
Purchases of property and equipment	-	(288,372)	(159,514)
Proceeds from sale of property and equipment	-	-	990
Cash acquired from Granville, net of purchase price paid	-	125,365	-
Purchase of intangible asset	-	-	(12,644)
Net cash provided by (used in) investing activities	<u>657,679</u>	<u>331,999</u>	<u>(3,534,027)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			

Proceeds from issuance of ordinary shares through IPO, net	-	-	8,032,912
Payments of financing lease liabilities	(47,847)	(24,984)	-
Principal payments of long-term debt	(27,598)	(309,450)	-
Proceeds from other payable related parties	884,290	-	-
Net cash provided by (used in) financing activities	<u>808,845</u>	<u>(334,434)</u>	<u>8,032,912</u>
EFFECT OF EXCHANGE RATE ON CASH	<u>40,975</u>	<u>(119,418)</u>	<u>(168,805)</u>
DECREASE IN CASH	(163,147)	(1,260,189)	(2,804,415)
CASH, beginning of year	<u>744,436</u>	<u>2,004,625</u>	<u>4,809,040</u>
CASH, end of year	<u>\$ 581,289</u>	<u>\$ 744,436</u>	<u>\$ 2,004,625</u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for income tax	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,508</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ 192,312</u>	<u>\$ 197,999</u>
NON-CASH TRANSACTIONS OF INVESTING AND FINANCING ACTIVITIES			
Prepaid IPO costs to be net against IPO proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 733,478</u>
Initial recognition of right-of-use assets and lease liabilities, net of disposal	<u>\$ 340,518</u>	<u>\$ 2,091,977</u>	<u>\$ -</u>
Acquisition of Granville offset with prepayment	<u>\$ -</u>	<u>\$ 2,447,259</u>	<u>\$ -</u>
Acquisition of Granville with payables	<u>\$ -</u>	<u>\$ 368,439</u>	<u>\$ -</u>
Purchase of fixed asset with financing lease	<u>\$ -</u>	<u>\$ 139,566</u>	<u>\$ -</u>