

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

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2023

OR

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

OR

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

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-37829

**NISUN INTERNATIONAL ENTERPRISE DEVELOPMENT GROUP CO., LTD**  
(Exact name of Registrant as specified in its charter)

**British Virgin Islands**  
(Jurisdiction of incorporation or organization)

**Floor 20-21, No. 55 Loushanguan Road, Changning District,  
Shanghai, Peoples Republic of China**  
(Address of principal executive offices)

**Changjuan Liang, Chief Financial Officer**  
**+86-577-8689-5678– telephone**  
**liangchangjuan@cnisun.com**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Symbol	Name of each exchange on which registered
Class A common shares, par value \$0.01 per share	NISN	Nasdaq Capital Market

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common shares as of the close of the period covered by the annual report: 4,017,596 Class A Common Shares and Nil Class B Common Shares.

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

☐ Yes ☒ No

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

☐ Yes ☒ No

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

Large accelerated filer ☐  
Non-accelerated filer ☒

Accelerated filer ☐  
Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act: ☐

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

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

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

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

U.S. GAAP ☒

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

Other ☐

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

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

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### Conventions Used in this Annual Report

Except where the context otherwise requires and for purposes of this annual report on Form 20-F only, “we,” “us,” “our company,” “Company,” “our” and “Nisun” refer to NISUN INTERNATIONAL ENTERPRISE DEVELOPMENT GROUP CO., LTD, a British Virgin Islands company limited by shares (“Nisun International”), and its subsidiaries, including its offshore subsidiaries and PRC subsidiaries, and in the context of describing our operations and consolidated financial information, also include our consolidated affiliated entities in China.

References to “offshore subsidiaries” are to:

- NiSun International Enterprise Management Group (British Virgin Islands) Co., Ltd. (“NiSun BVI”) (also referred to as 宁圣国际企业管理集团(维尔京群岛)有限公司), a limited company established under the laws of the British Virgin Islands and a wholly-owned subsidiary of Nisun International;
- NiSun International Enterprise Management Group (Hong Kong) Co., Limited (“NiSun HK”) (also referred to as 宁圣国际企业管理集团(香港)有限公司), a limited company established under the laws of Hong Kong and a wholly-owned subsidiary of NiSun BVI;
- Nami Holding (Cayman) Co., Ltd. (“Nami Cayman”), a Cayman Islands exempted company established under the laws of the Cayman Islands and a wholly-owned subsidiary of Nisun International; and
- Nami Holding (Hong Kong) Co., Limited (“Nami HK”), a Hong Kong company and a wholly-owned subsidiary of Nami Cayman.

References to “PRC subsidiaries” are to:

- NiSun (Shandong) Industrial Development Co., Ltd. (“NiSun Shandong”) (also referred to as 宁圣(山东)产业发展有限公司), a wholly foreign owned enterprise (“WFOE”) and wholly-owned subsidiary of Nisun HK;
- NiSun Ocean (Qingdao) Supply Chain Investment Co., Ltd. (“NiSun Ocean”) (also referred to as 宁圣海洋(青岛)供应链投资有限公司), a WFOE and wholly-owned subsidiary of NiSun HK;
- Zhumadian NiSun Supply Chain Management Co., Ltd (“ZMD NiSun”) (also referred to as 驻马店宁圣供应链管理有限公司), a WFOE and wholly-owned subsidiary of NiSun HK;
- NiSun (Beijing) Supply Chain Management Co., Ltd. (“NiSun Beijing”) (also referred to as 宁圣(北京)供应链管理有限公司), a WFOE and wholly-owned subsidiary of NiSun HK;
- NingChen (Shanghai) Enterprise Management Co., Ltd (“NingChen”) (also referred to as 宁臣(上海)企业管理有限公司), a wholly-owned subsidiary of NiSun Shandong;
- Fanningke Digital Technology (Shanghai) Co., Ltd. (“Fanningke”) (also referred to as 范宁克数字科技(上海)有限公司), a wholly-owned subsidiary of NingChen;
- Fintech (Henan) Trading Co., Ltd. (“Henan Trading”) (also referred to as 范太克(河南)贸易有限公司), a wholly-owned subsidiary of NingChen;
- Fanshengke Supply Chain (Shanghai) Co., Ltd. (“Fanshengke”) (also referred to as 范圣克供应链(上海)有限公司), a wholly-owned subsidiary of NingChen;
- Shanghai Keqiya International Trade Co., Ltd. (“Keqiya”) (also referred to as 上海克奇亚国际贸易有限公司), a wholly owned subsidiary of NingChen;
- Shanghai Naqing Enterprise Management Co., Ltd. (“Naqing”) (also referred to as 上海纳卿企业管理有限公司), a wholly-owned subsidiary of NiSun Shandong;
- Qingdao Sailang International Trade Co., Ltd (“Qingdao Sailang”) (also referred to as 青岛赛朗国际贸易有限公司), a wholly-owned subsidiary of NiSun Ocean;
- Rizhao Sailang Mining Co., Ltd (also referred to as 日照赛朗矿业有限公司), a wholly-owned subsidiary of Qingdao Sailang;
- Gansu Zhonghexi Trading Co., Ltd (also referred to as 甘肃众禾熙商贸有限公司), a 65% owned subsidiary of Qingdao Sailang; and
- Shandong Taiding International Investment Co., Ltd (“Taiding”) (also referred to as 山东泰鼎国际投资有限公司), a joint venture company established under the laws of PRC and 80% owned by NiSun BVI.

References to “consolidated affiliated entities” are to: variable interest entities (“VIEs”) and subsidiaries of VIEs.

References to VIEs are to:

- Fintech (Shanghai) Digital Technology Co., Ltd (“Fintech”) (also referred to as 范太克(上海)数字科技有限公司), a PRC company and a consolidated affiliate controlled by Ningchen through a series of VIE agreements;
- Beijing Hengtai Puhui Information services Co., Ltd (“Hengpu”) (also referred to as 北京恒泰普惠信息服务有限公司), a PRC company and a consolidated affiliate controlled by Ningchen through VIE agreements;
- Shanghai Luyao Financial Consulting Co., Ltd. (also referred to as 上海禄邀财务咨询有限公司), a PRC company and a consolidated affiliate controlled by Ningchen through VIE agreements;

References to VIE subsidiaries are to:

- Horgos Fintech Network Technology Co., Ltd (“Horgos”) (also referred to as 霍尔果斯泛太克网络科技有限公司), a wholly-owned subsidiary of Fintech;
- Fintech Supply Chain Management (Jiangsu) Co., Ltd. (“Fintech Jiangsu”) (also referred to as 范太克供应链管理(江苏)有限公司), a wholly-owned subsidiary of Fintech;
- Fintech Supply Chain Management (Shandong) Co. Ltd. (“Fintech Shandong”) (also referred to as 范太克供应链管理(山东)有限公司), a wholly-owned subsidiary of Fintech;
- Fanlunke Supply Chain Management (Shanghai) Co., Ltd. (“Fanlunke”) (also referred to as 范伦克供应链管理(上海)有限公司), a wholly-owned subsidiary of Fintech;
- Fintech Supply Chain Management (Ningbo) Co. Ltd. (“Fintech Ningbo”) (also referred to as 范太克供应链管理(宁波)有限公司), a wholly-owned subsidiary of Fintech;
- Fintech (Henan) Supply Chain Management Co. Ltd. (“Fintech Henan”) (also referred to as 范太克(河南)供应链管理有限公司), a wholly-owned subsidiary of Fintech;
- Fintech (Zibo) Supply Chain Management Co. Ltd. (“Fintech Zibo”) (also referred to as 范太克(淄博)供应链管理有限公司), a wholly-owned subsidiary of Fintech Henan;
- Jilin Province Lingang Supply Chain Management Co., Ltd. (“Jilin”) (also referred to as 吉林省临港供应链管理有限公司), a wholly-owned subsidiary of Fintech;

- Jilin Province Lingang Hengda Supply Chain Management Co. Ltd. (“Hengda”) (also referred to as 吉林省临港恒达供应链管理有限公司), a wholly-owned subsidiary of Jilin;
- Liaogang NiSun (Yingkou) Supply Chain Management Co. Ltd. (“Liaogang”) (also referred to as 辽港宁圣(营口)供应链管理有限公司), a 51% owned subsidiary of Fintech;
- Fintech Supply Chain Management (Anhui) Co., Ltd (also referred to as 范太克供应链管理(安徽)有限公司), a wholly-owned subsidiary of Fanlunke;
- Fintech Supply Chain Management (Shenzhen) Co., Ltd (also referred to as 范太克供应链管理(深圳)有限公司), a wholly-owned subsidiary of Fanlunke;
- Nanjing NiSun Gold Co., Ltd. (“NiSun Nanjing”) (also referred to as 南京宁圣黄金有限公司), a wholly-owned subsidiary of Fintech; and
- Hangzhou Fengtai Supply Chain Management Co., Ltd. (also referred to as 杭州丰钛供应链管理有限公司), a wholly-owned subsidiary of Hengpu.

This annual report contains translations of certain RMB amounts into U.S. dollar amounts at a specified rate solely for the convenience of the reader. The exchange rates in effect as of December 31, 2023 and 2022 were US\$1.00 for RMB 7.0999 and RMB 6.8972, respectively. The average exchange rates for the years ended December 31, 2023, 2022 and 2021 were US\$1.00 for RMB 7.0809, RMB 6.7290, and RMB 6.4508, respectively. We use period-end exchange rates for assets and liabilities and average exchange rates for revenue and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred. Any discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

For the sake of clarity, this annual report follows the English naming convention of first name followed by last name, regardless of whether an individual’s name is Chinese or English. For example, the name of the Chief Executive Officer will be presented as “Xin Liu,” even though, in Chinese, Mr. Liu’s name is presented as “Liu Xin.”

We obtained the industry and market data used in this annual report or any document incorporated by reference from industry publications, research, surveys and studies conducted by third parties and our own internal estimates based on our management’s knowledge and experience in the markets in which we operate. We did not, directly or indirectly, sponsor or participate in the publication of such materials, and these materials are not incorporated in this annual report other than to the extent specifically cited in this annual report. We have sought to provide current information in this annual report and believe that the statistics provided in this annual report remain up-to-date and reliable, and these materials are not incorporated in this annual report other than to the extent specifically cited in this annual report.

## **SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

Certain matters discussed in this report may constitute forward-looking statements for purposes of the Securities Act of 1933, as amended (the “Securities Act”), and the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. The words “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” and similar expressions are intended to identify such forward-looking statements. Our actual results may differ materially from the results anticipated in these forward-looking statements due to a variety of factors, including, without limitation, those discussed under “Item 3—Key Information—Risk Factors,” “Item 4—Information on the Company,” “Item 5—Operating and Financial Review and Prospects,” and elsewhere in this report, as well as factors which may be identified from time to time in our other filings with the Securities and Exchange Commission (the “SEC”) or in the documents where such forward-looking statements appear. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements.

The forward-looking statements contained in this report reflect our views and assumptions only as of the date this report is signed. Except as required by law, we assume no responsibility for updating any forward-looking statements.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable for annual reports on Form 20-F.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable for annual reports on Form 20-F.

### ITEM 3. KEY INFORMATION

#### Our Corporate Structure and Contractual Arrangements with our Consolidated Affiliated Entities

Nisun International Enterprise Development Group Co., Ltd, or Nisun International, is not a PRC operating company but a British Virgin Islands (“BVI”) holding company with operations primarily conducted through (i) its PRC subsidiaries, and (ii) contractual arrangements with its consolidated affiliated entities based in China. PRC laws and regulations restrict and impose conditions on foreign investment in internet based, value-added telecommunication services, mobile application services and certain other businesses. Accordingly, we operate these businesses in China mainly through our consolidated affiliated entities and rely on contractual arrangements among our PRC subsidiaries, our consolidated affiliated entities and their nominee shareholders to control the business operations of our consolidated affiliated entities. Our consolidated affiliated entities are consolidated for accounting purposes, but are not entities in which our BVI holding company, or our investors, own equity. Such structure and the contractual arrangements are designed to enable Nisun International to have power to direct significant activities of our consolidated affiliated entities and to receive economic benefits from these entities where PRC law prohibits, restricts or imposes conditions on direct foreign investment in such entities. Investors in our common shares thus are not acquiring or owning equity interests in our consolidated affiliated entities but instead are acquiring interests in a BVI holding company. Investors may never directly hold equity interests in these consolidated affiliated entities.

Our consolidated affiliated entities have been treated as Variable Interest Entities under the Financial Accounting Standards Board’s Accounting Standards Codification Topic 810 “Consolidation” and we are regarded as the primary beneficiary of our consolidated affiliated entities, or VIEs. Accordingly, we treat our VIEs as our consolidated entities under U.S. GAAP and we consolidate the financial results of our VIEs and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

Our subsidiaries, our VIEs and shareholders of VIEs have entered into a series of contractual agreements. These contractual arrangements enable us to:

- receive the economic benefits that could potentially be significant to our consolidated affiliated entities in consideration for the services provided by our subsidiaries;
- exercise effective control over our consolidated affiliated entities; and
- hold an exclusive option to purchase all or part of the equity interests in our VIEs when and to the extent permitted by PRC law.

The contractual arrangements among our subsidiaries, our VIEs and their shareholders generally include equity interest holder voting rights proxy agreements, exclusive equity purchase option agreements, trademarks, technologies, management and consulting services agreements, and equity interest pledge agreements. Terms contained in each set of contractual arrangements with our VIEs and their respective shareholders are substantially similar. As a result of the contractual arrangements, we have effective control over and are considered the primary beneficiary of these affiliated companies, and we have consolidated the financial results of these companies in our consolidated financial statements. For more details of these contractual arrangements, see “Item 4. Information on the Company—B. Business Overview—Contractual Arrangements with Our Consolidated Affiliated Entities and the Nominee Shareholders;” and “Item 4. Information on the Company—C. Organizational Structure.”



The contractual arrangements may not be as effective as direct ownership in providing us with control over our consolidated affiliated entities and we may incur substantial costs to enforce the terms of the arrangements. Uncertainties in the PRC legal system may limit our ability, as a BVI holding company, to enforce these contractual arrangements. There are very few precedents upon which we can rely to determine whether such contractual arrangements would provide our subsidiaries with effective control over the relevant consolidated affiliated entities, or how such contractual arrangements in the context of a consolidated affiliated entity structure should be interpreted or enforced by the PRC courts. Should legal actions become necessary, we cannot guarantee that the court will rule in favor of the enforceability of the consolidated affiliated entity contractual arrangements. In the event we are unable to enforce these contractual arrangements, or if we experience significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our consolidated affiliated entities, and our ability to conduct our business may be materially adversely affected. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We rely on contractual arrangements with our consolidated affiliated entities and their shareholders for our business operations, which may not be as effective as direct ownership in providing operational control” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—Shareholders of VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.”

Our corporate structure is subject to risks associated with our contractual arrangements with our VIEs. Investors may never directly hold equity interests in our VIEs. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company, our PRC subsidiaries, our VIEs, and investors of our Company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with our VIEs and, consequently, significantly affect the financial performance of our VIEs and our Company as a whole.

There are also substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules regarding the status of the rights of our BVI holding company with respect to its contractual arrangements with our VIEs and their respective shareholders. It is uncertain whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide. If we or any of our VIEs is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations,” and “—If the PRC government finds that the contractual arrangements that establish the structure for operating our business do not comply with PRC laws and regulations, we could be subject to severe consequences.”

We face various legal and operational risks and uncertainties associated with being based in or having our operations primarily in China and the complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offerings conducted overseas by and foreign investment in China-based issuers, the use of our VIEs, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy. These risks could result in a material adverse change in our operations and the value of our securities, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause the value of such securities to significantly decline. For a detailed description of risks related to doing business in China, “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China.”

PRC government’s significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline or be of little or no value. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PRC government’s significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our listed securities.”

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our common shares. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties in the PRC legal system and the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to us and our investors, materially and adversely affect our financial condition and results of operations, and cause our shares to significantly decline in value or become worthless.”

## Permissions Required from the PRC Authorities for the Operations and Securities Offerings of PRC Subsidiaries and Consolidated Affiliated Entities

We conduct our business primarily through our subsidiaries, our VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, all of our PRC subsidiaries and consolidated affiliated entities have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our holding company, our subsidiaries, VIEs and VIE subsidiaries in China, including, Business Licenses, the Internet Content Provision (ICP) Licenses and Electronic Data Interchange (EDI) Licenses. All of our PRC subsidiaries, VIEs and VIE subsidiaries are required to obtain, and have obtained, their respective Business Licenses. Fintech, Hengpu and Nami are required to make, and have made a record filing with the competent telecommunications authority as a non-operational Internet Content (ICP) Provider and therefore have received the ICP Licenses. Hengpu is required to make, and has made, an Electronic Data Interchange (EDI) record filing with the competent telecommunications authority and therefore has received the EDI License. However, given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by government authorities, we cannot assure you that we have obtained all the permits or licenses required by the PRC government authorities for conducting our business in China. We may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related or finance-related businesses and companies, and any lack of requisite approvals, licenses, permits or filings applicable to our business may have a material adverse effect on our business and results of operations.”

Furthermore, we are subject to PRC rules and regulations relating to overseas listing and securities offering, and a substantial extension of the PRC government’s oversight over our business operations or overseas listings may hinder our ability to offer or continue to offer our securities. Under current PRC laws, regulations and regulatory rules, we, our PRC subsidiaries and our consolidated affiliated entities may be required to obtain permissions from the China Securities Regulatory Commission, or the CSRC, and may be required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, in connection with any future offering and listing on overseas capital markets.

On June 10, 2021, the Standing Committee of the National People’s Congress of China promulgated the Data Security Law which took effect on September 1, 2021. The Data Security Law provides for data security and privacy obligations of entities and individuals carrying out data activities, prohibits entities and individuals in China from providing any foreign judicial or law enforcement authority with any data stored in China without approval from the competent PRC authority, and sets forth the legal liabilities of entities and individuals found to be in violation of their data protection obligations, including rectification orders, warnings, fines of up to RMB10 million, suspension of the relevant business, and revocation of business permits or licenses. The Data Security Law is relatively new, and therefore there are substantial uncertainties with respect to the interpretation and implementation of the law. We may need to adjust our operations to comply with data security requirements from time to time. If we were found to have violations, we may be ordered to rectify and terminate any actions that are deemed illegal by the government authorities and become subject to fines and other government sanctions, which may materially and adversely affect our business, financial condition, and results of operations.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severe and Lawful Crackdown on Illegal Securities Activities, which took effect on the same day. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. As of the date of this opinion, no official guidance and related implementation rules have been issued in relation to these recently issued opinions and the interpretation and implementation of these opinions remain unclear at this stage.

On July 10, 2021, the Cyberspace Administration of China issued the Measures for Cybersecurity Review which took effect on February 15, 2022. The Revised Cybersecurity Measures authorize the relevant government authorities to conduct cybersecurity review on a range of activities that affect or may affect national security, including listings in foreign countries by companies that possess personal data of more than one million users. The PRC National Security Law covers various types of national security, including technology security and information security. Given the nature of our business in China and the fact that we do not have personal information of more than one million users, we do not believe we are an “internet platform operator” that is required to file for a cybersecurity review pursuant to the Measures for Cybersecurity Review.

On August 20, 2021, the Standing Committee of the National People's Congress adopted the Personal Information Security Law, which took effect on November 1, 2021. The Personal Information Protection Law includes the basic rules for personal information processing, the rules for cross-border provision of personal information, the rights of individuals in personal information processing activities, the obligations of personal information processors, and the legal responsibilities for illegal collection, processing, and use of personal information. We have access to confidential or personal information in certain of the businesses and have privacy policies and other documentation regarding the protection of personal information; however, we may not be successful in achieving compliance if any employees or contractors fail to comply with these policies and procedures.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. On February 17, 2023, the CSRC held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that domestic companies that have already been listed overseas on or prior to the effective date of the Trial Measures (i.e. March 31, 2023) shall be deemed as existing issuers, or the Existing Issuers. Existing Issuers are not required to complete the filing procedures immediately, and they are required to file with the CSRC when subsequent matters such as refinancings are involved. However, since the Trial Measures was newly promulgated, the interpretation, application and enforcement of Trial Measures remain unclear, we cannot be certain whether we, our PRC subsidiaries and consolidated affiliated entities, could complete the filing procedure in relation to any further capital raising activities in a timely manner, or at all. Provided by the Trial Measures, an issuer conducting overseas listing and subsequently issuing securities in the same overseas market shall undergo the registration formalities with the CSRC within three working days following the conclusion of the issuance.

On January 5, 2023, National Development and Reform Commission (NDRC) promulgated Administrative Measures for Examination and Registration of Medium and Long-Term Foreign Debts of Enterprises, which came into effect on February 10, 2023. Provided by the measures, medium and long-term foreign debts of enterprises (hereinafter referred to as "foreign debts") means debt instruments with a maturity of more than one year that are borrowed from overseas by enterprises within the territory of the People's Republic of China and by overseas enterprises or branches controlled by them, denominated in local or foreign currency, and of which principal is repaid with payment of interest as agreed. Enterprises within the territory of the PRC and overseas enterprises or branches controlled by them, when borrowing medium and long-term foreign debts with a maturity of more than one year, must obtain the Certificate of Examination and Registration of Foreign Debts Borrowed by Enterprises and complete examination and registration formalities before the settlement of the offshore bond issuance. Moreover, within ten working days following the completion of the offshore bond settlement, an enterprise shall report the information concerning its foreign debt via the management and service network system for the examination and registration of foreign debts of enterprises to the NDRC.

On July 7, 2022, the CAC issued the Measures for Security Assessment of Cross-Border Data Transfer, which took effect on September 1, 2022. According to these measures, in addition to the requirement to conduct self-assessment on the risks of the outbound data transfer, to provide data abroad under any of the following circumstances, a data processor must apply to the national cyberspace department for data security assessment through the provincial-level cyberspace administration authority: (i) outbound transfer of important data by a data processor; (ii) outbound transfer of personal information by a critical information infrastructure operator or a personal information processor who has processed the personal information of more than one million people; (iii) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information of 100,000 people cumulatively or the sensitive personal information of 10,000 people cumulatively since January 1 of the previous year; and (iv) other circumstances where an application for the security assessment of an outbound data transfer is required as prescribed by the national cyberspace administration authority. The Measures for Security Assessment of Cross-border Data Transfer further stipulate the process and requirements for the security assessment. However, it remains uncertain how the PRC government authorities will regulate companies under such circumstances. This brings more uncertainties with respect to the application and enforcement of the newly published measures, and we may be subject to such outbound data security assessment with the CAC.

Based on PRC laws and regulations effective as of the date of this report and subject to different interpretations of these laws and regulations that may be adopted by PRC authorities, we believe that, as of the date of this report, we have not entered into a transaction or offering that would require us, our PRC subsidiaries and consolidated affiliated entities to obtain any permission from the CSRC, the CAC, or any other PRC authority. As a result, we have not submitted any application to the CSRC, the CAC or other PRC authorities for the approval of our securities offerings. As of the date of this report, we and our PRC subsidiaries have not received any inquiry, notice, warning or objection in relation to this offering or Nasdaq listing from the CSRC, the CAC or any other PRC authorities. If we fail to obtain the relevant approval or complete other review or filing procedures for any future offshore offering or listing, we may face sanctions by the CSRC or other PRC regulatory authorities, which may include fines and penalties on our operations in China, limitations on our operating privileges in China, restrictions on or prohibition of the payments or remittance of dividends by our PRC subsidiaries, restrictions on or delays to our future financing transactions, or other actions that could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our common shares. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PRC government may intervene or influence our operations at any time, or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations and/or cause the value of our securities to significantly decline or be worthless," and "Risk Factors—Risks Relating to Doing Business in China—Recent regulatory developments in China, including greater oversight and control by the CAC over privacy and data security, may subject us to additional regulatory review and any actions by the Chinese government to exert more oversight and control over foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless."

## **Holding Foreign Companies Accountable Act (HFCAA)**

Our common shares may be prohibited from trading on a national exchange or “over-the-counter” markets under the HFCAA if the PCAOB determines it is unable to inspect or investigate completely our auditors for two consecutive years.

Pursuant to the HFCAA, the PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. In addition, the PCAOB’s report identified the specific registered public accounting firms which are subject to these determinations. Our current auditor, Enrome LLP, is headquartered in the Republic of Singapore and can be inspected by the PCAOB on a regular basis. Our auditor was not among the PCAOB-registered public accounting firms headquartered in the PRC or Hong Kong that were subject to PCAOB’s determination. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Notwithstanding the foregoing, in the future, if it is determined that the PCAOB is unable to inspect or investigate our auditor completely, or if there is any regulatory change or step taken by PRC regulators that does not permit our auditor to provide audit documentations to the PCAOB for inspection or investigation, or the PCAOB expands the scope of the Determination so that we are subject to the HFCAA, as the same may be amended, you may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected or investigated by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in China that prevents the PCAOB from regularly evaluating our auditor’s audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate, which could result in limitation or restriction to our access to the U.S. capital markets and trading of our securities, including trading on the national exchange or “over-the-counter” markets, may be prohibited under the HFCAA. See “Risk Factors — Our shares may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect our auditors for two consecutive years” for more information.

## **Cash and Other Assets Transfers within our Organization and Dividend Distribution**

Cash may be transferred within our organization in the following manner: (i) we may transfer funds to our subsidiaries, including our PRC subsidiaries, by way of capital contributions or loans, through intermediate holding companies or otherwise; (ii) we and our subsidiaries may provide loans to our VIEs and vice versa; (iii) funds may be transferred between our VIEs and our subsidiaries, including our PRC subsidiaries, as service fees for services contemplated by the VIE agreements, as repayment of loan or pursuant to other commercial contracts; and (iv) our subsidiaries, including our PRC subsidiaries, may make dividends or other distributions to us through intermediate holding companies or otherwise.

Because we control our VIEs through contractual arrangements, neither us nor our subsidiaries are able to make direct capital contributions to our VIEs or their respective subsidiaries.

For the years ended December 31, 2021, 2022 and 2023, Nisun International, through its intermediate holding companies, provided capital contributions of \$15.1 million, \$32.0 million, and \$11.0 million, respectively, to its subsidiaries in China. For the years ended December 31, 2021, 2022 and 2023, our VIEs received debt financings of \$4.4 million, \$2.9 million and nil from our subsidiaries in China, respectively.

Our VIEs may transfer cash to the relevant WFOE by paying service fees according to the management and consulting service agreement. For the years ended December 31, 2021, 2022 and 2023, no service fee was paid to the relevant WFOEs under the management and consulting service agreement.

For the years ended December 31, 2021, 2022 and 2023, no dividends or distributions were made to Nisun International by our subsidiaries and our subsidiaries have paid all income taxes. Under PRC laws and regulations, our PRC subsidiaries and VIEs are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by SAFE. Any dividends paid outside of China are subject to a PRC 10% withholding tax. The amounts restricted include the paid-up capital and the statutory reserve funds of our PRC subsidiaries and VIEs, totaling \$64.6 million, \$82.5 million and \$78.4 million as of December 31, 2021, 2022 and 2023, respectively. Furthermore, cash transfers from our PRC subsidiaries to entities outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may temporarily delay the ability of our PRC subsidiaries and VIEs to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. For risks relating to the fund flows of our operations in China, see “Item 3. Key Information—Risk Factors—Risks Relating to Doing Business in China—Any limitation on the ability of our PRC subsidiaries to make payments to us, or the tax implications of making payments to us, could have a material adverse effect on our ability to conduct our business or our financial condition.”

In the years ended December 31, 2021, 2022 and 2023, no assets other than cash were transferred through our organization.

Nisun International has not declared or paid any cash dividends, nor does it have any present plan to pay any cash dividends on its common shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.” For the BVI, PRC and U.S. federal income tax considerations applicable to an investment in our Class A common shares, see “Item 10. Additional Information—E. Taxation.”

For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid within mainland China, assuming that: (i) our PRC subsidiaries have taxable earnings, and (ii) they determine to pay a dividend in the future:

Taxation Scenario Statutory Tax and Standard Rates <sup>(1)</sup>	
Hypothetical pre-tax earnings <sup>(2)</sup>	100%
Tax on earnings at statutory rate of 25% <sup>(3)</sup>	(25)%
Net earnings available for distribution	75%
Withholding tax at standard rate of 10% <sup>(4)</sup>	(7.5)%
Net distribution to Parent/Shareholders	67.5%

Notes:

- (1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in China. For income tax purposes, our PRC subsidiaries file income tax returns on a separate company basis.
- (2) Under the terms of VIE agreements, our PRC subsidiaries are entitled to charge our VIEs for services provided equal to the net income of the VIE, as determined under PRC accounting standards. These service fees shall be recognized as expenses of our VIEs, with a corresponding amount as service income by our PRC subsidiaries and eliminate in consolidation. For income tax purposes, our PRC subsidiaries and VIEs file income tax returns on a separate company basis. The service fees paid are recognized as a tax deduction by our VIEs and as income by our PRC subsidiaries and are tax neutral.
- (3) Certain of our subsidiaries and VIEs qualifies for a 15% preferential income tax rate in China. However, such rate is subject to qualification, is temporary in nature, and may not be available in a future period when distributions are paid. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.
- (4) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise, or FIE, to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the FIE’s immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

The table above has been prepared under the assumption that all profits of our VIEs will be distributed as fees to our PRC subsidiaries under tax neutral contractual arrangements. If, in the future, the accumulated earnings of our VIEs exceed the service fees paid to our PRC subsidiaries (or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by Chinese tax authorities), our VIEs could make a non-deductible transfer to our PRC subsidiaries for the amounts of the stranded cash in our VIEs. This would result in such transfer being non-deductible expenses for our VIEs but still taxable income for the PRC subsidiaries. Such a transfer and the related tax burdens would reduce our after-tax income to approximately 50.6% of the pre-tax income. Our management believes that there is only a remote possibility that this scenario would happen.

#### A. Selected Consolidated Financial Data

We do not own the VIEs that we consolidate in our financial statements. We consolidate the results of the VIEs and their subsidiaries under U.S. GAAP through our contractual arrangements with the VIEs and their nominee shareholders. The following tables present the condensed consolidating schedules of financial information for Nisun International, its wholly owned subsidiaries that are the primary beneficiary of our VIEs, our other subsidiaries, our VIEs and VIEs’ subsidiaries as of the dates presented.

# **SELECTED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS DATA**

The following table presents our condensed consolidating schedule of financial position for Nisun International, our wholly-owned subsidiaries that are the primary beneficiaries of the VIEs under U.S. GAAP (the “Primary Beneficiaries of VIEs”), our other subsidiaries that are not the Primary Beneficiaries of VIEs (the “Other Subsidiaries”), and VIEs and their subsidiaries that we consolidate as of the dates presented:

## **Selected Condensed Consolidated Balance Sheets Data**

<b>As of December 31, 2023</b>						
	<b>Nisun International</b>	<b>Other Subsidiaries</b>	<b>Primary Beneficiaries of VIEs (WFOEs)</b>	<b>VIEs and VIE subsidiaries (PRC)</b>	<b>Elimination adjustments</b>	<b>Consolidated Total</b>
Cash	\$ 7,676,349	\$ 49,810,862	\$ 10,222	\$ 57,154,507	\$ -	\$ 114,651,940
Other current assets	-	56,338,544	-	122,312,574	-	178,651,118
Intercompany receivables (1)	10,805,487	38,514,345	2,996,564	6,713,738	(59,030,134)	-
Total current assets	18,481,836	144,663,751	3,006,786	186,180,819	(59,030,134)	293,303,058
Investments in subsidiaries (2)	180,681,533	109,596,251	-	-	(290,277,785)	-
Benefits through VIEs and VIE subsidiaries (2)	-	-	103,593,154	-	(103,593,154)	-
Goodwill and intangible assets from business acquisition	-	12,274,675	6,005,035	-	-	18,279,710
Other non-current assets	-	44,682	-	4,271,384	-	4,316,066
Total non-current assets	180,681,533	121,915,609	109,598,189	4,271,384	(393,870,939)	22,595,776
Total Assets	\$ 199,163,369	\$ 266,579,360	\$ 112,604,975	\$ 190,452,203	\$ (452,901,073)	\$ 315,898,834
Intercompany payables (1)	\$ 364,498	\$ 16,415,772	\$ 3,008,722	\$ 39,241,142	\$ (59,030,134)	\$ -
Other liabilities and accrued liabilities	-	66,093,697	-	46,750,616	-	112,844,313
Total Liabilities	364,498	82,509,469	3,008,722	85,991,758	(59,030,134)	112,844,313
Total Shareholders' Equity (2)	198,798,871	180,681,533	109,596,251	103,593,154	(393,870,938)	198,798,871
Non-controlling interests	-	3,388,358	-	867,292	-	4,255,650
Total Liabilities and Equity	\$ 199,163,369	\$ 266,579,360	\$ 112,604,973	\$ 190,452,204	\$ (452,901,072)	\$ 315,898,834

<b>As of December 31, 2022</b>						
	<b>Nisun International</b>	<b>Other Subsidiaries</b>	<b>Primary Beneficiaries of VIEs (WFOEs)</b>	<b>VIEs and VIE subsidiaries (PRC)</b>	<b>Elimination adjustments</b>	<b>Consolidated Total</b>
Cash	\$ 23,091,162	\$ 21,832,883	\$ 548	\$ 22,393,980	\$ -	\$ 67,318,573
Other current assets	-	60,670,653	-	102,905,583	-	163,576,236
Intercompany receivables (1)	11,005,498	20,835,344	372,077	12,921,740	(45,134,659)	-
Total current assets	34,096,660	103,338,880	372,625	138,221,303	(45,134,659)	230,894,809
Investments in subsidiaries (2)	159,855,586	95,016,017	-	-	(254,871,603)	-
Benefits through VIEs and VIE subsidiaries (2)	-	-	82,338,592	-	(82,338,592)	-
Goodwill and intangible assets from business acquisition	-	12,635,412	12,677,752	-	-	25,313,164
Other non-current assets	-	14,981,577	-	12,230,231	-	27,211,808
Total non-current assets	159,855,586	122,633,006	95,016,344	12,230,231	(337,210,195)	52,524,972
Total Assets	\$ 193,952,246	\$ 225,971,886	\$ 95,388,969	\$ 150,451,534	\$ (382,344,854)	\$ 283,419,781
Intercompany payables (1)	\$ 291,476	\$ 20,726,946	\$ 372,952	\$ 23,743,286	\$ (45,134,660)	\$ -
Other liabilities and accrued liabilities	8,028,965	41,965,706	-	43,628,242	-	93,622,913
Total Liabilities	8,320,441	62,692,652	372,952	67,371,528	(45,134,660)	93,622,913
Total Shareholders' Equity (2)	185,631,805	159,855,586	95,016,017	82,338,592	(337,210,195)	185,631,805
Non-controlling interests	-	3,423,648	-	741,415	-	4,165,063
Total Liabilities and Equity	\$ 193,952,246	\$ 225,971,886	\$ 95,388,969	\$ 150,451,535	\$ (382,344,855)	\$ 283,419,781

Selected Condensed Consolidated Statements of Operations Data

For the Year Ended December 31, 2023						
	Nisun International	Other Subsidiaries	Primary Beneficiaries of VIEs (WFOEs)	VIEs and subsidaries (PRC)	Eliminations adjustments	Consolidated Total
Third-party revenues	\$ -	\$ 94,894,185	\$ -	\$ 291,776,714	\$ -	\$ 386,670,899
Intra- group revenues (3)	-	-	-	344,699	(344,699)	-
Total revenue	-	94,894,185	-	292,121,413	(344,699)	386,670,899
Total costs and expenses	(474,664)	(95,746,975)	(5,475,552)	(266,514,469)	344,699	(367,866,961)
Income from subsidiaries and VIEs (2)	18,120,217	18,062,423	23,538,190	-	(59,720,830)	-
Income (loss) from non-operations	(67,815)	931,939	(214)	3,852,979	-	4,716,889
Income before income tax expenses	17,577,738	18,141,572	18,062,424	29,459,923	(59,720,830)	23,520,827
Less: income tax expense	-	(8,404)	-	5,825,551	-	5,817,147
Net income	17,577,738	18,149,976	18,062,424	23,634,372	(59,720,830)	17,703,680
net (income) attributable to non-controlling interests	-	(29,759)	-	(96,183)	-	(125,942)
Net income attributable to Nisun International's shareholders	<u>\$ 17,577,738</u>	<u>\$ 18,120,217</u>	<u>\$ 18,062,424</u>	<u>\$ 23,538,189</u>	<u>\$ (59,720,830)</u>	<u>\$ 17,577,738</u>

For the Year Ended December 31, 2022						
	Nisun International	Other Subsidiaries	Primary Beneficiaries of VIEs (WFOEs)	VIEs and subsidaries (PRC)	Eliminations adjustments	Consolidated Total
Third-party revenues	\$ -	\$ 26,473,317	\$ -	\$ 207,700,948	\$ -	\$ 234,174,265
Intra- group revenues (3)	2,939,975	12,680,218	-	11,325,733	(26,945,926)	-
Total revenue	2,939,975	39,153,535	-	219,026,681	(26,945,926)	234,174,265
Total costs and expenses	(1,421,470)	(41,183,306)	(457,720)	(200,465,482)	27,063,169	(216,464,809)
Income from subsidiaries and VIEs (2)	16,079,196	17,806,658	18,150,175	-	(52,036,029)	-
Income (loss) from non-operations	23,111	832,877	(228)	3,956,696	-	4,812,456
Income before income tax expenses	17,620,812	16,609,764	17,692,227	22,517,895	(51,918,786)	22,521,912
Less: income tax (benefit) expense	-	518,952	(114,430)	4,337,332	-	4,741,854
Net income	17,620,812	16,090,812	17,806,657	18,180,563	(51,918,786)	17,780,058
net (income) attributable to non-controlling interests	-	(128,859)	-	(30,387)	-	(159,246)
Net income attributable to Nisun International's shareholders	<u>\$ 17,620,812</u>	<u>\$ 15,961,953</u>	<u>\$ 17,806,657</u>	<u>\$ 18,150,176</u>	<u>\$ (51,918,786)</u>	<u>\$ 17,620,812</u>

	For the Year Ended December 31, 2021					
	Nisun International	Other Subsidiaries	Primary Beneficiaries of VIEs (WFOEs)	VIEs and VIE subsidiaries (PRC)	Eliminations adjustments	Consolidated Total
Third-party revenues	\$ -	\$ -	\$ -	\$ 160,199,711	\$ -	\$ 160,199,711
Intra-group revenues (3)	-	-	-	-	-	-
Total revenue	-	-	-	160,199,711	-	160,199,711
Total costs and expenses	(3,071,681)	(789,676)	(477,303)	(117,672,141)	-	(122,010,801)
Income from subsidiaries and VIEs (2)	33,452,042	33,268,971	33,627,137	-	(100,348,150)	-
Income (loss) from non-operations	-	1,047,137	(228)	1,540,204	-	2,587,113
Income before income tax (benefit) expenses	30,380,361	33,526,432	33,149,606	44,067,774	(100,348,150)	40,776,023
Less: income tax (benefit) expense	-	(66,503)	(119,365)	10,455,369	-	10,269,501
Net income	30,380,361	33,592,935	33,268,971	33,612,405	(100,348,150)	30,506,522
Less: net income (loss) attributable to non-controlling interests	-	140,893	-	(14,732)	-	126,161
Net income attributable to Nisun International's shareholders	<u>\$ 30,380,361</u>	<u>\$ 33,452,042</u>	<u>\$ 33,268,971</u>	<u>\$ 33,627,137</u>	<u>\$(100,348,150)</u>	<u>\$ 30,380,361</u>

Notes:

- (1) Elimination of intercompany balances among Nisun International, the Primary Beneficiaries of VIEs, and VIEs and their subsidiaries that we consolidate.
- (2) Elimination of investments among Nisun International, the Primary Beneficiaries of VIEs, the Other Subsidiaries, and VIEs and their subsidiaries that we consolidate.
- (3) Elimination of the intercompany service charge at the consolidation level.

For the years ended December 31, 2023, 2022 and 2021, the Primary Beneficiaries of VIEs did not charge any service fee from the VIEs. Apart from what have been disclosed above, there was no intra-group revenues during the years ended December 31, 2023, 2022 and 2021, respectively.

#### B. Capitalization and Indebtedness

Not applicable for annual reports on Form 20-F.

#### C. Reasons for the Offer and Use of Proceeds

Not applicable for annual reports on Form 20-F.

#### D. Risk Factors



### **Summary Of Risk Factors**

Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. These risks are discussed more fully below and include, but are not limited to, risks related to:

#### ***Risks Relating to Our Business and Industry***

- We have a limited operating history in the rapidly evolving supply chain and financial services industries, and any unforeseeable changes and uncertainties could adversely affect our operating results and future prospects.
- If we are unable to innovate or respond effectively to the ever-changing financial technologies and industry practice, our business and results of operations would be materially adversely affected.
- We rely on our cooperation with our customers and industry partners, and if our technology solutions or services cannot meet the needs or expectations of customers and partners for any reason, we could lose our established market share.
- We are subject to evolving regulatory requirements, and if we fail to adapt to regulatory changes, our business and prospects may be materially and adversely affected.
- Failure to manage growth will cause disruption to our operations and impair our ability to generate revenue.
- We have modified our business models and had substantial strategic changes to our business operations, and may be subject to additional risks and uncertainties as a result.
- We cannot assure you that our growth strategies will be successful.
- Cyber-attacks or any failure to adequately maintain data security and prevent unauthorized access to confidential information could materially adversely affect our reputation, financial condition and operating results.

#### ***Risks Relating to Doing Business in China***

- Adverse changes in political climate and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China and materially and adversely affect our competitive position.
- Uncertainties in the PRC legal system and the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to us and our investors, materially and adversely affect our financial condition and results of operations, and cause our shares to significantly decline in value or become worthless.
- We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related or finance-related businesses and companies, and any lack of requisite approvals, licenses, permits or filings applicable to our business may have a material adverse effect on our business and results of operations.
- The PRC government may intervene or influence our operations at any time, or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations and/or cause the value of our securities to significantly decline or be worthless.
- Recent regulatory developments in China, including greater oversight and control by the CAC over privacy and data security, may subject us to additional regulatory review and any actions by the Chinese government to exert more oversight and control over foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.
- PRC regulations establish complex procedures for some acquisitions conducted by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.
- Trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act if the PCAOB determines that it cannot inspect or investigate completed our auditors for two consecutive years.

- We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us and any tax we are required to pay could have a material and adverse effect on our ability to conduct our business.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may limit our ability to inject capital into our PRC subsidiaries, limit our subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.
- There are uncertainties under the PRC laws relating to the procedures for U.S. regulators to investigate and collect evidence from companies located in the PRC.
- Chinese economic growth slowdown may have a negative effect on our business.
- You may have difficulty enforcing judgments against us.
- Failure to comply with laws and regulations applicable to our business in China could subject us to fines and penalties and could also cause us to lose customers or otherwise harm our business.
- Under the Enterprise Income Tax Law, we may be classified as a "Resident Enterprise" of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC stockholders.
- PRC regulation of loans and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of our securities offerings to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.
- Failure to comply with the Individual Foreign Exchange Rules relating to the overseas direct investment or the engagement in the issuance or trading of securities overseas by our PRC resident stockholders may subject such stockholders to fines or other liabilities.
- We may be exposed to liabilities under the Foreign Corrupt Practices Act, and any determination that we violated the foreign corrupt practices act could have a material adverse effect on our business.
- Governmental control of currency conversion may affect the value of your investment.
- Payment of dividends is subject to restrictions under Nevada and the PRC laws.

### ***Risks Relating to Our Corporate Structure***

- Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure and business operations.
- If the PRC government finds that the contractual arrangements that establish the structure for operating our business do not comply with PRC laws and regulations, we could be subject to severe consequences.
- We rely on our contractual arrangements with our consolidated affiliates and their shareholders for business operations, which may not be as effective as direct ownership in providing operational control.
- Shareholders of VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.
- Our VIE agreements may be subject to scrutiny by the PRC tax authorities which may determine that we or our consolidated affiliates owe additional taxes.

### ***Risks Related to Ownership of Our Common Shares***

- British Virgin Islands companies may not be able to initiate shareholder derivative actions, thereby depriving shareholders of the ability to protect their interests.
- The laws of the British Virgin Islands provide little protection for minority shareholders, and minority shareholders will have little or no recourse if the shareholders are dissatisfied with the conduct of our affairs.
- The market price of our Class A common shares may be volatile or may decline regardless of our operating performance, and shareholders may not be able to resell their shares.
- We do not intend to pay dividends for the foreseeable future.

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

***We have a limited operating history in the rapidly evolving supply chain and financial services industries, and any unforeseeable changes and uncertainties could adversely affect our operating results and growth prospects.***

Financial technologies have brought dynamic and rapidly changes to the financial services and supply chain industries in China. The regulatory framework for those industries is also evolving and may remain uncertain for the foreseeable future. We provide technology-driven customized financing solutions to small- and mid-sized enterprises (SMEs) (hereinafter referred to as “SME financing solutions”) and direct banking solutions to small- and mid-sized commercial banks (referred to as “direct banking solutions” or “other financing solutions”) in China. We commenced our financial service operations in 2019 after we acquired NiSun BVI and its subsidiaries and contractually controlled affiliates, Fintech (Shanghai) Digital Technology Co., Ltd. (“Fintech”) and Beijing Hengtai Puhui Information Services Co., Ltd (“Hengpu”). We expanded our financial service operations following the acquisition of Nami Holding (Cayman) Co., Ltd.

In January 2020, we commenced our supply chain solutions service operations. Supply chain industry is at a relatively early stage of its development in China, and there are few established players with well-recognized business models that we can follow or build upon. In addition, we face uncertainties related to increased competition and a changing regulatory environment in China’s supply chain finance industry. As the financial services market dynamics, regulatory environment and our business continue to evolve, we may need to introduce new services from time to time or modify the existing business models. Any significant change to our existing business models may not achieve expected results and may have a material impact on our financial condition and results of operations. It is therefore difficult to effectively assess the future prospects of our operations. Investors should consider our business and prospects based on such uncertainties that we encounter or may encounter in this fast-growing industry, including, but not limited to:

- our ability to adapt to the changing macroeconomic environment in China and around the world, which may be influenced by a number of factors, such as geopolitical factors, global financial market volatility and pandemics such as COVID-19;

- our ability to compete successfully with our industry peers, some of whom may have more resources in the business than we do;
- our response to changes in the regulatory environment;
- our solutions to meet the changing needs of our customers and partners, including those resulting from changes in the regulatory environment in which they operate;
- our ability to maintain and strengthen our relationships with key stakeholders in the supply chain finance industry, including, but not limited to, core enterprises and their suppliers, as well as financial institutions;
- our strategy to reach more core enterprises and financial institutions and increase the volume of transactions that process commodity flows through our technology solutions;
- our innovations and diversification of our solution products;
- improvement of our operational efficiency;
- measures to safeguard the security of our IT systems and confidentiality of the data we obtain and use through our solutions and systems;
- ability to attract, retain, and motivate talented employees;
- solutions to potential litigation such as regulatory, intellectual property infringement, data privacy, or other claims; and
- other potential risks and uncertainties inherently associated with our industry and our operations;

If we are unable to effectively address those identified and unknown risks and uncertainties, or fail to adapt to changes in the financial services industry, our business, financial condition and operating results could be materially adversely affected.

***If we are unable to innovate or respond effectively to ever-changing financial technologies and industry practice, our business and results of operations would be materially adversely affected.***

The supply chain and SME financing markets in which we compete are subject to rapid and significant changes. Operating in the financial service industry requires cutting-edge technology to digitize supply chain finance processes and optimize payment cycles. We offer a wide range of solutions built upon our cutting-edge technologies such as AI, blockchain, big data, and cloud technology to digitize and optimize payment cycles throughout the supply chain procurement process. Innovation is key to improving our finance solution products and developing new technologies to meet ever-changing customer needs. If we fail to innovate or invest in technology innovation, our competitive position could be compromised, which in turn could have a material and adverse impact on our business, financial condition, operating results and prospects.

Our success will depend in part on our ability to adapt and respond to the technology changes in a timely and effective manner. It requires us to continue to invest significant resources to enhance our technology infrastructure and research and development efforts. Changes and developments in the supply chain finance industry may also require us to reevaluate our existing business models or financial solutions from time to time and make significant adjustments to our long-term strategy and business plans. We cannot assure you that we will succeed in implementing those initiatives. If we are unable to respond to technological developments or industry practices in a cost-effective manner, our business, financial position, and operating performance may be materially adversely affected.

***We rely on our cooperation with our customers and industry partners, and if our technology solutions or services cannot meet the needs or expectations of customers and partners for any reason, we could lose our established market share.***

Our relationships with our customers and partners are critical to our success. We generate revenue primarily by providing financial services and technology solutions to our customers and partners for service fees. In our supply chain solutions business, much of our business depends on our relationships with core enterprises and financial institutions and their willingness to continue to work with us. Almost all of our customers apply a complex and rigorously screened bidding process in selecting their fintech solutions partners to address some of their most challenging yet frequently encountered problems. We have been successful in building trusted relationships with those core enterprises and financial institutions and believe we will continue to deliver satisfactory fintech solutions to those businesses. However, our service agreements are usually non-exclusive in nature, and they may choose to use their in-house research and development capabilities or choose our competitors to develop their supply chain fintech platforms and solutions. We cannot guarantee our customers and industry partners will renew contracts with us on a long term basis or at all, nor can we be certain that the customer will not engage other third-party technology solution providers for their technical solution needs.

Our ability to maintain and expand our customer base and build long-term relationships with our partners also depends on a number of other factors, such as:

- our technologies and solutions to keep up with rapid technological change and the ability to compete in the market;
- our adaptation to meet changing customer needs and expectations;
- satisfaction level of our customers and partners with the performance, customization and effectiveness of our solutions and customer service;
- our ability to accurately predict market trends and deliver attractive products and services at a prices sensitive to market demands;
- the success and development of our customers and partners; and
- overall economy conditions, market and regulatory developments.

Our business, financial condition, operating results and prospects may be materially adversely affected if our technology solutions or services cannot meet the needs or expectations of customers and partners, or our customers and partners opt for their in-house team or our competitors to provide them technology solutions.

***We are subject to evolving regulatory requirements, and if we fail to adapt to regulatory changes, our business and prospects may be materially and adversely affected.***

Many aspects of our business, including the provision of internet information, consulting services to customers and banks, online publication services relating to financial product information, and financing solutions services, among others, are subject to supervision and regulation by various governmental authorities in China. In addition, as we continue to expand the solutions on our platform, we may be subject to new and more complex regulatory requirements. We are also required to comply with applicable laws and regulations in relevant jurisdictions to protect the privacy and security of our customers' information. Legal and regulatory restrictions may delay, or possibly prevent, some of our solutions or services from being offered, which may have a material adverse effect on our business, financial condition and results of operations. Violation of laws and regulations may also result in severe penalties, confiscation of illegal income, revocation of licenses and, under certain circumstances, criminal prosecution.

The PRC regulatory framework governing financial services and related technology services is evolving. New laws or regulations may be promulgated, which could impose new requirements or prohibitions that render our operations or our technologies non-compliant. In addition, due to uncertainties and complexities of the regulatory environment, we cannot assure you that regulators will interpret laws and regulations the same way we do, or that we will always be in full compliance with applicable laws and regulations. To remedy any violations, we may be required to modify our business models, solutions and technologies in ways that render our solutions less appealing. We may also become subject to fines or other penalties, or, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate potentially non-compliant operations. If those situations were to happen, our business, financial condition and results of operations may be materially and adversely affected.

***Failure to manage our growth could cause disruption to our operations, impair our ability to generate revenue and strain our operational and other resources.***

Since 2019, our business has experienced significant growths through acquisitions and service solution diversification. Our growth strategy includes increasing market penetration of our existing products and services, enhancing our financial technologies, developing new products, and increasing the number of industries and customers we serve. Pursuing these strategies has resulted in, and will continue to result in substantial demands on our capital and operating resources. In particular, the management of our growth will require, among other things:

- successful integration of our existing operations and acquired businesses;
- continued technology innovations and R&D capability enhancement;
- stringent cost controls and adequate replenishable liquidity;
- strengthening of financial and risk controls;
- increased marketing, sales and support activities; and
- retaining, training and hiring qualified employees and professionals.

If we are not able to manage our growth successfully, our business, financial condition and operating results would be materially and adversely affected.

***We have modified our business models and had substantial strategic operational adjustments to our business as a result of changes in the regulatory mandates as well as our corporate reorganizations, and we may be subject to risks, uncertainties or potential liabilities associated with our legacy business, products or services.***

Given the complexities, uncertainties and changes in the laws, rules, regulations, policies and administrative measures governing our industries and business operations, we have modified our business models and practices in response to changes in regulatory requirements and our strategies. In addition, among historical financial service products some of our affiliated entities offered, they had ceased to facilitate certain financial intermediary services before being acquired by our Company as a result of the legal and policy changes in the PRC financial industry. In addition, in the normal course of business, legacy Xibolun Group that has been divested by us in 2020 may still be subject to challenges from PRC taxing authorities regarding the amounts of taxes due. Although Xibolun Group management believed it had paid all accrued taxes owed, PRC taxing authorities may take the position that Xibolun Group owed more taxes than it had paid and could hold us liable for any overdue taxes that may be levied despite that Xibolun Group is no longer a part of our consolidated group.

We are not aware any PRC authorities have imposed such liability or administrative penalties on us as of the date of this report. Nevertheless, we cannot assure you that we will not be subject to liabilities or regulatory penalties in connection with the historical products or services our affiliates previously offered. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of any violation of those policies and rules until notified by the relevant agencies, and we cannot assure you that our affiliates or disposed operations would not cause us to be subject to liabilities or administrative penalties even though the relevant products or operations had not been or no longer are associated with our Company. Any of such occurrence may materially and adversely affect our client relationship, reputation and business operations.

***We cannot assure you that our growth strategies will be successful or that we will not incur loss in the future.***

We implement diversified and complimentary business strategies in pursuing our growth. However, many obstacles to our growth exist, including, but not limited to, increased competition from similar businesses, our ability to improve our products and product mix to realize the benefits of our solution services, unexpected costs and costs associated with marketing efforts. We cannot assure you that we will be able to successfully overcome such obstacles, increase market share or succeed in achieving our goals. Our inability to implement this internal growth strategy successfully may have a negative impact on our growth, future financial condition, results of operations or cash flows.

In addition, we have incurred losses in the past. We cannot assure you that we will be able to generate profits in the future. We may experience losses due to our continued investments in technology, talent, content, brand recognition, customer base expansion and other initiatives. Our profitability also depends on our ability to manage our costs and expenses. We intend to manage and control our costs and expenses as a proportion of our total revenues, but there can be no assurance that we will achieve this goal. Our ability to achieve and sustain profitability is affected by various other factors, some of which are beyond our control, such as changes in macroeconomic and regulatory environment or competitive dynamics in the industry. Accordingly, shareholders should not rely on our financial results of any prior period as an indication of our future performance.

***From time to time we may evaluate and pursue strategic investments or acquisitions, which could require significant management attention, disrupt our existing operations and adversely affect our financial results.***

We may evaluate and consider strategic investments, combinations, acquisitions or alliances to expand our operations and further increase the value of our services to our customers. These transactions could be material to our financial condition and results of operations if consummated. If we are able to identify an appropriate business opportunity, we may not be able to successfully consummate the transaction or may be unable to obtain the benefits of such transaction.

Strategic investments or acquisitions will involve risks commonly encountered in business relationships, including:

- difficulties in integrating the operations, personnel, systems, data, technologies, rights, platforms, products and services of the acquired business;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits;
- difficulties in retaining, training, motivating and integrating key personnel;
- diversion of management's time and resources from our daily operations;
- difficulties in maintaining uniform standards, controls, procedures and policies within the combined organizations;
- difficulties in retaining relationships with customers, employees and suppliers of the acquired business;
- risks of entering markets in which we have limited or no prior experience;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights or increase our risk for liability;
- failure to successfully further develop the acquired technology;
- liability for activities of the acquired business before the acquisition, such as violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- potential disruptions to our ongoing businesses; and
- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions.

We have made certain investments and acquisitions during the past year, including, for example, working with local partners in Shandong to establish our Tai'an subsidiary as a key holding and operational platform and acquiring Nami Cayman and its subsidiaries and operating affiliates to support the growth of our SME financing solution services. However, our investments and acquisitions may not be successful, may not benefit our business strategy, may not generate sufficient revenues to offset the associated acquisition costs or may not otherwise result in the intended benefits. In addition, we cannot assure you that any future investment in or acquisition of new businesses or technology will prove to be profitable or bring value to our shareholders.

***If we cannot compete effectively, our results of operations could suffer.***

Competition in the SME financing industry has been intense, and increasingly more participants have also entered into the supply chain solutions market. Our competitors operate with different business models, have different cost structures or participate selectively in different markets. They may ultimately prove more successful or more adaptable to new regulatory, technological and other developments. Some of our current and potential competitors have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their financial service platforms and customers. Our competitors may also have longer operating histories, more extensive customer bases, greater brand recognition and brand loyalty and broader partner relationships than us. Additionally, a current or potential competitor may acquire one or more of its existing competitors or form a strategic alliance with one or more of its competitors. Our competitors may be better at developing new products or services, responding faster to new technologies, or undertaking more extensive and effective marketing campaigns. If we are unable to compete with such companies and meet the need for innovation in the financial services industry, the demand for our financial services could stagnate or substantially decline, our financial services business could experience reduced revenues or fail to achieve or maintain more widespread market acceptance, any of which could harm our business and results of operations.

***If SME financial products traded on provincial or regional financial assets exchanges become restricted or prohibited, or if such financial assets exchanges are prohibited from listing exchange administered products, our results of operations and financial condition would be materially and adversely affected.***

We provide small-and mid-size enterprises with financing solution services in connection with the listing of their securities on the provincial or regional financial assets exchanges in the PRC. The PRC government has not adopted a regulatory framework governing such local exchanges or the listing, trading and distribution of exchange administered products. The local financial assets exchanges are established upon approval of the local governments, and the exchange administered products listed and traded on these exchanges are filed with and approved by local financial asset exchanges under the supervision of the offices of finance at the municipal and provincial levels. As a result, the major product types selected for distribution on such exchanges are dependent upon the local regulatory environment and policies. If any significant product types are discouraged by the local government authorities, our product portfolio, distribution services and related revenues may be negatively impacted.



In addition, although the local financial exchanges are regulated by the local government subject to the two prohibitive provisions issued by the State Council, we cannot guarantee that they would not be covered by the tightened national financial supervision system. If they are subject to approval or guidance of any national regulatory bodies, such as the People's Bank of China ("PBOC"), China Banking and Insurance Regulatory and Administration Committee, or the CSRC, these financial exchanges may be prohibited from listing certain or all of the products currently traded on such exchanges, or be prohibited from engaging in such listing and trading services. Under that circumstance, we may have to change our business model and as a result, our operating results from SME financing solution services would be materially and adversely affected.

***We depend on our industry partners to derive a substantial portion of our revenues.***

We derive a substantial portion of our revenues from our cooperation with industry partners, including state-owned enterprises in our supply chain finance operations, financial institutions underwriting our customers' securities on the financial asset exchanges and commercial banks distributing various financial products. If we lose any of the product providers, sponsors or acquirers, or any of our partners significantly reduces its volume of business with us, our revenues and profitability would be substantially reduced if we are unable seek alternative partners on a timely basis, or at all. In addition, the product volume we source and distribute from specific product providers may vary from period to period, particularly because we are not the exclusive distributor for any particular product provider. Our dependence on our financial product providers, sponsors or acquirers may also adversely affect our ability to negotiate fee rates with our customers, which may in turn materially and adversely affect our results of operations.

***While we are not aware of any data breach in the past, cyber-attacks, computer viruses or any future failure to adequately maintain security and prevent unauthorized access to electronic and other confidential information could result in a data breach which could materially adversely affect our reputation, financial condition and operating results.***

The protection of our customers', business partners', our Company's and employees' data is critically important to us. Our customers, business partners, and employees expect we will adequately safeguard and protect their sensitive personal and business information. We have become increasingly dependent upon automated information technology processes. Improper activities by third parties, exploitation of encryption technology, data-hacking tools and discoveries and other events or developments may result in a future compromise or breach of our networks, payment terminals or other settlement systems. In particular, the techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognized until launched against a target; accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures. There can be no assurance that we will not suffer a criminal cyber-attack in the future, that unauthorized parties will not gain access to personal or business information or sensitive data, or that any such incident will be discovered in a timely manner.

We also face indirect technology, cybersecurity and operational risks relating to the third parties whom we work with to facilitate our business activities, including, among others, third-party online service providers who manage accounts for our customers and external cloud service provider. As a result of increasing consolidation and interdependence of technology systems, a technology failure, cyber-attack or other information or security breach that significantly compromises the systems of one entity could have a material impact on its counterparties. Any cyber-attack, computer viruses, physical or electronic break-ins or similar disruptions of such third-party service providers could adversely affect our operations and could result in misappropriation of funds of our customers.

Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with customers and cooperation partners could be severely damaged, we could incur significant liability and our business and operations could be adversely affected.

***Any negative publicity and allegations against us may adversely affect our brand and reputation, which may harm our ability to attract and retain customers and business partners and result in material adverse impact on our business, results of operations and prospects.***

Negative publicity and allegations about us, our products and services or our financial results, including by short sellers or investment research firms, regardless of their veracity, may adversely damage our brand, public image and reputation, harm our ability to attract and retain customers and result in material adverse impact on our share price, business, results of operations and prospects. For example, on June 3, 2020, a short seller issued a report alleging that, among other things, the private placement we consummated in December 2019, Hengpu acquisition and Nami acquisition were undisclosed related party transactions which we failed to disclose. The trading price of our shares declined and a shareholder class action lawsuit was filed against us and some of our directors and senior executive officers with the United States District Court for the Southern District of New York. While the findings and conclusions of the independent investigation conducted by the special counsel have refuted the relevant allegations set out in the short report, and the class action lawsuit has been dismissed in its entirety, nevertheless our share price fluctuated after such negative publicity.

***The loss of any of our key customers could reduce our revenues and our profitability.***

For the year ended December 31, 2023, four customers accounted for 28%, 19%, 15%, and 11% of the Group's total revenue from the financial services business and two customer accounted for 44% and 12% of the Group's total revenue from its supply chain trading business. For the year ended December 31, 2022, five customers accounted for 18%, 16%, 15%, 13% and 13% of our total revenue from the financial services business and one customer accounted for 33% of the total revenue from its supply chain trading business. As of December 31, 2023, three customers accounted for approximately 23%, 19% and 16% of our total accounts receivable balance. As of December 31, 2022, two customers accounted for approximately 20% and 11% of our total accounts receivable balance.

We have not entered into long-term contracts with any of these major customers and instead rely on individual orders from such customers. Therefore, there can be no assurance that we will maintain or improve the relationships with these customers, or that we will be able to continue to serve these customers at current levels or at all. As the majority of our revenues are driven by individual orders for services, our major customers often change each period based on when a given order is placed. Although long-term contracts do not exist in our industry and our customers often make orders repeatedly, if we cannot develop and maintain long-term relationships with major customers or replace major customers from period to period with equivalent customers, the loss of such sales could have an adverse effect on our business, financial condition and results of operations.

***Our supply chain solutions services are capital driven operations, and if we cannot maintain the level of capital and funding sources needed to support our solutions services to our customers, our business would be harmed.***

For our supply chain solutions services, we participate as an intermediary and a trading partner in the procurement and distribution transactions, automate the transaction payments and streamline the supply chain finance process. Such supply chain transactions are common for the commodity-based industry such as the agriculture, infrastructure and energy markets. As such, our supply chain solutions services may be considered capital intensive operations in the merchandise flows from the upstream procurement to the downstream distribution. Further, to remain competitive and enhance customer experience and the quality of our services, we need to make continued investment to develop new solution products and expand into new industries. Such endeavors carry risks, such as cost overruns, delays in delivery or lack of acceptance from our clients or partners. There can be no assurance that we will have sufficient funds available to maintain the levels of funding or future investment required to support our products or innovations, and any delay in the delivery of new services or the failure to accurately predict and address market demand could render our services less desirable to our customers and cooperation partners. While we have made continued efforts to diversify revenue and funding sources, we cannot assure you that such efforts would be successful or could remain or become increasingly diversified in the future. If we become dependent on a small number of customers or funding sources, and any such entities decide not to collaborate with us, change the commercial terms to the extent unacceptable to us or limit the funding available on our platform, such constraints may materially limit our ability to serve our customers. As a result, our business, financial condition, results of operations and cash flow may be materially and adversely affected.

***Our PRC subsidiaries' and consolidated affiliates' books and records are prepared in accordance with China GAAP, not U.S. GAAP.***

Substantially all of the business operations of the Company are located in Mainland China. Although Nisun International's reports are prepared in accordance with U.S. GAAP, our PRC subsidiaries' books and records are prepared in accordance with China GAAP. Despite our efforts to improve the Company's controls and procedures, our accounting personnel do not have sufficient knowledge, experience and training in maintaining our books and records in accordance with U.S. GAAP standards. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm the value of our shares.

***We are substantially dependent upon our senior management and key information technology and development personnel.***

We are highly dependent on our senior management to manage our business and operations and our key research and development personnel for the development of new products and the enhancement of our existing products and technologies. In particular, we rely substantially on members of our senior management, including Chief Executive Officer, Chief Financial Officer, and senior executives of Fintech, Hengpu and Nami to manage our operations.

While we provide the legally required personal insurance for the benefit of our employees, we do not maintain key man life insurance on any of our senior management or key personnel. The loss of any one of them would have a material adverse effect on our business and operations. Competition for senior management and our other key personnel is intense and the pool of suitable candidates is limited. We may be unable to locate a suitable replacement for any senior management or key personnel that we lose. In addition, if any member of our senior management or key personnel joins a competitor or forms a competing company, they may compete with us for customers, business partners and other key professionals and staff members of our Company. Although each of our senior management and key personnel has signed a confidentiality agreement in connection with their employment with us, we cannot assure you that we will be able to successfully enforce these provisions in the event of a dispute between us and any member of our senior management or key personnel.

We compete for qualified personnel with other technology companies and research institutions. Intense competition for these personnel could cause our compensation costs to increase, which could have a material adverse effect on our results of operations. Our future success and ability to grow our business will depend in part on the continued service of these individuals and our ability to identify, hire and retain additional qualified personnel. If we are unable to attract and retain qualified employees, we may be unable to meet our business and financial goals.

***We are heavily dependent upon the services of experienced personnel who possess skills that are valuable in our industry, and we may have to actively compete for their services.***

We are heavily dependent upon our ability to attract, retain and motivate skilled personnel to serve our customers. Many of our personnel possess skills that would be valuable to all companies engaged in our industry. Consequently, we expect that we will have to actively compete for these employees. Some of our competitors may be able to pay our employees more than we are able to pay to retain them. Our ability to profitably operate is substantially dependent upon our ability to locate, hire, train and retain our personnel. There can be no assurance that we will be able to retain our current personnel, or that we will be able to attract and assimilate other personnel in the future. If we are unable to effectively obtain and maintain skilled personnel, the development and quality of our services could be materially impaired. See "Our Employees."

***If we fail to protect our intellectual property rights, it could harm our business and competitive position.***

We rely on a combination of copyright, trademark and trade secret laws and non-disclosure agreements and other methods to protect our intellectual property rights. Our affiliated entities own a number of trademarks in China, all of which have been properly registered with regulatory agencies such as the State Intellectual Property Office and Trademark Office. This intellectual property has allowed our products to earn market share in the financial services and supply chain solutions industries.

We also rely on trade secret rights to protect our business through non-disclosure agreements with certain employees. If any of our employees breach their non-disclosure obligations, we may not have adequate remedies in China, and our trade secrets may become known to our competitors. In accordance with Chinese intellectual property laws and regulations, we will have to renew our trademarks once the terms expire.

Implementation of PRC intellectual property-related laws has historically been lacking, primarily because of ambiguities in the PRC laws and enforcement difficulties. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other western countries. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive, and we may need to resort to litigation to enforce or defend our intellectual property rights, or to determine the enforceability, scope and validity of our proprietary rights or those of others. Such litigation and an adverse determination in any such litigation, if any, could result in substantial costs and diversion of resources and management attention, which could harm our business and competitive position.

***We may be exposed to intellectual property infringement and other claims by third parties which, if successful, could disrupt our business and have a material adverse effect on our financial condition and results of operations.***

Our success depends, in large part, on our ability to use and develop our technology and know-how without infringing third party intellectual property rights. As litigation concerning intellectual property has become more common in China, we face a higher risk of being the subject of claims for intellectual property infringement, invalidity or indemnification relating to other parties' proprietary rights. Our current or potential competitors, many of which have substantial resources and have made substantial investments in competing technologies, may have or may obtain intellectual property rights that will prevent, limit or interfere with our ability to use or sell our products in either China or other countries, including the United States. In addition, the defense of intellectual property suits, including patent infringement suits, and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party could cause us to:

- pay damage awards;
- seek licenses from third parties;
- pay ongoing royalties;
- redesign our products; or
- be restricted by injunctions,

each of which could effectively prevent us from pursuing some or all of our business and result in our customers or potential customers deferring or limiting their purchase or use of our branded products, which could have a material adverse effect on our financial condition and results of operations.

***Our brands or reputation and the reputation of the financial service industry may materially and adversely be affected by factors outside of its control.***

Enhancing the recognition and reputation of the brands of our financial services is critical to its business and competitiveness. Factors that are important to this objective include but are not limited to its ability to:

- maintain the quality and reliability of our technology platform;
- provide financial institutions, corporate and individual customers and industry partners with a superior client service experience;
- maintain accurate financial product matching and asset management tools and decision-making models;
- effectively manage and resolve any customer questions or concerns; and
- effectively protect personal information and privacy of customers and industry partners.

Any negative publicity by the media or other parties about the foregoing or other aspects of our services, including but not limited to our management, business, compliance with laws, whether with merit or not, could severely hurt its reputation and harm its business and operating results.

Certain factors that may adversely affect our reputation are beyond our control. Negative publicity about our industry partners, service providers or other counterparties, such as negative publicity about their revenue generating practices and any failure by them to adequately protect the information of their investors, to comply with applicable laws and regulations or to otherwise meet required quality and service standards could harm the reputation of our financial services model working with those industry partners. Furthermore, any negative development in the financial services industry, such as bankruptcies or failures of other financial technology platforms, or negative perception of the industry as a whole, such as that arises from any failure of other financial advisory service providers or their technology platforms to detect or prevent money laundering or other illegal activities, even if factually incorrect or based on isolated incidents, could compromise our image, undermine the trust and credibility we have established and have a negative impact on our ability to attract new customers. Negative developments in the financial services industry, such as fraudulent behavior and/or the closure of other financial service platforms, may also lead to tightened regulatory scrutiny of the industry and limit the scope of permissible business activities that may be conducted by the industry participants. If any of the foregoing were to occur, our business and results of operations could be materially and adversely affected.

***Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China.***

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. We rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our digital technology systems and platform. We cannot assure you that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

***We face risks related to health pandemics or disease outbreaks.***

In general, our business could be adversely affected by the effects of pandemic, including but not limited to, the COVID-19, avian influenza, severe acute respiratory syndrome (SARS), the influenza A virus, Ebola virus, or other outbreaks. In response to an pandemic, government and other organizations may adopt regulations and policies that could lead to severe disruptions to our daily operations, including temporary closure of our offices and other facilities. These severe conditions may cause us and/or our suppliers and customers to make internal adjustments, including but not limited to, temporarily closing down our business, limiting business hours, and setting restrictions on travel and/or visits with clients and suppliers for a prolonged period of time. Various impacts arising from a severe condition may cause business disruption, resulting in a material, adverse impact to our financial condition and results of operations.

Substantially all of our revenues and our workforce are concentrated in the PRC. Consequently, our results of operations will likely be adversely, and may be materially, affected, to the extent that the COVID-19 or any other pandemic harms the Chinese and global economy in general. Any potential impact to our results will depend on, to a large extent, future developments and new information that may emerge regarding the duration and severity of the health pandemics and the actions taken by government authorities and other entities to contain the health pandemics or alleviate its impact, almost all of which are beyond our control. Potential impacts include, but are not limited to, the following:

- temporary closure of offices, travel restrictions or suspension of services of our customers and suppliers have negatively affected, and could continue to negatively affect, the demand for our services;

- our customers that are negatively impacted by the outbreak of health pandemics, may reduce their budgets on equipment and engineering projects or delay the progress of the related projects or have less demands on our financial service which may materially adversely impact our revenue;
- our customers may require additional time to pay us or fail to pay us at all, which could significantly increase the amount of accounts receivable and require us to record additional allowances for doubtful accounts, which may in turn adversely affect our financial condition and operating results; and
- any disruption of our supply chains, logistics providers or customers could adversely impact our business and results of operations, including causing our subcontractors to temporarily cease operation for a period of time, which may also lead to delayed project progress and business harm to us;

Because of the possible future uncertainty surrounding the COVID-19, the financial impact related to the pandemic of and response cannot be reasonably estimated at this time. There is no guarantee that our total revenues will grow or remain at the similar level year-over-year in the future. We may have to record downward adjustments, if conditions have not been significantly improved and global stock markets have not recovered from recent declines.

#### **Risks Related to Doing Business in China**

***Adverse changes in political climate and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China and materially and adversely affect our competitive position.***

Substantially all of our business operations are conducted in China. Our business, results of operations, financial condition and prospects are subject to economic, political and legal developments in China. Although the Chinese economy is no longer a planned economy, the PRC government continues to exercise significant control over China's economic growth through direct allocation of resources, monetary and tax policies, and a host of other government policies such as those that encourage or restrict investment in certain industries by foreign investors, control the exchange between RMB and foreign currencies, and regulate the growth of the general or specific market. This government involvements has been instrumental in China's significant growth in the past 30 years. In response to the global and Chinese economic downturns, the PRC government has adopted policy measures aimed at stimulating the economic growth in China. If the PRC government's current or future policies fail to help the Chinese economy achieve further growth or if any aspect of the PRC government's policies limits the growth of our industry or otherwise negatively affects our business, our growth rate or strategy and our results of operations could be adversely affected as a result.

***Uncertainties in the PRC legal system and the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to us and our investors, materially and adversely affect our financial condition and results of operations and cause our shares to significantly decline in value or become worthless.***

We conduct all of our business through our subsidiaries in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws and regulations applicable to wholly foreign-owned enterprises. The PRC legal system is based on statutes. Prior court decisions may be cited for reference but have limited precedential value.

PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China for the past decades. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all. As a result, we may not be aware of our potential violation of these policies and rules. In addition, any administrative and court proceedings in China may be protracted and result in substantial costs and diversion of resources and management attention.

PRC government has significant oversight over the conduct of our business and it has recently indicated an intent to exert more oversight over offerings that are conducted overseas and/or foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

***We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet- related or finance-related businesses and companies, and any lack of requisite approvals, licenses, permits or filings applicable to our business may have a material adverse effect on our business and results of operations.***

The PRC government extensively regulates the internet industry and finance-related industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry and finance-related industry. These internet-related or finance-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

For example, PRC regulations impose sanctions for engaging in disseminating analysis, forecasting, advisory or other information related to securities and securities markets without having obtained the securities investment consultancy qualifications in China. We do not intend to engage in such business in China. However, our users could post articles or share contents that contain analysis, forecasting or advisory content related to securities on our platform. If any of the information or content displayed on our platform is deemed as analysis, forecasting, advisory or other information related to securities or securities markets, or any of our business in the PRC is deemed to be a service providing such information, we may be subject to regulatory measures including warnings, public condemnation, suspension of relevant business and other measures in accordance with applicable laws and regulations. Any such penalties may disrupt our business operations or materially and adversely affect our business, financial condition and results of operations.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry and finance-related have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet and finance-related businesses in China, including our business. While we believe that we have obtained all the permits or licenses required to conduct our business operations in China, we cannot assure you that the relevant government authorities will determine we have obtained all required permits or licenses or completed all the record-filing procedures required for conducting our business, or that we will be able to maintain our existing licenses or obtain new permits if so required. If the PRC government considers that we were operating without the proper approvals, licenses, permits or filings or promulgates new laws and regulations that require additional approvals, licenses, permits or filings or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material adverse effect on our business and results of operations.

***The PRC government may intervene or influence our operations at any time, or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations and/or cause the value of our securities to significantly decline or be worthless.***

The Chinese government has significant oversight and discretion over the conduct of our business and may intervene or influence our operations as the government deems appropriate to further regulatory, political and societal goals. The Chinese government has recently published new policies that significantly affected certain industries such as the education and internet industries. Recent statements made by the Chinese government have indicated an intent to increase the government's oversight and control over offerings of companies with significant operations in mainland China that are to be conducted in foreign markets, as well as foreign investment in China-based issuers like us. Any future action by the Chinese government expanding the categories of industries and companies whose foreign securities offerings are subject to government review could significantly limit or completely hinder our ability to offer or continue to offer securities to investors or could disallow our current operating structure, which would likely result in a material change in our operations and/or a material change in the value of our securities, including causing the value of such securities to significantly decline or become worthless.

On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly issued a document to crack down on illegal activities in the securities market and promote the high-quality development of the capital market, which, among other things, requires the relevant governmental authorities to strengthen cross-border oversight of law enforcement and judicial cooperation, to enhance supervision over China-based companies listed overseas, and to establish and improve the system of extraterritorial application of the PRC securities laws. Since this document is still relatively new, uncertainties still exist in relation to how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on our future business combination with a company with major operation in China.

Further, Chinese government continues to exert more oversight and control over Chinese technology firms. On July 2, 2021, Chinese cybersecurity regulator announced, that it had begun an investigation of Didi Global Inc. (NYSE: DIDI) and two days later ordered that the company's application be removed from smartphone application stores. On July 5, 2021, the Chinese cybersecurity regulator launched the same investigation on two other Internet platforms, China's Full Truck Alliance of Full Truck Alliance Co. Ltd. (NYSE: YMM) and Boss of KANZHUN LIMITED (Nasdaq: BZ).

According to the Trial Measures released on February 17, 2023, which came into effect on March 31, 2023, (1) domestic companies that seek to offer or list securities in overseas markets, either in direct or indirect means, should fulfill the filing procedure with and report relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following criteria, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; (ii) the main parts of the issuer's operation activities are conducted in mainland China, or the principal operation premises are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have habitual residences located in mainland China; and (3) an overseas offering and listing of securities of a domestic company is prohibited under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company(ies) intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company(ies) intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the PRC domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. Furthermore, the Trial Measures also provide that (1) where a domestic company seeks to indirectly offer and list securities in overseas markets, the issuer shall designate a major domestic operating entity, which shall, as the domestic responsible entity, fulfill the filing procedures with the CSRC; (2) an initial public offering and listing shall be filed with the CSRC within three business days after the relevant application is submitted overseas; (3) subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed; (4) subsequent securities offerings and listings of an issuer in overseas markets other than where it has offered and listed shall be filed pursuant to provisions as stipulated for initial public offerings and listings.

On February 17, 2023, the CSRC held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that (1) domestic companies that have already been listed overseas on or prior to the effective date of the Trial Measures (i.e. March 31, 2023) shall be deemed as existing issuers, or the Existing Issuers, Existing Issuers are not required to complete the filing procedures immediately, and they are required to file with the CSRC when subsequent matters such as refinancing are involved; (2) domestic companies that have already obtained approval of CSRC for direct overseas offering and listing may complete the filing before the filing notice expires, otherwise it shall file with the CSRC in accordance with the Trial Measures; (3) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of registration in the market of the United States or the completion of hearing in the market of Hong Kong), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing or have to obtain regulatory approval again within such six-month transition period, they shall file with the CSRC according to the requirements; and (4) the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources.

In addition, pursuant to the Confidentiality and Archives Management Provisions, which was promulgated on February 24, 2023 and came into effect on March 31, 2023, PRC domestic enterprises seeking to offer securities and list in overseas markets, either directly or indirectly, shall establish and improve the system of confidentiality and archives work, and shall complete approval and filing procedures with competent authorities, if such PRC domestic enterprises or their overseas listing entities provide or publicly disclose documents or materials involving state secrets and work secrets of state organs to relevant securities companies, securities service institutions, overseas regulatory agencies and other entities and individuals. It further stipulates that providing or publicly disclosing documents and materials which may adversely affect national security or public interests, and accounting records or photocopies thereof to relevant securities companies, securities service institutions, overseas regulatory agencies and other entities and individuals shall be subject to corresponding procedures in accordance with relevant laws and regulations;



However, given that the Trial Measures and the Confidentiality and Archives Management Provisions were recently promulgated, there are substantial uncertainties as to the implementation and interpretation, and how they will affect our listing status and future capital raising activities. If we fail to complete the filing with or approval of the CSRC or other PRC government authorities in a timely manner or at all, for any future offering or any other activities which are subject to the filing or approval requirements under the aforesaid provisions, our ability to raise or utilize funds and our financial conditions, business operation, and business prospect may be adversely and materially affected.

***Recent regulatory developments in China, including greater oversight and control by the CAC over privacy and data security, may subject us to additional regulatory review and any actions by the Chinese government to exert more oversight and control over foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.***

Recent statements by the Chinese government have indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investments in China based issuers. The PRC government recently initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, among other things, including adopting new measures to extend the scope of cybersecurity reviews, cracking down on illegal activities in the securities market, and expanding the efforts in anti-monopoly enforcement. The PRC government is increasingly focused on data security, recently launching cybersecurity review against a number of mobile apps operated by several U.S.-listed Chinese companies and prohibiting these apps from registering new users during the review period. We are subject to various risks and costs related to the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. Such covered data is wide ranging and relates to our investors, employees, suppliers, customers and other third parties. The relevant PRC laws apply not only to third-party transactions, but also to transfers of information between Nisun International, offshore subsidiaries, our PRC subsidiaries, and other parties with which we have commercial relations.

The PRC regulatory and enforcement regime with regard to privacy and data security is evolving. The PRC Cyber Security Law, which was promulgated on November 7, 2016 and became effective on June 1, 2017, provides that personal information and important data collected and generated by operators of critical information infrastructure in the course of their operations in the PRC should be stored in the PRC, and the law imposes heightened regulation and additional security obligations on operators of critical information infrastructure. On September 12, 2022, the Cyber Administration of China issued the Cyber Security Law (Draft for Comments) to solicit public comments. The draft mainly adjusted the penalties stipulated in Cyber Security Law. As of now, Cyber Security Law has not been revised. The interpretation and application of these cybersecurity laws, regulations and standards are still uncertain and evolving. We cannot assure you that relevant governmental authorities will not interpret or implement these and other laws or regulations in ways that may negatively affect us.

On November 14, 2021, the CAC published a discussion draft of the Administrative Measures for Internet Data Security, or the Draft Measures for Internet Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. There have been no clarifications from the authorities as of the date of this annual report as to the standards for determining such activities that "affects or may affect national security." The CAC has solicited comments on this draft until December 13, 2021, but there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation. The Draft Measures for Internet Data Security, if enacted as proposed, may materially impact our capital raising activities. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if we need additional capital or financing.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other administrations jointly published the Measures for Cybersecurity Review, effective on February 15, 2022, which provides that certain operators of critical information infrastructure purchasing network products and services or network platform operators carrying out data processing activities, which affect or may affect national security, must apply with the Cybersecurity Review Office for a cybersecurity review. However, the scope of operators of “critical information infrastructure” under the current regulatory regime remains unclear and is subject to the decisions of competent PRC regulatory authorities. Based on our understanding of the Measures as of the date hereof, the exact scope of operators of “critical information infrastructure” under the Measures and current PRC regulatory guidance remains unclear, and is subject to the decisions of the relevant PRC government authorities that have been delegated the authority to identify operators of “critical information infrastructure” in their respective jurisdictions (including regions and industries). PRC government authorities have wide discretion in the interpretation and enforcement of these laws, including the identification of operators of “critical information infrastructure” and the interpretation and enforcement of requirements potentially applicable to such operators of “critical information infrastructure.” As we operate an internet platform, we are at risk of being deemed to be an operator of “critical information infrastructure” or a network platform operator meeting the above criteria under PRC cybersecurity laws. If we are identified as an operator of “critical information infrastructure,” we would be required to fulfill various obligations as required under PRC cybersecurity laws and other applicable laws for such operators of “critical information infrastructure,” including, among others, setting up a special security management organization, organizing regular cybersecurity education and training, formulating emergency plans for cyber security incidents and conducting regular emergency drills, and we may need to follow cybersecurity review procedure and apply with Cybersecurity Review Office before making certain purchases of network products and services. During cybersecurity review, we may be required to suspend the provision of any existing or new services to our users, and we may experience other disruptions of our operations, which could cause us to lose users and customers therefore resulting in adverse impacts on our business. The cybersecurity review could also lead to negative publicity and a diversion of time and attention of our management and our other resources. It could be costly and time-consuming for us to prepare application materials and make the applications. Furthermore, there can be no assurance that we will obtain the clearance or approval for these applications from the Cybersecurity Review Office and the relevant regulatory authorities in a timely manner, or at all. If we are found to be in violation of cybersecurity requirements in China, the relevant governmental authorities may, at their discretion, conduct investigations, levy fines, request app stores to take down our apps and cease to provide viewing and downloading services related to our apps, prohibit the registration of new users on our platform, or require us to change our business practices in a manner materially adverse to our business. Any of these actions may disrupt our operations and adversely affect our business, results of operations and financial condition.

On July 7, 2022, the CAC issued the Measures for Security Assessment of Cross-border Data Transfer, which took effect on September 1, 2022. According to these measures, in addition to the requirement to conduct self-assessment on the risks of the outbound data transfer, to provide data abroad under any of the following circumstances, a data processor must apply to the national cyberspace department for data security assessment through the provincial-level cyberspace administration authority: (i) outbound transfer of important data by a data processor; (ii) outbound transfer of personal information by a critical information infrastructure operator or a personal information processor who has processed the personal information of more than one million people; (iii) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information of 100,000 people cumulatively or the sensitive personal information of 10,000 people cumulatively since January 1 of the previous year; and (iv) other circumstances where an application for the security assessment of an outbound data transfer is required as prescribed by the national cyberspace administration authority. The Measures for Security Assessment of Cross-border Data Transfer further stipulate the process and requirements for the security assessment. However, it remains uncertain how the PRC government authorities will regulate companies under such circumstances. This brings more uncertainties with respect to the application and enforcement of the newly published measures, and we may be subject to such outbound data security assessment with the CAC.

***PRC regulations establish complex procedures for some acquisitions conducted by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.***

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, adopted by six PRC regulatory agencies in August 2006 and amended in June 2009, among other things, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. In addition, the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, or the Rules Concerning Security Review on M&A, issued by the Ministry of Commerce (“MOFCOM”) in August 2011, specify that mergers and acquisitions by foreign investors involved in “an industry related to national security” are subject to strict review by the MOFCOM, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement. We believe that our business is not in an industry related to national security, but we cannot preclude the possibility that the competent PRC government authorities may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which case our future acquisitions and investment in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Moreover, according to the Anti-Monopoly Law, the SAMR shall be notified in advance of any concentration of undertaking if certain filing thresholds are triggered. We may grow our business in part by directly acquiring complementary businesses in China. Complying with the requirements of the laws and regulations mentioned above and other PRC regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the SAMR, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

In December 2020, the NDRC and the MOFCOM promulgated the Measures for the Security Review of Foreign Investment, which came into effect on January 18, 2021. As these measures are recently promulgated, official guidance has not been issued by the relevant government authority. The interpretation of those measures remains unclear in many aspects such as what would constitute “important information technology and internet services and products” and whether these measures may apply to foreign investment that is implemented or completed before the enactment of these new measures. We cannot assure you that our current business operations will remain fully compliant, or we can adapt our business operations to new regulatory requirements on a timely basis, or at all.

***Trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act if the PCAOB determines that it cannot inspect or investigate completed our auditors for two consecutive years.***

In recent years, U.S. regulatory authorities have continued to express their concerns about challenges in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. As part of a continued regulatory focus in the United States on access to audit and other information, the Holding Foreign Companies Accountable Act, or the HFCAA, was enacted on December 18, 2020. The HFCAA includes requirements for the SEC to identify issuers whose audit work is performed by auditors that the PCAOB is unable to inspect or investigate completely because of a restriction imposed by a non-U.S. authority in the auditor’s local jurisdiction. The HFCAA and related legislation also require that, to the extent that the PCAOB has been unable to inspect an issuer’s auditor for two consecutive years, the SEC shall prohibit its securities registered in the United States from being traded on any national securities exchange or over-the-counter markets in the United States.

Pursuant to the HFCAA, the PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. In addition, the PCAOB’s report identified the specific registered public accounting firms which are subject to these determinations. Our auditor, Enrome LLP, is headquartered in The Republic of Singapore and subject to inspection by the PCAOB on a regular basis. Our auditor was not among the PCAOB-registered public accounting firms headquartered in the PRC or Hong Kong that were subject to PCAOB’s determination. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Notwithstanding the foregoing, if in the future it is determined that the PCAOB is unable to inspect or investigate our auditor completely, or if there is any regulatory change or step taken by PRC regulators that does not permit our auditor to provide audit documentations located in China or Hong Kong to the PCAOB for inspection or investigation, or the PCAOB expands the scope of the Determination so that we are subject to the HFCAA, as the same may be amended, you may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected or investigated by the PCAOB, or a lack of PCAOB inspections or investigations of audit work undertaken in China that prevents the PCAOB from regularly evaluating our auditors’ audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate.

***Chinese economic growth slowdown may have a negative effect on our business.***

Since 2014, Chinese economic growth has been slowing down from double-digit GDP speed. The annual rate of growth declined from 7.3% in 2014 to 6.9% in 2015, to 6.7% in 2016, to 6.9% in 2017, to 6.6% in 2018, and to 6.1% in 2019. Due to the impact of COVID-19, China’s economic growth rate in 2020 has slowed to 2.3%, its lowest level in years. The China’s economic growth rate were 8.1% in 2021, 2.8% in 2022 and 5.2% in 2023, which is fluctuating. While technology-based financial services companies have not been affected by the pandemic on the same level as companies in certain other industries, nevertheless a slow economic growth could adversely affected many of our customers and partners, which in turn may materially adversely affected our financial condition and results of operations.

***We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us and any tax we are required to pay could have a material and adverse effect on our ability to conduct our business.***

We are a BVI holding company and we may rely on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and for services of any debt we may incur. Our subsidiaries’ ability to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries and our consolidated affiliated entities is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each of such entities in China is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at the discretion of its board of directors. These reserves are not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

In response to the persistent capital outflow and RMB's depreciation against U.S. dollar in the fourth quarter of 2016, the PBOC and the State Administration of Foreign Exchange, or SAFE, have implemented a series of capital control measures, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. For instance, the PBOC issued the Circular on Further Clarification of Relevant Matters Relating to Offshore RMB Loans Provided by Domestic Enterprises, or the PBOC Circular 306, on November 26, 2016, which provides that offshore RMB loans provided by a domestic enterprise to offshore enterprises that it holds equity interests in shall not exceed 30% of the domestic enterprise's ownership interest in the offshore enterprise. The PBOC Circular 306 may constrain our PRC subsidiaries' ability to provide offshore loans to us. The PRC government may continue to strengthen its capital controls and our PRC subsidiaries' dividends and other distributions may be subjected to tighter scrutiny in the future. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Under the EIT Law and related regulations, dividends, interests, rent or royalties payable by a foreign-invested enterprise, such as our PRC subsidiaries, to any of its foreign non-resident enterprise investors, and proceeds from any such foreign enterprise investor's disposition of assets (after deducting the net value of such assets) are subject to a 10% withholding tax, unless the foreign enterprise investor's jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of withholding tax. Undistributed profits earned by foreign-invested enterprises prior to January 1, 2008 are exempted from any withholding tax. The BVI, where Nisun International, the parent company of our PRC subsidiaries, is incorporated, does not have such a tax treaty with China. Hong Kong has a tax arrangement with China that provides for a 5% withholding tax on dividends subject to certain conditions and requirements, such as the requirement that the Hong Kong resident enterprise own at least 25% of the PRC enterprise distributing the dividend at all times within the 12-month period immediately preceding the distribution of dividends and be a "beneficial owner" of the dividends. However, if NiSun HK is not considered being the beneficial owner of the dividends paid to it by our WFOE under the tax circulars promulgated in February and October 2009, such dividends would be subject to withholding tax at a rate of 10%. If our PRC subsidiaries declare and distribute profits to us, such payments will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company.

***Under the Enterprise Income Tax Law, we may be classified as a "Resident Enterprise" of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC stockholders.***

China passed the EIT Law and implementing rules, both of which newly amended on December 29, 2018. Under the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

On April 22, 2009, the State Administration of Taxation of China issued the Notice Concerning Relevant Issues Regarding Cognizance of Chinese Investment Controlled Enterprises Incorporated Offshore as Resident Enterprises pursuant to Criteria of de facto Management Bodies, or the Notice, further interpreting the application of the EIT Law and its implementation to offshore entities controlled by a Chinese enterprise or group. Pursuant to the Notice, an enterprise incorporated in an offshore jurisdiction and controlled by a Chinese enterprise or group will be classified as a “non-domestically incorporated resident enterprise” if (i) its senior management in charge of daily operations reside or perform their duties mainly in China; (ii) its financial or personnel decisions are made or approved by bodies or persons in China; (iii) its substantial assets and properties, accounting books, corporate stamps, board and stockholder minutes are kept in China; and (iv) at least half of its directors with voting rights or senior management are often resident in China. A resident enterprise would be subject to an enterprise income tax rate of 25% on its worldwide income and must pay a withholding tax at a rate of 10% when paying dividends to its non-PRC stockholders.

Nisun International does not have a PRC enterprise or enterprise group as its primary controlling shareholder and is therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of the Notice, so we believe the Notice is not applicable to us. However, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in the Notice to evaluate the tax residence status of Nisun International.

We do not believe that we meet some of the conditions outlined. As a holding company, the key assets and records of Nisun International including the resolutions and meeting minutes of our board of directors and the resolutions and meeting minutes of our shareholders, are located and maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that have been deemed a PRC “resident enterprise” by the PRC tax authorities. Accordingly, we believe that Nisun International should not be treated as a “resident enterprise” for PRC tax purposes if the criteria for “de facto management body” as set forth in the Notice were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body” as applicable to our offshore entities, we will continue to monitor our tax status.

If the PRC tax authorities determine that we are a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Currently, we do not have any non-China source income, so this would have minimal effect on us; however, if we develop non-China source income in the future, we could be adversely affected. Second, under the EIT Law and its implementing rules, dividends paid to us from our PRC subsidiaries would qualify as “tax-exempt income.” Finally, it is possible that future guidance issued with respect to the new “resident enterprise” classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC stockholders and with respect to gains derived by our non-PRC stockholders from transferring our shares.

If we were treated as a “resident enterprise” by the PRC tax authorities, we would be subject to taxation in both the U.S. and China, but our PRC source income will not be taxed in the U.S. again because the U.S.-China tax treaty will avoid double taxation between these two nations.

***PRC regulation of loans and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of our securities offerings to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

In utilizing proceeds of our securities offerings, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries.

Any loans to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our subsidiaries in China, which are FIEs, to finance their activities cannot exceed statutory limits and must be registered with the State Administration of Foreign Exchange, or SAFE. Currently, China is holding more open and tolerant attitude toward FIEs. More open rules and regulations are published in recent years to replace previous ones which are more restrictive. On March 30, 2015, SAFE promulgated Circular 19 which is about *Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises* and effective since June 1, 2015. Circular 19 has made some important changes in rules regarding the conversion of foreign exchanges to RMB, which are as follows in particular:

- (1) Instead of the payment-based exchange settlement system under previous Circular 142 and Circular 88, new rules of discretionary foreign exchange settlement have been established, which means the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks in accordance with Circular 13 as we mentioned in the comment below) has been handled can be settled at the banks based on the actual operational needs of the enterprises, and the proportion of foreign exchange which can be discretionally converted by each FIE is temporarily determined as 100% (SAFE may adjust such scale as necessary). So regulation wise FIEs no longer needs to report the use of its RMB before or after a conversion which are required by previous Circular 142 and Circular 88. However, actually SAFE and the banks are experiencing a transitional period in this regard, so for the time being, most banks still need the FIEs to report their proposed use of the RMB to be converted from foreign exchanges, as well as the actual use of the RMB obtained in the last conversion. Certainly, the transitional period will not be too long and therefore optimistically from the year of 2016, the report obligation will no longer be required.
- (2) Foreign currency-denominated capital no longer needs to be verified by an accounting firm before converting into RMB.
- (3) As stipulated in Circular 19, the use of capital by FIEs shall follow the principles of authenticity and self-use within the business scope of enterprises, shall not be used for the following purposes:
  - a) it shall not be directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations;
  - b) it shall not be directly or indirectly used for investment in securities unless otherwise provided by laws and regulations;
  - c) it shall not be directly or indirectly used for granting the entrust loans in RMB (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and
  - d) it shall not be used for paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

On May 10, 2013, SAFE released Circular 21, which came into effect on May 13, 2013; also, on February 13, 2015 SAFE published Circular 13 (*Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies*) to update some measures stipulated in Circular 21. According to Circular 21, SAFE has significantly simplified the foreign exchange administration procedures with respect to the registration, account openings and conversions, settlements of FDI-related foreign exchange, as well as fund remittances. Meanwhile, Circular 13 has further simplified foreign exchange administration procedures, most important among which is that SAFE delegated foreign exchange registration to the banks, meanwhile the related registration approval by SAFE has been annulled.

Even with more and more open policy toward FDI and FIEs, the Circulars mentioned above may still have some limit our ability to convert, transfer and use the net proceeds from our securities offerings and any offering of additional equity securities in China, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

We may also decide to finance our subsidiaries by means of capital contributions. These capital contributions must be approved by the MOFCOM, or its local counterpart. We may not be able to obtain these government approvals on a timely basis, if at all, with respect to future capital contributions by us to our PRC subsidiaries. If we fail to receive such approvals, we will not be able to use the proceeds of our offerings and capitalize our PRC operations, which could adversely affect our liquidity and our ability to fund and expand our business.

***PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may limit our ability to inject capital into our PRC subsidiaries, limit our subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.***

The Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or SAFE Circular No. 75, and a series of implementation rules and guidance issued by SAFE, including the circular relating to operating procedures that took effect in July 2011, required PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, or SPV, for the purposes of overseas equity financing activities, and to update such registration in the event of any significant changes with respect to that offshore company. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular No. 37, on July 4, 2014, which replaced the SAFE Circular No. 75. SAFE Circular No. 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No. 37 as a "special purpose vehicle." The term "control" under SAFE Circular No. 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular No. 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. On February 28, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under the SAFE Circular No. 37, with qualified banks, instead of SAFE. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

Our shareholders that are PRC entities are required to complete their overseas direct investment filings according to applicable laws and regulations regarding the overseas direct investment by PRC entities, including certificates, filings or registrations with the MOFCOM and the NDRC, or the local branch of the MOFCOM and NDRC based on the investment amount, invested industry or other factors thereof, and shall also update or apply for amendment in respect to the certificates, filings or registrations in the event of any significant changes with respect to the offshore investment.

We have notified our shareholders whom we know are PRC residents to register with the local SAFE branch and update their registrations as required under the SAFE regulations described above. We believe that such PRC resident shareholders either have registered and updated registration when required, or are in the process of the registration, with the relevant local SAFE branch. We, however, cannot provide any assurances that all of our shareholders who are PRC residents have filed or will file all applicable registrations or update previously filed registrations as required by these SAFE regulations. The failure or inability of our PRC resident shareholders to comply with the registration procedures or other applicable PRC regulations may subject the PRC resident shareholders to fines and legal sanctions, restrict our cross-border investment activities, or limit our PRC subsidiaries' ability to distribute dividends to or obtain foreign exchange-dominated loans from our company.

As it is uncertain how the SAFE regulations described above will be interpreted or implemented, we cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the SAFE regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

***Failure to comply with the Individual Foreign Exchange Rules relating to the overseas direct investment or the engagement in the issuance or trading of securities overseas by our PRC resident stockholders may subject such stockholders to fines or other liabilities.***

Other than Notice 37, our ability to conduct foreign exchange activities in the PRC may be subject to the interpretation and enforcement of the Implementation Rules of the Administrative Measures for Individual Foreign Exchange promulgated by SAFE in January 2007 (as amended and supplemented, the "Individual Foreign Exchange Rules"). Under the Individual Foreign Exchange Rules, any PRC individual seeking to make a direct investment overseas or engage in the issuance or trading of negotiable securities or derivatives overseas must make the appropriate registrations in accordance with SAFE provisions. PRC individuals who fail to make such registrations may be subject to warnings, fines or other liabilities.

We may not be fully informed of the identities of all our beneficial owners who are PRC residents. For example, because the investment in or trading of our shares will happen in an overseas public or secondary market where shares are often held with brokers in brokerage accounts, it is unlikely that we will know the identity of all of our beneficial owners who are PRC residents. Furthermore, we have no control over any of our future beneficial owners and we cannot assure you that such PRC residents will be able to complete the necessary approval and registration procedures required by the Individual Foreign Exchange Rules.

It is uncertain how the Individual Foreign Exchange Rules will be interpreted or enforced and whether such interpretation or enforcement will affect our ability to conduct foreign exchange transactions. Because of this uncertainty, we cannot be sure whether the failure by any of our PRC resident stockholders to make the required registration will subject our PRC subsidiaries to fines or legal sanctions on their operations, delay or restriction on repatriation of proceeds of our securities offerings into the PRC, restriction on remittance of dividends or other punitive actions that would have a material adverse effect on our business, results of operations and financial condition.

***Governmental control of currency conversion may affect the value of your investment.***

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current corporate structure, our income will currently only be derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our security-holders.

***Fluctuations in exchange rates could adversely affect our business and the value of our securities.***

Changes in the value of the RMB against the U.S. dollar, Euro and other foreign currencies are affected by, among other things, changes in China's political and economic conditions. Any significant revaluation of the RMB may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on our shares in U.S. dollar terms. For example, to the extent that we need to convert U.S. dollars we receive from our securities offerings into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of paying dividends on our common shares or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. In addition, fluctuations of the RMB against other currencies may increase or decrease the cost of imports and exports, and thus affect the price-competitiveness of our products against products of foreign manufacturers or products relying on foreign inputs.

Since July 2005, the RMB is no longer pegged to the U.S. dollar. Although the PBOC regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

We reflect the impact of currency translation adjustments in our financial statements under the heading "accumulated other comprehensive income (loss)." For the years ended December 31, 2023, 2022 and 2021, we had foreign currency translation losses of \$4.5 million and \$12.6 million and foreign currency gain of \$2.0 million, respectively. Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange gains and losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies.

***Shareholders may experience difficulties in effecting service of legal process, enforcing foreign judgments, including those obtained in the U.S., or bringing actions in China against us or our management based on foreign laws.***

We are a holding company incorporated under the laws of the British Virgin Islands. We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, all our key employees and all, but one, directors are PRC residents and reside within China. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside mainland China, including our management. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the British Virgin Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions, including the U.S., in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.



***There are uncertainties under the PRC laws relating to the procedures for U.S. regulators to investigate and collect evidence from companies located in the PRC.***

Shareholder claims that are common in the U.S., including securities law class actions and fraud claims, among other matters, generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the local authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such regulatory cooperation with the securities regulatory authorities in the United States have not been efficient in the absence of mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law, which became effective in March 2020, or Article 177, the securities regulatory authority of the State Council may collaborate with securities regulatory authorities of other countries or regions in order to monitor and oversee cross border securities activities. Article 177 further provides that overseas securities regulatory authorities are not permitted to carry out investigation and evidence collection directly within the territory of the PRC, and that any Chinese entities and individuals are not allowed to provide documents or materials related to securities business activities to overseas agencies without prior consent of the securities regulatory authority of the State Council and the competent departments of the State Council.

Our principal business operations are conducted in the PRC. In the event that the U.S. regulators carry out investigations with respect to our business and need to conduct investigation or collect evidence within the territory of the PRC, the U.S. regulators may not be able to carry out such investigation or evidence collection directly in the PRC under the PRC laws. The U.S. regulators may consider cross-border cooperation with securities regulatory authority of the PRC by way of judicial assistance, diplomatic channels or regulatory cooperation mechanism established with the securities regulatory authority of the PRC. However, there can be no assurance that the U.S. regulators could succeed in establishing such cross-border cooperation in a specific case or could establish the cooperation in a timely manner. If U.S. regulators are unable to conduct such investigations, such U.S. regulators may determine to suspend and ultimately delist our common shares from the Nasdaq Capital Market or choose to suspend or de-register our SEC registration.

***Labor laws in the PRC may adversely affect our results of operations.***

On June 29, 2007, the PRC government promulgated a new labor law, namely, the Labor Contract Law of the PRC (“the LCL Law”), which became effective on January 1, 2008, which was further amended on December 28, 2012 (effective July 1, 2013). The LCL Law imposes greater liabilities on employers and significantly affects the cost of an employer’s decision to reduce its workforce. Further, it requires certain terminations be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce, the LCL Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, thus materially and adversely affecting our financial condition and results of operations. The LCL Law also mandates that employers provide social welfare packages to all employees, increasing our labor costs. To the extent competitors from outside China are not affected by such requirements, we could be at a competitive disadvantage.

***Additional factors outside of our control related to doing business in China could negatively affect our business.***

Additional factors that could negatively affect our business include a potential significant revaluation of the RMB, which may result in an increase in the cost of commodity or products in the PRC supply chain industry, labor shortages and increases in labor costs in China as well as difficulties in moving products manufactured in China out of the country, whether due to infrastructure inadequacy, labor disputes, slowdowns, PRC regulations and/or other factors. Prolonged disputes or slowdowns can negatively impact both the time and cost of goods. Natural disasters or health pandemics impacting China can also have a significant negative impact on our business. Further, the imposition of trade sanctions or other regulations against products supplied or sold in the supply chain industry transactions for which we provide solutions or the loss of “normal trade relations” status with China could significantly affect our operating results and harm our business.

## **Risks Related to Our Corporate Structure**

***Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure and business operations.***

The National People's Congress promulgated the Foreign Investment Law on March 15, 2019 and the State Council adopted the Regulation on Implementing the Foreign Investment Law (the "Implementation Regulations") on December 26, 2019, effective from January 1, 2020, to replace the trio of existing laws regulating foreign investment in China, namely, PRC Foreign Invested Enterprise Law, PRC Sino-Foreign Equity Joint Venture Law and PRC Sino-Foreign Cooperative Joint Venture Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

***If the PRC government finds that the contractual arrangements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.***

Foreign ownership of internet-based businesses, such as distribution of online information, is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (except e-commerce) and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record in accordance with the Special Administrative Measures for Foreign Investment Access (Negative List 2021) issued on November 27, 2021 and effective on January 1, 2022, by the National Development and Reform Commission, or the NDRC, and the MOFCOM, and other applicable laws and regulations.

We are a British Virgin Islands company. To comply with PRC laws and regulations, we conduct our financing solutions and supply chain service operations in China through a series of contractual arrangements entered into between our subsidiaries and VIEs and shareholders of the VIEs. As a result of these contractual arrangements, we exert control over VIEs and their subsidiaries and consolidate the VIEs' operating results in our financial statements under U.S. GAAP. We believe our current ownership structure and the contractual arrangements among our subsidiaries, VIEs and the shareholders of the VIEs are not in violation of existing PRC laws, rules and regulations; and those contractual arrangements are valid, binding and enforceable in accordance with their terms and applicable PRC laws and regulations currently in effect. However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with our opinion.

It is uncertain whether any new PRC laws, rules or regulations relating to variable interest entities structures will be adopted or if adopted, what they would provide. In particular, in January 2015, the MOFCOM, published a discussion draft of the proposed Foreign Investment Law for public review and comments. Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise, or an FIE. Under the draft Foreign Investment Law, variable interest entities would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors, and be subject to restrictions on foreign investments. In December 2018, the Standing Committee of the National People's Congress published a discussion draft of a new proposed Foreign Investment Law, aiming to replace the major existing laws governing foreign direct investment in China. On January 29, 2019, the discussion draft with slight revisions, or the New Draft Foreign Investment Law, was submitted for review. Pursuant to the New Draft Foreign Investment Law, foreign investments shall be subject to the negative list management system. However, the New Draft Foreign Investment Law does not mention "actual control" as regulated in the previous draft and the position to be taken with respect to the existing or future companies with the "variable interest entities" structure. On March 15, 2019, the Foreign Investment Law of the PRC, or the Final Foreign Investment Law, with slight revision, was finally issued and became effective on January 1, 2020.

Although variable interest entities structures are not included in the Final Foreign Investment Law, it is uncertain whether any interpretation and implementation of the Final Foreign Investment Law or new PRC laws, rules or regulations relating to variable interest entities structures will be adopted or if adopted, what they would provide. If the ownership structure, contractual arrangements and business of our PRC subsidiary or its consolidated VIEs are found to be in violation of any existing or future PRC laws or regulations, or our PRC subsidiary fails to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violation, including levying fines, confiscating its income or the income of its PRC subsidiary or consolidated variable interest entities, revoking the business licenses or operating licenses of its PRC subsidiary or consolidated variable interest entities, discontinuing or placing restrictions or onerous conditions on its operations, requiring our PRC operations to undergo a costly and disruptive restructuring and taking other regulatory or enforcement actions that could be harmful to our business. Any of these actions could cause significant disruption to our financial service business operations and severely damage its reputation, which would in turn materially and adversely affect its business, financial condition and results of operations. If any of these occurrences results in its inability to direct the activities of its consolidated variable interest entities, and/or its failure to receive economic benefits from its consolidated variable interest entities, we may not be able to consolidate our VIEs' results into our consolidated financial statements in accordance with U.S. GAAP.

***We rely on our contractual arrangements with VIEs and the shareholder of VIEs for our business operations, which may not be as effective as direct ownership in providing operational control.***

We have relied and expect to continue to rely on contractual arrangements with Fintech, Hengpu and Nami to operate our SME financing solutions, supply chain and other financing solutions business in the future. These contractual arrangements may not be as effective as direct ownership in providing us with control over our consolidated affiliates. For example, VIEs and their shareholders could breach their contractual arrangements by, among other things, failing to conduct their operations, in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of the VIEs, we would be able to exercise our rights as a shareholder to effect changes in the VIEs. However, under the current contractual arrangements, we rely on the performance by the VIEs and their shareholders of their obligations under the contracts to exercise control over our consolidated entities. The shareholders of VIEs may not act in the best interests of ours or may not perform their obligations under these contracts. Such risks exist throughout the period in which we operate our business through the contractual arrangements with the VIEs. Although we have the right to replace any shareholder of the consolidated variable interest entities under the contractual arrangement, if any shareholder of such entity is uncooperative or any dispute relating to these contracts remains unresolved, we will have to enforce the rights under the contracts through the operations of PRC laws and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. Therefore, the contractual arrangements with VIEs may not be as effective in ensuring our control over the relevant portion of its business operations as direct ownership would be.

***Shareholders of VIEs may have potential conflicts of interest with ours, which may materially and adversely affect our business and financial condition.***

The equity interests of the VIEs are beneficially owned by several individual shareholders through holding companies. Such VIE shareholders' interests in VIE may differ from the interests of our Company as a whole. VIE shareholders may breach, or cause VIEs to breach, the existing contractual arrangements between us and VIEs, which would have a material adverse effect on our ability to effectively control the consolidated variable interest entities and receive economic benefits from them. For example, shareholders of VIEs may be able to cause the VIE agreements with the VIE to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to our subsidiaries on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of VIE shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between VIE shareholders and ours, except that we could exercise the purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in the VIE to a PRC entity or individual designated by us, to the extent permitted by PRC laws. If we cannot resolve any conflict of interest or dispute with the shareholders of the VIE, we would have to rely on legal proceedings, which could result in the disruption of its business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

***Contractual arrangements in relation to our consolidated variable interest entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our PRC consolidated variable interest entities owe additional taxes, which could negatively affect our financial condition and the value of your investment.***

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between NingChen and Naqing, our wholly-owned subsidiaries in China, consolidated VIEs in China, and the shareholders of the VIEs were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust the VIEs' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by VIEs for PRC tax purposes, which could in turn increase its tax liabilities without reducing tax expenses of NingChen and Naqing. In addition, if NingChen or Naqing requests the shareholders of VIEs to transfer their equity interests in the VIEs at nominal or no value pursuant to these contractual arrangements, such transfer could be viewed as a gift and subject the VIEs to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on the VIEs for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our consolidated variable interest entities' tax liabilities increase or if they are required to pay late payment fees and other penalties.

***We may lose the ability to use and enjoy assets held by our consolidated VIEs that are material to the operation of our business if the VIE goes bankrupt or becomes subject to a dissolution or liquidation proceedings.***

The VIE holds certain assets that are material to the operation of our financial services business, including domain names and equipment for our financial technology platform. Under the contractual arrangements, VIEs may not and VIE shareholders may not cause it to, in any manner, sell, transfer, mortgage or dispose of their assets or their legal or beneficial interests in the business without its prior consent. However, in the event a VIE shareholder breaches these contractual arrangements and voluntarily liquidates the VIE or the VIE declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without NingChen's or Naqing's consent, it may be unable to continue some or all of its business activities, which could materially and adversely affect its business, financial condition and results of operations. If the VIE undergoes a voluntary or involuntary liquidation proceeding, independent third-party creditors may claim rights to some or all of their assets, thereby hindering our ability to operate its business, which could materially and adversely affect its business, financial condition and results of operations.

#### **Risks Related to Ownership of Our Common Shares**

***We are a "foreign private issuer," and our disclosure obligations differ from those of U.S. domestic reporting companies, which may make it more difficult for you to evaluate our performance and prospects.***

We are a foreign private issuer and, as a result, we are not subject to the same requirements as U.S. domestic issuers. Under the Exchange Act, we will be subject to reporting obligations that, to some extent, are more lenient and less frequent than those of U.S. domestic reporting companies. For example, we will not be required to issue quarterly reports or proxy statements. We will not be required to disclose detailed individual executive compensation information. Furthermore, our directors and executive officers will not be required to report equity holdings under Section 16 of the Exchange Act and will not be subject to the insider short-swing profit disclosure and recovery regime.

As a foreign private issuer, we will also be exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. However, we will still be subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5 under the Exchange Act. Since many of the disclosure obligations imposed on us as a foreign private issuer differ from those imposed on U.S. domestic reporting companies, you should not expect to receive the same information about us and at the same time as the information provided by U.S. domestic reporting companies.

***British Virgin Islands companies may not be able to initiate shareholder derivative actions, thereby depriving shareholders of the ability to protect their interests.***

British Virgin Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States. The circumstances in which any such action may be brought, and the procedures and defenses that may be available in respect to any such action, may result in the rights of shareholders of a British Virgin Islands company being more limited than those of shareholders of a company organized in the United States. Accordingly, shareholders may have fewer alternatives available to them if they believe that corporate wrongdoing has occurred. The British Virgin Islands courts are also unlikely to recognize or enforce against us judgments of courts in the United States based on certain liability provisions of U.S. securities law; and to impose liabilities against us, in original actions brought in the British Virgin Islands, based on certain liability provisions of U.S. securities laws that are penal in nature. There is no statutory recognition in the British Virgin Islands of judgments obtained in the United States, although the courts of the British Virgin Islands will generally recognize and enforce the non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. This means that even if shareholders were to sue us successfully, they may not be able to recover anything to make up for the losses suffered.

***The laws of the British Virgin Islands provide little protection for minority shareholders, and minority shareholders will have little or no recourse if the shareholders are dissatisfied with the conduct of our affairs.***

Under the law of the British Virgin Islands, there is little statutory law for the protection of minority shareholders other than the provisions of the BVI Business Companies Act dealing with shareholder remedies. The principal protection under statutory law is that shareholders may bring an action to enforce the constituent documents of the corporation, our amended and restated memorandum and articles of association. Shareholders are entitled to have the affairs of the company conducted in accordance with the general law and the articles and memorandum.

There are common law rights for the protection of shareholders that may be invoked, largely dependent on English company law, since the common law of the British Virgin Islands for business companies is limited. Under the general rule pursuant to English company law known as the rule in *Foss v. Harbottle*, a court will generally refuse to interfere with the management of a company at the insistence of a minority of its shareholders who express dissatisfaction with the conduct of the company's affairs by the majority or the board of directors. However, every shareholder is entitled to have the affairs of the company conducted properly according to law and the constituent documents of the corporation. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company's memorandum and articles of association, then the courts will grant relief. Generally, the areas in which the courts will intervene are the following: (1) an act complained of which is outside the scope of the authorized business or is illegal or not capable of ratification by the majority; (2) acts that constitute fraud on the minority where the wrongdoers control the company; (3) acts that infringe on the personal rights of the shareholders, such as the right to vote; and (4) where the company has not complied with provisions requiring approval of a special or extraordinary majority of shareholders, which are more limited than the rights afforded minority shareholders under the laws of many states in the United States.

***The market price of our Class A common shares may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares.***

The trading price for our Class A common shares has fluctuated since we first listed our common shares. The trading price of our Class A common shares has ranged from \$3.02 to \$21.47 per share for the year ended December 31, 2021, and the last reported trading price on August 4, 2023 was \$2.99 per Class A common share. The market price of our common shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;

- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

***We do not intend to pay dividends for the foreseeable future.***

We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our Class A common shares if the market price of our Class A common shares increases.

***If we continue to be unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common shares may decline.***

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. In addition, beginning with the first annual report on Form 20-F, we have been required to furnish a report by management on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. If we continue to identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common shares could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the Securities and Exchange Commission, or the SEC, or other regulatory authorities, which could require additional financial and management resources.

***Our staggered board structure may prevent a change in control of our company.***

Our board of directors is divided into three classes of directors. The current terms of the directors expire in 2024, 2025 and 2026. Directors of each class are chosen for three-year terms upon the expiration of their current terms, and each year the shareholders elect one class of directors. The staggered terms of our directors may reduce the possibility of a tender offer or an attempt at a change in control, even though a tender offer or change in control might be in the best interest of our shareholders.

***The requirements of being a public company may strain our resources and divert management's attention.***

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the securities exchange on which we list, and other applicable securities rules and regulations. Despite recent reforms made possible by the JOBS Act, compliance with these rules and regulations will nonetheless increase our management, legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an "emerging growth company." The Exchange Act requires, among other things, that we file annual, semiannual, and current reports with respect to our business and operating results.

As a result of disclosure of information in this annual report on Form 20-F and in filings required of a public company, our business and financial condition are more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business, brand and reputation and results of operations.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

***We incur increased costs as a result of being a public company.***

As a public company, we incur legal, accounting and other expenses that we did not incur as a private company. For example, we must now engage U.S. securities law counsel and U.S. GAAP auditors that we did not require as a private company, and we will have annual payments for listing on a stock exchange if we are so listed. In addition, the Sarbanes-Oxley Act, as well as new rules subsequently implemented by the SEC and NASDAQ, has required changes in corporate governance practices of public companies. We expect these new rules and regulations to increase our legal, accounting and financial compliance costs and to make certain corporate activities more time-consuming and costly. In addition, we incur additional costs associated with our public company reporting requirements. While it is impossible to determine the amounts of such expenses in advance, we expect that we will incur additional expenses of between \$500,000 and \$1 million per year that we did not experience as a private company.

**ITEM 4. INFORMATION ON THE COMPANY**

**A. History and Development of the Company**

NISUN INTERNATIONAL ENTERPRISE DEVELOPMENT GROUP CO., LTD, formerly Hebron Technology Co., Ltd. (“Nisun International” or the “Company”) was established under the laws of the British Virgin Islands (“BVI”) on May 29, 2012 as a company limited by shares. The Company is a holding company and conducts its business through its subsidiaries, variable interest entities (“VIEs”) and subsidiaries of VIEs in the People’s Republic of China (“PRC”).

We have had three major reorganizations since our inception. In connection with our initial public offering, we consummated the first reorganization to acquire our equipment and engineering business (the “IPO Reorganization”) in 2016. We became the ultimate parent company of Hong Kong Xibolun Technology Limited (“Xibolun HK”) and its PRC subsidiaries, Wenzhou Xibolun Fluid Equipment Co., Limited (“Xibolun Equipment”) and Zhejiang Xibolun Automation Project Technology Co., Ltd. (“Xibolun Automation”) (collectively referred to as the “Xibolun Group”), which before the IPO Reorganization, were all controlled by Mr. Anyuan Sun, our former Chairman of the Board and CEO. The Xibolun Group conducts equipment and engineering services operations focusing on the research, development and manufacture of valves, pipe fittings fluid equipment, with an emphasis on the manufacture and installation of intelligent valves used in the pharmaceutical, biological, food and beverage, and other clean industries in the PRC.

We commenced the second corporate restructure in July 2019 for the acquisition of our financial services business. We expanded our operations into the financial services industry through the acquisition of NiSun International Enterprise Management Group (British Virgin Islands) Co., Ltd. (“NiSun BVT”), its subsidiaries and consolidated affiliate, Fintech (Shanghai) Digital Technology Co., Ltd. (“Fintech”), and subsidiaries of Fintech (collectively, “Fintech” or “Fintech Subsidiary Group”). In 2019, Fintech provided comprehensive financing solution services to SMEs primarily in connection with SME financings sponsored or underwritten by financial institutions and also provided distribution and management services for direct banking products issued by small- and medium-sized commercial banks in China.

Since July 2019, our financial services industry operations have experienced significant growth through several subsequent acquisitions and organizational changes. In December 2019, we acquired a controlling interest in Beijing Hengtai Puhui Information Service Co. Ltd., a PRC company, and its subsidiaries (collectively, “Hengpu” or “Hengpu Subsidiary Group”) through certain contractual arrangements. Hengpu provides a full set of financing solution services in SME financings. In May 2020, we acquired Nami Holding (Cayman) Co., Ltd., a Cayman Islands exempted company (“Nami Cayman”), and its subsidiaries and consolidated affiliated entity (collectively, “Nami” or “Nami Subsidiary Group”) pursuant to a share purchase agreement. Nami provides financial advisory and intermediary financing solutions services matching small- and mid-sized enterprises and high quality investors in China.

On September 22, 2020, we changed our corporate name from “Hebron Technology Co., Ltd.” to “Nisun International Enterprise Development Group Co., Ltd” and in connection with the name change, the trading symbol of our Class A common shares on the Nasdaq Capital Market was changed to “NISN” from “HEBT,” effective on November 16, 2020. The new corporate name reflects our Company’s current core financial services business and enables different service business to integrate various brands under one corporate identity.

In December 2020, based on a preliminary agreement with the local government, we established a wholly owned subsidiary, Nisun (Shandong) Industry Development Co., Ltd (“Nisun Shandong”), in Tai’an, Shandong province. Nisun Shandong is a holding company for our existing PRC operating subsidiaries and is expected to be a key operations platform. In 2020, we also formed several operating subsidiaries in different regions of China in response to the operational demands in our supply chain solutions and SME financing solutions services.

On November 30, 2020, to streamline our businesses, we completed the third corporate restructure whereby we sold all of our equity interest in Xibolun HK to Wise Metro Development Co., Ltd., an entity controlled by our former Chairman and CEO, Mr. Anyuan Sun (“Wise Metro”). The disposition of Xibolun HK (the “Disposition”) was consummated pursuant to a Call Option Agreement we entered on April 16, 2019 with Wise Metro under which Wise Metro was granted an option to purchase all of the equity of the Xibolun Group for a period beginning six months after the effective date of the Call Option Agreement and expiring two years and six months after the agreement effective date. Upon exercise, the purchase price to exercise the Call Option Agreement would be equal to the fair market value of the Xibolun Group at the time of exercise of the Call Option as determined by a qualified and experienced business appraisal firm appointed by us and Wise Metro. On June 14, 2019, our shareholders approved our entry into the Call Option Agreement. On May 11, 2020, Wise Metro exercised the Call Option to acquire the Xibolun Group. We completed the Disposition on November 30, 2020.

Through the transfer of Xibolun HK and the resulting divestiture of our interests in Xibolun HK’s operating subsidiaries, Xibolun Automation and Xibolun Equipment, we discontinued our legacy equipment and engineering business and disposed of our minority interest in Xuzhou Weijia Biotechnology Co., Ltd. We sold the legacy businesses for a gain of approximately \$0.14 million.

On March 24, 2021, we completed a subsidiary reorganization whereby Nami Cayman and its Hong Kong subsidiary transferred all of the equity they held in Naqing and the economic interests in Nami Shanghai to Nisun Shandong. Following the transaction, Naqing became a wholly-owned subsidiary of Nisun Shandong, which holds a controlling interest in Nami Shanghai.

## **Corporate Information**

Our principal executive offices are located at Floor 20-21, No. 55 Loushanguan Road, Changning District, , Shanghai, People’s Republic of China. Our telephone number is +86-21-2357-0055.

The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. We maintain our websites at <https://www.fintaike.com> for Fintech, at <https://www.thengpu.com> for Hengpu, and at [www.namizx.com.cn](http://www.namizx.com.cn) for Nami.



## Principal Corporate Activities

Below is a brief summary of principal activities of our Company since its formation.

- January 25, 2005, Xibolun Equipment was incorporated.
- June 14, 2011, Xibolun HK was formed in accordance with laws and regulations of Hong Kong.
- July 21, 2011, Xibolun HK acquired 30% ownership interest of Xibolun Equipment.
- May 29, 2012, Hebron Technology was established under the laws of the British Virgin Islands as a holding company.
- September 24, 2012, Xibolun Automation was incorporated.
- December 5, 2012, Xibolun HK acquired 100% ownership interest of Xibolun Automation from Hebron Technology, Xibolun Equipment, and Zhejiang Xibolun.
- October 22, 2012, Hebron Technology acquired 100% ownership interest of Xibolun HK. As a result, Xibolun HK became a wholly owned subsidiary of Hebron Technology.
- July 29, 2013, Mr. Anyuan Sun transferred his 70% ownership interest in Xibolun Equipment to Xibolun Automation.
- December 27, 2016, Hebron Technology completed an initial public offering of 2,695,347 common shares. The offering was completed at an issuance price of \$4.00 per share. Prior to the offering, the Company had 12,000,000 issued and outstanding shares, and after the offering, the Company had 14,695,347 issued and outstanding shares. The Company issued to the placement agent in the initial public offering, warrants to purchase 134,768 common shares for an exercise price of \$4.80 per share. The placement agent's warrants have a term of three years.
- March 7, 2018, Hebron Technology re-classified and re-designated our common shares into Class A common shares and Class B common shares by filing the Third Amended and Restated Memorandum of Association with the BVI Registrar of Corporate Affairs. Pursuant to the Third Amended and Restated Memorandum of Association, our authorized shares are re-classified and re-designated into 50,000,000 common shares of par value of US\$0.001 each, of which 40,000,000 share are designated as Class A common shares of par value of US\$0.001 each and 10,000,000 shares are designated as Class B common shares of par value of US\$0.001 each. Each Class A common share is entitled to one vote and each Class B common share is entitled to five votes on all matters subject to vote at our shareholders' meetings. After the reclassification and re-designation, 6,916,947 Class A common shares and 7,778,400 Class B common shares were issued and outstanding. Our former Chief Executive Officer, Mr. Anyuan Sun, beneficially owns all of the 7,778,400 Class B common shares. The Nasdaq marketplace effective date is March 12, 2018.
- March 10, 2018, Hebron Technology entered into a share acquisition agreement with the sole shareholder of Xuzhou Weijia Bio-Tech Co., Ltd. ("Weijia Bio-Tech") and Weijia Bio-Tech to acquire 49% of the equity in Weijia Bio-Tech. As consideration, we were obligated to issue 1,442,778 unregistered Class A common shares (based on an agreed value of \$2.00 per share) to the individuals designated by the selling shareholder of Weijia Bio-Tech within 20 business days after signing the agreement. On April 17, 2018, the parties signed an addendum to extend 20 business days to 40 business days. Effective as of April 9, 2018, we issued 1,442,778 unregistered Class A common shares pursuant to the agreement. On or about April 11, 2018, we completed the acquisition of the 49% equity interest in Weijia Bio-Tech.
- April 16, 2019, Hebron Technology entered into a securities purchase agreement with Wise Metro Development Co., Ltd. ("Wise Metro"), Zuoqiao Sun Zhang ("Sun Zhang"; and together with Wise, "Sellers") and NiSun Cayman, pursuant to which NiSun Cayman would acquire 7,778,400 Class B Common Shares from the Sellers. Upon the consummation of the share purchase transaction in July 2019, all of the Class B common shares were automatically converted into Class A common shares.

- July 12, 2019, Hebron Technology acquired all of the equity of NiSun BVI for a consideration of \$7 million. NiSun BVI effectively controls Fintech through a series of variable interest agreements. At acquisition, Fintech was the parent company of Khorgos Fintech Network Technology Co., Ltd (“Khorgos”), Jilin Lingang Trade Co., Ltd (“Jilin”) and NiSun Family Office (Guangzhou) Co., Ltd (“Guangzhou”).
- November 8, 2019, NiSun BVI entered into a cooperation agreement with Tai’an Keyuan Infrastructure Investment Construction Co., Ltd. (“Keyuan”) to form a joint venture entity, Shandong Taiding International Investment Co., Ltd (“Taiding”), of which NiSun BVI and Keyuan hold 80% and 20%, respectively, of the equity interest in Taiding. Taiding was formed on November 12, 2019.
- December 15, 2019, Hebron Technology entered into a share exchange agreement with Hengpu and shareholders of Hengpu to acquire a controlling interest in Hengpu in exchange for issuance of 1,440,894 Class A Common Share of the Company to Hengpu’s shareholders. The Company, through its subsidiary NingChen, obtained an effective control of Hengpu upon the entry into a series of VIE agreements with Hengpu. At acquisition, Hengpu owned a 92% equity interest of Hangzhou Fengtai Technology Co., Ltd (“Fengtai”) and 100% equity interest of Dunhua Midtown Assets Management Registration Center Co., Ltd.
- May 31, 2020, Hebron Technology acquired Nami Cayman, and its subsidiaries and consolidated affiliated entity (collectively, “Nami” or “Nami Subsidiary Group”) pursuant to a share purchase agreement. At acquisition, Nami Cayman owned all of the equity in Nami HK and Naqing, and Naqing controlled Nami Shanghai through a series of VIE agreements. Nami provides financial advisory and intermediary financing solutions services matching small- and mid-sized enterprises and high quality investors in China.
- September 22, 2020, we changed our corporate name from “Hebron Technology Co., Ltd.” to “Nisun International Enterprise Development Group Co., Ltd” and in connection with the name change, the trading symbol of our Class A common shares on the Nasdaq Capital Market was changed to “NISN” from “HEBT,” effective on November 16, 2020. The new corporate name reflects our Company’s current core business and enables different service business to integrate various brands under one corporate identity.
- November 30, 2020, to streamline our businesses, we disposed of Xibolun HK to Wise Metro, an entity controlled by our former Chairman and CEO, Mr. Anyuan Sun. The disposition of Xibolun HK (the “Disposition”) was consummated pursuant to a Call Option Agreement we entered on April 16, 2019 with Wise Metro under which Wise Metro was granted an option to purchase all of the equity of the Xibolun Group for a period beginning six months after the effective date of the Call Option Agreement and expiring two years and six months after the agreement effective date. Upon exercise, the purchase price to exercise the Call Option Agreement would be equal to the fair market value of the Xibolun Group at the time of exercise of the Call Option as determined by a qualified and experienced business appraisal firm appointed by us and Wise Metro. On June 14, 2019, our shareholders approved our entry into the Call Option Agreement. On May 11, 2020, Wise Metro exercised the Call Option to acquire the Xibolun Group. We completed the Disposition on November 30, 2020.
- December 15, 2020, based on a preliminary agreement with the local government, the Company established a wholly owned subsidiary, Nisun (Shandong) Industry Development Co., Ltd (“Nisun Shandong”), in Tai’an, Shandong province. Nisun Shandong is a holding company for our PRC operating subsidiaries and is expected to be a key operations platform.
- December 21, 2020, the Company announced that Fintech entered into a strategic collaboration agreement with Shanghai Petroleum and Natural Gas Exchange (“SHPGX”). SHPGX is a national-level energy trading platform for energy products approved by the Shanghai municipal government and operates under the direct guidance of the National Development and Reform Commission and the National Energy Administration. Under the agreement, Fintech and SHPGX agreed to join forces to expand technology support services to members of SHPGX’s trading platform through the provision of supply chain management and financial services, targeting upstream and downstream enterprises in the energy industry.

- August through December 2020, Fintech formed a number of operating subsidiaries in different regions of China in response to the operational demands in our supply chain solutions services, including:
  - Fintech (Henan) Supply Chain Management Co., Ltd. (“Fintech Henan”), a wholly owned subsidiary of Fintech;
  - Fintech (Jiangsu) Supply Chain Management Co., Ltd. (“Fintech Jiangsu”), a wholly owned subsidiary;
  - Fanlunke Supply Chain Management (Shanghai) Co., Ltd. (“Fanlunke”), a wholly owned subsidiary;
  - Fintech Supply Chain Management (Ningbo) Co., Ltd, a wholly owned subsidiary;
  - Nanjing Nisun Gold Co., Ltd. (“Nisun Gold”), a wholly owned subsidiary;
  - Fintech Supply Chain Management (Shandong) Co., Ltd. (“Fintech Shandong”), a wholly owned subsidiary;
  - Jilin Province Lingang Hengda Supply Chain Management Co., Ltd. (“Lingang Hengda”), a wholly owned subsidiary of Jilin Province Lingang Supply Chain Management Co., Ltd, a wholly owned subsidiary of Fintech;
  - Shanxi Fintech Supply Chain Management Co., Ltd (“Fintech Shanxi”), a wholly owned subsidiary;
  - Inner Mongolia Fintech Supply Chain Management Co., Ltd (“Fintech Inner Mongolia”), a 70%-owned subsidiary.
- December 29, 2021, Nisun HK formed Zhumadian NiSun Supply Chain Management Co., Ltd. (“Nisun ZMD”), a wholly owned PRC operating subsidiary;
- July 30, 2021, Nisun HK formed NiSun Ocean (Qingdao) Supply Chain Investment Co., Ltd. (“Nisun Ocean”), a wholly owned PRC operating subsidiary;
- May through October 2021, Fintech formed the following the operating subsidiaries:
  - Jiangxi Fintech Supply Chain Management Co., Ltd. (“Fintech Jiangxi”), a wholly owned subsidiary;
  - Fintech Supply Chain Management (Shanxi) Co., Ltd. (“Fintech SX”), a wholly owned subsidiary;
  - Liaogang NiSun (Yingkou) Supply Chain Management Co., Ltd. (“Liaogang”), a 51%-owned subsidiary;
  - Liaogang NiSun (Shanghai) Supply Chain Management Co., Ltd. (“Liaogang SH”), a wholly owned subsidiary of Liaogang; and
  - Fintech (Zibo) Supply Chain Management Co., Ltd. (“Fintech Zibo”), a wholly owned subsidiary.
- In December 2021, the Company closed a firm commitment underwritten public offering of 19.25 million Class A common shares and pre-funded warrants to purchase Class A common shares, with gross proceeds to the Company of \$77 million, before deducting underwriting discounts and commissions and other expenses. The pre-funded warrants were offered at the same \$4.00 price per share as the common shares, less the \$0.001 per share exercise price of each pre-funded warrant.
- January 13, 2022, the Company adopted the Amended and Restated Memorandum and Articles of Association (the “Amended M&A”) to increase the number of Class A common shares the Company was authorized to issue. Pursuant to the Amended M&A, the Company is authorized to issue a maximum of 310,000,000 common shares divided into (i) 300,000,000 Class A common shares of par value of \$0.001 each, and (ii) 10,000,000 Class B common shares of par value of \$0.001 each.
- January 2022, Fintech Henan acquired a 51% equity interest in Henan Youjitian Agricultural Technology Co., Ltd (“Youjitian”) for a cash consideration of RMB0.51 million (approximately \$80,280).
- June 8, 2022, Nisun Ocean formed Nisun Haiyuan (Qingdao) Supply Chain Co., Ltd. (“Nisun Haiyuan”), a 51%-owned subsidiary;
- July 2022, Nisun Ocean acquired 100% of the equity interest in Qingdao Sailang International Trade Co., Ltd. (“Qingdao Sailan”) for a cash consideration of RMB5.0 million (approximately \$741,477);
- September 23, 2022, Nami Shanghai changed its company name from Shanghai Nami Financial Consulting Co., Ltd. to Shanghai Luyao Financial Consulting Co., Ltd. (“Luyao Shanghai”); and
- November 7, 2022, Nisun HK formed NiSun (Beijing) Supply Chain Management Co., Ltd. (“Nisun Beijing”), a wholly owned PRC operating subsidiary.

- March through December 2022, Fintech formed the following operating subsidiaries:
  - Nisun Supply Chain Management (Mishan City) Co., Ltd. (“Nisun Mishan”), a wholly owned subsidiary;
  - Fintech Supply Chain Management (Anhui) Co., Ltd. (“Fintech Anhui”), a wholly owned subsidiary;
  - Fintech Supply Chain Management (Shenzhen) Co., Ltd. (“Fintech Shenzhen”), a wholly owned subsidiary; and
  - Henan Nisun Huaixiang Food Co., Ltd. (“Nisun Huaixiang”), a wholly owned subsidiary.
- December 2022, Fintech Henan sold all of its equity interest in Youjiantian to Shandong Yongdao Zhihe Property Management Co., Ltd., for a cash consideration of RMB2.0 million (approximately \$289,973).
- May 17, 2023, the Company effected a share consolidation (the “Reverse Share Split”) of its authorized shares, including issued Class A Common Shares, at the ratio of one-for-ten. The Reverse Share Split was reflected with NASDAQ Capital Market and in the marketplace at the open of business on May 18, 2023. As a result of the Reverse Share Split, all 310,000,000 authorized common shares, divided into 300,000,000 Class A Common Shares, par value of US\$0.001, and 10,000,000 Class B Common Shares, par value of \$0.001, were consolidated into 31,000,000 common shares, divided into 30,000,000 Class A Common Shares, par value of \$0.01, and 1,000,000 Class B Common Shares, par value of \$0.01. Immediately prior to the Effective Time, there were 40,057,159 Class A Common Shares outstanding. As a result of the Reverse Share Split, approximately 4,005,708 Class A Common Shares were outstanding. No fractional shares were issued to the shareholders in connection with the Reverse Share Split. The Company was required to purchase and redeem at market value the resulting fractional shares.
- June through August 2023, NingChen formed the following the operating subsidiaries:
  - Shanghai Keqiya International Trade Co., Ltd. (“Keqiya”), a wholly owned subsidiary;
  - Fanningke Digital Technology (Shanghai) Co., Ltd. (“Fanningke”), a wholly owned subsidiary;
  - Fanshengke Supply Chain (Shanghai) Co., Ltd. (“Fanshengke”), a wholly owned subsidiary; and
  - Fintech (Henan) Trading Co., Ltd. (“Henan Trading”), a wholly owned subsidiary.

## B. Business Overview

We are a provider of innovative supply chain solutions and integrated financial services, primarily focusing on markets within the People’s Republic of China. Utilizing advanced technologies, we aim to enhance efficiency and support growth across various industries by transforming traditional supply chain management and corporate finance practices.

The principal operations of our subsidiaries and consolidated entities in China are centered around delivering sophisticated supply chain solutions to a broad range of industries, including agriculture, pharmaceuticals, and consumer goods. Through the application of artificial intelligence, the Internet of Things, and big data analytics, we strive to streamline operations, thereby helping businesses manage procurement, logistics, and distribution more effectively. In the past year, we introduced platforms that offer features such as real-time tracking and automated inventory management, designed to help clients improve responsiveness and operational efficiency.

In alignment with China’s ambitious Rural Revitalization Strategy, a 10-year plan initiated to transform and modernize the infrastructure and industries in rural areas, the government has committed to investing 7 trillion RMB. This significant investment focuses on various sectors, including agriculture, aiming to enhance the overall economic and social fabric of rural regions. Part of this initiative includes the modernization of agricultural supply chains and related industries, which is pivotal in increasing efficiency, improving market access for rural producers, and elevating the quality of life for the rural population. This strategic investment not only supports the growth of rural areas but also aligns with our objectives to provide advanced supply chain solutions, further positioning us to contribute significantly to this national effort.

In conjunction with our supply chain trading and services, our PRC subsidiaries and consolidated entities provide specialized financial solutions aimed at enhancing capital access for small and mid-sized enterprises within the supply chain ecosystem. Our financial services leverage our proprietary fintech platforms to provide various financing options, including supply chain financing, trade financing, and receivables financing. These services are integrated within our clients’ supply chain operations, providing a cohesive approach that combines financial and operational support.

## Our Strengths

We believe our following strengths enable us to seize the opportunities in China's financial services and supply chain industries:

- **Scale and capacity to offer a comprehensive set of financial solutions to SMEs by leveraging our closed-loop finance ecosystem.** We have built multi-faceted integrated closed-loop finance ecosystems in which each line of our operations complements the services provided by other subsidiaries while our customers benefit from the combined service capacity and a full set of financing solutions we offer. Our systems of comprehensive solutions enable SMEs to acquire financings in an efficient and customized manner to facilitate a healthy enterprise development process.
- **In-depth understanding of the supply chain industry.** As a key intermediary to facilitate every step of the transaction in the procurement process, we understand the complexity of the supply chain system and the needs of core enterprises, suppliers, buyers and other parties in the procurement process, and our expertise insight enables us to design tailored supply chain solutions for our customers and build mutually benefited relationships with the industry participants.
- **Data intelligence and technology capability affording added value to SMEs.** Our data processing and analytical capacity help industry participants optimize their decision making in their transaction and financing processes. Supported by big data, artificial intelligence, Internet of Things, blockchain and other cutting-edge technologies, we are well positioned to support the enterprise development of SMEs and other industry participants, help tackle challenges of corporate capital turnover, reduce financing costs, and improve business efficiency.
- **Diversified high-quality customers.** Our core customers are government-owned enterprise (GOEs), which have high quality accounts receivable, capital resources and favorable customer profiles as relative to other businesses. We form strategic partnerships and cooperation relationships with GOEs and other credit-worthy entities in selected industries. As our supply chain solutions business model is suitable for commodity-based industries, and GOEs and other well-funded companies generally play a dominant role in such industries, we expect our supply chain industry solutions will continue to attract high quality customers to join our finance ecosystem platforms aiming to serve different industries.
- **Controlled risk exposure.** As we facilitate GOEs, financial institutions and other credit-worthy customers to execute the transactions in the procurement process, we are not only able to decrease contract processing costs and improve working capital for core enterprises and other transaction parties, but also are positioned to keep track the status of the transaction and the financial health of the buyer and the supplier and as a result, achieve risk controls for all parties involved in the transaction.
- **Experienced management team with proven track record of delivering value and growth.** Our experienced management team is comprised of professionals from both fintech market leaders and financial industry experts who bring insights from different aspects of the financial industry and abundant customer resources. The foresight of our management team, combined with their industry experience and strong execution capabilities, has been a key driver for the rapid transformation and operational resilience against the backdrop of the changing regulatory landscape in China.

## Our Strategy

Our mission is to transform the corporate finance industry by promoting a finance ecosystem of openness and empowerment. We intend to achieve our growth and strengthen our competitive position by implementing the following strategies:

- **Grow the scale of our supply chain solutions and SME financing services ecosystems.** We have established development expertise and capabilities in the SME financing and supply chain solutions business. We strive to become a leader in the corporate finance industry and transform the industries we serve through leveraging the our closed-loop finance ecosystems, promote the application of our developed advanced financing solutions to new customers and grow the scale of our solutions ecosystems.
- **Focus on industry segmentation through the integration of industry and finance.** We seek to expand supply chain management and financial services to certain targeted industries in which fintech finance has played an increasingly important and effective role in the procurement and distribution processes. We aim to build supply chain platforms that link commercial banks, securities firms, trusts, funds, insurance companies and state-owned enterprises through the continued introduction of big data, artificial intelligence, Internet of Things, blockchain and other cutting-edge technologies into those industry supply chains.
- **Deepen market penetration by cultivating existing relationships with GOEs and cooperation partners while forge new collaborations in targeted industries.** Most recently we expanded our supply chain management and financial services to the energy industry by entering into a strategic collaboration relationship with Shanghai Petroleum and Natural Gas Exchange, a national energy trading platform for energy products. We intend to continue to explore strategic cooperation relationships with prominent players in selected industries.
- **Continue to innovate and advance cutting-edge financial technologies to enhance our ability to adapt and respond to rapid industry and technology changes.** Innovation is part of our long-term growth strategy and is key to improving our technology solution products and developing new technologies to meet the ever-changing customer needs. We have made and will continue to make significant investments in our technology infrastructure and research and development efforts to enhance our competitiveness and ability to adapt in response to the customer and industry changes in a timely and effective manner.
- **Pursue strategic acquisitions and growth opportunities.** In addition to growing our business organically, we consider it a growth strategy to continue to pursue strategic alliances, investments and potential acquisitions that are complementary to our business and operations, including opportunities that further promote our brand, expand product and solution offerings on our or partners' platforms, strengthen our technology infrastructure and capabilities, or expand our geographic reach.

## Contractual Arrangements with Our Consolidated Affiliated Entities and the Nominee Shareholders

We conduct our business through our PRC subsidiaries, three VIEs, Fintech, Hengpu and Nami, and VIE subsidiaries. Our relationships with the VIEs and their respective nominee shareholders are governed by a series of contractual arrangements, including:

### *Trademarks, Technologies & Management and Consulting Services Agreements (the "Consulting Services Agreement")*

Under the Consulting Services Agreement, NingChen and Naqing have the exclusive right to provide management and consulting and other services to their respective VIEs for a consulting service fee from VIEs and to authorize the VIEs to use our trademarks, technologies and related intellectual property rights. VIEs agree to pay NingChen and Naqing or their designated agents for the management and consulting service in the amount equivalent to VIEs' net profits after tax. The agreement shall be effective as of the date of agreement and shall remain effective until the date when NingChen and Naqing terminate such agreements or a VIE ceases to exist.

### *Equity Interest Pledge Agreements*

Pursuant to the Equity Interest Pledge Agreements, each shareholder of the VIEs agreed to pledge his equity interest in the VIEs to NingChen and Naqing, respectively, to secure nominal loans provided to the shareholders of VIEs for a loan term of 100 years. Each shareholder of VIEs agrees that the repayment of loan can only happen on loan maturity date or NingChen or Naqing agrees to collect the loan repayment. If VIEs or their shareholders breach their contractual obligations under these agreements, NingChen and Naqing, as pledgees, will have the right to dispose of the pledged equity interests and will have priority in receiving the proceeds from the auction or sale of the pledged equity interests. NingChen and Naqing are entitled to any dividends declared or paid in connection with the pledged equity interests during the term of this agreement. The VIEs and their shareholders have further agreed that they will not transfer or encumber the pledged equity interests without the prior written consent from NingChen or Naqing during the term of this agreement. The Equity Interest Pledge Agreement remains effective and no provision of this agreement may be amended, modified, supplemented discharged or terminated unless all parties consent thereto in writing.

### *Equity Interest Holders' Voting Rights Proxy Agreements (the "Voting Rights Proxy Agreements")*

Under the Voting Rights Proxy Agreements, each shareholder of the VIEs irrevocably authorizes NingChen and Naqing, respectively, to exercise rights and powers as the shareholders of the VIEs, including but not limited to, convening and attending shareholders' meetings, voting on all matters of the VIEs requiring shareholder approval and appointing directors and senior management members. The Voting Rights Proxy Agreement will remain in force unless otherwise terminated in writing by NingChen or Naqing or with the written consent of all parties.

### *Exclusive Right and Option to Purchase Agreements (the "Exclusive Call Option Agreements")*

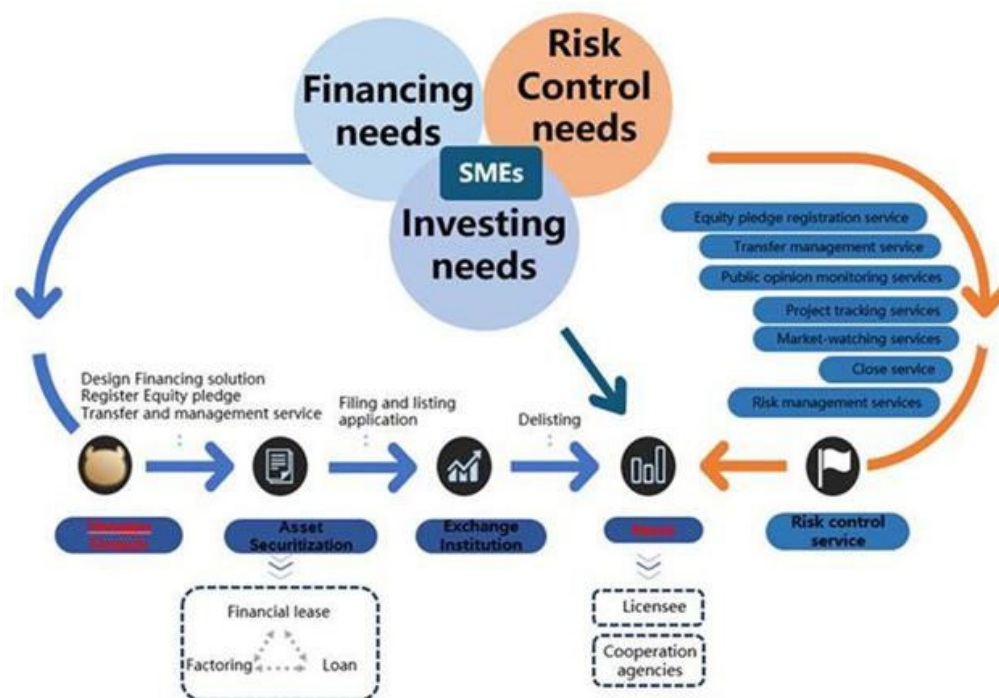
Under the Exclusive Call Option Agreements, the VIEs and their shareholders have irrevocably granted NingChen and Naqing, respectively, an exclusive option to purchase, or authorize their designated persons to purchase all or part of each shareholder's equity interests in VIEs. The purchase price shall be equal to the minimum price required by the relevant PRC laws. Without prior written consent of NingChen and Naqing, VIEs shall not to, among other things, amend their articles of association, sell or otherwise dispose of their assets or beneficial interests, enter into transactions which may adversely affect their assets, liabilities, business operations, equity interests and other legal interests, or merge with any other entities or make any investments, or distribute dividends. NingChen and Naqing have rights to transfer the rights and obligations pursuant to the Exclusive Call Option Agreements to any third party, which does not require any prior consent of VIEs and their shareholders. The Exclusive Call Option Agreements will remain effective until NingChen or Naqing terminates this agreement with 30 days advance notice.

Those contractual arrangements enable us to exercise effective control over our VIEs, have the right to all net profits earned by the VIEs, is obligated to absorb all of net losses borne by VIEs, and have an exclusive option to purchase 100% of the equity interest in our VIEs, when and to the extent permitted by PRC law. Through such arrangements, our VIEs have become our contractually controlled affiliates and their financial statements are consolidated with that of our Company for financial reporting purposes.

## Our Products and Services

### SME Financing Solutions

We provide a system of technology-driven customized financing solutions to small- and mid-sized enterprises (SMEs) in China to improve SMEs' access to financing and innovative solutions to unlock sources of capital. Each of our three subsidiary groups, Hengpu, Fintech and Nami, is an integral and indispensable part of our SME financing solutions operations. Fintech provides comprehensive financing solution services, such as designing debt financial products, preparing product descriptions and other related advisory services, to underwriters and financial institutions in SME issuers' offerings of debt securities on PRC provincial and municipal financial assets exchanges or other designated markets. Hengpu provides a full set of financing solution services, such as due diligence investigation, government registration, customer recommendation, investor education and maintenance, and other related services. Nami matches the SMEs with institutional and individual investors based on SMEs' financing needs. We help SMEs channel working capital and liquidity resources by utilizing funds supplied by investors from Hengpu's original three-board equity pledge financing-based intermediary services and high-quality investors from Nami's financial advisory and intermediary matching services.



By connecting the asset and capital ends and solving risk control issues in the financing process, we leverage our closed-loop system in the financings of SMEs and provide a full set of financial solutions to SMEs. Our comprehensive solutions enable SMEs to acquire financings in an efficient and customized manner to facilitate a healthy enterprise development process starting from the birth to the growth and mature development stages of the SMEs.



## *Supply Chain Solutions*

We launched our technology-driven integrated supply chain solutions services in January 2020, which was the fastest growing operational segment prior to the start of our supply chain trading business. We provide multi-level financing and supply chain solutions to core enterprises and SMEs by focusing on industry and finance integration and industry segmentation. Our supply chain solutions services mainly target the agriculture, infrastructure, maritime logistics, energy and plastics products markets. We streamline the supply chain finance process, participate as an intermediary and a partner in the merchandise flows in the procurement and distribution transactions, automate the transaction payments and offer the most favorable trading terms to both suppliers and buyers.

Our supply chain industry services provide cash flow solutions to help businesses free up working capital locked in the supply chains. Our offerings cover a broad category of trade financing solutions encompassing all the financing opportunities across a supply chain. We facilitate merchandise purchases from suppliers with payment terms desirable to the suppliers who can access working capital quickly and at a lower cost. Meanwhile our collaborations with merchandise buyers enable the buyers to make payments on a delayed basis often with an extended trade credit. Our solutions optimize working capital and allow for buyers to extend payments on supplies at no cost to the supplier. Pursuant to the agreements with our supply chain customers, we earn service fees when suppliers receive their financings, and our service fees are calculated as a fixed charge rate on the financing amount. Our services allow both suppliers and buyers to unlock working capital as well as reduce the risks associated with merchandise flows.

In the first half of 2020, our supply chain solutions services were mainly focused on the agriculture, infrastructure, and maritime logistics markets. In December 2020, we expanded our services into the energy industry through a strategic collaboration with Shanghai Petroleum and Natural Gas Exchange (“SHPGX”), a national trading platform for energy products. This partnership provides us with the opportunity to offer the supply chain management and financing solutions services to members of SHPGX’s trading platform and establish our presence and market share in the energy industry. Based on this cooperation, we have developed a new “supply chain +” business model, which will be applied in our services to clients in other industries.

We aim to build supply chain platforms that link commercial banks, securities firms, trusts, funds, insurance companies and state-owned enterprises through the continued introduction of big data, artificial intelligence, Internet of Things, blockchain and other cutting-edge technologies into the supply chain industry. In supply chain procurement and sales transactions, we play an instrumental role in reducing the purchase cost, communication cost and financial risks for core enterprises, buyers and suppliers.

### *Supply Chain Trading*

Since the launch of our supply chain solutions business, we have connected with supply chain participants from different sectors through our supply chain platforms and developed high quality customers in various industries, especially in agriculture, coal, new energy technology, construction, e-commerce, retail, and food and vegetable industries.

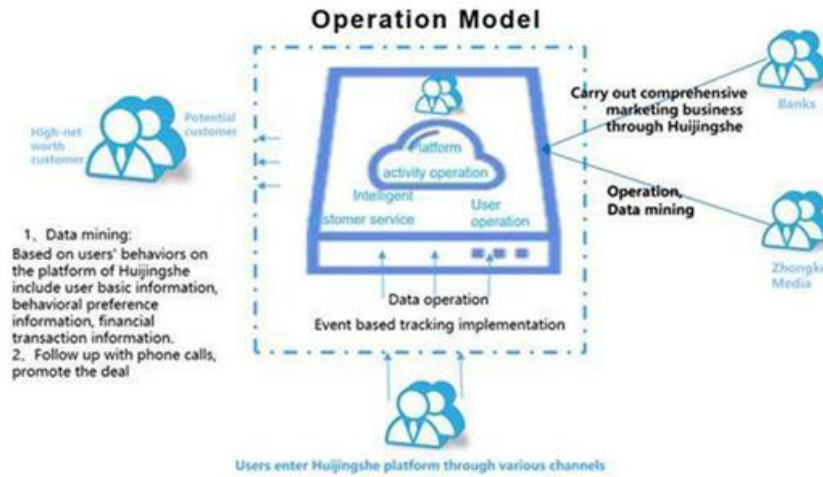
As our supply chain solution business grew substantially in size, we launched supply chain trading business in 2021, further expanding our product offerings and leveraging our supply chain technology platforms and high-quality customers connections. Complementary to supply chain solutions services, which primarily are focused on the financing aspect of the supply chain business, we have begun to participate in the procurement and distribution process as a trading partner, purchasing and selling merchandise, such as chemicals, food and agricultural products, directly to customers through our supply chain platforms and system. Empowered by our AI technology, we have developed an intelligent matching system through which we connect the upstream suppliers and the downstream customers through our procurement services. After a customer posts their product purchase inquiries on our platform, we are able to screen and identify the products with the most suitable suppliers in our supplier database via our intelligent matching system. When a customer places an order, we purchase products from a pre-selected supplier as an independent vendor and arrange delivery from the supplier directly to the customer. In the supply chain trading operations, we have developed supply chain logistics, inventory and warehousing capacities and also bear a vendor’s risks associated with turnovers of inventories.

### *Other Financing Solutions (Director Banking Solutions)*

Fintech provides direct banking solutions to small- and medium-sized commercial banks and other financial institutions in their distribution and management of direct banking and other financial products. Our banking customers launch various financial products on Fintech’s online platform, “Huijingshe” (the “Huijingshe Platform”), directly reaching institutional and individual investors, market their banking financial products, and complete sales to investment institutions and individuals. Leveraging our proprietary financial technology, Huijingshe Platform offers specialized asset allocation and financial planning services to institutional and individual investors. It optimizes risk controls and asset management procedures to meet the investors’ financial planning needs and minimize their investment risks.

The Huijingshe Platform, through integrating four-dimensional elements of Internet finance, Internet plus, finance and advanced technology, builds a fintech ecosystem platform serving banks, investment institutions and individuals. The Huijingshe Platform features the following functionality:

- Customer financial needs and bank financial products matching
- API direct connection, one-click account opening, improved user experience
- Unified interface of cooperation channels
- Precision marketing of banking products



## To users

- Open an account with one key: Fill in information once, then open all bank account with one key
- All kinds of financial products of direct banking (financial management, loan, credit card, insurance, etc.)
- Selected products, bank endorsement, safe and reliable

## To cooperative platform

### Scenario

- Rapidly establish banking and financial scenarios for the cooperation platform
- Embedded to online websites, apps, WeChat official accounts and various offline scenes

### Data

- Basis: name + mobile phone number + id card
- Transaction: deposit, financial management and loan
- Behavior: staying time, bounce rate and other behavioral preferences

### Profit

- All financial products and services are provided by the bank and are subject to distribution
- In the future, we will get through the asset side of the channel and cooperate with the direct banking business

Fintech provides ongoing customer management services to small and medium commercial banks and other financial institutions in their distribution and management of direct banking and other financial products through the Huijingshe Platform that Fintech owns. The Huijingshe Platform provides specialized asset allocation and financial planning services for various institutions or individual investors. In the meantime, the Huijingshe Platform optimizes and improves risk and asset management procedures to meet the investors' financial planning needs and minimize their investment risks. The Huijingshe Platform focuses on helping our clients, licensed small and medium commercial banks, to achieve the best matching and configuration of directing bank financial product and distributes and manages financial products. By connecting with the Huijingshe Platform, those licensed small and medium commercial banks can launch various financial products through our online channels, directly reach various institutional or individual investors, efficiently market the banking financial products and effectively match with investment institutions and individuals.

Khorgos, a subsidiary of Fintech, and Hengpu provide consulting and advisory services to investment companies, financial institutions and SME issuers of debt financial products on PRC provincial and municipal financial assets exchanges or other designated markets. In general, a service provider is required to register as a member of these municipal or provincial financial asset exchanges to provide full services of underwriting for financial product issuance and distribution. Khorgos, a participating member of several local financial assets exchanges, provides underwriting related services, such as designing debt financial products, preparing product descriptions and other related advisory services, to underwriters or financial institutions. Hengpu, also a member of a number of provincial or municipal asset exchanges, provides full services in connection with financial product underwriting, such as due diligence investigations, government registration, customer recommendations, investor education and maintenance, and other related services.

The financial assets products traded on the assets exchanges are backed by financial assets of registered members of those assets exchanges and issued by exchange designated product issuers (typically investment or asset management companies). The financial assets exchanges list qualified financial products for trading after evaluation and provide payment clearance and settlement, credit rating and custodian services. The underlying listed products administered by these exchanges primarily include commercial loans, receivables, creditors' right and other financial products.

## Distribution Channels and Methods of Competition

### Domestic Markets and Customers

Our marketing network has a presence in different regions in China, including several main offices such as Shanghai, Zhengzhou, Bozhou, Beijing, Tai'an, Shandong, and Khorgos, Xinjiang.

### International Markets

All of our products and services are available for international markets. We may explore the international market, though there is no guarantee that we will be able to materialize the plan. We intend to focus our growth efforts within China with regards to the services we provide as a result of the Company's assessment of current market opportunities.

### Activity Distribution of Revenues

The chart below is a breakdown of total revenues by activities for the years ended December 31, 2023, 2022 and 2021, respectively.

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Revenue generated from service			
SME Financing Solutions	26%	38%	54%
Supply Chain Solutions	2%	1%	3%
Total revenue generated from service	28%	39%	57%
Revenue from supply chain trading	72%	61%	43%
Total revenue	100%	100%	100%

All the Company's revenue were generated in the PRC.

## Customer Concentration

For the year ended December 31, 2023, four customers accounted for 28%, 19%, 15%, and 11% of the Group's total revenue from the financial services business and two customers accounted for 44% and 12% of the Group's total revenue from its supply chain trading business.

For the year ended December 31, 2022, five customers accounted for 18%, 16%, 15%, 13% and 13% of our total revenue from the financial services business respectively and one customer accounted for 33% of the total revenue from our supply chain trading business.

For the year ended December 31, 2021, two customers accounted for 37% and 15% of our total revenue from the financial services business and two customers accounted for 71% and 10% of our total revenue from supply chain trading business, respectively.

## Methods of Competition

We plan to compete domestically by establishing new branch offices in more cities in China. We will also promote more products and services through our platforms, which will enable our customers to communicate with us online and order, purchase and have our products and services delivered in a more convenient and faster manner.

Most of our service customers are SMEs in the supply chain, financial institutions and corporate clients, which has great development potential and customer demand in China. We compete on the basis of the experience and technology we have developed in serving customers.

## Our Competitive Position

We have set forth our assessment of our Company's relative strengths and challenges. The tables below represent our belief about our competitive position and is based on our observations, rather than objective data. Our assessment may not be shared by others, including such competitors, but it does represent management's assessment of our industry position.

We compete with the following listed companies in different areas. Currently there is no competitor that competes with us in all areas.

Competitors	Services	Comparative Strengths/Challenges
Client Service International Inc ("Client Service")	Financial software and financial solution service provider	<ul style="list-style-type: none"><li>• Client service focuses on providing financial software development</li><li>• Fintech integrates the financial product management service with technology service.</li><li>• Fintech assists the commercial banks to analyze and gain better understanding of their business needs, while Client Service only develops software to meet client needs</li></ul>
Orbian	Supply Chain Finance Provider	<ul style="list-style-type: none"><li>• Unlimited funding capacity (true multi-bank, source-agnostic funding)</li><li>• Multi-currency capacity</li><li>• True sale, non-recourse cash purchase of receivable(ensure payables treatment)</li></ul>
Beijing Udomedia Advertising Co., Ltd. ("Udomedia")	Financial product recommendation	<ul style="list-style-type: none"><li>• Amarsoft focuses on providing financial product comparison and recommendations to investors</li><li>• Fintech offers asset-side options to financial institutions as well as the financial planning service to investors</li><li>• Fintech competes against Amarsoft on financial product distribution service</li></ul>
PUYI INC. ("PUYI")	Third-party wealth management services provider	<ul style="list-style-type: none"><li>• The business goal of PUYI is to provide investor various financial product and asset allocation service to investor, which is similar to the goal of Hengpu</li><li>• PUYI is mainly engaged in private fund, and supply chain financing</li><li>• Hengpu is primarily engaged in underwriting related service for debt financial product</li></ul>

## Research and Development

We are committed to researching and developing financial technologies in financial services, supply chain and other relevant industries. We believe scientific and technological innovations will help our Company achieve its long-term strategic objectives. Our research and development efforts are an integral part of our operations and the crux of its competitive advantage and differentiation strategy.

For the years ended December 31, 2023, 2022 and 2021, we spent \$1,093,457, \$1,563,718 and \$1,599,728, respectively, on R&D. The R&D expenses in 2023 were primary used to maintain and develop our supply chain financing and other financing services APPs and platform. We anticipate that we will continue to focus our research and development efforts on developing new technology and improving existing products in the coming years.

## Our Intellectual Property

We have the right to use the following trademark registrations issued in the PRC:

Trademarks	Reg. No.	Issue Date	Expiration Date	Owner	Goods/Services
	26449617	9/7/2018	9/6/2028	Hengpu	Arrange and organize the conference; Translated; Planning a party (entertainment); Provide online electronic publications (non-download); Manuscript writing; Journalist Service; Zoo Service; Online publishing of e-books and magazines; Arrange and organize seminars; Arrange and organize on-site education forum
	26432309	9/7/2018	9/6/2028	Hengpu	Insurance Broker; Real estate agency; Guarantee; Raise Charity Fund; Fiduciary management; Pawn; Finance lease; Financial Information; Coin valuation; Brokerage
	26434423	9/7/2018	9/6/2028	Hengpu	Downloadable mobile application software; Computer program (downloadable software); Computer peripherals; Animation; Electronic Notepad; Automatic Teller Machine (ATM); Portable media player; Interactive touch screen terminal; Computer software (recorded); Mobile phone; Automatic teller machine (ATM)
	26428912	9/7/2018	9/6/2028	Hengpu	Online publishing of e-books and magazines; Translated; Arrange and organize the conference; Journalist Service; Planning a party (entertainment); Provide online electronic publications (non-download); Arrange and organize seminars; Arrange and organize on-site education forum; Zoo Service; Manuscript writing
	26438038	10/28/2018	10/27/2028	Hengpu	Interactive touch screen terminal; Computer software (recorded); Computer peripherals; Automatic Teller Machine (ATM); Portable media player; Animation; Downloadable mobile application software; Electronic Notepad; Mobile phone; Computer program (downloadable software)





	26449606	3/14/2020	9/6/2028	Hengpu	Urban planning; Computer Programming; Data Security Consulting; Technical Studies; Cloud computing; Art identification; Intangible assets assessment; Energy audit; Provide Internet Search Engine Information Technology Consulting Services; Intangible assets evaluation (-)
	26434403	10/28/2019	10/27/2029	Hengpu	Technical Studies; Urban planning; Energy audit; Data Security Consulting; Art identification; Intangible assets assessment; Information Technology Consulting Services; Cloud computing; Computer Programming; Provide Internet Search Engine; Intangible assets evaluation (-)
	26438039	10/28/2018	10/27/2028	Hengpu	Provide Internet chat rooms; Digital file transfer; Provide database access service; Data streaming; Telephone service; Provide online forums; Information transmission; Email transmission; Provide telecommunications connection services with global computer networks; Video on demand transmission
	26448031	3/14/2020	9/6/2028	Hengpu	Looking for sponsorship; Purchasing for others (purchasing goods or services for other companies); Marketing; Retail or wholesale services of pharmaceutical, veterinary, hygienic preparations and medical supplies (-); Franchise business management; Sell for others; Advertising; Online advertising on computer networks;  Import and export agent; Provide online markets for buyers and sellers of goods and services
	26438032	1/14/2019	1/13/2029	Hengpu	Electronic Notepad; Animation; Computer software (recorded); Computer program (downloadable software); Computer peripherals; Mobile phone; Portable media player Automatic Teller Machine (ATM); Interactive touch screen terminal; Downloadable mobile application software

	26443894	9/7/2018	9/6/2028	Hengpu	Information transmission; Telephone service; Provide Internet chat rooms Provide online forums; Provide telecommunications connection services with global computer networks; Digital file transfer; Video on demand transmission; Email transmission; Provide database access service; Data streaming
ihengpu.com	26428917	10/28/2018	10/27/2028	Hengpu	Technical Studies; Information Technology Consulting Services; Cloud computing; Art identification; Intangible assets assessment; Urban planning; Energy audit; Computer Programming; Provide Internet Search Engine; Data Security Consulting
ihengpu.com	26434429	10/28/2018	10/27/2028	Hengpu	Online advertising on computer networks; Purchasing for others (purchasing goods or services for other companies); Provide online markets for buyers and sellers of goods and services; Marketing; Looking for sponsorship; Advertising; Retail or wholesale services of pharmaceutical, veterinary, hygienic preparations and medical supplies (-); Franchise business management; Import and export agent; Sell for others
ihengpu.com	26439293	10/28/2018	10/27/2028	Hengpu	Guarantee; Fiduciary management; Financial Information; Brokerage; Pawn; Insurance Broker; Finance lease; Coin valuation; Real estate agency; Raise Charity Fund
恒普金融	26443885	01/28/2019	01/27/2029	Hengpu	Interactive touch screen terminal; Computer program (downloadable software); Electronic Notepad; Mobile phone; Portable media player; Downloadable mobile application software; Computer software (recorded); Automatic Teller Machine (ATM); Animation; Computer peripherals







	26428913	1/14/2019	1/13/2029	Hengpu	Coin valuation; Pawn; Fiduciary management; Finance lease; Real estate agency; Guarantee; Brokerage (3605) Financial Information (3602) Raise Charity Fund (3607)
	20689649	9/14/2017	9/13/2027	Hengpu	Insurance Underwriting; Financial Services; Financial Management; Financial loans; Art valuation; Real estate management; Brokerage; Guarantee; Raise Charity Fund; Pawn
	17764453	12/21/2016	12/20/2026	Hengpu	Quality assessment; Technical Project Research; Hosted computer station (website); Provide Internet Search Engine; Computer system remote monitoring; Create and maintain websites for others; Art identification; Intangible assets assessment; Intangible assets evaluation (-)
	26008168	10/28/2018	10/27/2028	Fintech	Looking for sponsorship; Provide online markets for buyers and sellers of goods and services; Accounting; Provide business information through the website; Business intermediary services; Personnel management consulting; Advertising; Commercial enterprise relocation; Update and maintain data in computer databases; Sell for others; Franchise business management.
	26008168	10/28/2018	10/27/2028	Fintech	Provide global computer network user access service; Telephone communication; TV broadcast; Communication equipment rental; Computer terminal communication; Satellite transmission; Provide database access service; Provide telecommunications connection services with global computer networks; Provide Internet chat rooms; Wireless broadcasting



汇晶社	26008168	10/28/2018	10/27/2028	Fintech	Internal communication device; Electronic monitoring device (-) Downloadable computer application software; Computer software (recorded); Computer program (downloadable software); Recorded computer program; Cash register; Remote control device; Electronic Publication (-); Electronic Notepad; Electronic Note (-); cashier(-); Electronic monitoring device (-) Remote control device (-)
汇晶社	26008168	10/28/2018	10/27/2028	Fintech	Credit card related investigations Financial loans; Art valuation; Real estate agency; Brokerage; Insurance Underwriting; Guarantee; Raise Charity Fund; Fiduciary management; Capital investment; Organize collections; Financial Information; Provide financial information through the website Insurance information; Pawn; Trust; Financial Management; Financial Consulting; Bank; Jewelry valuation
汇晶社	26008168	10/28/2018	10/27/2028	Fintech	Adoption Agent; Security and anti-theft alarm system monitoring; Open the safety lock Clothing rental; Computer Software License (Legal Service); Social companionship; Online social networking services; Lost and Found; Dating Service; Safe rental; Adoption agents; security and anti-theft alarm system monitoring; unlocking locks; clothing rental; computer software licensing (legal services); social companionship; online social networking services; lost and found; dating services; safe rental (-)
汇晶社	26008168	10/28/2018	10/27/2028	Fintech	Quality system certification; Convert tangible data or files into electronic media; Technical Studies; Computer system remote monitoring; Interior Design; Computer Software Design; Electronic data storage; Cosmetic Research; Industrial design; Intangible assets assessment
纳觅咨询 NAMI CONSULTING	32912744	06/21/2019	06/20/2029	Nami	Insurance Broker; Insurance coverage; Life insurance underwriting; Insurance consultation; Insurance information; Rental of real estate; Real estate agency; Real estate brokerage; Real estate valuation; Real estate management




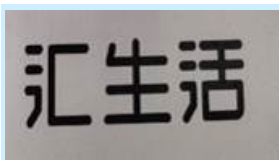
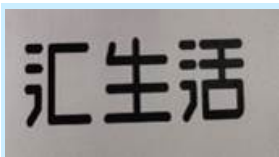
纳觅咨询	32919214	08/28/2019	8/27/2029	Nami	Appointment scheduling services (office services); Written registration of messages and data; Accounting; Drawing of bills, statements of accounts (Closed)
	48343254	04/14/2021	04/13/2031	Nami	Financial audit; Business administration assistance advertisement; Personnel management consulting; Business management consulting; Management service of business enterprise migration marketing management; Sell for others; Looking for sponsorship; Appointment service (office affairs)
	48323812	04/14/2021	04/13/2031	Nami	Insurance Brokerage; Financial Management; Financial Analysis; Financial Consulting; Financial Lending; Real Estate Brokerage; Customs Financial Brokerage Services; Guarantees; Collection of Charitable Funds; Fiduciary Management (Closed)
	49065395	4/14/2021	4/13/2031	Hengpu	Recorded computer programs; computer software (recorded); downloadable computer programs; downloadable image files; downloadable computer applications; humanoid robots with artificial intelligence; recorded or downloadable computer software platforms; downloadable cell phone applications; computer network servers; interactive touch screen terminals
	49057257	4/14/2021	4/13/2031	Hengpu	3501 Advertising / 3501 Online advertising on computer networks / 3502 Market analysis / 3502 Providing business information / 3502 Franchised business management / 3503 Online marketplaces for buyers and sellers of goods and services / 3503 Marketing / 3503 Marketing for others / 3503 Purchasing for others (purchasing goods or services on behalf of other businesses) / 3503 Import and export agency
					Translated with DeepL.com (free version)

	59956207	04/07/2022	04/06/2032	Fintech Shenzhen	Precious metal ingots; unprocessed or semi-processed precious metals; precious metal alloys; works of art made of precious metals; badges made of precious metals; silver crafts; boxes made of precious metals coins (collectors' items); watches; jewelry made of precious metals
	57577553	01/21/2022	01/20/2032	Fintech Shenzhen	Newswire services; cable television broadcasting; radio broadcasting; computer-aided messaging and image delivery; provision of telecommunications connectivity to global computer networks; provision of telecommunications channels for telephone shopping; provision of online forums; videoconferencing services; podcast video delivery; digital file delivery
	57570987	01/21/2022	01/20/2032	Fintech Shenzhen	Precious metal ingots; Raw or semi-processed precious metals; Precious metal alloys; Precious metal boxes; Precious metal works of art; Precious metal badges; Silver artifacts; Coins (collectibles); Precious metal jewelry; Watches
	57595650	01/14/2022	01/13/2023	Fintech Shenzhen	Financial Consulting; Valuables Storage; Financing Services; Financial Management; Art Valuation; Jewelry Valuation; Coin Valuation; Trusts; E-Wallet Payment Services; Pawning
	57586962	01/14/2022	01/13/2023	Fintech Shenzhen	Telecommunication channels for telephone shopping; Provision of online forums; Video conferencing services Podcast video delivery; digital file transfer; provision of telecommunications connectivity to global computer networks; newswire services; cable television broadcasting; radio broadcasting; computer-aided messaging and image delivery
	64728317	11/07/2022	11/06/2032	Fintech	Personnel management consultancy; retail services for pharmaceutical, veterinary and hygienic preparations and medical supplies; sales promotion for others; search for sponsorships; business management of franchises; management services for the relocation of business enterprises; computerised document management; on-line marketplaces for buyers and sellers of goods and services; display of merchandise in communication media for retail purposes; advertising

	64744087	11/7/2022	11/13/2032	Fintech	Cereal-based snacks; Rice-based snacks; Rice; Condiments; Coffee; Honey; Buns; Noodles; Candy; Tea
	64744087	11/7/2022	11/13/2032	Fintech	In edible mushrooms; meat; eggs; tofu products; fish (non-live); fruit preserves; processed nuts; edible oil; yoghurt; preserved vegetables
	71095804	12/14/2023	12/13/2032	Fintech	Canned fruits; canned vegetables; processed fruits; pickles; processed nuts; jellies for food (non-sweet); lactic acid beverages; fruit- and vegetable-based snacks; dried edible mushrooms; tofu products
	71115170	4/23/2023	1/13/2034	Fintech	Grain (cereal); live animals; unprocessed nuts; animal foods Unprocessed cereals; unprocessed sweet corn cobs (peeled or unpeeled); maize; barley; unprocessed quinoa; fresh fruit
	71100148	12/14/2023	12/13/2032	Fintech	Fruit Wine (Alcoholic); Wine; Rice Wine; Soju; Yellow Wine; White Wine
	65862064	07/10/2022	06/27/2033	Fintech	Computer applications (programmes for performing computer maintenance work); computer programmes; surveillance programmes (computer programmes); downloadable applications for mobile phones; computer software for network management; mounting brackets for computer hardware; computer programmes (downloadable software); computer programmes for the Internet and the World Wide Web; microprocessors; and equipment and instruments for electronic navigation and positioning

	68644578	11/30/2022	09/13/2033	Fintech	Pork food; ham; edible bird's nest; crustaceans (non-live); shellfish (non-live); fruit-based snacks; processed fruit; fruit and vegetable-based snacks; preserved vegetables; eggs
	68639948	11/30/2022	08/27/2033	Fintech	Tea; sugar; freeze-dried foodstuffs made mainly from rice; hulled cereals for human consumption in cereal products; spices; prepared foodstuffs based on pasta; prepared gluten for consumption; coffee; rice
	68644585	11/30/2022	06/27/2033	Fintech	Live animals; live fish; live edible aquatic animals; lobsters (live); maize; barley; grain (cereals); fresh fruit; fresh vegetables; plants
	49781203	04/28/2021	04/27/2031	Fintech	Tea; sugar; honey; propolis; royal jelly; biscuits; cakes; bread; oatmeal; cereals
	49758087	04/28/2021	04/27/2031	Fintech	Beer; beer-based cocktails; non-alcoholic fruit juices; whey beverages; carbonated water; soft drinks; energy drinks; fruit juice drinks with pulp; non-alcoholic cocktails; distilled water for drinking

	49754300	04/28/2021	04/27/2031	Fintech	Fruit wines (alcoholic); Aperitifs; Wines; Spirits (beverages); Brandy; Yellow wine; Alcoholic beverages in their original form; Sake (Japanese rice wine); Shochu; Sparkling wine
	49771965	05/07/2021	05/06/2031	Fintech	Facial Cleanser; Skin Cleansing Lotion; Hair Conditioner; Laundry Detergent; Dishwashing Liquid; Essential Oils; Lipsticks; Beauty Masks; Cosmetics; Air Fragrance
	49781272	04/28/2021	04/27/2031	Fintech	Insurance Brokerage; Insurance Underwriting; Insurance Consulting; Capital Investment; Financial Management; Financial Consulting; Art Valuation; Jewellery Valuation; Real Estate Rental; Real Estate Management
	49781469	04/28/2021	04/27/2031	Fintech	Animal Skins; Fur; Imitation Leather; Wallets; Luggage; Cosmetic Bags; Suitcases; Leather Straps; Furniture Leather Trim; Umbrellas
	49782712	04/28/2021	04/27/2031	Fintech	Household utensils: cutlery (except knives, forks and spoons); household or kitchen containers; sets of cooking pots and pans; condiment sets; china decorations; beer mugs; drinking vessels; food warming containers; beverage insulating containers

	49766484	04/28/2021	04/27/2031	Fintech	Jewellery Boxes; Jewellery; Precious Metals; Necklaces; Silver Crafts; Jade Jewellery; Pearls; Gemstones; Wristwatches; Onyx
	49758712	04/28/2021	04/27/2031	Fintech	Sideboards; Desks; Office Furniture; Furniture; Mirrors (Glass Mirrors); Bamboo and Wood Crafts; Grass Crafts; Works of Art made of Wood, Wax, Plaster or Plastic; Mattresses for Beds (except woven bedding); Pillows
	49749229	04/28/2021	04/27/2031	Fintech	Game consoles; video game consoles; toys; scooters (toys); scale model cars; remote-controlled toy cars; toy dolls; balls for sports activities; apparatus for physical exercise; apparatus for sports activities
	49777987	06/07/2021	06/06/2031	Fintech	Jewellery Boxes; Jewellery; Precious Metal Works of Art; Necklaces (Jewellery); Silver Crafts; Jade Jewellery; Pearls (Jewellery); Gemstones; Watches; Agates
	49750675	06/14/2021	06/13/2031	Fintech	Animal Skins; Fur; Imitation Leather; Wallets (Money Clips); Luggage; Non-specialised Cosmetic Bags; Suitcases; Leather Straps; Furniture Leather Upholstery; Umbrellas

We own the following copyrights:

<b>Copyright Name</b>	<b>Reg. No.</b>	<b>Issuance Date</b>	<b>Owner</b>
Hengpu online RMB withdrawal system	2020SR1554067	11/09/2020	Hengpu
Hemp Online Mobile Investment System	2020SR1554106	11/09/2020	Hengpu
Hengpu online RMB recharge system	2020SR1554066	11/09/2020	Hengpu
Hengpu online authentication system	2020SR1554072	11/09/2020	Hengpu
Hengpu online entrusted trading system	2020SR1554073	11/09/2020	Hengpu
Hengpu Fund Information Display System	2020SR0774260	07/15/2020	Hengpu
Hemp Fund Mobile Redemption System	2020SR0776761	07/15/2020	Hengpu
Hengpu Fund Management System	2020SR0774255	07/15/2020	Hengpu
Hengpu Fund Trading System	2020SR0774266	07/15/2020	Hengpu
Hengpu Fund Mobile Requisition System	2020SR0769122	07/14/2020	Hengpu
Huijingshe CRM customer management system	2020SR0331868	04/14/2020	Fintech
Jetcom wallet background management system	2020SR0330745	04/14/2020	Fintech
Huijingshe Financial Management System	2020SR0332562	04/14/2020	Fintech
Huijingshe Financial Products Management Platform	2020SR0332553	04/14/2020	Fintech
Huijingshe sales channel cost accounting and operation management system	2020SR0332191	04/14/2020	Fintech
Huijingshe integrated financial management APP system	2020SR0332195	04/14/2020	Fintech
Equity trading system	2020SR0332587	04/14/2020	Fintech
Huijingshe website content management system	2020SR0331400	04/14/2020	Fintech
Huijing Fund Finance APP System	2020SR0332558	04/14/2020	Fintech
Huijingshe system monitoring alarm management platform	2020SR0331454	04/14/2020	Fintech
Employee loan system	2020SR0331462	04/14/2020	Fintech
Huijingshe distributed message management platform	2020SR0332591	04/14/2020	Fintech
Huijingshe Insurance APP System	2020SR0331872	04/14/2020	Fintech
Huijingshe risk control management system	2020SR0331518	04/14/2020	Fintech



Huijingshe Financial Leasing System	2020SR0330193	04/14/2020	Fintech
Jetcom wallet back-office management system	2020SR0332521	04/14/2020	Fintech
Huijingshe Big Data Reporting Platform	2020SR0332497	04/14/2020	Fintech
New three board data mobile display system	2019SR0914974	9/3/2019	Hengpu
Hengpu offline financial management system	2019SR0914982	9/3/2019	Hengpu
Application and display system of equity pledge financing	2019SR0915056	9/3/2019	Hengpu
Hengpu offline financing mobile investment system	2019SR0912121	9/2/2019	Hengpu
Hengpu offline financial investment system	2019SR0912070	9/2/2019	Hengpu
Hengpu Financial RMB Withdrawal System	2018SR498978	6/28/2018	Hengpu
Hengpu Financial Bank Depository Docking System	2018SR269474	4/20/2018	Hengpu
Hengpu Financial Mobile Investment System	2018SR265882	4/19/2018	Hengpu
Hengpu Financial Transaction Return System	2018SR265875	4/19/2018	Hengpu
Hengpu financial product search recommendation system	2018SR265870	4/19/2018	Hengpu
Hengpu Financial Identity Verification System	2018SR178293	3/19/2018	Hengpu
Hengpu financial investment marketing activity system	2018SR178208	3/19/2018	Hengpu
Hengpu Financial Virtual Account System	2018SR178316	3/19/2018	Hengpu
Hengpu Financial Commission Trading System	2018SR178319	3/19/2018	Hengpu
Hengpu Financial Personal Name Coin Recharge System	2018SR178295	3/19/2018	Hengpu
Huijingshe APP platform	2018SR241757	4/10/2018	Fintech
Internet technology e-commerce platform system	2021SR1914048	11/26/2021	Fintech
Computer-based blockchain technology system development application platform	2021SR1914074	11/26/2021	Fintech
Internet science and technology information resource service platform	2021SR1892299	11/25/2021	Fintech
Internet digital repository storage software	2021SR1892285	11/25/2021	Fintech
Internet Digital Technology Information R&D Management System	2021SR1892290	11/25/2021	Fintech
Fintech E-commerce trading platform IOS side V1.0	2022SR0986900	08/02/2022	Fintech
Fintech E-commerce trading platform Android V1.0	2022SR0992901	08/03/2022	Fintech
Fintech E-commerce trading platform applet side V1.0	2022SR0992902	08/03/2022	Fintech
Fintech Supply Chain Approval System V1.0	2022SR0992904	08/03/2022	Fintech

Fintech Channel Management System V1.0	2022SR0992905	08/03/2022	Fintech
Fintech Supply Chain Risk Assessment SAAS System - Management Side V1.0	2022SR1394905	10/10/2022	Fintech
Fintech Supply Chain Asset Management System V1.0	2022SR1394913	10/10/2022	Fintech
Fintech Metrics Management Platform V1.0	2022SR1488486	11/10/2022	Fintech
Fintech Information Resource Management System V1.0	2022SR1488487	11/10/2022	Fintech
Fintech Data Center Management System V1.0	2022SR1488678	11/10/2022	Fintech
Fintech Project Management System V1.0	2022SR1488717	11/10/2022	Fintech
Fintech Data Visualization BI Reporting System V1.0	2022SR1491614	11/10/2022	Fintech
Fintech E-commerce industry data big screen kanban system V1.0	2022SR1491356	11/10/2022	Fintech
Fintech Project Intelligence Cloud Management Platform V1.0	2022SR1491623	11/10/2022	Fintech
Fintech Financial Cashier Management System V1.0	2022SR1527547	11/17/2022	Fintech
Fintech Enterprise Supply Chain Management System V1.0	2022SR1527676	11/17/2022	Fintech
Fintech Enterprise Credit Risk Location System V1.0	2022SR1527677	11/17/2022	Fintech
Fintech Blockchain BaaS Platform V1.0	2022SR1531324	11/17/2022	Fintech
Fintech Mutual fund platform business management system V1.0	2022SR1533264	11/17/2022	Fintech
Fintech IOS E-commerce platform V2.0	2022SR1569585	11/30/2022	Fintech
Fintech E-commerce system PC management backend V2.0	2022SR1569632	11/30/2022	Fintech
Fintech E-commerce trading platform applet side V2.0	2022SR1570303	12/01/2022	Fintech
Fintech E-commerce trading platform for Android V2.0	2022SR1570304	12/01/2022	Fintech
Fintech Data Security Management Platform V1.0	2022SR1491615	11/10/2022	Fintech
Fintech Technology Big Data Operation Platform V1.0	2022SR1494027	11/11/2022	Fintech
Fintech E-commerce system PC management backend V1.0	2022SR0992903	08/03/2022	Fintech
Fintech Internet+Big Data Government-Enterprise Collaborative Supervision Platform V1.0	2022SR1491355	11/10/2022	Fintech

## Our Employees

As of December 31, 2023, we employed 206 full-time employees in the following functions:

Department	December 31, 2023	December 31, 2022	December 31, 2021
Management and administration	106	116	50
Research and Development	12	29	10
Production and operation	30	45	67
Sales	58	62	51
<b>Total</b>	<b>206</b>	<b>252</b>	<b>178</b>

We had no part-time employees in 2023.

Our employees are not represented by a labor organization or covered by a collective bargaining agreement. We have not experienced any work stop pages.

We are required under PRC law to make contributions to employee benefit plans at specified percentages of our after-tax profit. In addition, we are required by PRC law to cover employees in China with various types of social insurance. We believe that we are in material compliance with the relevant PRC employment laws.

## Regulation

We operate in an increasingly complex legal and regulatory environment. We are subject to a variety of PRC and foreign laws, rules and regulations across numerous aspects of our business. This section sets forth a summary of the principal PRC laws, judicial interpretations, rules and regulations relevant to our business and operations in the PRC.

### *Regulations Relating to Foreign Investment*

The establishment, operation and management of corporate entities in the PRC, including foreign-invested companies, are subject to the Company Law of the PRC, or the Company Law, which was issued by the Standing Committee of the National People's Congress, or the NPC Standing Committee, on December 29, 1993 and took effect on July 1, 1994. It was last amended on December 29, 2023 and will take effect on July 1, 2024. Unless otherwise provided in the PRC's foreign investment laws, the provisions of the Company Law shall prevail.

We are a British Virgin Islands company and thus, we are classified as a foreign enterprise under the PRC laws. On March 15, 2019, the NPC promulgated the Foreign Investment Law, which came into effect on January 1, 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, PRC Foreign Invested Enterprise Law, PRC Sino-Foreign Equity Joint Venture Law and PRC Sino-Foreign Cooperative Joint Venture Law. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation, and failure to take timely and appropriate measures to cope with the regulatory-compliance challenges could result in material and adverse effect on us. For instance, though the Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, it contains a catch-all provision under the definition of “foreign investment”, which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if so, how our contractual arrangements should be dealt with. In addition, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. In the worst-case scenario, we may be required to unwind our existing contractual arrangements and/or dispose of the relevant business operations, which could have a material and adverse effect on our current corporate structure, corporate governance, business, financial condition and results of operations.

Investments in the PRC by foreign investors and foreign-invested enterprises are regulated by the Catalogue of Industries in which Foreign Investment is Encouraged (2022 Edition), or the 2022 Catalog, and the Special Administrative Measures for Foreign Investment Access (Negative List 2021), or the 2021 Negative List. The establishment of wholly foreign-owned enterprises is generally allowed in industries not included in the Negative List. Industries not listed in the Negative List are generally open to foreign investment unless specifically restricted by other applicable Chinese regulations. Under the 2021 Negative List, foreign equity in companies providing value-added telecommunications services, excluding e-commerce, domestic multi-party communications, data collection and transmission services, and call centers, should not exceed 50%. Part of our business is subject to such 50% foreign invested equity cap.

On December 26, 2019, the State Council promulgated the Regulation on the Implementation of the Foreign Investment Law of the PRC, which became effective on January 1, 2020. The Implementation Regulations for the Foreign Investment Law implement the legislative principles and purpose of the Foreign Investment Law, emphasize on promoting the foreign investment and refine the specific measures, and also replaced the implementation rules of the Law of the PRC on Sino-foreign Equity Joint Ventures, the Wholly Foreign-owned Enterprise Law of the PRC and the Law of the PRC on Sino-foreign Cooperative Joint Ventures. On December 26, 2019, the Supreme People’s Court issued an Interpretation on Several Issues Concerning the Application of the Foreign Investment law of the PRC, which also came into effect on January 1, 2020. The interpretation applies to any contractual dispute arising from acquisition of the relevant rights and interests by a foreign investor through gift, division of property, merger of enterprises, division of enterprises, etc. On December 30, 2019, MOFCOM and the SAMR jointly issued the Measures on Reporting of Foreign Investment Information, which replaced the existing filing and approval procedures regarding the establishment and change of foreign-invested companies. On December 31, 2019, MOFCOM issued the Announcement on Matters Relating to Foreign Investment Information Reporting, emphasized the information reporting requirements provided by the Measures on Reporting of Foreign Investment Information, and stipulated the forms for information reporting.

On December 19, 2020, NDRC and the Ministry of Commerce jointly issued the Measures for the Security Review of Foreign Investment which became effective on January 18, 2021. According to the Measures, a working mechanism shall be established for organizing, coordinating, and guiding the security review of foreign investments, and the office in charge of the security review work will be set up by the NDRC and the Ministry of Commerce. Furthermore, the Measures provide that if foreign investors or their related parties in China engage in any foreign investment in industry with national security concerns such as information technology, internet products and services, or financial services, they shall make applications to the office in charge of the security review work in advance of national security review.

### ***Regulations Relating to Value-Added Telecommunication Services***

The Telecommunications Regulations of the PRC, or the Telecommunications Regulations, issued by the State Council of the PRC on September 25, 2000 and last amended on February 6, 2016, provide the general framework for the provision of telecommunication services by PRC companies. It requires a telecommunication service provider in China to obtain an operating license from the Ministry of Industry and Information Technology, or MIIT, or its provincial counterparts, prior to commencement of operations.

The Telecommunications Regulations categorize telecommunication services in China as either basic telecommunications services or value-added telecommunications services. According to the Catalog of Telecommunications Business, attached to the Telecommunications Regulations and issued by MIIT, on December 28, 2015 and last amended on June 6, 2019, online data processing, transaction processing and information services provided via fixed network, mobile network and internet, call center service and internet data center services are value-added telecommunication services.

On July 3, 2017, MIIT issued the Measures for the Administration of Telecommunications Business Licensing, or the Telecom Permit Measures, which took effect on September 1, 2017. The Telecom Permit Measures set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining the licenses and the administration and supervision of these licenses. Operators are required to submit an application within the prescribed period to the original permit-issuing authority with respect to changes in the business scope or the operating entity resulting from shareholder changes or the merger and division of the company as prescribed under relevant regulations.

On June 8, 2020, MIIT issued the Notice of Strengthening the Administration of Call Center Service, which provides that any entities engaging in call center service shall obtain corresponding business permits as required by the relevant laws and regulations, and shall conduct the business subject to the Catalog of Telecommunications Business.

### ***Regulations on Foreign Investment in the Value-Added Telecommunications Industry***

Foreign direct investment in telecommunications companies in China is governed by the Administrative Rules on Foreign-invested Telecommunications Enterprises, or the FITE Regulations, which was issued by the State Council on December 11, 2001, last amended on March 29, 2022, and come into effect from May 1, made certain significant changes to the 2016 FITE Regulations. Under the 2016 FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses overseas (the “Qualification Requirements”), while the 2022 Decision repeals the Qualification Requirements. The restrictions of Qualification Requirements no longer apply to foreign investors, and foreign investors may be allowed to hold no more than 50% of the equity interests of a company providing value-added telecommunications services. However, as of the date of this report, no applicable PRC laws, regulations or rules have provided clear guidance or interpretation about the 2022 Decision. It remains extremely uncertain as to the interpretation and enforcement of the 2022 Decision in practice and relevant regulations by government authorities.

However, under the Circular on Loosening the Restriction on Foreign Shareholdings in Online Data Processing and Transaction Processing Business (for E-commerce), or Circular 196, issued by MIIT on June 19, 2015, foreign investors may hold up to 100% of all equity interest in an online data processing and transaction processing business operating e-commerce in China, while other requirements provided by the FITE Regulations shall still apply. Apart from e-commerce, the 2021 Negative List also provides that foreign investors may hold 100% equity interest in domestic multi-party communications, data collection and transmission services and call centers. Pursuant to the Special Administrative Measures for Foreign Investment Access (Negative List 2021), foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services, including ICP services, with the exception of e-commerce, domestic multi-party communications, storage- forwarding, and call centers businesses. The MIIT’s Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, or the MIIT Circular, issued on July 13, 2006, requires foreign investors to set up foreign-invested enterprises and obtain a license for value-added telecommunications services. It prohibits domestic companies holding value-added telecommunications services licenses from leasing, transferring or selling their licenses in any form, or providing any resource, sites or facilities, to any foreign investors intending to conduct this type of businesses in China.

In addition to restricting dealings with foreign investors, the MIIT Circular contains a number of detailed requirements applicable to operators of value-added telecommunications services, including that operators or their shareholders must legally own the domain names and trademarks used in their daily operations and each operator must possess the necessary facilities for its approved business operations and maintain its facilities in the regions covered by its license. The MIIT or its provincial counterparts have the power to require corrective actions after they discover any non-compliance by operators, and where operators fail to take those steps, the MIIT or its provincial counterparts can revoke the value-added telecommunications services licenses.

In view of the foregoing foreign ownership restrictions, we have established several VIEs to engage in the business of value-added telecommunications services. Due to the lack of interpretative guidance from the relevant PRC governmental authorities, there are uncertainties regarding whether PRC governmental authorities would consider our corporate structure and contractual arrangements compliant with applicable PRC foreign investment laws and regulations.

### ***Regulations on Internet Information Services***

Administrative Measures for Internet Information Services, which was issued by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. Pursuant to the Internet Information Measures, “internet information services” are defined as services that provide information to online users through the internet. The Internet Information Measures require internet information services operators to obtain a value-added telecommunications business operating license for internet information services, or the ICP License, from the relevant government authorities before engaging in any commercial internet information services operations in China.

In addition, internet information service providers are required to monitor their websites to ensure that they do not contain content prohibited by law or regulation. The PRC government may require corrective actions to address non-compliance by ICP License holders or revoke their ICP License for serious violations. Furthermore, the MIIT Circular on Regulating the Use of Domain Names in Internet Information Services, issued on November 27, 2017 and that took effect on January 1, 2018, requires internet information service providers to register and own the domain names they use in providing internet information services.

### ***Regulations on Mobile Internet Application Information Services***

In 2022, the Cyber Administration of China issued Provisions on the Administration of Information Services of Mobile Internet Apps (2022 Revision), which took effect on August 1, 2022, requiring Apps providers, who provide users with services such as information release and instant messaging, to authenticate the identity of users who apply for registration, establish and improve information content examination and registration mechanism. If Apps providers violate these regulations, Apps distribution platforms shall issue warning, suspend services, remove the Apps and/or report to the competent departments.

ICPs are also required under the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals, which was issued on December 16, 2016 and took effect on July 1, 2017, to ensure that APPs, as well as its ancillary resource files, configuration files and user data, can be conveniently uninstalled by a user, unless it is a basic function software (i.e., software that supports the normal functioning of hardware and operating system of a mobile smart device).

On July 22, 2020, the MIIT issued the Notice by the Ministry of Industry and Information Technology of Launching a Special Campaign to Further Crack Down on APP Infringements on Users’ Rights and Interests on Users’ Personal Rights and Interests by APPs, or the Notice. The Notice requires inspection of certain practices of application service providers, including: (i) collecting personal information without user’s consent, collecting or using personal information beyond the necessary scope of service provided, and forcing users to receive advertisements; (ii) frequently or automatically launching third-parties apps without user permission, and (iii) deceiving and misleading users to download apps or providing personal information. The Notice also specifies the period of special inspection of the Apps for supervision, the Ministry of Industry and Information Technology will order the offending party to rectify the business within five working days, otherwise a public announcement will be made, and the App will be removed from the Apps store, and the offending party will be subject to other administrative penalties.

The Provisions on the Administration of Internet Users’ Account Information, which was issued by the CAC on June 27, 2022 and became effective on August 1, 2022, stipulate that internet information service providers must, among other things, equip themselves with professional and technical capabilities appropriate to the scale of services, establish, improve and strictly implement systems for identity authentication, account verification, information safekeeping, ecological governance, emergency response, personal information protection, among others. The provisions also require that the internet information service providers should handle and protect internet users’ account information in accordance with law, and take measures to prevent unauthorized access, as well as leakage, tampering, or loss of personal information. The internet information service providers must set up convenient portals for complaints and whistleblowing at an easily seen location, provide channels for complaints and whistleblowing, improve the acceptance, screening, disposal and feedback mechanisms, specify the handling process and feedback time limit and timely handle the complaints and whistleblowing of users and the public.

On September 9, 2022, the CAC, the MIIT, and the SAMR issued the Administrative Provisions on Internet Pop-up Push Notification Services, which took effect on September 30, 2022. The provisions require that internet pop-up push notification service providers should implement the responsibilities as subjects of information content management and establish and improve management systems for censoring of information content, ecological governance, data security, and personal information protection, and protection of minors.

## ***Regulations Relating to Information Security and Privacy Protection***

### ***Regulations on Information Security***

In recent years, PRC government authorities have enacted laws and regulations with respect to internet information security and protection of personal information from abuse or unauthorized disclosure. Pursuant to the Decision on the Maintenance of Internet Security issued by the NPC Standing Committee on December 28, 2000, which was amended on August 27, 2009, persons may be subject to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights and other activities prohibited by relevant laws and regulations.

The Administration Measures on the Security Protection of Computer Information Network with International Connections, issued by the Ministry of Public Security, or MPS, on December 16, 1997 and amended by the State Council of the PRC on January 8, 2011, prohibits using the internet in ways that result in a leak of state secrets or a spread of socially destabilizing content. The MPS has supervision and inspection powers and relevant local security bureaus may also have jurisdiction. If a value-added-telecommunications service license holder violates these measures, the government of the PRC may revoke its value-added-telecommunications service license and shut down its websites.

On November 7, 2016, the NPC Standing Committee promulgated the Cyber Security Law of the PRC, or Cyber Security Law, which took effect on June 1, 2017, pursuant to which, network operators must comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks must take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. It also states that: network operator may not collect personal information that is irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties. The Regulations on Cyber Security Supervision and Inspection of Public Security Organs, which was issued by the MPS on September 15, 2018 and came into effect on November 1, 2018, is an important basis for the Public Security Bureau to strengthen the enforcement of the Cyber Security Law. On September 12, 2022, the Cyber Administration of China issued the Cyber Security Law (Draft for Comments) to solicit public comments. The draft mainly adjusted the penalties stipulated in Cyber Security Law. As of now, Cyber Security Law has not been revised.

Pursuant to the Ninth Amendment to the Criminal Law issued by the NPC Standing Committee on August 29, 2015, which took effect on November 1, 2015, any Internet service provider that fails to fulfil the obligations related to internet information security administration as required by applicable laws and refuses rectification orders is subject to criminal penalty for (i) any dissemination of illegal information in large scale, (ii) any severe effect due to leakage of the client's information, (iii) any serious loss of criminal evidence, or (iv) other severe situation. These amendments also state that any individual or entity that (i) sells or provides personal information to others that violates applicable law, or (ii) steals or illegally obtains any personal information, is subject to criminal penalty for severe violations. On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information, which took effect on June 1, 2017. It clarifies several concepts regarding the crime of "infringement of citizens' personal information," including "citizen's personal information," "provision," and "unlawful acquisition."

Pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps, which was issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cyber Security Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, app operators should not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of APPs Infringing upon User's Personal Rights and Interests, which was issued by MIIT on October 31, 2019.

On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes, which came into effect on November 1, 2019, and further clarifies the meaning of Internet service provider and the severe situations of the relevant crimes.

The recommended national standard, Information Security Technology Personal Information Security Specification, puts forward specific refinement requirements on the collection, preservation, use and commission processing, sharing, transfer, public disclosure, etc. Although it is not mandatory, in the absence of clear implementation rules and standards for the law on cyber security and other personal information protection, it will be used as the basis for judging and making determinations. On November 28, 2019, The Notice of Identification Method of Application Illegal Collection and Use of Personal Information was issued, which provides a reference for the identification of App illegal collection and use of personal information, and provides guidance for App operators' self-inspection and self-correction and netizens' social supervision.

On December 15, 2019, the Provisions on Ecological Governance of Network Information Content was issued by the Cyberspace Administration of China, which has come into effect on March 1, 2020. These provisions require network information content service platform to perform its duties as the information content administrator, strengthen ecological governance of the network information contents of its own platform, and foster a positive, healthy, progressive and amicable cyber culture.

On June 10, 2021, the Standing Committee of the National People's Congress of China promulgated the Data Security Law which took effect in September 1, 2021. The Data Security Law (Draft) mainly sets forth specific provisions regarding establishing basic systems for data security management, including data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility.

On June 10, 2021, the Standing Committee of the National People's Congress of China promulgated the Data Security Law which took effect in September 1, 2021. The Data Security Law provides for data security and privacy obligations of entities and individuals carrying out data activities, prohibits entities and individuals in China from providing any foreign judicial or law enforcement authority with any data stored in China without approval from the competent PRC authority, and sets forth the legal liabilities of entities and individuals found to be in violation of their data protection obligations, including rectification order, warning, fines of up to RMB10 million, suspension of relevant business, and revocation of business permits or licenses.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severe and Lawful Crackdown on Illegal Securities Activities, which took effective on the same day. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection.

On December 28, 2021, the Cyberspace Administration of China issued the Measures for Cybersecurity Review which took effect on February 15 2022. It proposes to authorize the relevant government authorities to conduct cybersecurity review on a range of activities that affect or may affect national security, including listings in foreign countries by companies that possess personal data of more than one million users. It also stipulates that any operator in violation of the regulations shall be penalized in accordance with the Cyber Security Law and the Data Security Law.

On July 7, 2022, the CAC issued the Measures for Security Assessment of Cross-border Data Transfer, which took effect on September 1, 2022. According to these measures, in addition to the requirement to conduct self-assessment on the risks of the outbound data transfer, to provide data abroad under any of the following circumstances, a data processor must apply to the national cyberspace department for data security assessment through the provincial-level cyberspace administration authority: (i) outbound transfer of important data by a data processor; (ii) outbound transfer of personal information by a critical information infrastructure operator or a personal information processor who has processed the personal information of more than one million people; (iii) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information of 100,000 people cumulatively or the sensitive personal information of 10,000 people cumulatively since January 1 of the previous year; and (iv) other circumstances where an application for the security assessment of an outbound data transfer is required as prescribed by the national cyberspace administration authority.

The Measures for the Standard Contractual Measures for Cross-border Transfer of Personal Information, which was issued by the CAC on February 22, 2023 and will take effect on June 1, 2023, specified the applicable scope of, conditions to enter into and detailed filing requirements for standard contracts on cross-border transfer of personal information, which will become a part of the compliance mechanism for personal information protection.

### ***Regulations on Privacy Protection***

On December 13, 2005, the MPS issued the Regulations on Technological Measures for Internet Security Protection, or the Internet Protection Measures, which took effect on March 1, 2006, requiring internet service providers to utilize standard technical measures for internet security protection.



Under the Several Provisions on Regulating the Market Order of Internet Information Services issued by the MIIT on December 29, 2011 and that took effect on March 15, 2012, ICPs are also prohibited from collecting any personal user information or providing any information to third parties without the consent of the user. The Cyber Security Law provides an exception to the consent requirement where the information is anonymous, not personally identifiable and unrecoverable. ICPs must expressly inform the users of the method, content and purpose of the collection and processing of user personal information and may only collect information necessary for its services. ICPs are also required to properly maintain user personal information, and in case of any leak or likely leak of user personal information, ICPs must take remedial measures immediately and report any material leak to the telecommunications regulatory authority.

In addition, the Decision on Strengthening Network Information Protection issued by the NPC Standing Committee on December 28, 2012 emphasizes the need to protect electronic information that contains individual identification information and other private data. The decision requires ICPs to establish and publish policies regarding the collection and use of personal electronic information and to take necessary measures to ensure the security of the information and to prevent leakage, damage or loss. Furthermore, MIIT's Order on Protection of Personal Information of Telecommunications and Internet Users, which was issued on July 16, 2013 and took effect on September 1, 2013, contains detailed requirements on the use and collection of personal information as well as the security measures to be taken by ICPs.

On August 22, 2019, the Cyberspace Administration of China promulgated the Provisions on the Cyber Protection of Children's Personal Information, which took effect on October 1, 2019, requiring that before collecting, using, transferring or disclosing the personal information of a child, any Internet service operator should inform that child's guardians in a noticeable and clear manner and obtain their consents. Meanwhile, Internet service operators should take measures like encryption when storing children's personal information.

On May 28, 2020, the Civil Code of the PRC was issued by the National People's Congress and became effective from January 1, 2021. The Civil Code defines the processing of personal information as the collection, storage, use, processing, transmittal, provision, and disclosure of personal information. Furthermore, according to the Civil Code, any entity that engages in the processing of personal information shall follow the principles of lawfulness, fairness, and necessity and not overuse personal information, and they shall obtain the consent from the natural person or his or her guardian, except as otherwise provided by laws and regulations.

On August 31, 2020, the Administrative Provisions for Text Message and Voice Call Service (Draft) were published for public comments. It provides that no entity or individual can send commercial text messages or make commercial calls to users without their consent. The relevant governmental authorities may order rectification, impose warnings or fines, make public announcements, or enforce other administrative measures on violation. Under severe circumstances, the relevant governmental authorities may revoke telecommunication licenses and phone number sources of the violating entity or individual.

On July 22, 2020, the Ministry of Public Security issued the Guiding Opinions on Implementing the Network Security Level Protection System and Critical Information Infrastructure Security Protection System. It stipulates that internet operators shall cooperate with public security authorities to crack down on illegal and criminal online activities. In the event of online crimes, or material cyber security threats and incidents, the internet operators shall promptly report and provide necessary assistance to the public security authorities.

On October 21, 2020, the Standing Committee of the National People's Congress published a consultation draft of the Personal Information Protection Law, which sets a high bar for Chinese data protection, taking consent as basis for data processing, introducing restrictions on international data transfers and imposing revenue-based fines as the penalty for non-compliance.

On August 20, 2021, the Standing Committee of the National People's Congress adopted the Personal Information Security Law, which took effect on November 1, 2021. The Personal Information Protection Law includes the basic rules for personal information processing, the rules for cross-border provision of personal information, the rights of individuals in personal information processing activities, the obligations of personal information processors, and the legal responsibilities for illegal collection, processing, and use of personal information.

On March 16, 2023, the National Information Security Standardization Technical Committee (NISSTC) published the Notice on Soliciting Opinions on the National Standard< Requirements for Certification of Cross-Border Transmission of Personal Information for Information Security Technology> (Draft for Opinion). The standard stipulates the basic principles, basic requirements and requirements for safeguarding the rights and interests of the subject of personal information for the cross-border provision of personal information by personal information processors, and applies to the certification body's certification of personal information protection for the activities of cross-border provision of personal information by personal information processors.

### ***Regulations on Anti-Monopoly Matters Related to Internet Platform Companies***

The PRC Anti-Monopoly Law, which was last amended on June 24, 2022, and took effect on August 1, 2022, prohibits monopolistic conducts such as entering into monopoly agreements, abusing market dominance, and undertaking concentrations that may have the effect of eliminating or restricting competition. On February 7, 2021, the Anti-Monopoly Commission of the State Council officially promulgated the Anti-Monopoly Guidelines on Platform Economics. The guidelines prohibit certain monopolistic conducts of internet platforms to protect market competition, safeguard interests of users and operators who participate in internet platform economics, including without limitation, prohibiting platforms with dominant position from abusing their market dominance (such as discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology methods to block competitors' interface, tying or attaching unreasonable trading conditions, compulsory collection of unnecessary user data). In addition, the guidelines also reinforce the requirement of antitrust merger review for internet platform related transactions to safeguard market competition.

## ***Regulations Relating to Loan Facilitation***

On December 1, 2017, the Group Head Office of Internet Financial Risk Special Rectification and the Group Head Office of the P2P Network Loan Risks jointly issued the Notice on the Regulation and Rectification of the “Cash Loan” Business, or Circular 141, which regulates “cash loan” businesses conducted by internet micro-finance companies, banking financial institutions and online lending information intermediaries. Circular 141 defines “cash loans” as loans that are unrelated to the circumstances of their use, with no designated use for the loan proceeds, no qualification requirement for the borrower and no collateral for the loan. The definition of a cash loan under Circular 141 is vague and subject to further regulatory interpretation. Circular 141 sets forth various prohibitions and obligations on banking financial institutions participating in “cash loan” businesses, including that: (i) extension of loans jointly with any third-party institution that has not obtained approvals for the lending business, or funding to such institutions for the purpose of extending loans in any form, is prohibited; (ii) with respect to a lending business conducted in collaboration with a third-party institution, outsourcing of the core business (including the credit assessment and risk control) is prohibited, and any credit enhancement service, whether or not in disguised form (including the commitment to bear the risk of default), provided by any third-party institutions without guarantee qualification are also prohibited, and (iii) banking financial institutions must require and ensure that such third-party institutions do not collect any interest or fees from the borrowers. Any violation of Circular 141 may result in criminal liability and various penalties, including suspension or cessation of business operations, sanctions, rectification, rejection of filing, and revocation of license.

In addition, the Notice on Specific Rectification Implementation Plans for Risk of Online Microfinance Businesses of Microfinance Companies, or Circular 56, provides that the online lending business conducted by microfinance companies in collaboration with a third-party institution, may not include any credit enhancement service in disguised form (including the provision of a “drawer agreement” guarantee) or underlying commitments by the third-party institution. Third-party institutions collaborating with microfinance companies are also prohibited from collecting any interest or fees from borrowers. Violation of Circular 56 may result in various penalties.

On August 1, 2019, the General Office of the State Council issued and promulgated the Guidance on Promoting the Healthy Development of the Platform Economy, which provides that the market-access management and supervision of financial services provided through online platforms in the finance sector are regulated by the laws, regulations and other relevant rules. In addition, entities conducting financial information intermediaries services and transaction-matching services are subject to the market-access management pursuant to relevant laws.

The Interim Measures for Administration of Internet Loans Issued by Commercial Banks, or the Internet Loans Interim Measures, promulgated by the CBIRC, came into effect on July 12, 2020 and was amended on June 21, 2021. While the Interim Measures apply to commercial banks, consumer finance companies and auto finance companies directly, the Interim Measures also require these banking financial institutions to strengthen the management of cooperation related to loan business, which would affect the cooperated institutions in internet loan business and their existing business models. Pursuant to these Interim Measures, commercial banks shall evaluate their cooperation agencies and implement name list management. Commercial banks shall not accept direct and disguised credit enhancement services from unqualified cooperation agencies, nor entrust third-party collection agencies with illegal records. The Interim Measures also provide that, except for cooperating institutions that jointly provide loans, commercial banks shall not entrust cooperating institutions to perform key operations, such as loan issuance, loan principal and interest recovery, and suspension of funding. Pursuant to the Interim Measures, commercial banks shall independently carry out risk assessment and credit approval for loans they fund, and take primary responsibility for post-loan management. Commercial banks shall not entrust third-party institutions with records of violent collection or other illegal records to collect loans. Furthermore, according to the Interim Measures, commercial banks shall forbid third-party partners from charging any fees or interests on borrowers, and shall clarify such rule in written agreements with their partners. The CBIRC and its local branches shall evaluate reports and relevant materials submitted by commercial banks, and the key assessment factors include independent control of credit approval procedures, contract signing and other core risk management procedures of commercial banks.

On February 19, 2021, the CBIRC issued the Notice of Further Regulating Online Loan Business of Commercial Banks, and it provides that commercial banks shall not outsource material procedures of loan origination, loan servicing, and delinquency management to third-party institutions, and in addition, commercial banks shall not engage in online loan business outside its registered place.

On July 12, 2022, CBIRC issued the Notice on Strengthening the Management of Commercial Banks’ Internet Loan Business and Improving the Quality and Efficiency of Financial Services, which further requires commercial banks to: (i) effectively conduct security assessments on the cooperating institutions which provide and process personal information; (ii) strengthen loan fund management, take effective measures to monitor loan usage, ensure safety of the loan funds, and prevent cooperating institutions from intercepting, pooling, or misappropriating fund; (iii) standardize the Internet loan cooperation business with third-party institutions, and restrict or refuse to cooperate with those that are in violation of relevant regulations on Internet loans; and (iv) strengthen the protection of consumer rights and interests, strengthen the compliance management of the marketing and publicity behaviors of cooperating institutions, and clearly stipulate relevant prohibited behaviors in the cooperation agreement. The transition period for the stock business of Internet loans of commercial banks will end on June 30, 2023. During the transition period, new Internet loans businesses of commercial banks shall meet the requirements of the Interim Measures, the Internet Loans Circular and this Notice.

## ***Regulation related to Exchange Administered Financial Asset Securities Distribution***

The distribution of exchange administered financial asset securities is currently regulated by the Decision Regarding Straightening out and Rectifying Various Types of Trading Venues to Effectively Prevent Financial Risks (“Document 38”) and the Implementation Opinions on Straightening out and Rectifying Various Types of Trading Venues (“Document 37”), promulgated by the General Office of the State Council on November 11, 2011 and July 12, 2012, respectively. Both Document 38 and Document 37 stipulate that exchanges that are subject to the approval of the State Council or its administration department of finance for establishment, shall be regulated by the administration department of finance of the State Council; all other exchanges shall be regulated by the local People’s Government at the provincial level, which in practice, are the offices of finance at municipal and provincial levels. Document 38 and Document 37 emphasize on the prohibitive activities relating to the issuance and distribution of exchange administered funds, for example, that the number of investors of exchange administered funds shall not exceed 200 accumulatively.

### ***Regulation on Foreign Exchange Control***

Foreign exchange in China is primarily regulated by:

- The Foreign Currency Administration Regulations (1996), as amended on January 14, 1997 and August 5, 2008; and
- The Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Under the Foreign Currency Administration Regulations, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments and trade and service-related foreign exchange transactions. Conversion of Renminbi into foreign currency for capital account items, such as, loans, investment in securities and repatriation of investments, however, remains subject to the registration of the SAFE or its local counterparts as required by law. Under the Administration Rules, foreign-invested enterprises may buy, sell and remit foreign currencies at banks authorized to conduct foreign exchange transactions for settlement of current account transactions after providing valid commercial documents and, in the case of capital account item transactions, only after registration with the SAFE and, as the case may be, other relevant PRC government authorities as required by law. Capital investments directed outside of China by foreign-invested enterprises are also subject to restrictions, which include registration filing with MOFCOM. If the investment is made to the sensitive countries, districts, or industries, it needs to be approved by MOFCOM.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi will be permitted to fluctuate within a band against a basket of certain foreign currencies. We receive a significant portion of our revenue in Renminbi, which is not a freely convertible currency. Under our current structure, our income will be primarily derived from dividend payments from our subsidiaries in China. Even though we may remit the income from China to anywhere we want, the fluctuation of exchange rate may be a disadvantage to us if the Renminbi depreciated.

### ***Regulation on Foreign Exchange Registration of Offshore Investment by PRC Residents***

The Notice on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, promulgated by SAFE on July 14, 2014 and designed to replace the former circular commonly known as "Notice 75", requires registration of PRC residents with local branches of SAFE with respect to their direct establishment or indirect control of an offshore entity (referred to in Notice 37 as "special purpose vehicle."), where such offshore entity are established for the purpose of overseas investment or financing, provided that PRC residents contribute their legally owned assets or equity into such entity.

Notice 37 further requires amendment to the registration where any significant changes with respect to the special purpose vehicle capitalization or structure of the PRC resident itself (such as capital increase, capital reduction, share transfer or exchange, merger or spin off).

### ***Regulation on Dividend Distributions***

The principal regulations governing the distribution of dividends paid by wholly foreign-owned enterprises include:

- Company Law (1993), as last amended on December 29, 2023 and will take effect on July 1, 2024.
- The Foreign Investment Law promulgated on March 15, 2019 that became effect on January 1, 2020;
- The Implementation Regulations for the Foreign Investment Law that was promulgated on December 12, 2019 and became effect on January 1, 2020; and
- The Enterprise Income Tax Law (2007) which was amended on December 29, 2018 and its Implementation Regulations (2007) which was amended on April 23, 2019.

Under these regulations, wholly foreign-owned and joint venture enterprises in China may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, an enterprise in China is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until its cumulative total reserve funds reaches 50% of its registered capital. Our Company's reserve fund has not yet reached this level. The board of directors of a wholly foreign-owned enterprise has the discretion to allocate a portion of its after-tax profits to its employee welfare and bonus funds. These reserve funds, however, may not be distributed as cash dividends.

On March 16, 2007, the National People's Congress enacted the Enterprise Income Tax Law, and on December 6, 2007, the State Council issued the Implementation Regulations on the Enterprise Income Tax Law, both of which became effective on January 1, 2008. Under this law and its implementation regulations, dividends payable by a foreign-invested enterprise in the PRC to its foreign investor who is a non-resident enterprise will be subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a lower withholding tax rate. See "Taxation."

### ***M&A Rules and Regulation on Overseas Listings and Securities Offerings***

On August 8, 2006, six PRC regulatory agencies, MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, CSRC and SAFE, jointly adopted the Regulation on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006, which was amended in June 2009. The M&A Rules purport, among other things, to require that offshore SPVs that are controlled by PRC companies or individuals and that have been formed for overseas listing purposes through acquisitions of PRC domestic interests held by such PRC companies or individuals, obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings.

While the application of the M&A Rules remains unclear, our PRC legal counsel advised us that, based on their understanding of the current PRC laws and regulations as well as the notice announced on September 21, 2006:

- the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings such as our initial public offering are subject to the CSRC approval procedures under the M&A Rules; and
- despite the lack of any definitive rule or interpretation from CSRC, the main purpose of the M&A rule is for national security and national industrial policy and so far none of the Chinese companies that have completed their public listing in the U.S. have obtained such approval; and
- Our business operations in China do not belong to a prohibited industry by foreign investment; and
- Our M&A to our Chinese subsidiary companies have all obtained properly the approval from local governmental authorizations; and
- Our BVI company is not established by a Chinese citizen. Accordingly, although the purpose of BVI incorporation is for overseas listing, the M&A rule should not apply to us.

Our PRC counsel also advises us, however, that there is still uncertainty as to how the M&A Rules will be interpreted and implemented. If the CSRC or other PRC regulatory agencies, subsequently determine that CSRC approval was required for our initial public offering, we may need to apply for remedial approval from the CSRC and we may be subject to penalties and administrative sanctions administered by these regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, or take other actions that could materially adversely affect our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our Class A common shares. Consequently, even though our PRC counsel believes the probability for the aforementioned actions is small, if you engage in market trading or other activities in anticipation of, and prior to, settlement and delivery, you do so at the risk settlement and delivery may not occur.

On February 17, 2023, the CSRC issued the Trial Measures and five application guidelines, or the Overseas Listing Rules, which took effect on March 31, 2023. According to the Overseas Listing Rules, among other things, after making initial applications with overseas stock markets for offerings or listings, all China-based companies shall file with the CSRC within three business days. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offerings and listings of an issuer in other overseas markets than where it has offered and listed shall be filed with the CSRC within three business days after the applications are made. In addition, overseas offerings and listings are prohibited for such China-based companies when any of the following applies: (a) where such securities offering and listing is explicitly prohibited by provisions in PRC laws, administrative regulations and relevant state rules; (b) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (c) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (d) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; (e) where there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. The Overseas Listing Rules further stipulate that a fine between RMB 1 million and RMB 10 million may be imposed if a company fails to fulfill the filing requirements with the CSRC or conducts an overseas offering or listing in violation of the Overseas Listing Rules. According to the Notice on the Filing Management Arrangements for Overseas Offerings and Listings by Domestic Companies published by the CSRC on February 17, 2023, existing listed companies are not required to make any filings until they conduct a new offering or financing transaction in the future. A company is regarded as an existing listed company if it (a) has already completed overseas listing or offering, or (b) has already obtained the approval for the offering or listing from overseas securities regulatory authorities or stock exchanges but has not completed such offering or listing before the effective date of the Overseas Listing Rules and also completes the offering or listing before September 30, 2023. On the effective date of the Overseas Listing Rules, PRC companies that have already submitted offering and listing applications but have not yet obtained the approvals from overseas securities regulators or exchanges shall make filings with the CSRC at a reasonable time before the completion of the offerings or listings. For those that have already obtained CSRC's approvals for overseas listings or offerings may continue their process without additional filings but shall make the filing pursuant to the Overseas Listing Rules if they cannot complete the offering or listing before the expiration of the original approval from CSRC.

### ***Regulations on Offshore Parent Holding Companies' Direct Investment in and Loans to Their PRC Subsidiaries***

Shareholder loans made by offshore parent holding companies to their PRC subsidiaries are regarded as foreign debts in China for regulatory purposes, which debts are subject to a number of PRC laws and regulations, including the PRC Foreign Exchange Administration Regulations, the Interim Measures on Administration on Foreign Debts, the Tentative Provisions on the Statistics Monitoring of Foreign Debts and its implementation rules, and the Administration Rules on the Settlement, Sale and Payment of Foreign Exchange.

Under these regulations, the shareholder loans made by offshore parent holding companies to their PRC subsidiaries shall be registered with SAFE. Furthermore, the total amount of foreign debts that can be incurred by such PRC subsidiaries, including any shareholder loans, shall not exceed the difference between the total investment amount and the registered capital amount of the PRC subsidiaries.

### ***Regulations on Enterprise Income Tax***

On March 16, 2007, the NPC Standing Committee issued the Enterprise Income Tax Law of the PRC, which took effect on January 1, 2008, or the Old EIT Law. On December 6, 2007, the State Council enacted the Implementation Rules for the Enterprise Income Tax Law of the PRC, or the EIT Rules, which also took effect on January 1, 2008 and was amended on April 23, 2019. The Old EIT Law was amended on February 24, 2017 and December 29, 2018. The Old EIT Law, as amended, and the EIT Rules are collectively referred to as the EIT Law. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or *de facto* control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but (i) have entities or premises in China, or (ii) have no entities or premises but have income generated from China. According to the EIT Law, foreign-invested enterprises in the PRC are subject to a uniform enterprise income tax rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC must pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Enterprises that are recognized as high and new technology enterprises in accordance with the Notice of the Ministry of Science, the Ministry of Finance and the State Administration of Taxation on Amending and Issuing the Administrative Measures for the Determination of High and New Tech Enterprises are entitled to enjoy a preferential enterprise income tax rate of 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises, the validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate of high and new technology enterprise. An enterprise can re-apply for such recognition as a high and new technology enterprise before or after the previous certificate expires.

On February 3, 2015, the State Administration of Taxation, or SAT, issued the Announcement on Several Issues Concerning Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises, or Circular 7. Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities' scrutiny of, indirect transfers by a non-resident enterprise of assets (including assets of organizations and premises in the PRC, immovable property in the PRC, and equity investments in PRC resident enterprises), or the PRC Taxable Assets. For instance, when a non-resident enterprise transfers equity interest in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify the indirect transfer of PRC Taxable Assets into a direct transfer and therefore impose PRC enterprise income tax at a rate of a 10% on the non-resident enterprise. On the other hand, indirect transfers falling into the scope of the safe harbors under the Circular 7 may not be subject to PRC tax under the Circular 7. The safe harbors include qualified group restructurings, public market trades and exemptions under tax treaties or arrangements.

On October 17, 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or the SAT Circular 37, which took effect on December 1, 2017 and was amended on June 15, 2018. According to SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income.

Under the SAT Circular 7 and the Law on the Administration of Tax Collection issued by the NPC Standing Committee on September 4, 1992 and last amended on April 24, 2015, in the case of an indirect transfer, entities or individuals that are obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity must declare and pay tax to the tax authorities in charge within seven days from the occurrence of the tax payment obligation. Where the withholding agent does not make withholding, and the transferor of equity does not pay the payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with Circular 7.

#### *Regulations on Dividend Tax*

Pursuant to the SAT Circular on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements, which took effect on February 20, 2009, all of the following requirements must be satisfied to enjoy the preferential tax rates provided under the tax agreements: (1) the tax resident that receives dividends should be a company as provided in the tax agreement; (2) the equity interest and voting shares of the PRC resident company directly owned by the tax resident satisfy the percentages specified in the tax agreement; and (3) the equity interest of the PRC resident company directly owned by such tax resident at any time during the 12 months prior to receiving the dividends satisfy the percentage specified in the tax agreement.

The EIT Law provides that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and other applicable jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, or the Double Tax Avoidance Arrangement, issued by the SAT on August 21, 2006 that took effect on December 8, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement, its protocols and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the in-charge tax authority. However, based on the SAT Circular on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements, issued and effective on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the SAT Announcement of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties, issued on February 3, 2018 and effective from April 1, 2018, to determine the “beneficial owner” status of a resident of the treaty counterparty seeking to enjoy tax treaty benefits, a comprehensive analysis must be carried out in accordance with the factors set out in the announcement.

On August 27, 2015, the SAT issued the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers, which took effect on November 1, 2015 and was amended on June 15, 2018. The aforementioned announcement was repealed by the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits, which was propagated on October 14, 2019 and took effect on January 1, 2020. Under such announcement, non-resident taxpayers meeting conditions for enjoying the convention treatment may be entitled to the convention treatment themselves when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities. Such taxpayers who make their own declaration must self-assess whether they are entitled to tax treaty benefits, make truthful declarations and submit the relevant reports, statements and materials required by the relevant tax authorities.

#### *Regulations on Value-added Tax*

All entities and individuals engaged in the sale of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax, or the VAT, in accordance with the Provisional Regulations on Value-added Tax of the PRC, or the Provisional Regulations on VAT, and its implementation rules, or collectively, the VAT Law. The Provisional Regulations on VAT, which was issued by the State Council on December 13, 1993 and took effect on January 1, 1994, was amended by the Notice of Adjustment of VAT Rates issued on April 4, 2018 and by the Notice of Strengthening Reform of VAT Policies issued on March 20, 2019. Pursuant to the VAT Law, VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT varies among 13%, 9% and 6% depending on the product type.

In accordance with the Circular of the Ministry of Finance and SAT on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, issued on March 23, 2016 and effective from May 1, 2016, upon approval of the State Council of the PRC, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner as at May 1, 2016.

### ***Regulations on Trademarks***

Trademarks are protected by the PRC Trademark Law adopted in 1982, as last amended in 2019 amended, as well as the Implementation Regulations of the PRC Trademark Law adopted by the State Council in 2002 and amended in 2014. The Trademark Office under the SAIC handles trademark registrations. Trademarks can be registered for a term of ten years and can be extended for another ten years if requested upon expiration of the first or any renewed ten-year term. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same type of or similar commodities or services, the application for such trademark registration may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such other party’s use. Trademark license agreements must be filed with the Trademark Office or its regional offices. We are currently using at no expense two trademarks registered in China and owned by Mr. Anyuan Sun. Meanwhile, we have successfully applied on our own name two trademarks in 2015, for both of which we have obtained the certificate issued by the authority (SAIC).

### ***Regulations on Copyright and Software Products***

Under the Copyright Law of the PRC issued by the NPC Standing Committee on September 7, 1990, which has been replaced by its latest amendment on June 1 2020 and became effective on June 1, 2021, works of Chinese citizens, legal persons or other organizations, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Similarly, under the Computer Software Protection Regulations issued by the State Council on June 4, 1991, last amended on January 30, 2013 and effective on March 1, 2013, Chinese citizens, legal persons and other organizations shall enjoy copyright on the software they develop, regardless of whether the software has been released publicly. Software copyright commences from the date on which the development of the software is completed. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council of the PRC. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The protection period for software copyright of a legal person or other organizations shall be fifty years, concluding on December 31 of the fiftieth year after the software’s initial release. In order to further implement the Computer Software Protection Regulations, the National Copyright Administration issued the Measures for the Registrations of Computer Software Copyright effective on February 20, 2002, which provides procedures for software copyright registration, license contract registration and transfer contract registration. The Copyright Protection Center of the PRC is mandated as the software registration institution under the regulations.

### ***Employment Laws***

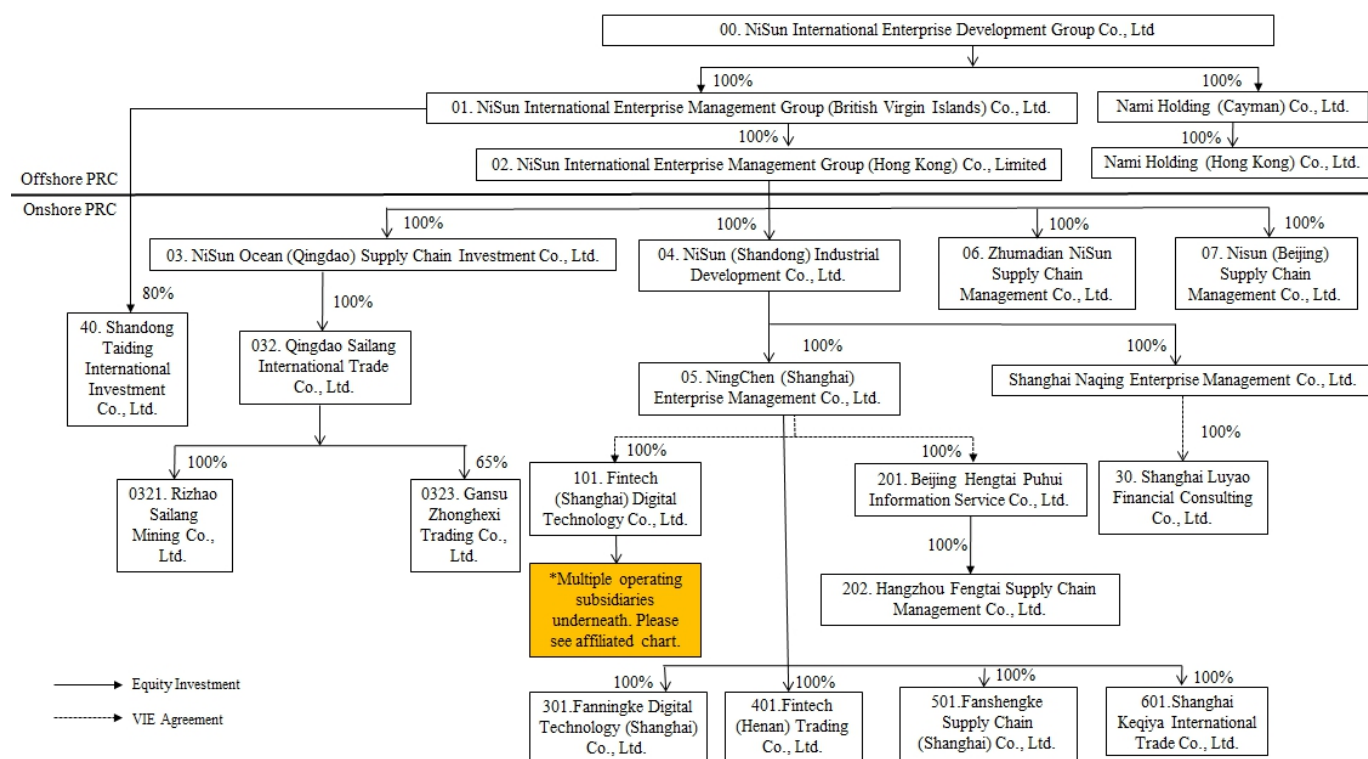
In accordance with the PRC National Labor Law, which became effective in January 1995 and last amended on December 29, 2018, and the PRC Labor Contract Law, which became effective in January 2008, as amended subsequently in 2012, employers must execute written labor contracts with full-time employees in order to establish an employment relationship. All employers must compensate their employees equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with appropriate workplace safety training. In addition, employers in China are obliged to pay contributions to the social insurance plan and the housing fund plan for employees.

We have entered into employment agreements with all of our full-time employees. We have contributed to the basic and minimum social insurance plan. Due to a high employee turnover rate in our industry, it is difficult for us to comply fully with the law. While we believe we have made adequate provision of such outstanding amounts of contributions to such plans in our financial statements, any failure to make sufficient payments to such plans would be in violation of applicable PRC laws and regulations and, if we are found to be in violation of such laws and regulations, we could be required to make up the contributions for such plans as well as to pay late fees and fines.

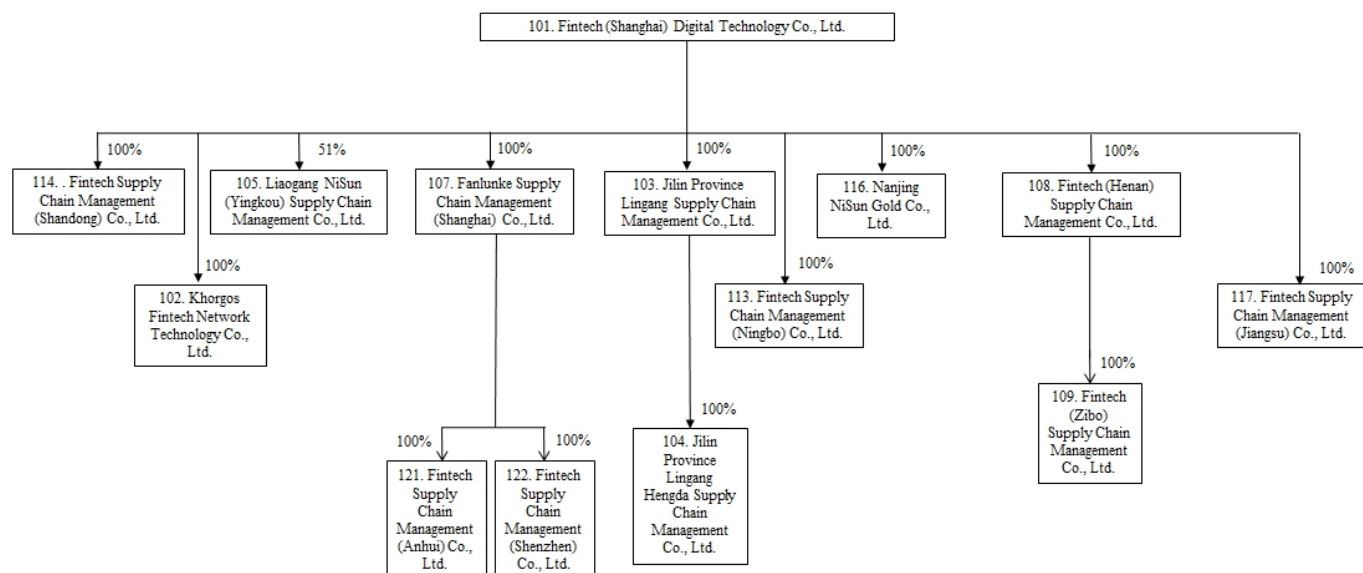
## C. Organizational structure

### Corporate Structure

The following chart illustrates our Company's organizational structure, including our subsidiaries and consolidated affiliated entities as of the date of this annual report:



Affiliated Chart:





## D. Property, plant and equipment

### Description of Property

There is no private land ownership in China. Individuals and entities are permitted to acquire land use rights for specific purposes. Following is a list of our properties, all of which we currently lease:

Property	Rental Term	Space	Ground Floor Area
Floor 20-21, No. 55 Loushanguan Road, Changning District, Shanghai,	July 01, 2022 – June 30, 2027		2058.2m <sup>2</sup>
Gubei SOHO, 188 HongBaoShi Road, Changning District, Shanghai	August 01, 2022 – July 31, 2025		1000m <sup>2</sup>
Floor 1-3, Building 26, No.80 Kangping Road, Zhengdong New District, Zhengzhou, Henan Province	May 01, 2022 – April 31, 2025		562.14m <sup>2</sup>
Unit 605, 6 / F, block B, 33 Financial Street, Xicheng District, Beijing	January 01, 2022 – December 31, 2025		278m <sup>2</sup>
Floor 8, No.31 Donghai West Road, Shinnan District, Qingdao, Shandong Province	January 01, 2022 – December 31, 2024		68m <sup>2</sup>

### ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear in this annual report. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this annual report, particularly in “Risk Factors.”*

#### Overview

Nisun International Enterprise Development Group Co., Ltd (“Nisun International” or the “Company”), formerly known as Hebron Technology Co., Ltd., was established under the laws of the British Virgin Islands (“BVI”) as a company limited by shares on May 29, 2012. On September 22, 2020, the Company changed its name from “Hebron Technology Co., Ltd.” to “Nisun International Enterprise Development Group Co., Ltd.” The Company is a holding company and conducts its business mainly through its subsidiaries, variable interest entities (“VIEs”) and subsidiaries of the VIEs in the People’s Republic of China (the “PRC”).

We are a technology-driven, integrated supply chain solutions and financial solutions services provider focused on improving China’s corporate finance industry. We provide supply chain solutions services to corporate enterprises and finance institutions in information technology supply chain management and digital technology transformation. Leveraging our fintech expertise and industry experience, we provide supply chain solutions to both PRC and non-PRC enterprises. Further, we offer a wide range of technology-driven customized financing solutions to small and medium-sized enterprises (SMEs) in China to improve SMEs’ access to capital. Our comprehensive solutions enable SMEs to acquire financing in a convenient, efficient and customized manner to facilitate healthy enterprise development. We also provide direct banking solutions to small and medium-sized commercial banks and other financial institutions in their distribution and management of direct banking and other financial products. Built on our proprietary financial technology, our fintech platforms offer specialized asset allocation and financial planning services to institutional and individual investors.

Our current business is comprised of three main services areas, including SME financing solutions, supply chain and other financing solutions, and supply chain trading businesses. We provide technology-driven customized comprehensive financing solutions to SMEs to improve SMEs' access to capital and financings. Leveraging our closed-loop fintech ecosystem, we help SMEs channel working capital and liquidity resources by connecting SMEs to the investors and solving risk control issues in the financing process.

We launched our technology-driven integrated supply chain solutions business through digital platforms in January 2020. Fintech provides multi-level supply chain solutions to core enterprises and SMEs by focusing on industry and finance integration and industry segmentation. Our supply chain solutions services currently primarily target the agriculture, infrastructure, maritime logistics, energy and plastics products markets. With a focus on finance and industry linkage, we serve the upstream and downstream enterprises and transactions of the supply chain industry while facilitating supply-side sub-sector reforms. We aim to build supply chain platforms that link commercial banks, securities firms, trusts, investment funds, insurance companies and state-owned enterprises through the continued introduction of big data, artificial intelligence, Internet of Things, blockchain and other cutting-edge technologies into the supply chain industry.

As our supply chain solution business grew substantially in size, we launched our supply chain trading business and expanded our product offerings, leveraging our supply chain technology platform and high-quality customer connections. Complementary to supply chain solutions, we also plan to sell products such as vegetables directly to customers through our Intelligent matching system.

Fintech also provides direct banking solutions to small and medium-sized commercial banks and other financial institutions in their distribution and management of direct banking and other financial products. Our Fintech platform offers specialized asset allocation and financial planning services to institutional and individual investors. It optimizes risk controls and asset management procedures to meet the investors' financial planning needs and minimize their investment risks.

## Financial Results for fiscal years 2023 and 2022

The following table presents an overview of our results of operations for fiscal years 2023 and 2022:

	Year ended December 31,		Changes	
	2023	2022	(\$)	(%)
Revenue	\$ 386,670,899	\$ 234,174,265	\$ 152,496,634	65%
Cost of revenue	346,684,969	197,124,969	149,560,000	76%
<b>Gross profit</b>	<b>39,985,930</b>	<b>37,049,296</b>	<b>2,936,634</b>	<b>8%</b>
Selling, general and administrative expenses	21,181,992	19,339,840	1,842,152	10%
<b>Income from operations</b>	<b>18,803,938</b>	<b>17,709,456</b>	<b>1,094,482</b>	<b>6%</b>
Other income, net	4,716,889	4,812,456	(95,567)	(2)%
<b>Income before income taxes</b>	<b>23,520,827</b>	<b>22,521,912</b>	<b>998,915</b>	<b>4%</b>
Income taxes expense	5,817,147	4,741,854	1,075,293	23%
<b>Net income</b>	<b>17,703,680</b>	<b>17,780,058</b>	<b>(76,378)</b>	<b>0%</b>
Less: net income attributed to non-controlling interest	(125,942)	(159,246)	33,304	(21)%
<b>Net income attributed to the Nisun shareholders</b>	<b>17,577,738</b>	<b>17,620,812</b>	<b>(43,074)</b>	<b>0%</b>
Foreign currency translation loss	(4,536,797)	(12,576,380)	8,039,583	(64)%
<b>Comprehensive income</b>	<b>\$ 13,040,941</b>	<b>\$ 5,044,432</b>	<b>\$ 7,996,509</b>	<b>159%</b>

The following table presents an overview of our results of operations for fiscal years 2022 and 2021:

	Year ended December 31,		Changes	
	2022	2021	(\$)	(%)
Revenue	\$ 234,174,265	\$ 160,199,711	\$ 73,974,554	46%
Cost of revenue	197,124,969	106,151,567	90,973,402	86%
<b>Gross profit</b>	<b>37,049,296</b>	<b>54,048,144</b>	<b>(16,998,848)</b>	<b>(31)%</b>
Selling, general and administrative expenses	19,339,840	15,859,234	3,480,606	22%
<b>Income from operations</b>	<b>17,709,456</b>	<b>38,188,910</b>	<b>(20,479,454)</b>	<b>(54)%</b>
Other income, net	4,812,456	2,587,113	2,225,343	86%
<b>Income before income taxes</b>	<b>22,521,912</b>	<b>40,776,023</b>	<b>(18,254,111)</b>	<b>(45)%</b>
Income taxes expense	4,741,854	10,269,501	(5,527,647)	(54)%
<b>Net income</b>	<b>17,780,058</b>	<b>30,506,522</b>	<b>(12,726,464)</b>	<b>(42)%</b>
Less: net income attributed to non-controlling interest	(159,246)	(126,161)	(33,085)	26%
<b>Net income attributed to the Nisun shareholders</b>	<b>17,620,812</b>	<b>30,380,361</b>	<b>(12,759,549)</b>	<b>(42)%</b>
Foreign currency translation (loss) income	(12,576,380)	2,039,011	(14,615,391)	(717)%
<b>Comprehensive income</b>	<b>\$ 5,044,432</b>	<b>\$ 32,419,372</b>	<b>\$ (27,374,940)</b>	<b>(84)%</b>

## Revenues

The following table presents a breakdown of our revenue for fiscal years 2023 and 2022.

	Year ended December 31,				Changes	
	2023	%	2022	%	(\$)	(%)
Revenue from financial services:						
SME financing solutions	\$ 101,823,899	26%	\$ 87,269,959	37%	\$ 14,553,940	17%
Supply chain financing solutions	6,153,645	2%	3,542,592	2%	2,611,053	74%
Other financing solutions	-	0%	-	0%	-	-
Total revenue from financial services	107,977,544	28%	90,812,551	39%	17,164,993	19%
Revenue from supply chain trading	278,693,355	72%	143,361,714	61%	135,331,641	94%
Total revenue	\$ 386,670,899	100%	\$ 234,174,265	100%	\$ 152,496,634	65%

The following table presents a breakdown of our revenue from continuing operations for fiscal years 2022 and 2021.

	Year ended December 31,				Changes	
	2022	%	2021	%	(\$)	(%)
Revenue from financial services:						
SME financing solutions	\$ 87,269,959	37%	\$ 87,133,963	54%	\$ 135,996	0%
Supply chain financing solutions	3,542,592	2%	4,930,289	3%	(1,387,697)	(28)%
Other financing solutions	-	0%	3,222	0%	(3,222)	(100)%
Total revenue from financial services	90,812,551	39%	92,067,474	57%	(1,254,923)	(1)%
Revenue from supply chain trading	143,361,714	61%	68,132,237	43%	75,229,477	110%
Total revenue	\$ 234,174,265	100%	\$ 160,199,711	100%	\$ 73,974,554	46%

Total revenue for the year ended December 31, 2023, was approximately \$386.7 million, representing an increase of \$152.5 million, or 65%, from \$234.2 million for the year ended December 31, 2022, primarily with increases in revenue from supply chain trading sales. The increase in our total revenues was primarily due to the growth in the scale of gold business increased by 798% and the expansion of the sales of new products in the agricultural sector with a 36% increase in revenues from agricultural products.

The Company provides a set of financing solutions to SMEs, including design, issuance, distribution, and management of financial products. For the year ended December 31, 2023, the revenue from SME financing solution services increased by \$14.6 million or 17%, from \$87.3 million for the year ended December 31, 2022, to \$101.8 million in the comparable period in 2023. The increase was primarily due to the increase in the issue size of the customers and the corresponding increase in the service fee charged by the Company in accordance with the issue size.

The Company commenced its supply chain solution business in January 2020. With a focus on finance and industry linkages, the Company aims to serve the upstream and downstream of the supply chain industry while facilitating supply-side sub-sector reform. Revenue generated from supply chain solutions includes financing and management services to downstream vendors. During the year ended December 31, 2023, revenue from the supply chain financing solutions was \$6.2 million, increased by \$2.7 million, or 74%, from \$3.5 million for the year ended December 31, 2022, primarily due to the reason that the Company's expansion of its supply chain solution business into the egg industry and achieved a daily supply of more than 20 million eggs.

The Company launched its supply chain trading business in July 2021 after generating high-quality customers and resources through its supply chain financing solutions business. During the year ended December 31, 2023, revenue from the supply chain trading business was \$278.7 million, an increase of \$135.3 million, or 94%, from \$143.4 million for the year ended December 31, 2022, primarily due to the significant increase in the Company's gold sales business during the year.

## Cost of Revenue

The following table presents a breakdown of our cost of revenue for fiscal years 2023 and 2022:

	Year ended December 31,				Changes	Changes
	2023	%	2022	%	(\$)	(%)
Cost of revenue for services:						
SME financing solutions	\$ 67,727,708	20%	\$ 54,603,027	28%	13,124,681	24%
Supply chain financing solutions	427,125	0%	869,049	0%	(441,924)	(51)%
Total cost of revenue - service	68,154,833	20%	55,472,076	28%	12,682,757	23%
Cost of revenue – supply chain trading	278,002,800	80%	140,880,063	72%	137,122,737	97%
Business and sales related tax	527,336	0%	772,830	0%	(245,494)	(32)%
Total cost of revenue	<u>\$ 346,684,969</u>	<u>100%</u>	<u>\$ 197,124,969</u>	<u>100%</u>	<u>149,560,000</u>	<u>76%</u>

The following table presents a breakdown of our cost of revenue for fiscal years 2022 and 2021:

	Year ended December 31,				Changes	Changes
	2022	%	2021	%	(\$)	(%)
Cost of revenue for services:						
SME financing solutions	\$ 54,603,027	28%	\$ 36,440,303	35%	18,162,724	50%
Supply chain financing solutions	869,049	0%	1,548,698	1%	(679,649)	(44)%
Total cost of revenue - service	55,472,076	28%	37,989,001	36%	17,483,075	46%
Cost of revenue – supply chain trading	140,880,063	72%	67,628,806	64%	73,251,257	108%
Business and sales related tax	772,830	0%	533,760	0%	239,070	45%
Total cost of revenue	<u>\$ 197,124,969</u>	<u>100%</u>	<u>\$ 106,151,567</u>	<u>100%</u>	<u>90,973,402</u>	<u>86%</u>

Cost of revenue from services is primarily comprised of cost of sales, direct operational costs, direct costs associated with staff who design and manage the SME financing solutions, supply chain solutions and other financing solutions business and sales related taxes.

For the year ended December 31, 2023, cost of revenue was \$346.7 million, an increase of \$149.6 million, or 76%, from \$197.1 million for the year ended December 31, 2022.

For the year ended December 31, 2023, cost of revenue related to SME financing services was \$67.7 million, an increase of \$13.1 million, or 24%, from \$54.6 million for the year ended December 31, 2022, primarily attributable to more operational costs and staff cost.

For the year ended December 31, 2023, cost of revenue related to supply chain financing solution services was \$0.4 million, a decrease of \$0.4 million, or 51%, from \$0.9 million for the year ended December 31, 2022, primarily attributable to the decreased revenue and less operational costs.

The Company launched the supply chain trading business in July 2021 after generating high-quality customers and resources through its supply chain financing solutions business. For the year ended December 31, 2023, the cost of revenue related to sales was \$278.0 million, an increase of \$137.1 million, or 97%, from \$140.9 million for the year ended December 31, 2022, primarily attributable to the increased revenue and more operational costs and staff cost.

#### *Gross Profit*

For the years ended December 31, 2023 and 2022, gross profit was \$39.9 million and \$37.0 million, respectively, representing an increase of approximately \$2.9 million or 8%. The increase was primarily due to the increase in the gross profit of our SME financing services of \$1.4 million and supply chain financing solution services of \$3.0 million, offset by a decrease in the gross profit of our supply chain trading business by \$1.7 million, primarily due to the loss of the Nisun's frozen meat and coal business.

#### *Operating Expenses*

The following table presents a breakdown of operating expenses for fiscal years 2023 and 2022:

	Year ended December 31,				Changes	
	2023	%	2022	%	(\$)	(%)
Selling expenses	\$ 1,525,692	7%	\$ 1,977,617	11%	\$ (451,925)	(23)%
General and administrative expenses	10,859,011	51%	10,511,542	54%	347,469	3%
Research and development expenses	1,093,457	5%	1,563,718	8%	(470,261)	(30)%
Goodwill Impairment Loss	5,488,816	26%	777,329	4%	4,711,487	606%
Bad debts expense	2,215,016	11%	4,509,634	23%	(2,294,618)	(51)%
Total operating expenses	<u>\$ 21,181,992</u>	<u>100%</u>	<u>\$ 19,339,840</u>	<u>100%</u>	<u>\$ 1,842,152</u>	<u>10%</u>

The following table presents a breakdown of operating expenses for fiscal years 2022 and 2021:

	Year ended December 31,				Changes	
	2022	%	2021	%	(\$)	(%)
Selling expenses	\$ 1,977,617	11%	\$ 2,323,403	15%	\$ (345,786)	(15)%
General and administrative expenses	11,288,871	58%	11,641,567	73%	(352,696)	(3)%
Research and development expenses	1,563,718	8%	1,599,728	10%	(36,010)	(2)%
Bad debts expense	4,509,634	23%	294,536	2%	4,215,098	1431%
Total operating expenses	<u>\$ 19,339,840</u>	<u>100%</u>	<u>\$ 15,859,234</u>	<u>100%</u>	<u>\$ 3,480,606</u>	<u>22%</u>

Operating expenses are comprised of advertising and marketing costs, administrative compensation, office rent and expenses, R&D expenses, professional fees, goodwill impairment loss, bad debt expenses and credit loss exposure of financial guarantee. Total operating expenses were \$21.2 million for fiscal year 2023, an increase of \$1.8 million, or 10%, from \$19.3 million in the same period of the prior year.

For fiscal year 2023, the Company incurred selling expenses of approximately \$1.5 million, as compared to approximately \$2.0 million for fiscal year 2022, a decrease of approximately \$0.4 million, or 23%. The decrease in expenses was principally due to the Company's building up of its network in supply chain trading business in various industries and cutting its marketing expenses.

For fiscal year 2023, the Company incurred general and administrative expenses of approximately \$10.8 million, as compared to approximately \$10.5 million for fiscal year 2022, representing an increase of approximately \$0.3 million or 3%. The increase in expenses was primarily due to an increase in revenue-related administrative expenses as a result of the increase in revenue during the year.

For fiscal year 2023, our research and development (R&D) expenses were \$1.1 million, as compared to approximately \$1.6 million for fiscal year 2022, a decrease of approximately \$0.5 million, or 30%. The decrease in expenses was principally due to a decrease in technical service business, which is part of the SME financing solutions business.

For fiscal year 2023, our goodwill impairment loss was \$5.5 million, as compared to approximately \$0.8 million for fiscal year 2022, an increase of approximately \$4.7 million, or 606%. The increase in expenses was principally due to the fact that the fair value of Hengpu was less than the carrying value based on the results of the goodwill impairment test in the current year, and the impairment was recorded based on the fair value.

For fiscal year 2023, our bad debt expenses was \$2.2 million, as compared to approximately \$4.5 million for fiscal year 2022, representing a decrease of approximately \$2.3 million or 51%. The decrease in expenses was principally due to the group's enhancement of customer credit management and credit enhancement measures, the overdue amount decreased as compared to fiscal year 2022.

#### *Other income, net*

Other income, net, is used to record our non-operating income and expenses, interest income and expenses, investment income and other income and expenses.

For fiscal year 2023, the Company had other income, net of \$4.7 million, representing a decrease of \$0.1 million or 2%, compared to \$4.8 million for fiscal year 2022.

#### *Income tax expense*

For fiscal years 2023 and 2022, Fintech was recognized as a High-Technology ("High-Tech") Company by the Chinese government and subject to a reduced income tax rate of 15%, a reduction from the normal unified rate of 25%. The High-Tech certificate is valid for three years starting from November 2020 and subject to renewal. In accordance with the implementation rules of the Income Tax Law of the PRC, for the enterprises newly established in the Horgos Development Zone within the scope of "Catalogue of EIT Incentives for Industries Specially Encouraged for Development by Poverty Areas of Xinjiang", the enterprise income from income tax shall be exempt for five years beginning from the first year in which the manufacturing or business operational revenue is earned. Khorgos is established in the Horgos Development Zone and its income is eligible to be exempt for five years starting from 2019. For the year ended December 31, 2023, Jilin Lingang, Jilin Lingang Hengda, Liaogang Yingkou, Fintech Zibo Nisun Gold, Nisun Shandong, Gansu Zhonghexi, NingChen, Shanghai Naqing, RZ Sailang, Fanshengke, Henan Trading and Fanningke are subject to a favorable income tax rate of 5% due to being small and micro taxpayers. The remaining Group's subsidiaries, VIEs and VIEs' subsidiaries from the financial services business are subject to corporate income tax at the PRC unified rate of 25%.

For fiscal year 2023, income tax expense was \$5.8 million, as compared to \$4.7 million of income tax expenses for fiscal year 2022, which was mainly because the Company realized income before taxes of approximately \$23.7 million in fiscal year 2023, compared with income before tax of approximately \$22.5 million in fiscal year 2022.

The effective tax rate was 24.7% for fiscal year 2023, compared to 21.1% for fiscal year 2022.

### *Net income*

For fiscal year 2023, the Company generated net income of \$17.7 million, as compared to net income of approximately \$17.8 million for fiscal year 2022, basically unchanged.

### *Net income per share*

For fiscal year 2023, the net income per share was \$4.46 compared to \$4.42 for fiscal year 2022, representing an increase of approximately \$0.04 per share.

### **Liquidity and Capital Resources**

As of December 31, 2023, the Company had cash, cash equivalents and restricted cash of \$114.7 million, compared to \$67.3 million as of December 31, 2022. This increase was primarily attributable to \$35.9 million generated from operating activities and \$19.7 million generated from investing activities, offset by \$6.9 million used in financing activities.

In assessing our liquidity, the Company monitors and analyzes our cash on-hand and our operating and capital expenditure commitments. Our liquidity needs are to meet our working capital requirements, operating expenses, and capital expenditure obligations.

Based on the above considerations, management is of the opinion that we have sufficient funds to meet our working capital requirements for the twelve months from the date of this report.

Substantially all of our operations are conducted in China and all of our revenues, expenses, and cash are denominated in Renminbi (RMB). RMB is subject to the exchange control regulation in China and, as a result, we may have difficulty distributing any dividends outside of China due to PRC exchange control regulations that restrict its ability to convert RMB into U.S. Dollars.

Under applicable PRC regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, an enterprise in China is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserve until the cumulative amount of such reserve reaches 50% of its registered capital. These reserves are not distributable as cash dividends. As of December 31, 2023 and 2022, the statutory reserve balance for the Company's entities established in the PRC were \$11,564,250 (RMB 69,735,929) and \$9,167,845 (RMB 52,721,692), respectively. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation. Under PRC law, RMB is currently convertible into U.S. Dollars under a company's "current account," which includes dividends, trade and service-related foreign exchange transactions, without prior approval of the State Administration of Foreign Exchange (SAFE), but is not from a company's "capital account," which includes foreign direct investments and loans, without the prior approval of the SAFE.

We have not declared or paid any cash dividends to our shareholders. Our Board of Directors may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment, as well as the amount of dividends will be subject to our Memorandum and Articles of Association, as amended, and applicable PRC, BVI and U.S. securities laws and regulations.



The following table provides summary information about our net cash flows for financial statement periods presented in this report:

	For the Years Ended December 31,		
	2023	2022	2021
Net cash provided by (used in) operating activities	\$ 35,499,780	\$ (28,952,923)	\$ 23,857,102
Net cash provided by (used in) investing activities	19,815,569	17,837,501	(25,250,787)
Net cash (used in) provided by financing activities	(6,747,302)	(8,344,324)	70,527,541
Effect of exchange rate change in cash, cash equivalents and restricted cash	(1,234,680)	(4,848,722)	294,928
Net change in cash, cash equivalents and restricted cash	<u>47,333,367</u>	<u>(24,308,468)</u>	<u>69,428,784</u>

#### Operating Activities

Net cash provided by operating activities for fiscal 2023 was approximately \$35.5 million, which was primarily attributable to net income of approximately \$17.8 million, adjusted for non-cash items of approximately \$8.8 million and adjustments for changes in working capital of approximately negative \$8.8 million. The adjustments for changes in working capital mainly included (i) a decrease in accounts receivable of \$3.1 million, (ii) a decrease of \$18.7 million in other receivables related to the supply chain solutions business due to higher transaction volumes in the egg supply chain business added during the year, (iii) an increase in accounts payable of \$5.7 million due to the increase in the volume of transactions in bulk trade, (iv) an increase of \$7.3 million in advances to suppliers due to significant growth in the supply chain trading business, which requires prepayments from customers for purchases, and (v) an increase of \$17.0 million in advances from customers due to increased volume of bulk trade.

Net cash used in operating activities for fiscal 2022 was approximately \$29.0 million, which was primarily attributable to net income of approximately \$17.8 million, adjusted for non-cash items of approximately \$7.4 million and adjustments for changes in working capital of approximately negative \$54.2 million. The adjustments for changes in working capital mainly included (i) a decrease for the purchase of \$25.5 million in inventories due to the purchase of a new Chinese herbal medicine and gold sales business, (ii) advances of \$39.9 million to suppliers, (iii) an increase of \$11.4 million in other receivables related to the supply chain solutions business due to the significant increase of this business, (iv) an increase of \$19.1 million in advances from suppliers due to significant growth in the supply chain trading business, which requires prepayments from customers for purchases, (v) a decrease in other payables related to our supply chain business of \$15.2 million due to the payment of the prior year's balance and the lower volume of business in 2022, and (vi) a decrease in taxes payable of 5.6 million.

### Investing Activities

Net cash provided by investing activities was \$19.8 million for fiscal year 2023, primarily attributable to \$104.4 million of investment in debt securities and structured deposits, offset by cash of \$103.5 million received from the sale of short-term investments, \$7.1 million received from the sale of long-term investments, and cash of \$14.4 million received from investment in debt securities.

Net cash provided by investing activities was \$17.8 million for fiscal year 2022, primarily attributable to \$51.6 million of investment in debt securities and structured deposits, payments made for the purchase of long-term investments of \$7.4 million offset by cash of \$78.6 million received from the sale of short-term investments.

### Financing activities

Net cash used in financing activities was \$6.7 million for fiscal year 2023, primarily attributable to (i) \$2.0 million of proceeds from third-party loans, and (ii) \$2.3 million repayment of third-party loans, (iii) \$8.0 million of repayment of loans from related parties, and (iv) \$1.6 million of Proceeds from short-term loans.

Net cash used in financing activities was \$8.3 million for fiscal year 2022, primarily attributable to (i) \$36.8 million of proceeds from third-party loans, and (ii) \$41.5 million repayment of third-party loans, (iii) \$1.2 million of repayments of short-term bank loans, and (iv) \$2.5 million of repayment of loans from related parties.

### **Material Cash Requirements**

Other than the ordinary cash requirements for our operations, our material cash requirements as of December 31, 2023 and any subsequent interim period primarily include our capital expenditures and operating lease obligations, as well as cash requirements for potential investments.

Our capital expenditures primarily consist of purchases of servers, computers, other office equipment and intangible assets. Our capital expenditures were \$0.5 million in 2023, \$0.7 million in 2022 and \$0.2 million in 2021. We will continue to make capital expenditures to meet the expected growth of our business.

Our operating lease obligations primarily represent the commitments under the lease agreements for our office premises. We lease our office facilities under non-cancelable operating leases with various expiration dates. Our leasing expense was \$0.8 million, \$0.8 million and \$0.7 million for the years ended December 31, 2023, 2022, and 2021, respectively. The majority of our operating lease commitments are related to our office lease agreements in China.

We intend to fund our existing and future material cash requirements with our existing cash balance and other financing alternatives. We will continue to make cash commitments, including capital expenditures, to support the growth of our business.

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have retained or contingent interests in assets transferred. We have not entered into contractual arrangements that support the credit, liquidity or market risk for transferred assets. We do not have obligations that arise or could arise from variable interests held in an unconsolidated entity, or obligations related to derivative instruments that are both indexed to and classified in our own equity, or not reflected in the statement of financial position.

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2023.

### **Impact of Inflation**

We do not believe the impact of inflation on our Company has been material. Almost all our operations are in China and the inflation rate has been relatively stable in the last three years: 0.2% in 2023, 2.5% in 2022, and 0.9% in 2021.

### **Holding Company Structure**

Nisun International is a holding company with no material operations of its own. We conduct our operations through our PRC subsidiaries and our VIEs in China. As a result, our ability to pay dividends depends significantly upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their accumulated after-tax profits, if any, as determined in accordance with PRC accounting standards and regulations. Under the PRC law, each of our PRC subsidiaries and our VIEs in China is required to set aside at least 10% of its after-tax profits each year, if any, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our wholly foreign-owned subsidiaries in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at its discretion, and our VIE's may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus 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 the SAFE. In addition, any dividends paid by the PRC entities outside of China are subject to a 10% withholding tax. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

**Research and Development**

During fiscal year 2023, the Company spent \$1.1 million on enhancing and developing the functionalities of the Company's supply chain solutions and other financing service Apps and platform.

**Impact of Foreign Currency Fluctuations**

For the years ended December 31, 2023, foreign currency translation loss was \$4.5 million. If the RMB continues to deteriorate, this could affect the Company's financial condition and operating results in the future.

We have not and do not have any foreign currency hedge investments, borrowings, or other hedging instruments. We manage our price risks through productivity improvements and cost-containment measures.

**Critical Accounting Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates include, but are not limited to, the allowance for credit losses, inventory and long-lived asset valuations, goodwill and other intangible asset valuations and impairment, equity-based compensation and income taxes. Actual amounts may differ from these estimated amounts.

**Recently issued and adopted accounting pronouncements**

Please refer to Note 2 for recent accounting pronouncements.

**Safe Harbor**

See "SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS."

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Management

The following table provides information regarding our executive officers and directors:

Name	Age	Position(s)
Jinbao Li	44	Chairman of the Board
Xin Liu	35	Chief Executive Officer and Director
Changjuan Liang	40	Chief Financial Officer
Xiaoyun Huang	39	Director
Christian DeAngelis	54	Independent Director
Jing Li	43	Independent Director
Sheng Tang	46	Independent Director
Haiying Xiang	42	Independent Director

The business address of each of the directors and senior management is c/o Nisun International Enterprise Development Group Co., Ltd, Floor 20-21, No. 55 Loushanguan Road, Changning District, Shanghai, PRC 200050.

**Xin Liu.** Mr. Liu has served as a director since September 2020 and as the Chief Executive Office since May 2024. Mr. Liu has been the Vice President of Luyao Shanghai, a consolidated VIE, since April 2016. In that role, he manages operations aspects of Luyao Shanghai's business. From October 2014 to March 2016, he was the Head Manager of the administration and operations department of Shandong branch of Huizhong Business Consulting (Beijing) Co. Mr. Li had been the Head of the International Trade department of Qingdao Antaixin Group Co., Ltd. from September 2012 to October 2014. Mr. Liu received a bachelor's degree in International Business in 2012 from Shandong University of Technology. We have chosen Mr. Liu to serve as a director because of his management skills and cross-border trade and business experience.

**Changjuan Liang.** Ms. Liang has been our Chief Financial Officer since August 2019. Ms. Liang has served as Chief Financial Officer of Fintech (Shanghai) Investment Holding Co., Ltd. since May 2019. From August 2018 through April 2019, Ms. Liang was a senior financial manager for Shanghai NiSun Enterprise Management Group Co., Ltd., a PRC company controlled by Bodang Liu, the largest shareholder of our Company. From October 2010 through August 2017, Ms. Liang was a Financial Officer of Chubutsu Precise Electronic Company Limited, a PRC company engaged in the air conditioning industry. Ms. Liang obtained her bachelor's degree in Accounting from China Central Radio and TV University in January 2010.

**Jinbao Li.** Mr. Li has served as a director since September 2020 and as Chairman of the Board since May 2024. Mr. Li has been the Chief Executive Officer of Luyao Shanghai since April 2016. Mr. Li is also the legal shareholder of Luyao Shanghai. As the CEO, he oversees and is responsible for all aspects of business operations, financial performance, and development of Luyao Shanghai. From July 2014 to April 2016, he was the general manager of Shandong branch of Huizhong Business Consulting (Beijing) Co., Ltd. Mr. Li received an associate degree in Marketing in 2008 from Shandong Technology University. We have chosen Mr. Li to serve as a director because of his marketing and customer resources and business management experience as a senior business executive.

**Xiaoyun Huang.** Mr. Huang has served as a director since September 2020. Mr. Huang had been the Chairman of the Board and Chief Executive Officer of the Company from September 2020 to May 2024. Before joining our Company, he had held the President and Chief Executive Officer of Huizhong Business Consulting (Beijing) Co., Ltd. From June 2018 to September 2020. In those roles, he oversees and is responsible for all aspects of the company's business operations, planning and development. From June 2017 to May 2018, he had served as the General Manager and Chairman of the board of directors of Beijing Hengtai Puhui Information Service Co., Ltd., a consolidated VIE the Company acquired in 2019. Mr. Huang had been the President and Chief Executive Officer of Hangzhou Rongdu Technology Co., Ltd. from 2015 to May 2017. Mr. Huang received a bachelor's degree in Computer Science and Technology in 2007 from Shanghai University of Electric Power. We have chosen Mr. Huang to serve as a director because of his experience and management positions with the companies he had previously served and his expertise in the financial technology industry.

**Christian DeAngelis.** Mr. DeAngelis has served as an independent director since September 2020. From March 2009, Mr. DeAngelis has served as the General Manager and Head of China office of Alliance Business Consulting and Advisory Company in Beijing, China. Mr. DeAngelis received a bachelor's degree in Accounting in 1992 from Lehigh University in Pennsylvania. He received a master's degree in Business Administration in 1999 from Columbia Business School. We have chosen Mr. DeAngelis as a director because of his expertise in the business consulting and advisory industry and his business management experience as a senior business executive.

**Sheng Tang.** Dr. Tang has served as an independent director since September 2020. Dr. Tang has served as the Director of the Dean's Office at Shanghai Advanced Institute of Finance since February 2009. In that role, Dr. Tang is responsible for the operations of Dean's Office and administering of the Board Council. From January 2008 to January 2009, Dr. Tang was the General Manager of the electric power business unit of Shanghai Huahong Group Co., Ltd. and managed the overall operations of the business unit. From April 2003 to December 2007, Dr. Tang was a marketing director of Shanghai Huahong Group Co., Ltd. promoting the sale of semiconductor products for the company. Dr. Tang received a bachelor's degree in Civil Engineering in 2000 and a master's degree in Computer Science in 2003 from Zhejiang University. Dr. Tang received a doctorate degree in Business Administration in 2011 from Shanghai Jiaotong University. We have chosen Mr. Tang to serve as a director because of his expertise in the financial technology industry and management experience.

**Haiying Xiang.** Ms. Xiang is a Commercial Officer at China Tiesiju Civil Engineering Group Co., Ltd Angolan Branch and responsible for contract management, commercial information management and marketing management. Previously she was a Senior Internal Controller with Siemens Limited China where she worked since 2012. She works in the Controlling Department of Industry Sector and is tasked with Sarbanes-Oxley compliance and support, coordination of compliance with global risk management and internal control programs for eighteen operating companies and analysis and optimization of business processes. She has been a Supervisor of Shanghai Bobo Biological Technology Co., Ltd. since 2011. Previously she was an Internal Controller at Siemens Mechanical Drive (Tianjin) Co., Ltd. from 2008 through 2011, where she focused on compliance, internal controls and risk control. Before that, Ms. Xiang was a member of the Trading Department of Qingdao Far East Gem and Jewelry Co., Ltd. from 2006 through 2007. Ms. Xiang obtained her certified Internal Auditor qualification in 2012. She received her bachelor's degree in Economics from Nankai University in 2004. She also received her master's degree in Economics from Nankai University in 2006. We have chosen Ms. Xiang as a director because of her experience with financial matters and experience with public company compliance matters. We appointed Ms. Xiang as our audit committee financial expert.

**Jing Li.** Dr. Jing Li has been an associate professor at the School of Economics of Shanghai University since March 2017. Dr. Li was named as one of the "Shanghai Pujiang Talents" in 2020. He has published numerous papers in the authoritative journals of economics, such as Economic Research, Economics Quarterly, Economic Dynamics, and in the authoritative journals related to innovation and entrepreneurship, such as Scientific Research, Management of Research and Development. Dr. Li has presided over 7 projects sponsored by National Natural Science Foundation of China, Shanghai Pujiang Talent Plan, Shanghai Education Commission and Science and Technology Commission. Dr. Li received a bachelor's degree in Enterprise Management from Anhui University, China, a master's degree in Enterprise Management from Shanghai University of Finance and Economics, and his Ph. D. in Economics from Shanghai Jiao Tong University, China. Dr. Li was a visiting scholar at Wharton School, University of Pennsylvania from December 2018 to October 2019. Dr. Li was elected to serve as an independent director because of his in-depth knowledge in finance and economics and his broad perspective in innovative economy and finance industry.

#### **Election of Officers**

Our executive officers are elected by, and serve at the discretion of, our board of directors. There is no family relationship among any of our directors or executive officers.

#### **Board of Directors and Board Committees**

Our board of directors consists of seven (7) directors. We expect that all current directors will continue to serve until the next annual meeting of shareholders at which their respective class of directors is re-elected or until their successors have been duly elected and qualified. A majority of our Board of Directors (namely, Mr. Christian DeAngelis, Mr. Jing Li, Mr. Sheng Tang and Ms. Haiying Xiang) are independent, as such term is defined by The Nasdaq Capital Market.

The directors are divided into three classes, as nearly equal in number as the then total number of directors permits. Class II directors shall face re-election at our annual general meeting of shareholders in 2024 and every three years thereafter. Class III directors shall face re-election at our annual general meeting of shareholders in 2025 and every three years thereafter. Class I directors shall face re-election at our annual general meeting of shareholders in 2026 and every three years thereafter.

If the number of directors changes, any increase or decrease will be apportioned among the classes so as to maintain the number of directors in each class as nearly as possible. Any additional directors of a class elected to fill a vacancy resulting from an increase in such class will hold office for a term that coincides with the remaining term of that class. Decreases in the number of directors will not shorten the term of any incumbent director. These board provisions could make it more difficult for third parties to gain control of our company by making it difficult to replace members of the Board of Directors.

A director may vote in respect of any contract or transaction in which he is interested, provided, however that the nature of the interest of any director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote on that matter. A general notice or disclosure to the directors or otherwise contained in the minutes of a meeting or a written resolution of the directors or any committee thereof of the nature of a director's interest shall be sufficient disclosure and after such general notice it shall not be necessary to give special notice relating to any particular transaction. A director may be counted for a quorum upon a motion in respect of any contract or arrangement which he shall make with our company, or in which he is so interested and may vote on such motion.

Mr. Jinbao Li currently holds the position of Chairman of the Board. We do not have a lead independent director because we believe our independent directors are encouraged to freely voice their opinions on a relatively small company board. We believe this leadership structure is appropriate because we are a relatively small company; as such we deem it appropriate to be able to benefit from the guidance of Mr. Li as both an executive director and Chairman of the Board. Our Board of Directors plays a key role in our risk oversight. The Board of Directors makes all relevant Company decisions. As a smaller company with a relatively small board of directors, we believe it is appropriate to have the involvement and input of all of our directors in risk oversight matters.

### **Board Committees**

We have established three standing committees under the board: the audit committee, the compensation committee and the nominating committee. The audit committee is responsible for overseeing the accounting and financial reporting processes of our Company and audits of the financial statements of our Company, including the appointment, compensation and oversight of the work of our independent auditors. The compensation committee of the board of directors reviews and makes recommendations to the board regarding our compensation policies for our officers and all forms of compensation, and also administers our incentive compensation plans and equity-based plans (but our board retains the authority to interpret those plans). The nominating committee of the board of directors is responsible for the assessment of the performance of the board, considering and making recommendations to the board with respect to the nominations or elections of directors and other governance issues. The nominating committee considers diversity of opinion and experience when nominating directors.

Haiying Xiang qualifies as an audit committee financial expert and she is the chair of the audit committee. Christian DeAngelis and Jing Li serve on the audit committee. Jing Li is the chair of the compensation committee. Christian DeAngelis and Sheng Tang serve on the compensation committee. Sheng Tang is the chair of the nominating committee. Jing Li and Haiying Xiang are members of the nomination committee. Each member of the three committees is an independent director.

### **Duties of Directors**

Under British Virgin Islands law, our directors have a duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our amended and restated memorandum and articles of association. We have the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- appointing officers and determining the term of office of the officers;
- authorizing the payment of donations to religious, charitable, public or other bodies, clubs, funds or associations as deemed advisable;
- exercising the borrowing powers of the company and mortgaging the property of the company;
- executing checks, promissory notes and other negotiable instruments on behalf of the company; and
- maintaining or registering a register of mortgages, charges or other encumbrances of the company.

## Interested Transactions

A director may vote, attend a board meeting or sign a document on our behalf with respect to any contract or transaction in which he or she is interested. A director must promptly disclose the interest to all other directors after becoming aware of the fact that he or she is interested in a transaction we have entered into or are to enter into. A general notice or disclosure to the board or otherwise contained in the minutes of a meeting or a written resolution of the board or any committee of the board that a director is a shareholder, director, officer or trustee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company will be sufficient disclosure, and, after such general notice, it will not be necessary to give special notice relating to any particular transaction.

## Remuneration and Borrowing

The directors may receive such remuneration as our board of directors may determine from time to time. Each director is entitled to be repaid or prepaid all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred in attending meetings of our board of directors or committees of our board of directors or shareholder meetings or otherwise in connection with the discharge of his or her duties as a director. The compensation committee will assist the directors in reviewing and approving the compensation structure for the directors. Our board of directors may exercise all the powers of the company to borrow money and to mortgage or charge our undertakings and property or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

## Qualifications

There are no membership qualifications for directors. Further, there are no share ownership qualifications for directors unless so fixed by us in a general meeting. There are no other arrangements or understandings pursuant to which our directors are selected or nominated.

## Board Diversity

The table below provides certain information regarding the diversity of our board of directors as of the date of this report. Each of the categories listed in the table below has the meaning set forth in Nasdaq Rule 5605(f).

Country of Principal Executive Offices:	China	
Foreign Private Issuer:	Yes	
Disclosure Prohibited under Home Country Law:	No	
Total Number of Directors:	7	
<b>Gender Identity</b>	<b>Female</b>	<b>Male</b>
Directors	1	6
<b>Demographic Background</b>		
Underrepresented Individual in Home Country Jurisdiction		1
LGBTQ+		-
Did not disclose demographic background		-

## Limitation of Director and Officer Liability

Under British Virgin Islands law, each of our directors and officers, in performing his or her functions, is required to act honestly and in good faith with a view to our best interests and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. British Virgin Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the British Virgin Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our memorandum and articles of association, we may indemnify our directors, officers and liquidators against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with civil, criminal, administrative or investigative proceedings to which they are party or are threatened to be made a party by reason of their acting as our director, officer or liquidator. To be entitled to indemnification, these persons must have acted honestly and in good faith with a view to the best interest of the company and, in the case of criminal proceedings, they must have had no reasonable cause to believe their conduct was unlawful. Such limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission. These provisions will not limit the liability of directors under United States federal securities laws.



We may indemnify any of our directors or anyone serving at our request as a director of another entity against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings. We may only indemnify a director if he or she acted honestly and in good faith with the view to our best interests and, in the case of criminal proceedings, the director had no reasonable cause to believe that his or her conduct was unlawful. The decision of our board of directors as to whether the director acted honestly and in good faith with a view to our best interests and as to whether the director had no reasonable cause to believe that his or her conduct was unlawful, is in the absence of fraud sufficient for the purposes of indemnification, unless a question of law is involved. The termination of any proceedings by any judgment, order, settlement, conviction or the entry of no plea does not, by itself, create a presumption that a director did not act honestly and in good faith and with a view to our best interests or that the director had reasonable cause to believe that his or her conduct was unlawful. If a director to be indemnified has been successful in defense of any proceedings referred to above, the director is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the director or officer in connection with the proceedings.

We may purchase and maintain insurance in relation to any of our directors or officers against any liability asserted against the directors or officers and incurred by the directors or officers in that capacity, whether or not we have or would have had the power to indemnify the directors or officers against the liability as provided in our amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for our directors, officers or persons controlling our company under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### **Involvement in Certain Legal Proceedings**

To the best of our knowledge, none of our directors or officers has been convicted in a criminal proceeding, excluding traffic violations or similar misdemeanors, nor has any been a party to any judicial or administrative proceeding during the past five years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws, except for matters that were dismissed without sanction or settlement. Except as set forth in our discussion below in “Related Party Transactions,” our directors and officers have not been involved in any transactions with us or any of our affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

### **Code of Business Conduct and Ethics**

The Company has adopted a Code of Business Conduct and Ethics that applies to the Company’s directors, officers, employees and advisors. The Code of Ethics is attached as an exhibit to this annual report. We have also posted a copy of our code of business conduct and ethics on our website at <https://www.fintaike.com/>.

## **B. Compensation**

### **Director Compensation**

All directors hold office until the next annual meeting of shareholders at which their respective class of directors is re-elected or until their successors have been duly elected and qualified. Officers are elected by and serve at the discretion of the Board of Directors. Employee directors do not receive any compensation for their services. Non-employee directors are entitled to receive compensation in cash or stock, or both, for serving as directors and may receive option grants from our company. We also reimburse all directors for any out-of-pocket expenses incurred by them in connection with their services provided in such capacity. Non-employee directors are entitled to receive reimbursement for their actual travel expenses for each Board of Directors meeting attended. In addition, from time to time, we may grant our directors incentive grants of stock, options or other securities convertible into or exchangeable for, our securities.

Haiying Xiang is entitled to receive \$10,000 per year for serving as a director and may receive stock or option grants from our Company. Jing Li is entitled to receive \$18,000 per year for serving as a director and may receive stock or option grants from our Company. Christian DeAngelis is entitled to receive \$30,000 in cash and 1,500 common shares per year. Sheng Tang is entitled to receive \$1,379.52 in cash per month (payable semi-annually in two equal payments), and 3,000 common shares per year.

During the years ended December 31, 2023 and 2022, no employee members of our Board of Directors received compensation in their capacity as directors.

During the year ended December 31, 2023, we paid an annual director fee of \$10,000 to Haiying Xiang and \$30,000 to Christian DeAngelis. Christian DeAngelis and Sheng Tang were entitled to receive 1,500 and 3,000 common shares, respectively, in September 2023 for their third full year services as our directors. These shares were issued in 2023.

During the year ended December 31, 2022, we paid an annual director fee of \$10,000 to Haiying Xiang, and \$30,000 to Christian DeAngelis. Christian DeAngelis, Sheng Tang and Xiaofeng Ma were entitled to receive 1,500, 3,000 and 3,000 common shares, respectively, in September 2022 for their second full year services as our directors but the issuance of such shares was delayed. These shares were issued in 2023.

## Executive Compensation

We have a compensation committee approving our salary and benefit policies. Our compensation committee determines the compensation to be paid to our executive officers based on our financial and operating performance and prospects, and contributions made by the officers' to our success. Each of the named officers will be measured by a series of performance criteria by the board of directors, or the compensation committee on a yearly basis. Such criteria will be set forth based on certain objective parameters such as job characteristics, required professionalism, management skills, interpersonal skills, related experience, personal performance and overall corporate performance.

Our board of directors has not adopted or established a formal policy or procedure for determining the amount of compensation paid to our executive officers. The board of directors will make an independent evaluation of appropriate compensation to key employees, with input from management. The board of directors has oversight of executive compensation plans, policies and programs.

### Summary Compensation Table

The following table presents summary information regarding the total compensation awarded to, earned by, or paid to each of the named executive officers for services rendered to us for the year ended December 31, 2023 and 2022.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
Xin Liu <sup>(1)</sup>	2023	89,166	-	-	-	89,166
Chief Executive Officer	2022	84,735	-	-	-	84,735
Xiaoyun Huang <sup>(2)</sup>	2023	120,000	-	-	-	120,000
Former Chief Executive Officer	2022	120,000	-	-	-	120,000
Changjuan Liang	2023	72,087	-	-	-	72,087
Chief Financial Officer	2022	71,159	-	-	-	71,159

(1) Xin Liu was appointed as our Chief Executive Officer, effective May 22, 2024. The salary Mr. Liu received in 2023 and 2022 indicated above was compensation for his service as an executive officer of Luyao Shanghai.

(2) Xiaoyun Huang resigned as the Chief Executive Officer, effective May 22, 2024.

### Equity-Based Compensation

In addition to base salary, we also offer certain equity-based compensation to employees, directors or consultants. Our stock-based compensation plan, the 2019 One Million Share Incentive Plan, was approved by our Board of Directors on November 20, 2019 and ratified by shareholders on December 20, 2019 (the "2019 Plan"). This plan had served as a primary vehicle by which we offer long-term incentives and rewards to our executive officers and key employees. We regard equity-based compensation as a key retention tool. Retention serves as an important factor in our determination of the type of award to grant and the number of underlying shares that are granted in connection with that award.

In March 2020, our Compensation Committee approved the grant of stock awards of an aggregate of 300,000 Class A common shares to three members of our management (100,000 shares per person) under the 2019 One Million Share Incentive Plan. One-third of the shares vested on the date of the grant, and one-third of the shares vested on each of the first and second anniversary of the grant date, respectively.

The Company terminated the 2019 One Million Share Incentive Plan on December 13, 2021 in connection with our December 2021 capital raise and deregistered all unissued common shares that were previously registered pursuant to the Registration Statement on the Form S-8 (File No. 333-236843) and were available for grant under the Plan or subject to awards under the Plan. Awards granted under the plan were valued at the market price on the date granted and recognized at issuance or over the vesting period, if any, and have been recorded in General and administrative expenses.

In November 2022, the Compensation Committee and the Board of Directors approved and adopted the 2022 Equity Incentive Plan, or the 2022 Plan, which is substantially similar to our 2019 Plan. We have not granted any compensation awards under the 2022 Plan.

### Compensation Recoupment (Clawback) Policy

We maintain a compensation clawback policy, which we adopted in November 2023 in compliance with Nasdaq listing requirements. In the event that the Company is required to prepare an accounting restatement due to its material noncompliance with any financial reporting requirement under U.S. federal securities law, the policy provides that the Company will recoup compensation from each current or former executive officer who, during the three-year period preceding the date on which an accounting restatement is required, received incentive compensation based on the erroneous financial data that exceeds the amount of incentive-based compensation the executive would have received based on the restatement. The Compensation Committee administers the Company's Clawback Policy and has discretion to determine how to seek recovery under the policy and may forgo recovery if it determines that recovery would be impracticable.

## Employment Agreements

Our employment agreements with our officers generally provide for employment for a specific term with annual salaries, health insurance, pension insurance, and paid vacation and family leave time. The agreement may be terminated by either party as permitted by law. In the event of a breach or termination of the agreement by our company, we may be obligated to pay the employee twice the ordinary statutory rate. In the event of a breach or termination causing loss to our company by the employee, the employee may be required to indemnify us against loss.

### *Xin Liu*

We entered into an employment agreement with our Chief Executive Officer, Mr. Xin Liu, effective May 22, 2024, that provides an annual gross base salary of RMB600,000 (approximately \$82,867). Pursuant to the agreement, either party may terminate the agreement at any time, with or without cause, upon thirty days' prior notice to the other party.

### *Xiaoyun Huang*

We had previously entered into an employment agreement with our former Chief Executive Officer, Mr. Xiaoyun Huang, effective as of September 4, 2020 that provided an annual gross base salary of \$120,000 per year. Mr. Huang's employment agreement terminated upon his resignation from the Chief Executive Officer position.

### *Changjuan Liang*

We entered an employment agreement with our Chief Financial Officer, Ms. Changjuan Liang, effective as of August 8, 2019 and running through July 31, 2022 that provided an annual salary of \$48,468. We renewed the employment agreement with Ms. Liang, effective as of May 1, 2022 and running through April 30, 2025 that provides an annual salary of \$72,087.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### Major Shareholders

The following table sets forth information with respect to beneficial ownership of our common shares as of July 11, 2024 by:

- Each person who is known by us to beneficially own more than 5% of our outstanding common shares;
- Each of our director, director nominees and named executive officers; and
- All directors and named executive officers as a group.

The number and percentage of Common Shares beneficially owned are based on 4,017,596 Common Shares issued as of July 11, 2024. Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of 5% or greater of our Common Shares. Beneficial ownership is determined in accordance with the rules of the SEC and generally requires that such person have voting or investment power with respect to securities. In computing the number of Common Shares beneficially owned by a person listed below and the percentage ownership of such person, Common Shares underlying options, warrants or convertible securities held by each such person that are exercisable or convertible within 60 days of July 11, 2024 are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. Except as otherwise indicated in the footnotes to this table, or as required by applicable community property laws, all persons listed have sole voting and investment power for all Common Shares shown as beneficially owned by them. Unless otherwise indicated in the footnotes, the address for each principal shareholder is in the care of NISUN INTERNATIONAL ENTERPRISE DEVELOPMENT GROUP CO., LTD, Floor 20-21, No. 55 Loushanguan Road, Changning District, Shanghai, People's Republic of China PRC 200050. As of the date of this report, we had 118 shareholders of record.

Named Executive Officers and Directors	Amount of Beneficial Ownership <sup>(1)</sup>	Percentage Ownership
<b>Directors and Named Executive Officers:</b>		
Jinbao Li, Chairman of the Board <sup>(2)</sup>	156,272	3.89%
Xin Liu, Chief Executive Officer and Director	-	-
Changjuan Liang, Chief Financial Officer <sup>(3)</sup>	6,700	*
Xiaoyun Huang, Director <sup>(4)</sup>	28,817	*
Christian DeAngelis, Director <sup>(5)</sup>	3,150	*
Sheng Tang, Director <sup>(6)</sup>	6,300	*
Haiying Xiang, Director	-	-
Jing Li, Director	-	-
<b>All directors and executive officers as a group (8 persons)</b>	<b>201,239</b>	<b>5.00%</b>
<b>5% Beneficial Owners:</b>		
NiSun International Enterprise Management Group Co., Ltd. <sup>(7)</sup>	777,840	19.36%

\* Less than 1% of our outstanding shares.

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the Common Shares (given retroactive effect of the reverse stock split effected on May 18, 2023). All shares represent only Common Shares held by shareholders as no options are issued or outstanding.
- (2) Nami Holding (BVI) Co., Ltd, owning 156,272 Class A Common Shares of the Company, is controlled by Mr. Jinbao Li, who may be deemed to have the voting and dispositive power of such shares.
- (3) 6,700 Class A Common Shares were part of the 10,000 shares granted to Ms. Liang on April 6, 2020 pursuant to the Company's 2019 One Million Share Incentive Plan.
- (4) Hong Kong D&L Technology Co., Limited, a Hong Kong company, owning 28,817 Class A Common Shares of the Company, is controlled by Mr. Xiaoyun Huang, who may be deemed to have the voting and dispositive power of such shares.
- (5) 150 Class A Common Shares were granted on September 7, 2021 under the Company's 2019 One Million Share Incentive Plan. 1,500 and 1,500 shares were granted in 2023 for Mr. DeAngelis's second and third full year services as our director.
- (6) 300 Class A Common Shares were granted on September 7, 2021 under the Company's 2019 One Million Share Incentive Plan. 3,000 and 3,000 shares were granted in 2023 for Mr. Tang's second and third full year services as our director.
- (7) NiSun International Enterprise Management Group Co., Ltd., a Cayman Islands company, holding 777,840 Class A Common Shares of the Company, is solely owned indirectly by Mr. Bodang Liu, who may be deemed to have the voting and dispositive power of such shares. Mr. Liu is not related to any officers/directors of the Company.

#### Related party transactions

In addition to the executive officer and director compensation arrangements discussed in "Executive Compensation," below we describe transactions since January 1, 2020, to which we have been a participant, in which the amount involved in the transaction is considered material and in which any of the following is a party: (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, our Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of our Company that gives them significant influence over our Company, and close members of any such individual's family; (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of our Company, including directors and senior management of companies and close members of such individuals' families; and (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence.

There are no other related party transactions for the years ended December 31, 2023, 2022 and 2021, except the transactions mentioned below.

The table below sets forth major related parties of our Company and their relationships with our Company:

Entity or individual name	Relationship with the Group
NiSun Agricultural Group Co., Ltd. (“Nisun Agricultural”)	An affiliated entity controlled by the ultimate controlling shareholder of the Group
Nisun International Enterprise Management Group Co., Ltd (“Nisun Cayman”)	A shareholder who owns 19.42% equity interest of the Group
Mr. Bodang Liu	An affiliate and largest shareholder of the Group
Mr. Jian Lin	The shareholder of Wenzhou Jinda

(a) We entered into the following related party transactions:

From July 12, 2019 to June 20, 2022, the Group rented an office from Nisun Agricultural and incurred \$70,044 and \$136,532 of rent expense for the years ended December 31, 2022 and 2021, respectively.

Starting from July 01, 2022, the Group rented an office to Nisun Agricultural and earned \$233,215 and \$122,706 of rental income for the year ended December 31, 2023 and 2022, respectively.

(b) We had the following significant related party balances:

As of December 31, 2022, the Group had a due to related party balance of \$8,028,965 owed to Nisun Cayman. The Group has fully repaid the amount owed to Nisun Cayman during the year ended December 31, 2023. During the year ended December 31, 2020, Nisun Cayman advanced \$10,528,965 (RMB 69,883,631) as a loan to the Group. The Group repaid Nisun Cayman \$2.5 million during the year ended December 31, 2021. The loan was due on demand and without interest.

As of December 31, 2023, the Group prepaid \$1,574 for purchases from Nisun Agricultural.

As of December 31, 2021, the Group had a due from related party balance of \$10,662 from Nisun Agricultural. The due from related party balance was non-interest bearing and was repaid during the year ended December 31, 2022.

As of December 31, 2023, 2022 and 2021, the Group had a due to related party balance of \$274,652, \$282,724 and \$295,336, respectively, owed to Mr. Jian Lin, the shareholder of Wenzhou Jinda. The Group owns a 23.08% equity interest in Wenzhou Jinda. The due to related party balance is non-interest bearing and due on demand.

#### ***Future Related Party Transactions***

The Audit Committee of our board of directors (which consists solely of independent directors) approve all related party transactions.

#### **C. Interests of experts and counsel**

Not applicable for annual reports on Form 20-F.

## ITEM 8. FINANCIAL INFORMATION

### A. Consolidated Statements and Other Financial Information

Please refer to Item 18.

We incorporate by reference in the Registration Statement on Form F-3 (File No. 333- 256550) our consolidated balance sheets as of December 31, 2023 and 2022 and the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2023, which appears in this Annual Report on Form 20-F.

### Legal and Administrative Proceedings

Fintech Zibo, our consolidated VIE, is currently a party to one lawsuit pending at a district court in China. In March 2023, Fintech Zibo filed a lawsuit against Linyi Jinlong Cold Storage Factory (“Linyi Jinlong”), one of its suppliers, in connection with its purchases of frozen pork cuts from Linyi Jinlong in the amount of approximately \$1.1 million (RMB7.71 million), which had previously been paid by Fintech Zibo under the purchase agreement. Fintech Zibo seeks a refund or return of the goods on the ground that the quality of the goods it had received failed to meet the required standard as provided in the purchase agreement. The trial court issued an order freezing the assets of defendant and its guarantor in May 2023, and the parties are currently in the pretrial discovery process. Other than the foregoing lawsuit, we are not aware of any other pending or threatened material legal or administrative proceedings to which we are a party. We were a party to one legal proceeding in 2021. On June 3, 2020, a short seller issued a report alleging that, among other things, the private placement we consummated in December 2019, Hengpu and Nami acquisitions were related party transactions which we failed to disclose. We had conducted an independent investigation by special counsel that concluded that the allegations were substantially unfounded. On June 9, 2020, plaintiffs filed a class action lawsuit with the United States District Court for the Southern District of New York (the “Court”) against the Company and its then CEO and CFO on behalf of a class of purchasers of the Company’s common shares between April 24, 2020 and June 3, 2020, inclusive, alleging violations of federal securities law. Specifically, the plaintiffs alleged that the Company had misrepresented and omitted material information in public statements by failing to disclose certain transactions as related party transactions in violations of §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 and the SEC rules thereunder. The Company responded by filing a motion to dismiss the case for failure to state a claim. On September 22, 2021, the Court granted the motion and dismissed the lawsuit in its entirety, and the case was closed.

Except for the above dismissed proceeding, we are not aware of any other material legal or administrative proceedings brought against us during the three-year period covered by this annual report and through the date that this report was issued. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

### Dividend Policy

We have never declared or paid any cash dividends on our common shares. We anticipate that we will retain any earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future. Any future determination relating to our dividend policy will be made at the discretion of our Board of Directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions and future prospects and other factors the Board of Directors may deem relevant.

Under British Virgin Islands law, we may only pay dividends from surplus (the excess, if any, at the time of the determination of the total assets of our company over the sum of our liabilities, as shown in our books of account, plus our capital), and we must be solvent before and after the dividend payment in the sense that we will be able to satisfy our liabilities as they become due in the ordinary course of business; and the realizable value of assets of our company will not be less than the sum of our total liabilities, other than deferred taxes as shown on our books of account, and our capital.

If we determine to pay dividends on any of our common shares in the future, as a holding company, we will be dependent on receipt of funds from our operating subsidiaries. Current PRC regulations permit our PRC subsidiaries to pay dividends to NiSun HK (or NiSun BVI) only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our subsidiaries in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each of such entity in China is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at the discretion of its board of directors. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Our subsidiaries in China are required to set aside statutory reserves and have done so.

In addition, pursuant to the EIT Law and its implementation rules, dividends generated after January 1, 2008 and distributed to us by our PRC subsidiaries are subject to withholding tax at a rate of 10% unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations in China may be used to pay dividends to our company.

### B. Significant Changes

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

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

### **A. Offer and listing details**

Our common shares (or Class A common shares since March 19, 2018) have been listed and traded on the Nasdaq Capital Market since December 27, 2016 under the symbol “HEBT” until November 15, 2020 and under the symbol “NISN” since November 16, 2020.

### **B. Plan of distribution**

Not applicable for annual reports on Form 20-F.

### **C. Markets**

Our Class A common shares are listed on the Nasdaq Capital Market under the symbol “NISN.”

### **D. Selling shareholders**

Not applicable for annual reports on Form 20-F.

### **E. Dilution**

Not applicable for annual reports on Form 20-F.

### **F. Expenses of the issue**

Not applicable for annual reports on Form 20-F.

## **ITEM 10. ADDITIONAL INFORMATION**

### **A. Share capital**

Not applicable for annual reports on Form 20-F.

### **B. Memorandum and articles of association**

The information required by this item is incorporated by reference to the material headed “Description of Share Capital” in our Registration Statement on Form F-1, File no. 333-208583, filed with the SEC on July 13, 2016, as amended, and our Amended and Restated Memorandum and Articles of Association filed as Exhibit 1.1 hereto.

### **C. Material contracts**

We have not entered into any material contracts other than in the ordinary course of business and otherwise described elsewhere in this annual report.

### **D. Exchange controls**

#### **Foreign Currency Exchange**

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiaries.

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. In addition, SAFE promulgated Circular 45 on November 9, 2011 in order to clarify the application of SAFE Circular 142. Under SAFE Circular 142 and Circular 45, the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of such RMB capital may not be changed without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

We typically do not need to use our offshore foreign currency to fund our PRC operations. In the event we need to do so, we will apply to obtain the relevant approvals of SAFE and other PRC government authorities as necessary.

#### **SAFE Circular 75**

Under the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles, or SAFE Circular 75, issued by SAFE on October 21, 2005 and its implementation rules, a PRC resident (whether a natural or legal person) is required to complete an initial registration with its local SAFE branch before incorporating or acquiring control of an offshore special purpose vehicle, or SPV, with assets or equity interests in a PRC company, for the purpose of offshore equity financing. The PRC resident is also required to amend the registration or make a filing upon (1) the injection of any assets or equity interests in an onshore company or undertaking of offshore financing, or (2) the occurrence of a material change that may affect the capital structure of a SPV. SAFE also subsequently issued various guidance and rules regarding the implementation of SAFE Circular 75, which imposed obligations on PRC subsidiaries of offshore companies to coordinate with and supervise any PRC-resident beneficial owners of offshore entities in relation to the SAFE registration process.

#### **Regulation of Dividend Distribution**

The principal laws, rules and regulations governing dividend distribution by foreign-invested enterprises in the PRC are the Company Law of the PRC, as amended, the Wholly Foreign-owned Enterprise Law and its implementation regulations and the Equity Joint Venture Law and its implementation regulations. Under these laws, rules and regulations, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. Both PRC domestic companies and wholly-foreign owned PRC enterprises are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of such reserves reaches 50% of their registered capital. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.



## E. Taxation

The following sets forth the material British Virgin Islands, Chinese and U.S. federal income tax consequences related to an investment in our Class A common shares. It is directed to U.S. Holders (as defined below) of our Class A common shares and is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This description does not deal with all possible tax consequences relating to an investment in our Class A common shares, such as the tax consequences under state, local and other tax laws.

The following brief description applies only to U.S. Holders (defined below) that hold Class A common shares as capital assets and that have the U.S. dollar as their functional currency. This brief description is based on the tax laws of the United States in effect as of the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The brief description below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

### Generally

Nisun International and Nisun BVI are tax-exempt companies incorporated in the British Virgin Islands. Nami Cayman is tax-exempt company incorporated in the Cayman Islands. Nisun HK and Nami Hong Kong are subject to Hong Kong profits tax rate. The rest of the Company’s subsidiaries and VIEs and subsidiaries of VIEs in PRC are governed by PRC laws.

Our company pays PRC enterprise income taxes, value added taxes and business taxes in China for revenues from our subsidiaries, VIEs and VIEs’ subsidiaries (The business tax has been incorporated into VAT since May 1, 2016.).

### People’s Republic of China Enterprise Taxation

The following brief description of Chinese enterprise laws is designed to highlight the enterprise-level taxation on our earnings, which will affect the amount of dividends, if any, we are ultimately able to pay to our shareholders. See “Dividend Policy.”

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles. The Enterprise Income Tax Law (the “EIT Law”), effective as of January 1, 2008, enterprises pay a unified income tax rate of 25% and unified tax deduction standards are applied equally to both domestic-invested enterprises and foreign-invested enterprises.

Fintech was recognized as a High-Technology (“High-Tech”) Company by the Chinese government and subject to a reduced income tax rate of 15%, a reduction from the normal unified rate of 25%. The High-Tech certificate is valid for three years starting from November 2020 and subject to renewal. In accordance with the implementation rules of the Income Tax Law of the PRC, for the enterprises newly established in the Horgos Development Zone within the scope of “Catalogue of EIT Incentives for Industries Specially Encouraged for Development by Poverty Areas of Xinjiang”, the enterprise income from income tax shall be exempt for five years beginning from the first year in which the manufacturing or business operational revenue is earned. Khorgos is established in the Horgos Development Zone and its income is eligible to be exempt for five years starting from 2019. For the year ended December 31, 2023, Jilin Lingang, Jilin Lingang Hengda, Liaogang Yingkou, Fintech Zibo Nisun Gold, Nisun Shandong, Gansu Zhonghexi, NingChen, Shanghai Naqing, RZ Sailang, Fanshengke, Henan Trading and Fanningke are subject to a favorable income tax rate of 5% due to being small and micro taxpayers. The remaining Group’s subsidiaries, VIEs and VIEs’ subsidiaries from the financial services business are subject to corporate income tax at the PRC unified rate of 25%.

Under the EIT Law, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered a resident enterprise and will normally be subject to the enterprise income tax at the rate of 25% on its global income. If the PRC tax authorities subsequently determine that we, NiSun BVI, NiSun HK, Nami Cayman, Nami HK, or any future non-PRC subsidiary should be classified as a PRC resident enterprise, then such entity’s global income will be subject to PRC income tax at a tax rate of 25%. In addition, under the EIT Law, payments from our subsidiaries and VIEs in PRC to us may be subject to a withholding tax. The EIT Law currently provides for a withholding tax rate of 20%. If NiSun HK or Nami HK is deemed to be a non-resident enterprise, then it will be subject to a withholding tax at the rate of 10% on any dividends paid by its Chinese subsidiaries to such entity. In practice, the tax authorities typically impose the withholding tax rate of 10% rate, as prescribed in the implementation regulations; however, there can be no guarantee that this practice will continue as more guidance is provided by relevant government authorities. We are actively monitoring the proposed withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

According to the Sino-U.S. Tax Treaty which was effective on January 1, 1987 and aimed to avoid double taxation disadvantage, income that is incurred in one nation should be taxed by that nation and exempted from the other nation, but for the dividend that is generated in China and distributed to foreigner in other nations, a rate 10% tax will be charged.

Our Company will have to withhold that tax when we are distributing dividends to our foreign investors. If we do not fulfill this duty, we will receive a fine up to five times of the amount we are supposed to pay as tax or other administrative penalties from government. The worst case could be criminal charge of tax evasion to responsible persons. The criminal penalty for this offense depends on the tax amount the offender evaded, and the maximum penalty will be 3-7 years imprisonment plus fine.

#### **PRC Value Added Tax**

Pursuant to the Provisional Regulation of China on Value Added Tax and its implementing rules, issued in December 1993, all entities and individuals that are engaged in the businesses of sales of goods, provision of services and importation of goods into China are generally subject to a VAT at a rate ranging from 6% to 13% of the gross sales proceeds received, less any VAT already paid or borne by the taxpayer on the goods or services purchased by it and utilized in the production of goods or provisions of services that have generated the gross sales proceeds.

#### **PRC Business Tax**

Companies in China are generally subject to business tax and related surcharges by various local tax authorities at rates ranging from 3% to 20% on revenue generated from providing services and revenue generated from the transfer of intangibles. However, since May 1, 2016, the Business Tax has been incorporated into Value Added Tax in China, which means there will be no more Business Tax and accordingly some business operations previously taxed in the name of Business Tax will be taxed in the manner of VAT thereafter. In general, this newly implemented policy is intended to relieve many companies from heavy taxes under currently slowing down economy. In the case of our Chinese subsidiaries, even though the VAT rate ranges from 6% to 13%, with the deductibles the company may get in the business process, it will bear less burden than previous Business Tax.

#### **British Virgin Islands Taxation**

Under the BVI Business Companies Act as currently in effect, a holder of common shares who is not a resident of the British Virgin Islands is exempt from British Virgin Islands income tax on dividends paid with respect to the common shares and all holders of common shares are not liable to the British Virgin Islands for income tax on gains realized during that year on sale or disposal of such shares. The British Virgin Islands does not impose a withholding tax on dividends paid by a company incorporated or re-registered under the BVI Business Companies Act.

There are no capital gains, gift or inheritance taxes levied by the British Virgin Islands on companies incorporated or re-registered under the BVI Business Companies Act. In addition, shares of companies incorporated or re-registered under the BVI Business Companies Act are not subject to transfer taxes, stamp duties or similar charges.

There is no income tax treaty or convention currently in effect between the United States and the British Virgin Islands or between China and the British Virgin Islands.

## **Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our company levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

## **United States Federal Income Taxation**

The following does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to mark-to-market;
- U.S. expatriates;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding our common shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting shares;
- persons who acquired our common shares pursuant to the exercise of any employee share option or otherwise as consideration; or
- persons holding our common shares through partnerships or other pass-through entities.

Prospective purchasers are urged to consult their own tax advisors about the application of the U.S. Federal tax rules to their particular circumstances as well as the state, local, foreign and other tax consequences to them of the purchase, ownership and disposition of our common shares.

## **Tax Treaties**

As above mentioned, according to the Sino-U.S. Tax Treaty which was effective on January 1, 1987 and aimed to avoid double taxation disadvantage, income that is incurred in one nation should be taxed by that nation and exempted from the other nation, but for the dividend that is generated in China and distributed to foreigners in other nations, a rate 10% tax will be charged.

## **Taxation of Dividends and Other Distributions on our Common Shares**

Subject to the passive foreign investment company rules discussed below, the gross amount of distributions made by us to you with respect to the common shares (including the amount of any taxes withheld therefrom) will generally be includable in your gross income as dividend income on the date of receipt by you, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders, including individual U.S. Holders, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) the common shares are readily tradable on an established securities market in the United States, or we are eligible for the benefits of an approved qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. Under U.S. Internal Revenue Service authority, common shares are considered for purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on The NASDAQ Capital Market. You are urged to consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our common shares.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to our common shares will constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income."

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your Class A common shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

## **Taxation of Dispositions of Common Shares**

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a share equal to the difference between the amount realized (in U.S. dollars) for the share and your tax basis (in U.S. dollars) in the common shares. The gain or loss will generally be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the Class A common shares for more than one year, you will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as United States source income or loss for foreign tax credit limitation purposes.

## **Passive Foreign Investment Company**

A non-U.S. corporation is considered a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year if either:

- at least 75% of its gross income is passive income, defined as income from interest, dividends, rents, royalties, gains on property producing foreign personal holding company income and certain other income that does not involve the active conduct of a trade or business; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the "asset test").

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

Based on the market price of our common shares, the value of our assets and the composition of our assets and income, we believe that we were not a PFIC for our taxable year ended December 31, 2023, 2022 or 2021. However, given the factual nature of the analyses and the lack of guidance, no assurance can be given. We do not expect to be a PFIC for our taxable year ending December 31, 2024. However, because PFIC status is a factual determination for each taxable year which cannot be made until the close of the taxable year, our actual PFIC status will not be determinable until the close of the taxable year and, accordingly, there is no guarantee that we will not be a PFIC for the current taxable year or any future taxable year.

We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change. In particular, because the value of our assets for purposes of the asset test will generally be determined based on the market price of our common shares, our PFIC status will depend in large part on the market price of our common shares. Accordingly, fluctuations in the market price of the common shares may cause us to become a PFIC. In addition, the application of the PFIC rules is subject to uncertainty in several respects and the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raised in our initial public offering. If we are a PFIC for any year during which you hold common shares, we will continue to be treated as a PFIC for all succeeding years during which you hold common shares. However, if we cease to be a PFIC, you may avoid some of the adverse effects of the PFIC regime by making a “deemed sale” election with respect to the common shares.

If we are a PFIC for any taxable year during which you hold common shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the common shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the common shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the common shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the common shares cannot be treated as capital, even if you hold the common shares as capital assets.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for the common shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the common shares as of the close of your taxable year over your adjusted basis in such common shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the common shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the common shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the common shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the common shares, as well as to any loss realized on the actual sale or disposition of the common shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such common shares. Your basis in the common shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate for qualified dividend income discussed above under “Taxation of Dividends and Other Distributions on our Common shares” generally would not apply.

The mark-to-market election is available only for “marketable stock”, which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market (as defined in applicable U.S. Treasury regulations), including The NASDAQ Capital Market. If the common shares are regularly traded on The NASDAQ Capital Market and if you are a holder of common shares, the mark-to-market election would be available to you were we to be or become a PFIC.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” election with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s pro rata share of the corporation’s earnings and profits for the taxable year. However, the qualified electing fund election is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election. If you hold common shares in any year in which we are a PFIC, you will be required to file U.S. Internal Revenue Service Form 8621 regarding distributions received on the common shares and any gain realized on the disposition of the common shares.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in our common shares and the elections discussed above.

### **Information Reporting and Backup Withholding**

Dividend payments with respect to our common shares and proceeds from the sale, exchange or redemption of our common shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information.

Under the Hiring Incentives to Restore Employment Act of 2010, certain United States Holders are required to report information relating to common shares, subject to certain exceptions (including an exception for common shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold common shares. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

### **F. Dividends and paying agents**

Not applicable for annual reports on Form 20-F.

### **G. Statement by experts**

Not applicable for annual reports on Form 20-F.

### **H. Documents on display**

We are subject to the information requirements of the Exchange Act. In accordance with these requirements, the Company files reports and other information with the SEC. You may read and copy any materials filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at <http://www.sec.gov> that contains reports and other information regarding registrants that file electronically with the SEC.

### **I. Subsidiary Information**

Not applicable.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to a variety of financial risks, including market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on preservation of capital and the unpredictability of financial markets and has sought to minimize potential adverse effects on our financial performance and position.

### **Foreign Exchange Risk**

While our reporting currency is the U.S. Dollar, all of our consolidated sales and consolidated costs and expenses are denominated in the RMB. All of our assets are denominated in the RMB. As a result, we are exposed to foreign exchange risk as our sales and results of operations may be affected by fluctuations in the exchange rate between the U.S. Dollar and the RMB. If the RMB depreciates against the U.S. Dollar, the value of our RMB sales, earnings and assets as expressed in our U.S. Dollar financial statements will decline.

Assets and liabilities are translated at exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Any resulting translation adjustments are not included in determining net income but are included in determining other comprehensive income, a component of stockholders' equity. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk.

The value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions. Since July 2005, the RMB has not been pegged to the U.S. dollar. Although the PBOC regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar or the Euro in the medium to long term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in RMB exchange rate and lessen intervention in the foreign exchange market. The RMB depreciated approximately 2% in 2023.

### **Interest Rate Risk**

Our interest rate risk arises from short and long-term borrowings. As of December 31, 2023 and 2022, we had no borrowings with variable rates and we were not exposed to cash flow interest rate risk. Borrowings issued at fixed rates expose us to fair value interest rate risk.

As of December 31, 2023 and 2022, we had no long-term interest-bearing assets or long-term interest-bearing liabilities.

### **Credit Risk**

Our cash is invested primarily in savings and deposit accounts with original maturities of three months or less. Savings and deposit accounts generate a small amount of interest income.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, and accounts receivable. As of December 31, 2023 and 2022, \$106,846,231 and \$35,911,261 of our cash and cash equivalents and restricted cash was on deposit at financial institutions in the PRC, which the management believes are of high credit quality. In May 1, 2015, China's new Deposit Insurance Regulation came into effect, pursuant to which banking financial institutions, such as commercial banks, established in China are required to purchase deposit insurance for deposits in RMB and in foreign currency placed with them. Such Deposit Insurance Regulation would not be effective in providing complete protection for the Group's accounts, as its aggregate deposits are much higher than the compensation limit. However, the Group believes that the risk of failure of any of these Chinese banks is remote. Bank failure is uncommon in China and the Group believes that those Chinese banks that hold the Group's cash and cash equivalents, restricted cash and short-term investments are financially sound based on public available information.

The Group has identified the relevant risk characteristics of its customers and the related receivables, and other receivables which include type of the products the Group provides, nature of the customers or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Group considers the historical credit loss experience, current economic conditions, reasonable and supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact the Group's receivables. Additionally, external data and macroeconomic factors are also considered.

### **Inflation**

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material effect on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross profit and selling, general and administrative expenses as a percentage of net sales if the selling prices of our products do not increase with these increased costs.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

With the exception of Items 12.D.3 and 12.D.4, this Item 12 is not applicable for annual reports on Form 20-F. As to Items 12.D.3 and 12.D.4, this Item 12 is not applicable, as the Company does not have any American Depositary Shares.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

We do not have any material defaults in the payment of principal, interest, or any instalments under a sinking or purchase fund.

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

#### Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information” for a description of the rights of shareholders, which remain unchanged.

#### Use of Proceeds

Not applicable as we disclosed application of all the offering proceeds in our Annual Report on Form 20-F, File 001-37829, filed with the SEC on May 15, 2019.

### ITEM 15. CONTROLS AND PROCEDURES

#### (a) Disclosure Controls and Procedures.

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) that are designed to ensure that information required to be disclosed in our reports that we file or submit under the Security Exchange Act of 1934 is recorded, processed, summarized and reported, within the time period specified in the SEC’s rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow for timely decisions regarding disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2023, the end of the fiscal year covered by this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2023, our disclosure controls and procedures were ineffective. Such conclusion is due to the presence of material weakness in internal control over financial reporting as described below.

#### (b) Management’s annual report on internal control over financial reporting.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. We assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2023. In making its assessment, management used the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “2013 COSO Framework”). The 2013 COSO Framework outlines the 17 underlying principles and the following fundamental components of a company’s internal control: (i) control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. Our management has implemented and tested our internal control over financial reporting based on these criteria and identified certain material weaknesses set forth below. Based on the assessment, management determined that, as of December 31, 2023, we did not maintain effective internal control over financial reporting due to the existence of the following material weaknesses:

- The Company does not have adequate internal accounting personnel with sufficient knowledge of US GAAP and SEC reporting standards, which could lead to material misstatements being undetected in a timely manner.
- The Company did not file its annual report on Form 20-F for the year ended December 31, 2023 (the “Form 20-F”) by the prescribed deadline because the Company was unable to finalize its financial statements for the year ended December 31, 2023 required to be included in the Form 20-F by the Form 20-F filing deadline.



## Management's Planned Remediation Activities

During fiscal year 2023, we undertook efforts to remediate previously disclosed material weaknesses and strengthen our internal controls. Management under the supervision and direction of our CEO and CFO continue to take steps to remediate the material weaknesses described above. The Company has set up a financial reporting team and recruited financial reporting staff who have experience with U.S. GAAP and SEC reporting knowledge to prepare and review the financial statements and related disclosures in accordance with U.S. GAAP and SEC financial reporting requirements. Management's internal control remediation efforts are underway, and management plans to implement several measures, including, among others:

To enhance the financial reporting competencies:

- Establish a formal and regular training program for accounting personnel to equip them with sufficient knowledge and practical experience of preparing financial statements under U.S. GAAP and SEC reporting requirements, including mandatory requirements for accounting staff to attend U.S. GAAP course programs offered by third-party organization or accounting firm on a periodic basis; and
- Enhance the communications between accounting personal and financial reporting team, including mandatory requirement for financial reporting team to review the accounting team's work and work papers on a periodic basis.

However, we cannot assure you that all these measures will be sufficient to remediate our material weaknesses in time, or at all. The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligation. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If we continue to be unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common shares may decline."

(c) Attestation report of the registered public accounting firm.

Not applicable.

(d) Changes in internal control over financial reporting.

Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **ITEM 15T. CONTROLS AND PROCEDURES**

Not applicable.

#### **ITEM 16. [RESERVED]**

#### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

The Company's board of directors has determined that Ms. Haiying Xiang qualifies as an "audit committee financial expert" in accordance with applicable Nasdaq Capital Market standards. The Company's board of directors has also determined that Ms. Xiang and the other members of the Audit Committee are all "independent" in accordance with the applicable Nasdaq Capital Market standards.

#### **ITEM 16B. CODE OF ETHICS**

The Company has adopted a Code of Business Conduct and Ethics that applies to the Company's directors, officers, employees and advisors. The Code of Ethics is attached as an exhibit to this annual report. We have also posted a copy of our code of business conduct and ethics on our website at [www.fintaike.com](http://www.fintaike.com).

#### **ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Enrome LLP was appointed by the Company to serve as its independent registered public accounting firm for the 2023 fiscal year on June 1, 2024. Prior to the appointment of Enrome LLP, Yu Certified Public Accountant PC ("Yu CPA PC") had served as the Company's independent registered public accounting firm since November 1, 2023 until its dismissal by the Company on June 1, 2024. Wei, Wei & Co., LLP was appointed by the Company to serve as its independent registered public accounting firm for the 2022 fiscal year. Audit services provided by Enrome LLP, Yu CPA PC and Wei, Wei & Co., LLP for the 2023 and 2022 fiscal years included the examination of the consolidated financial statements of the Company and services related to periodic filings made with the SEC.

#### **Fees Paid To Independent Registered Public Accounting Firm**

##### ***Audit Fees***

Enrome LLP's fees for the annual audit of our financial statements for fiscal 2023 were \$330,000. Yu CPA PC's fees for the annual audit of our financial statements and review of the financial statements for fiscal 2023 were \$480,000.

Wei, Wei & Co., LLP's fees for the annual audit of our financial statements and review of the financial statements for fiscal 2022 were \$685,000.

##### ***Audit-Related Fees***

The Company has not paid for audit-related services in fiscal 2023 and 2022.

##### ***Tax Fees***

The Company has not paid for tax services in fiscal 2023 and 2022.

##### ***All Other Fees***

The Company has not paid for any other services in fiscal 2023 and 2022.

### *Audit Committee Pre-Approval Policies*

Before Enrome LLP and Yu CPA PC were engaged respectively by the Company to render audit or non-audit services, the engagement was approved by the Company's audit committee. All services rendered by Enrome LLP and Yu CPA PC have been so approved.

### *Percentage of Hours*

All hours expended on the principal accountants' engagement to audit our consolidated financial statements for 2023 were attributed to work performed by Enrome LLP and Yu CPA PC's full-time permanent employees.

### **Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services Performed by the Independent Registered Public Accounting Firm**

Pursuant to applicable law, and as set forth in the terms of its charter, the Audit Committee is responsible for overseeing the work of our company's independent registered public accounting firm. Any audit or non-audit services proposed to be performed are considered by and, if deemed appropriate, approved by the Audit Committee in advance of the performance of such services. All of the fees earned by Enrome LLP, Yu CPA PC and Wei, Wei & Co., LLP described above were attributable to services pre-approved by the Audit Committee.

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

Not applicable.

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

In May 2022, our board of directors authorized a share repurchase program of up to \$8 million of our issued and outstanding Class A common shares over a six-month period from June 2022 to December 2022, which was subsequently modified to effect on August 10, 2022, subject to relevant rules under the Securities Exchange Act of 1934, as amended. The repurchases may be made from time to time through open market transactions at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations.

Under the share repurchase program, we repurchased 3,210 common shares at an aggregate cost of approximately \$0.02 million in 2023. The table below provides information on our repurchases of Class A common shares pursuant to the share repurchase program during the year ended December 31, 2023.

Period	Total Number of Common Shares Purchased	Average Price Paid Per Share (\$)	Total Number of Common Shares Purchased as Part of the Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (\$, in thousands)
January 1, 2023 – January 31, 2023	3,210	5.466	3,210	7,598
<b>Total</b>	<b>3,210</b>	<b>5.466</b>	<b>3,210</b>	<b>7,598</b>

## **ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT**

On November 1, 2023, the Company’s Audit Committee and Board of Directors approved and ratified the appointment of Yu Certified Public Accountant PC (“Yu CPA PC”) as the Company’s independent registered public accounting firm for the year ended December 31, 2023 and dismissal of the Company’s previous independent auditors, Wei, Wei & Co., LLP (“Wei & Wei”), on October 12, 2023. During the two fiscal years ended December 31, 2022 and 2021 through the dismissal of Wei & Wei on October 12, 2023, there were no disagreements between the Company and Wei & Wei on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Wei & Wei, would have caused it to make reference to the subject matter of the disagreements in connection with its report on the Company’s consolidated financial statements for such periods. In addition, Wei & Wei’s reports on the financial statements as of and for the years ended December 31, 2022 and 2021 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended December 31, 2022 and 2021 through the dismissal of Wei & Wei on October 12, 2023, there were no “reportable events” as that term is defined in Item 16F(a)(1)(v) of Form 20-F.

During the fiscal years ended December 31, 2022 and 2021 and any subsequent interim period prior to engaging Yu CPA PC, neither the Company nor anyone on its behalf consulted Yu CPA PC regarding either (i) the application of accounting principles to any proposed or completed transaction, or the type of audit opinion that might be rendered on the Company’s financial statements, and neither a written report nor oral advice was provided to the Company that Yu CPA PC concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions to Item 16F of Form 20-F) or a reportable event.

On June 1, 2024, the Audit Committee approved the appointment of Enrome LLP as the Company’s independent registered public accounting firm and dismissal of the Company’s previous independent auditors, Yu CPA PC, on the same date. Prior to the dismissal, Yu CPA PC had not issued an audit report with respect to the Company’s financial statements for the year ended December 31, 2023. During the Company’s most recent fiscal year ended December 31, 2023 through the dismissal of Yu CPA PC, there was no adverse opinion, disclaimer, qualification or modification as described in Item 16F(a)(1)(ii) of Form 20-F. During the year ended December 31, 2023 through the dismissal of Yu CPA PC on June 1, 2024, there were no disagreements with Yu CPA PC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure as described in Item 16F(a)(1)(iv) of Form 20-F, and there were no reportable events as defined in Item 16F(a)(1)(v) of Form 20-F, except as described as follows: Yu CPA PC has advised the Company that Yu CPA PC believes the Company’s financial statements for each of the two years ended December 31, 2022 may contain material restatements in the financial statements for each of the two years ended December 31, 2022.

During the two most recent fiscal years ended December 31, 2023 and 2022 and any subsequent interim period prior to engaging Enrome LLP, neither the Company nor anyone on its behalf consulted Enrome LLP regarding either (i) the application of accounting principles to any proposed or completed transaction, or the type of audit opinion that might be rendered on the Company’s financial statements, and neither a written report nor oral advice was provided to the Company that Enrome LLP concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions to Item 16F of Form 20-F) or a reportable event.

## **ITEM 16G. CORPORATE GOVERNANCE**

We are incorporated in the British Virgin Islands and our corporate governance practices are governed by applicable British Virgin Islands law. In addition, because our Class A common shares are listed on The Nasdaq Capital Market, we are subject to Nasdaq’s corporate governance requirements.

Other than as described in this section, our corporate governance practices do not differ from those followed by domestic companies listed on the NASDAQ Capital Market. NASDAQ Listing Rule 5635 (“NASDAQ Rule 5635”) generally provides that shareholder approval is required of U.S. domestic companies listed on the NASDAQ Capital Market prior to an issuance (or potential issuance) of securities in connection with: (i) the acquisition of the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) certain transactions other than a public offering involving issuances equaling 20% or more of the Company’s common shares or voting power for less than the greater of market or book value. Notwithstanding this general requirement, NASDAQ Listing Rule 5615(a)(3)(A) permits foreign private issuers like the Company to follow their home country practice rather than this shareholder approval requirement. The corporate governance practice in our home country, the British Virgin Islands, does not require to obtain such shareholder approval prior to entering into a transaction with the potential to issue securities as described in NASDAQ Rule 5635 above. The Company has adopted and opted to follow British Virgin Islands practices in lieu of the requirements of NASDAQ Rule 5635 in connection with an issuance of securities.

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

Not applicable.

## **ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

## **ITEM 16J. INSIDER TRADING POLICIES**

Not applicable.

## ITEM 16K. CYBERSECURITY

### *Risk Management and Strategy*

Our subsidiaries are required to comply with rapidly evolving and complex PRC laws and regulations with respect to cybersecurity, data security and personal information protection. In response to the recent changes in the regulatory requirements, we have designed a data and information protection mechanism as part of our risk management process. We have implemented processes for assessing, identifying and managing material risks from cybersecurity threats and monitoring the detection, mitigation and remediation of material cybersecurity incident.

We have developed a comprehensive cybersecurity threat defense system to address both internal and external cyber threats. This system spans multiple security domains, including network, host and application layers. It integrates a range of security capabilities, such as threat defense, continuous monitoring, in-depth analysis, rapid response, as well as strategic deception and countermeasures. Our approach to managing cybersecurity risks and safeguarding sensitive data is multi-faceted, involving technological safeguards, procedural protocols, a rigorous program of surveillance on our corporate network, continuous testing of aspects of our security posture internally and with third-party business partners and third-party service providers, such as third-party online payment system provider, a solid incident response framework and regular cybersecurity training sessions for our employees. Our cybersecurity officer is actively engaged in continuous monitoring of our applications, systems and infrastructure to ensure prompt identification and response to potential cybersecurity issues, including emerging cybersecurity threats.

We have not engaged any third parties in connection with the processes for assessing, identifying, and managing material risks from cybersecurity threats. As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition. We have implemented a set of procedures to ensure effective management of the cybersecurity risks associated with the use of third-party service providers. These procedures include, but are not limited to, controlled user access in accordance with our enterprise-wide policy to restrict access to and use of malicious websites and programs. Cybersecurity awareness trainings are provided for all employees.

### *Governance*

Our Company's Board of Directors has oversight responsibility for the Company's overall risk management, including cybersecurity risks, and has not delegated oversight authority for cybersecurity risks to any committee. Our management, led by our Chief Executive Officer and Chief Financial Officer, is responsible for assessing, identifying and managing material cybersecurity risks and threats to our Company and monitoring the prevention, detection, mitigation and remediation of material cybersecurity incidents if any. Our cybersecurity officer, as the management representative, reports to the Board of Directors on a quarterly basis with respect to the status and updates of any material cybersecurity incidents or risks our Company may face and disclosure issues, if any, and on disclosure concerning cybersecurity matters in our annual report on Form 20-F.

In 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, we face potential cybersecurity threats that, if realized, would materially affect us. These threats include but are not limited to ransomware and malware attacks, and compromised business email and other social engineering threats. Our service providers, suppliers and business partners also face similar cybersecurity risks, which could have an adverse impact on our business. Additional information on cybersecurity risks we face is discussed in Part I, Item 1A, "Risk Factors - While we are not aware of any data breach in the past, future cyberattacks, computer viruses or any failure to adequately maintain security and prevent unauthorized access to our information technology system or data could result in a disruption of our business operations and materially adversely affect our reputation, financial condition and operating results."

## PART III

### ITEM 17. FINANCIAL STATEMENTS

See Item 18.

### ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements are included at the end of this annual report, beginning with page F-1.

### ITEM 19. EXHIBITS

Exhibit No.	Description of Exhibit
1.1	<a href="#"><u>Amended and Restated Memorandum and Articles of Association (incorporated by reference to Exhibit 1.1 to our Annual Report on Form 20-F filed with the SEC on August 8, 2023)</u></a>
2.1 <sup>(2)</sup>	<a href="#"><u>Registrant's Form of Class A common share Certificate</u></a>
2.2*	<a href="#"><u>Description of Securities Registered under Section 12 of the Exchange Act</u></a>
4.1 <sup>(3)</sup>	<a href="#"><u>English Translation of Office Lease dated April 25, 2019 between Shanghai Ningsheng Enterprise Management Group Co., Ltd. and Fintech (Shanghai) Digital Technology Co., Ltd.</u></a>
4.2 <sup>(3)</sup>	<a href="#"><u>Trademarks, Technologies &amp; Management and Consulting Services Agreement dated May 17, 2019 among NingChen (Shanghai) Enterprise Management Group Co., Ltd., Fintech (Shanghai) Digital Technology Co., Ltd., Shanghai Ningsheng Enterprise Management Group Co., Ltd. and Peng Jiang</u></a>
4.3 <sup>(3)</sup>	<a href="#"><u>Equity Interest Pledge Agreement dated May 17, 2019 among NingChen (Shanghai) Enterprise Management Group Co., Ltd., Fintech (Shanghai) Digital Technology Co., Ltd., Shanghai Ningsheng Enterprise Management Group Co., Ltd. and Peng Jiang</u></a>
4.4 <sup>(3)</sup>	<a href="#"><u>Equity Interest Holders' Voting Rights Proxy Agreement dated May 17, 2019 among NingChen (Shanghai) Enterprise Management Group Co., Ltd., Shanghai Ningsheng Enterprise Management Group Co., Ltd. and Peng Jiang</u></a>
4.5 <sup>(3)</sup>	<a href="#"><u>Exclusive Right and Option to Purchase Agreement dated May 17, 2019 among NingChen (Shanghai) Enterprise Management Group Co., Ltd., Fintech (Shanghai) Digital Technology Co., Ltd., Shanghai Ningsheng Enterprise Management Group Co., Ltd. and Peng Jiang</u></a>
4.6	<a href="#"><u>Employment Contract between Fintech (Shanghai) Digital Technology Co., Ltd. and Changjuan Liang (incorporated by reference to Exhibit 4.6 to our Annual Report on Form 20-F filed with the SEC on August 8, 2023)</u></a>
4.7	<a href="#"><u>2022 Equity Incentive Plan (incorporated by reference to Exhibit 4.7 to our Annual Report on Form 20-F filed with the SEC on August 8, 2023)</u></a>
4.8 <sup>(3)</sup>	<a href="#"><u>Trademarks, Technologies &amp; Management and Consulting Services Agreement dated December 31, 2019 among NingChen (Shanghai) Enterprise Management Group Co., Ltd., Beijing Hengtai Puhui Information Service Co. Ltd and Guoya Asset Management (Shenzhen) Co. Ltd.</u></a>
4.9 <sup>(3)</sup>	<a href="#"><u>Equity Interest Pledge Agreement dated Equity Interest Pledge Agreement dated December 31, 2019 among NingChen (Shanghai) Enterprise Management Group Co., Ltd., Beijing Hengtai Puhui Information Service Co. Ltd and Guoya Asset Management (Shenzhen) Co. Ltd.</u></a>
4.10 <sup>(3)</sup>	<a href="#"><u>Equity Interest Holders' Voting Rights Proxy Agreement dated December 31, 2019 between NingChen (Shanghai) Enterprise Management Group Co., Ltd. and Guoya Asset Management (Shenzhen) Co. Ltd.</u></a>

4.11 <sup>(3)</sup>	<a href="#"><u>Exclusive Right and Option to Purchase Agreement dated December 31, 2019 among NingChen (Shanghai) Enterprise Management Group Co., Ltd., Beijing Hengtai Puhui Information Service Co. Ltd and Guoya Asset Management (Shenzhen) Co. Ltd.</u></a>
4.12 <sup>(3)</sup>	<a href="#"><u>First Amendment to Share Exchange Agreement dated April 8, 2020 among Hebron Technology Co., Ltd., Beijing Hengtai Puhui Information Service Co. Ltd, Guoya Asset Management Co. Ltd. (BVI) and HongKong D&amp;L Technology Co., Limited</u></a>
4.13	<a href="#"><u>Employment Agreement, dated May 22, 2024, between the Company and Xin Liu (incorporated by reference to Exhibit 10.1 to our Current Report on Form 6-K filed with the SEC on June 7, 2024)</u></a>
8.1*	<a href="#"><u>List of Subsidiaries of the Registrant</u></a>
11.1 <sup>(1)</sup>	<a href="#"><u>Code of Business Conduct and Ethics</u></a>
12.1*	<a href="#"><u>Certification of Chief Executive Officer Required by Rule 13a-14(a)</u></a>
12.2*	<a href="#"><u>Certification of Chief Financial Officer Required by Rule 13a-14(a)</u></a>
13.1**	<a href="#"><u>Certification of Chief Executive Officer Required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code</u></a>
13.2**	<a href="#"><u>Certification of Chief Financial Officer Required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code</u></a>
16.1	<a href="#"><u>Letter from Wei, Wei &amp; Co., LLP dated November 7, 2023 (incorporated by reference to Exhibit 99.1 to our Current Report on Form 6-K filed with the SEC on November 7, 2023)</u></a>
16.2	<a href="#"><u>Letter from Yu Certified Public Accountant PC dated June 3, 2024 (incorporated by reference to Exhibit 99.1 to our Current Report on Form 6-K filed on June 4, 2024)</u></a>
97.1*	<a href="#"><u>Clawback Policy</u></a>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
<sup>(1)</sup> Incorporated by reference to Exhibit 11.1 to Form 20-F filed with the SEC on April 11, 2017	
<sup>(2)</sup> Incorporated by reference to Exhibit 2.1 to Form 6-K filed with the SEC on November 16, 2020	
<sup>(3)</sup> Incorporated by reference to Exhibits to Form 20-F filed with the SEC on April 24, 2020	
* Filed herewith	
** Furnished herewith	

## SIGNATURES

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

**NISUN INTERNATIONAL ENTERPRISE  
DEVELOPMENT GROUP CO., LTD**

By: /s/ Xin Liu

Name: Xin Liu

Title: Chief Executive Officer

Date: July 12, 2024



Nisun International Enterprise Development Group Co., Ltd.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of  
Nisun International Enterprise Development Group Co., Ltd.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nisun International Enterprise Development Group Co., Ltd. and its subsidiaries. (the “Company”) as of December 31, 2023, the related consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity and cash flows for the year ended December 31, 2023, 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 December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

### 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 and in accordance with auditing standards generally accepted in the United States of America. 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 consolidated 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 statements. We believe that our audit provides a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) related to accounts or disclosures that were material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

### *Goodwill Valuation*

Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired, net of liabilities assumed, in a business acquisition. As of December 31, 2023, goodwill was approximately \$17.7 million or approximately 5.6% of the Company's total assets. Goodwill is subject to, at a minimum, an annual impairment test, and if it is determined to be impaired, is to be written down to its estimated fair value.

We identified the Company's goodwill valuation as a critical audit matter not only because of the materiality in the consolidated financial statements but also due to the significant estimates, assumptions and judgment management utilizes to determine if goodwill is impaired. This required a high degree of auditor judgment and additional effort was required in performing the audit procedures to evaluate the methodology and the reasonableness of related assumptions utilized by management, as well as the inputs and calculations related to the forecasts of future revenues and earnings in determining if goodwill was impaired.

The primary procedures we performed to address this critical audit matter included the following. We obtained an understanding of management's process to estimate the fair value of goodwill and reviewed the key data and assumptions used in its determination of the fair value of goodwill. We evaluated management's forecasts including revenues and earnings for reasonableness by comparing the forecasts to historical results, obtaining supporting evidence for assumptions and estimates related to management's forecasts. We assessed the sensitivity of the Company's impairment conclusions to changes in the forecasts, discount rates, and earnings multiples and evaluated the assumptions used by management, including testing the underlying source information and the mathematical accuracy of the calculations by developing a range of independent estimates and comparing those to the Company's determinations.

/s/ Enrome LLP

We have served as the Company's auditor since 2024

Singapore  
July 12, 2024

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM



• **MAIN OFFICE**  
133-10 39<sup>TH</sup> AVENUE  
FLUSHING, NY 11354  
TEL. (718) 445-6308  
FAX. (718) 445-6760

• **CALIFORNIA OFFICE**  
440 E HUNTINGTON DR.  
STE 300  
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FAX. (626) 282-9726

• **BEIJING OFFICE**  
11/F NORTH TOWER  
BEIJING KERRY CENTRE  
1 GUANGHUA ROAD  
CHAOYANG DISTRICT  
BEIJING, 100020, PRC  
TEL. (86 10) 65997923  
FAX. (86 10) 65999100

To the Board of Directors and Shareholders of  
Nisun International Enterprise Development Group Co., Ltd.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nisun International Enterprise Development Group Co., Ltd. (the “Company”) as of December 31, 2022, and the related consolidated statements of operations and comprehensive income (loss) income, changes in shareholders’ equity, and cash flows for each of the years in the two year period ended December 31, 2022, 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 December 31, 2022, and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.



#### ***Valuation of Investment in Limited Partnership***

The Company holds a 93.82% equity interest in a limited partnership ("LP") that is engaged primarily in investing in debt securities of private companies. The principal assets of the LP is the value of these investments. As discussed in Notes 2 and 11 to the consolidated financial statements, the Company reviews this investment for possible impairment on an annual basis or when events or changes in circumstances indicate that the carrying value of the investment could be impaired. As of December 31, 2022, the value of this investment was approximately \$14.9 million or 5.2% of the Company's total assets.

We identified the valuation of this investment as a critical audit matter not only because of the unique nature of this investment and its materiality in the consolidated financial statements but also the challenge, difficulty and extent of judgement involved in determining the fair value of this asset.

The primary procedures we performed to address this critical audit matter included the following. We evaluated the Company's approach in assessing the fair value of this investment and discussed with management its evaluation process, specifically the manner in which it conducted the assessment of the LP's financial condition. We obtained and reviewed the partnership agreements on verifying the partnership's arrangement and whether the return rate is consistent with the loan agreements. We obtained and reviewed the investment agreement with the investors in the LP to calculate relevant investment returns and review return payments. We reviewed and tested the consistency of investment returns. We obtained and reviewed the agreement of disposal of the equity investment in the LP and verified the transaction value to determine whether the value of the equity method investment had declined below its carrying value.

#### ***Goodwill Valuation***

Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired, net of liabilities assumed, in a business acquisition. As of December 31, 2022, goodwill was approximately \$23.8 million or approximately 8.3% of the Company's total assets. Goodwill is subject to, at a minimum, an annual impairment test, and if it is determined to be impaired, is to be written down to its estimated fair value.

We identified the Company's goodwill valuation as a critical audit matter not only because of the materiality in the consolidated financial statements but also due to the significant estimates, assumptions and judgment management utilizes to determine if goodwill is impaired. This required a high degree of auditor judgment and additional effort was required in performing the audit procedures to evaluate the methodology and the reasonableness of related assumptions utilized by management, as well as the inputs and calculations related to the forecasts of future revenues and earnings in determining if goodwill was impaired.

The primary procedures we performed to address this critical audit matter included the following. We obtained an understanding of management's process to estimate the fair value of goodwill and reviewed the key data and assumptions used in its determination of the fair value of goodwill. We evaluated management's forecasts including revenues and earnings for reasonableness by comparing the forecasts to historical results, obtaining supporting evidence for assumptions and estimates related to management's forecasts. We assessed the sensitivity of the Company's impairment conclusions to changes in the forecasts, discount rates, and earnings multiples and evaluated the assumptions used by management, including testing the underlying source information and the mathematical accuracy of the calculations by developing a range of independent estimates and comparing those to the Company's determinations.

/s/ Wei, Wei & Co., LLP

We have served as the Company's auditor since 2019.

Flushing, New York  
August 8, 2023  
PCAOB ID: 2388

**NISUN INTERNATIONAL ENTERPRISE DEVELOPMENT GROUP CO., LTD AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(EXPRESSED IN US DOLLARS)**

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 114,454,844	\$ 63,901,329
Restricted cash	197,096	3,417,244
Short-term investments	12,788,629	11,700,400
Accounts receivable, net	21,120,795	18,931,346
Advance to suppliers, net	38,602,304	46,968,549
Receivables from supply chain solutions	59,167,029	43,475,981
Inventories	30,953,583	31,609,877
Prepaid expenses and other current assets	16,018,778	10,890,083
<b>TOTAL CURRENT ASSETS</b>	<u>293,303,058</u>	<u>230,894,809</u>
<b>NON-CURRENT ASSETS:</b>		
Property and equipment, net	881,276	719,574
Intangible assets, net	882,828	1,795,234
Right-of-use assets, net	2,384,590	3,349,432
Equity investments	368,528	373,292
Investment in limited partnership	-	14,913,539
Goodwill	17,659,983	23,814,005
Deferred tax assets, net	418,571	310,577
Long term investment	-	7,249,319
<b>TOTAL NON-CURRENT ASSETS</b>	<u>22,595,776</u>	<u>52,524,972</u>
<b>TOTAL ASSETS</b>	<u>\$ 315,898,834</u>	<u>\$ 283,419,781</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 45,463,753	\$ 40,925,155
Short-term bank loans	1,971,859	434,959
Accrued expenses and other current liabilities	7,245,358	6,090,582
Operating lease liabilities - current	861,087	1,008,766
Payables to supply chain solutions	12,947,708	9,122,978
Advances from customers	38,153,915	21,827,387
Taxes payable	4,145,920	2,748,474
Loan from related party	-	8,028,965
Liabilities of financial guarantee	22,335	-
Due to related parties - current	274,652	282,724
<b>TOTAL CURRENT LIABILITIES</b>	<u>111,086,587</u>	<u>90,469,990</u>
Operating lease liabilities – non-current	1,643,076	2,425,597
Deferred tax liabilities	114,650	727,326
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>1,757,726</u>	<u>3,152,923</u>
<b>TOTAL LIABILITIES</b>	<u>112,844,313</u>	<u>93,622,913</u>
<b>SHAREHOLDERS' EQUITY*:</b>		
Class A common stock, \$0.01 par value, 30,000,000 and 30,000,000 shares authorized, 4,017,596 and 4,006,263 shares issued, and 3,952,198 and 3,944,075 shares outstanding as of December 31, 2023 and 2022, respectively	40,176	40,063
Class B common stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding as of December 31, 2023 and 2022	-	-
Treasury shares	(261,592)	(355,844)
Additional paid-in capital	130,535,082	130,503,387
Retained earnings	68,395,637	53,214,304
Statutory reserves	11,564,250	9,167,845
Accumulated other comprehensive loss	(11,474,682)	(6,937,950)
<b>COMMON SHAREHOLDERS' EQUITY</b>	<u>198,798,871</u>	<u>185,631,805</u>
Non-controlling interests	4,255,650	4,165,063
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>203,054,521</u>	<u>189,796,868</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 315,898,834</u>	<u>\$ 283,419,781</u>

\* The financial statements give retroactive effect to the May 18, 2023 one-for-ten reverse share split.

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

**NISUN INTERNATIONAL ENTERPRISE DEVELOPMENT GROUP CO., LTD AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**(EXPRESSED IN US DOLLARS)**

	<b>For the Year Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>REVENUES:</b>			
Revenue generated from services:			
Small and Medium Enterprise financing solutions	\$ 101,823,899	\$ 87,269,959	\$ 87,133,963
Supply Chain financing solutions	6,153,645	3,542,592	4,930,289
Other financing solutions	-	-	3,222
Total revenue generated from services	<u>107,977,544</u>	<u>90,812,551</u>	<u>92,067,474</u>
Revenue generated from sales:			
Supply chain trading business	278,693,355	143,361,714	68,132,237
Total revenues	<u>386,670,899</u>	<u>234,174,265</u>	<u>160,199,711</u>
<b>COST OF REVENUE:</b>			
Cost of revenue - services	(68,154,833)	(55,472,076)	(37,989,001)
Cost of revenue - sales	(278,002,800)	(140,880,063)	(67,628,806)
Business and sales related taxes	(527,336)	(772,830)	(533,760)
<b>GROSS PROFIT</b>	<u>39,985,930</u>	<u>37,049,296</u>	<u>54,048,144</u>
<b>OPERATING EXPENSES:</b>			
Selling expenses	(1,525,692)	(1,977,617)	(2,323,403)
General and administrative expenses	(10,859,011)	(10,511,542)	(11,641,567)
Research and development expenses	(1,093,457)	(1,563,718)	(1,599,728)
Bad debt expense	(2,215,016)	(4,509,634)	(294,536)
Goodwill Impairment Loss	(5,488,816)	(777,329)	-
Total operating expenses	<u>(21,181,992)</u>	<u>(19,339,840)</u>	<u>(15,859,234)</u>
<b>INCOME FROM OPERATIONS</b>	<u>18,803,938</u>	<u>17,709,456</u>	<u>38,188,910</u>
<b>OTHER INCOME :</b>			
Interest and investment income	2,557,588	2,790,768	2,122,903
Other income , net	2,159,301	2,021,688	464,210
Total other income, net	<u>4,716,889</u>	<u>4,812,456</u>	<u>2,587,113</u>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<u>23,520,827</u>	<u>22,521,912</u>	<u>40,776,023</u>
<b>PROVISION FOR INCOME TAXES</b>	<u>(5,817,147)</u>	<u>(4,741,854)</u>	<u>(10,269,501)</u>
<b>NET INCOME</b>	<u>17,703,680</u>	<u>17,780,058</u>	<u>30,506,522</u>
Net income attributable to non-controlling interests	(125,942)	(159,246)	(126,161)
<b>NET INCOME - Nisun International's shareholders</b>	<u>\$ 17,577,738</u>	<u>\$ 17,620,812</u>	<u>\$ 30,380,361</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Foreign currency translation (loss) income	(4,536,797)	(12,576,380)	2,039,011
<b>COMPREHENSIVE INCOME</b>	<u>13,040,941</u>	<u>5,044,432</u>	<u>32,419,372</u>
Comprehensive loss attributable to non-controlling interests	65	6,231	2,051
<b>COMPREHENSIVE INCOME</b>	<u>\$ 13,041,006</u>	<u>\$ 5,050,663</u>	<u>\$ 32,421,423</u>
<b>BASIC AND DILUTED EARNINGS PER COMMON SHARE:</b>			
<b>NET EARNINGS PER COMMON SHARE</b>	<u>\$ 4.46</u>	<u>\$ 4.42</u>	<u>\$ 14.13</u>
Weighted average number of shares outstanding-basic and diluted*	<u>3,943,793</u>	<u>3,986,359</u>	<u>2,150,683</u>

\* The financial statements give retroactive effect to the May 18, 2023 one-for-ten reverse share split.

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

**NISUN INTERNATIONAL ENTERPRISE DEVELOPMENT GROUP CO., LTD AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**  
**(EXPRESSED IN US DOLLARS)**

	Class A Common Stock*		Class B Common Stock		Additional paid-in capital	Unearned Compensation	Retained Earnings	Statutory reserves	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests	Treasury shares		Total
	Shares	Amount	Shares	Amount							Shares	Amount	
Balance as of January 1, 2021	2,055,513	20,555	-	-	59,472,255	(624,455)	9,629,712	4,751,264	3,593,188	3,094,879	-	-	79,937,398
Shares issued for board compensation	750	8	-	-	71,167	-	-	-	-	-	-	-	71,175
Amortization of share-based compensation	-	-	-	-	-	498,825	-	-	-	-	-	-	498,825
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	751,841	-	-	751,841
Net income	-	-	-	-	-	-	30,380,361	-	-	126,161	-	-	30,506,522
Statutory reserves	-	-	-	-	-	-	(2,190,847)	2,190,847	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	2,039,011	2,051	-	-	2,041,062
Issuance of common shares and pre-funded warrants	1,925,000	19,250	-	-	70,775,215	-	-	-	-	-	-	-	70,794,465
Balance as of December 31, 2021	3,981,263	39,813	-	-	130,318,637	(125,630)	37,819,226	6,942,111	5,632,199	3,974,932	-	-	184,601,288
Amortization of share-based compensation	-	-	-	-	-	125,630	-	-	-	-	-	-	125,630
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	37,116	-	-	37,116
Net income	-	-	-	-	-	-	17,620,812	-	-	159,246	-	-	17,780,058
Statutory reserves	-	-	-	-	-	-	(2,225,734)	2,225,734	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	(62,188)	(355,844)	(355,844)
Shares issued for service	25,000	250	-	-	184,750	-	-	-	-	-	-	-	185,000
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(12,570,149)	(6,231)	-	-	(12,576,380)
Balance as of December 31, 2022	4,006,263	\$ 40,063	- \$	-	\$130,503,387	\$	\$53,214,304	\$ 9,167,845	\$ (6,937,950)	\$ 4,165,063	(62,188)	\$(355,844)	\$189,796,868
Issuance of common shares for board service	12,000	120	-	-	31,695	-	-	-	-	-	-	-	31,815
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	(35,290)	-	-	(35,290)
Net income	-	-	-	-	-	-	17,577,738	-	-	125,942	-	-	17,703,680
Statutory reserves	-	-	-	-	-	-	(2,396,405)	2,396,405	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	(3,210)	94,252	94,252
Cancellation of shares due to share split	(667)	(7)	-	-	-	-	-	-	-	-	-	-	(7)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(4,536,732)	(65)	-	-	(4,536,797)
Balance as of December 31, 2023	4,017,596	\$ 40,176	- \$	-	\$130,535,082	-	\$68,395,637	\$11,564,250	\$ (11,474,682)	\$ 4,255,650	(65,398)	(261,592)	203,054,521

\* The financial statements give retroactive effect to the May 18, 2023 one-for-ten reverse share split.

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



**NISUN INTERNATIONAL ENTERPRISE DEVELOPMENT GROUP CO., LTD AND SUBSIDIARIES**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021**  
**(EXPRESSED IN US DOLLARS)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 17,703,680	\$ 17,780,058	\$ 30,506,522
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,238,222	2,113,732	2,180,038
Stock-based compensation	-	125,630	498,825
Shares issued for compensation	31,808	185,000	71,175
Bad debt expense	2,215,016	4,509,634	294,536
Impairment of goodwill	5,488,816	777,329	-
Loss on disposition of property and equipment	-	1,385	190,301
Income from investments	(365,359)	(541,578)	(808,464)
Deferred tax (benefit) expense	(710,672)	271,907	275,749
Changes in operating assets and liabilities:			
Accounts receivable	(3,086,600)	(2,075,274)	(13,294,924)
Advance to suppliers, net	7,282,068	(39,859,386)	(9,213,279)
Prepaid expenses and other current assets	(5,511,142)	(4,734,501)	(3,464,939)
Receivables from supply chain solutions	(18,651,357)	11,372,841	(48,202,128)
Inventories	(246,818)	(25,530,993)	(3,931,400)
Accounts payable	5,722,300	7,693,011	33,620,611
Advance from customers	16,986,750	19,085,377	3,375,769
Taxes payable	1,478,316	(5,574,048)	5,575,502
Other payables	3,232,387	-	2,576,570
Payable to supply chain solutions	4,096,141	(15,198,883)	25,608,622
Operating lease liabilities	(834,381)	(855,242)	(952,495)
Accrued expenses and other current liabilities	(1,569,395)	1,501,078	(1,049,489)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>35,499,780</u></b>	<b><u>(28,952,923)</u></b>	<b><u>23,857,102</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property and equipment	(503,957)	(652,585)	(186,705)
Purchase of intangible assets	(44,029)	(74,710)	(18,281)
Cash (paid) received in connection with Nami acquisition	-	-	(7,007,905)
Cash paid in connection with acquisition, net of cash received	-	(530,322)	-
Cash received on disposal of discontinued operations	-	-	14,950,730
Proceeds from sale of short-term investments	103,458,984	78,595,280	4,894,270
Proceeds from sale of Long-term investment	7,061,233	-	-
Proceeds from investment in debt securities	14,366,013	-	-
Purchase of short-term investments	(104,365,028)	(51,567,746)	(39,526,099)
Purchase of Long-term investments	-	(7,430,511)	-
Collection of loans to third parties	-	-	1,643,203
Proceeds from disposal of subsidiary	71,514	-	-
Loans to third parties	(229,161)	(501,905)	-
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b><u>19,815,569</u></b>	<b><u>17,837,501</u></b>	<b><u>(25,250,787)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term bank loans	1,553,471	445,831	784,609
Proceeds from issuance of common shares and pre-funded warrants	-	-	70,794,465
Proceeds from third-party loans	1,977,145	36,770,626	-
Repayment of short-term bank loans	(29,961)	(1,239,983)	-
Repayment of third-party loans	(2,277,954)	(41,491,973)	-
Repayment to related parties	-	(10,097)	(1,803,374)
Repayment of loan from related parties	(8,028,965)	(2,500,000)	-
Purchase of treasury shares	94,252	(355,844)	-
Capital contribution from non-controlling interest	(35,290)	37,116	751,841
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b><u>(6,747,302)</u></b>	<b><u>(8,344,324)</u></b>	<b><u>70,527,541</u></b>
<b>EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS</b>	<b><u>(1,234,680)</u></b>	<b><u>(4,848,722)</u></b>	<b><u>294,928</u></b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b><u>47,333,367</u></b>	<b><u>(24,308,468)</u></b>	<b><u>69,428,784</u></b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH FROM CONTINUING OPERATIONS-BEGINNING</b>	<b><u>67,318,573</u></b>	<b><u>91,627,041</u></b>	<b><u>22,198,257</u></b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH FROM CONTINUING OPERATIONS-ENDING</b>	<b><u>\$ 114,651,940</u></b>	<b><u>\$ 67,318,573</u></b>	<b><u>\$ 91,627,041</u></b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>			
Cash paid for income taxes	<u>\$ 4,530,963</u>	<u>\$ 10,385,495</u>	<u>\$ 5,546,082</u>
Cash paid for interest	<u>\$ 29,961</u>	<u>\$ 496,932</u>	<u>\$ 370,356</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:</b>			
Repayment payable for business disposition	<u>279,037</u>	<u>-</u>	<u>-</u>

Receivable from disposal of subsidiary	\$ -	\$ 289,973	\$ -
Lease liabilities arising from obtaining right-of-use assets	295,220	4,070,163	-
Issuance of shares for share-based compensation	\$ -	\$ -	\$ 71,175

**CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS ARE  
COMPRISED OF THE FOLLOWING:**

Cash and cash equivalents	\$ 114,454,844	\$ 63,901,329	\$ 91,447,620
Restricted cash	197,096	3,417,244	179,421
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 114,651,940</b>	<b>\$ 67,318,573</b>	<b>\$ 91,627,041</b>

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

**NISUN INTERNATIONAL ENTERPRISE DEVELOPMENT GROUP CO., LTD AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 — ORGANIZATION AND BUSINESS DESCRIPTION**

***Organization and description of business***

Nisun International Enterprise Development Group Co., Ltd (“Nisun International” or the “Company”), formerly known as Hebron Technology Co., Ltd, is an investment holding company established under the laws of the British Virgin Islands (“BVI”) on May 29, 2012. On November 16, 2020, the Company officially changed its Nasdaq trading symbol to “NISN” and its name from “Hebron Technology Co., Ltd” to “Nisun International Enterprise Development Group Co., Ltd”, which the management believes more closely reflects the Company’s new financial services and supply chain solutions business. The Company conducts its business mainly through its subsidiaries, variable interest entities (“VIEs”) and subsidiaries of the VIEs (collectively referred to as the “Group”) in the People’s Republic of China (“PRC”).

The Company began to conduct its financial services business in 2019 through the Group’s subsidiaries and VIEs, Fintech (Shanghai) Digital Technology Co., Ltd. (“Fintech”), Beijing Hengtai Puhui Information services Co., Ltd. (“Hengpu”), Shanghai Luyao Financial Consulting Co., Ltd (“Nami Shanghai”) and their subsidiaries. The Company provides a set of technology-driven customized financing solutions to small-and mid-size enterprises (“SME’s”) through Hengpu, Fintech, Nami and their subsidiaries. Hengpu and Fintech provide comprehensive financing solutions for SMEs, while Nami facilitates the matching of investors and SMEs. The Company commenced a technology-driven integrated supply chain solution through Fintech and its subsidiaries in January 2020 by involving the sales transactions. The Group commenced a technology-driven integrated supply chain solution through Fintech and its subsidiaries in January 2020 by involving the sales transactions. The Company launched supply chain trading business in July 2021 after generating high-quality customer and resources through its supply chain solution business.

On November 30, 2020, the Company completed the previously announced disposition of its valve manufacturing and installation business. The Company sold all equity interests in its subsidiary, Hong Kong Xibolun Technology Co., Ltd. (“Hebron HK”), pursuant to the terms of an agreement (the “Equity Transfer Agreement”), dated November 30, 2020, to Wise Metro Development Co., Ltd. for approximately \$13.9 million (RMB98.3 million), to be paid in cash. Through the Hebron HK Equity Transfer, the Company sold all the equity interests it held in Zhejiang Xibolun Automation Project Technology Co., Ltd, Wenzhou Xibolun Fluid Equipment Co., Ltd., and Xuzhou Weijia Biotechnology Co., Ltd. The manufacturing and installation business have been presented as discontinued operations (“Discontinued Operations”) retroactively for the periods presented in the consolidated financial statements.

**Impact of COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. COVID-19 has spread rapidly to many parts of the PRC and other parts of the world in the first quarter of 2020, which has caused significant volatility in the PRC and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the PRC and international economies. After the Spring of 2020, the COVID outbreak in China has gradually been controlled and we returned to normal operations. The COVID-19 pandemic did not have a material negative impact on the Company’s financial services and supply chain solution business for the year ended December 31, 2021. In March 2022, due to the spread of new variants and subvariants of COVID-19, which may spread faster than the original COVID-19 variant in Shanghai and some other cities in China, some local government in China has imposed strict movement restrictions. In late March and May 2022, the Shanghai authorities issued strict lock-downs and shut-down orders in response to the pandemic. As a result, the employees of the PRC operating entities located in Shanghai started to work from home. As the employees are equipped and prepared for the remote work situations, and the PRC operating entities are able to continue to provide services with the customers remotely with minimum interruption. The management of the PRC operating entities do not believe the lock-down restrictions in Shanghai had a materially negative impact to the business, operations, and financial results.

With the COVID-19 resurgence gradually under control and the Zero-COVID policy being modified by the Chinese government, most of the travel restrictions and quarantine requirements were lifted in December 2022. Following this change, the Group continued to expand its sales networks to meet the increasing demands from customers. In light of the uncertainties in the global market and economic conditions attributable to the COVID-19 pandemic, the Group will continue to evaluate the nature and extent of the impact of the COVID-19 pandemic to its financial condition and liquidity.

**Note 1 — ORGANIZATION AND BUSINESS DESCRIPTION (CONTINUED)**

As of December 31, 2023, the Company's subsidiaries and consolidated VIEs are as follows:

	<b>Date of incorporation/ acquisition</b>	<b>Place of incorporation</b>	<b>Percentage of direct or indirect economic interest</b>
<b>Subsidiaries</b>			
NiSun International Enterprise Management Group (British Virgin Islands) Co., Ltd. ("NiSun BVI")	July 12, 2019	BVI	100%
NiSun International Enterprise Management Group (Hong Kong) Co., Limited ("NiSun HK")	July 12, 2019	Hong Kong	100%
Nisun (Shandong) Industrial Development Co., Ltd ("Nisun Shandong" or "WFOE")	December 15, 2020	PRC	100%
NingChen (Shanghai) Enterprise Management Co., Ltd. ("NingChen")	July 12, 2019	PRC	100%
Shandong Taiding International Investment Co., Ltd. ("Taiding")	November 12, 2019	PRC	80%
Nami Holding (Cayman) Co., Ltd ("Nami Cayman")	April 09, 2019	Cayman Islands	100%
Nami Holding (Hong Kong) Co., Limited ("Nami HK")	May 02, 2019	Hong Kong	100%
Shanghai Naqing Enterprise Management Co., Ltd ("Naqing" or "WFOE")	April 10, 2019	PRC	100%
NiSun Ocean (Qingdao) Supply Chain Investment Co., Ltd. ("Nisun Ocean")	July 30, 2021	PRC	100%
Zhumadian NiSun Supply Chain Management Co., Ltd. ("Nisun ZMD")	December 29, 2021	PRC	100%
Nisun (Beijing) Supply Chain Management Co., Ltd. ("Nisun Beijing")	November 07, 2022	PRC	100%
NiSun Haiyuan (Qingdao) Supply Chain Co., Ltd. ("Nisun Haiyuan")*****	June 08, 2022	PRC	51%
Qingdao Sailang International Trade Co., Ltd. ("Sailang")	July 31, 2022	PRC	100%
Rizhao Sailang Mining Co., Ltd. ("RZ Sailang")	July 31, 2022	PRC	100%
NiSun Supply Chain Management (Mishan) Co., Ltd. ("Nisun MS")	March 14, 2022	PRC	100%
Gansu Zhonghexi Trading Co., Ltd. ("Gansu Zhonghexi")	July 31, 2022	PRC	65%
Shanghai Keqiya International Trade Co., Ltd. ("Keqiya")	June 07, 2023	PRC	100%
Fanningke Digital Technology (Shanghai) Co., Ltd. ("Fanningke")	July 20, 2023	PRC	100%
Fanshengke Supply Chain (Shanghai) Co., Ltd. ("Fanshengke")	July 28, 2023	PRC	100%
Fintech (Henan) Trading Co., Ltd. ("Henan Trading")	April 03, 2023	PRC	100%
<b>VIEs</b>			
Fintech (Shanghai) Digital Technology Co., Ltd. ("Fintech Shanghai")	July 12, 2019	PRC	100%
Beijing Hengtai Puhui Information Services Co., Ltd ("Hengpu")	December 31, 2019	PRC	100%
Shanghai Luyao Financial Consulting Co., Ltd. ("Luyao Shanghai")*****	June 04, 2015	PRC	100%
<b>Subsidiaries of the VIEs</b>			
Khorgos Fintech Network Technology Co., Ltd. ("Khorgos")	July 12, 2019	PRC	100%
Jilin Province Lingang Supply Chain Management Co., Ltd ("Lingang")	November 27, 2019	PRC	100%
NiSun Family Office (Guangzhou) Co., Ltd. ("Guangzhou")**	October 29, 2019	PRC	100%

**Note 1 — ORGANIZATION AND BUSINESS DESCRIPTION (CONTINUED)**

	<b>Date of incorporation/ acquisition</b>	<b>Place of incorporation</b>	<b>Percentage of direct or indirect economic interest</b>
Hangzhou Fengtai Supply Chain Management Co., Ltd. (“Fengtai”)	December 31, 2019	PRC	100%
Dunhua Midtown Asset Management Registration Center Co., Ltd. (“Midtown”)*	December 31, 2019	PRC	100%
Nanjing Nisun Gold Co., Ltd. (“Nisun Gold”)	December 10, 2020	PRC	100%
Fintech (Henan) Supply Chain Management Co., Ltd. (“Fintech Henan”)	August 26, 2020	PRC	100%
Fintech (Jiangsu) Supply Chain Management Co., Ltd. (“Fintech Jiangsu”)	November 06, 2020	PRC	100%
Fintech (Shandong) Supply Chain Management Co., Ltd. (“Fintech Shandong”)	November 04, 2020	PRC	100%
Fanlunke Supply Chain Management (Shanghai) Co., Ltd. (“Fanlunke Shanghai”)	December 29, 2020	PRC	100%
Shanxi Fintech Supply Chain Management Co., Ltd. (“Fintech Shanxi”)**	December 30, 2020	PRC	100%
Jilin Province Lingang Hengda Supply Chain Management Co., Ltd. (“Lingang Hengda”)	August 18, 2020	PRC	100%
Fintech Supply Chain Management (Ningbo) Co., Ltd. (“Fintech Ningbo”)	January 25, 2021	PRC	100%
Inner Mongolia Fintech Supply Chain Management Co., Ltd. (“Fintech Mongolia”)**	January 15, 2021	PRC	70%
Jiangxi Fintech Supply Chain Management Co., Ltd. (“Fintech Jiangxi”)**	May 10, 2021	PRC	100%
Fintech Supply Chain Management (Shanxi) Co., Ltd. (“Fintech SX”)**	May 6, 2021	PRC	100%
Liaogang NiSun (Yingkou) Supply Chain Management Co., Ltd. (“Liaogang Yingkou”)	September 03, 2018	PRC	51%
Liaogang NiSun (Shanghai) Supply Chain Management Co., Ltd. (“Liaogang SH”)**	September 30, 2021	PRC	51%
Fintech (Zibo) Supply Chain Management Co., Ltd. (“Fintech Zibo”)	October 26, 2021	PRC	100%
Fintech Supply Chain Management (Anhui) Co., Ltd. (“Fintech Anhui”)	June 06, 2022	PRC	100%
Fintech Supply Chain Management (Shenzhen) Co., Ltd. (“Fintech Shenzhen”)	November 21, 2022	PRC	100%
Henan NiSun Huaixiang Food Co., Ltd. (“Nisun Huaixiang”)**	December 29, 2022	PRC	100%

\* The entity was deregistered on February 19, 2021. Since the entity did not have significant operations, the deregistration did not have a material impact to the Group’s consolidated financial statements for the years ended December 31, 2021.

\*\* The entity was deregistered on June 04, 2021. Since the entity did not have significant operations, the deregistration did not have a material impact to the Group’s consolidated financial statements for the years ended December 31, 2021.

\*\*\* The entity was deregistered on February 06, 2023. Since the entity did not have significant operations, the deregistration did not have a material impact to the Group’s consolidated financial statements for the years ended December 31, 2023, 2022 and 2021.

\*\*\*\* The entity was deregistered on November 04, 2022. Since the entity did not have significant operations, the deregistration did not have a material impact to the Group’s consolidated financial statements for the years ended December 31, 2023, 2022 and 2021.

\*\*\*\*\* The entity was deregistered on May 12, 2023. Since the entity did not have significant operations, the deregistration did not have a material impact to the Group’s consolidated financial statements for the years ended December 31, 2023, 2022 and 2021.

\*\*\*\*\* The entity was deregistered on July 18, 2023. Since the entity did not have significant operations, the deregistration did not have a material impact to the Group’s consolidated financial statements for the years ended December 31, 2023, 2022 and 2021.

\*\*\*\*\* The entity was deregistered on October 17, 2023. Since the entity did not have significant operations, the deregistration did not have a material impact to the Group’s consolidated financial statements for the years ended December 31, 2023, 2022 and 2021.

\*\*\*\*\* The entity was deregistered on December 21, 2023. Since the entity did not have significant operations, the deregistration did not have a material impact to the Group’s consolidated financial statements for the years ended December 31, 2023, 2022 and 2021.

\*\*\*\*\* The entity changed its company name from Shanghai Nami Financial Consulting Co., Ltd. to Shanghai Luyao Financial Consulting Co., Ltd. (“Luyao Shanghai”) on September 23, 2022.

## **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").

### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and the subsidiaries of the VIEs for which the Company or its subsidiary is the primary beneficiary.

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, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors under a statute or agreement among the shareholders or equity holders.

A consolidated VIE is an entity in which the Company, or its subsidiaries, through contractual arrangements, has the power to direct the activities that most significantly impact the entity's economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiaries are the primary beneficiary of the entity.

All transactions and balances among the Group, its subsidiaries, the VIEs and their subsidiaries of the VIEs have been eliminated upon consolidation.

### ***VIE companies***

#### ***1) VIEs' Contractual Agreements***

The following is a summary of the VIE agreements:

##### ***Management and Consulting Service Agreements***

Under the Management and Consulting Services Agreements, the Group has the exclusive right to provide management and consulting and other services to the VIEs for a consulting service fee from the VIEs and agree to authorize the VIEs to use the trademarks, technologies and related intellectual property rights held by the Group. The VIEs agree to pay the Group or the designated agent of the Group for the management and consulting services in the amount equivalent to all the VIE's net profits after tax. The agreement shall be effective as of the date of agreement and shall remain effective until the date when the Group terminates such agreements and Fintech, Hengpu or Nami Shanghai cease to exist.

##### ***Equity Interest Pledge Agreements***

Pursuant to the Equity Interest Pledge Agreements, each Shareholder of the VIEs agreed to pledge his equity interest in the VIEs to the Group to secure the performance of the VIEs' obligations under the Management and Consulting Services Agreements and any such agreements to be entered into in the future. Each shareholder of the VIEs agrees not to transfer, sell, pledge, dispose of or otherwise create any encumbrance on their equity interests in the VIEs without the prior written consent of the Group. The Pledges became effective on such date when the pledge of the Equity Interest contemplated herein were registered with the relevant Administration for Industry and Commerce (the "AIC") and remain effective until all contract obligations have been fully performed and all secured indebtedness has been fully paid. The Pledges were registered with the competent branch of the State Administration for Industry and Commerce.

## **Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### *Voting Rights Proxy Agreement.*

Under the Voting Rights Proxy Agreement, each shareholder of the VIEs irrevocably authorizes the Group to exercise rights and powers as the shareholders of the VIEs, including but not limited to, convening and attending shareholders' meetings, voting on all matters of the VIEs requiring shareholder approval and appointing directors and senior management members. The Voting Rights Proxy Agreements will remain in force unless otherwise terminated in writing by the Group or with the written consent of all parties.

### *Exclusive Call Option Agreement.*

Under the Exclusive Call Option Agreement, the VIEs and their shareholders have irrevocably granted the Group an exclusive option to purchase or authorize their designated persons to purchase all or part of each shareholder's equity interests in the VIEs. The purchase price shall be equal to the minimum price required by the relevant PRC laws. Without prior written consent of the Group, the VIEs shall not among other things, amend their articles of association, sell or otherwise dispose of their assets or beneficial interests, enter into transactions which may adversely affect their assets, liabilities, business operations, equity interests and other legal interests, or merge with any other entities or make any investments, or distribute dividends. The Group has the right to transfer the rights and obligations pursuant to the Exclusive Call Option Agreement to any third party, which does not require any prior consent of the VIEs and their shareholders. The Exclusive Call Option Agreement will remain effective until the Group exercises the call option or terminates this agreement with 30 days advance notice.

### **2) Risks in relation to the VIE structure**

The Group believes that the contractual arrangements with its VIEs and their respective shareholders are in compliance with PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Group's ability to enforce the above contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Group's PRC subsidiaries and VIEs;
- discontinue or restrict the operations of any related-party transactions between the Group's PRC subsidiaries and VIEs;
- limit the Group's business expansion in China by way of entering into contractual arrangements;
- impose fines or other requirements with which the Group's PRC subsidiaries and VIEs may not be able to comply;
- require the Group's PRC subsidiaries and VIEs to restructure the relevant ownership structure or operations; or
- restrict or prohibit the Group's use of the proceeds of a public offering to finance the Group's business and operations in China.

The Group's ability to conduct its financial services business may be negatively affected if the PRC government were to carry out any of the aforementioned actions. As a result, the Group may not be able to consolidate its VIEs in its consolidated financial statements as it may lose the ability to exert effective control over the VIEs – Fintech, Hengpu, and Nami Shanghai and their respective shareholders and it may lose the ability to receive the economic benefits from the VIEs. The Group, however, does not believe such actions would result in the liquidation or dissolution of the Group, its PRC subsidiaries and VIEs.

The interests of the shareholders of the VIEs may diverge from that of the Group and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIEs not to pay the service fees when required to do so. The Group cannot assure that when conflicts of interest arise, shareholders of the VIEs will act in the best interests of the Group or that conflicts of interests will be resolved in the Group's favor. Currently, the Group does not have existing arrangements to address potential conflicts of interest the shareholders of the VIEs may encounter in their capacity as beneficial owners and directors of the VIEs, on the one hand, and as beneficial owners and directors of the Group, on the other hand. The Group believes the shareholders of the VIEs will not act contrary to any of the contractual arrangements and the exclusive option agreements provide the Group with a mechanism to remove the current shareholders of the VIEs should they act to the detriment of the Group. The Group relies on certain current shareholders of the VIEs to fulfill their fiduciary duties and abide by laws of the PRC and act in the best interest of the Group. If the Group cannot resolve any conflicts of interest or disputes between the Group and the shareholders of the VIEs, the Group would have to rely on legal proceedings, which could result in disruption of its business, additional costs and there are substantial uncertainties as to the PRC legal system and the outcome of any such legal proceedings.

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The following table sets forth the assets, liabilities, results of operations and changes in cash and cash equivalents of the VIEs and their subsidiaries taken as a whole, which were included in the Group's consolidated financial statements for continuing operations with intercompany balances and transactions eliminated between the VIEs and their subsidiaries:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total current assets	\$ 186,180,819	\$ 138,221,303	\$ 159,234,732
Total assets	\$ 190,452,203	\$ 150,451,534	\$ 160,885,760
Total current liabilities	\$ 84,230,663	\$ 64,325,004	\$ 90,440,038
Total liabilities	\$ 85,991,758	\$ 67,371,528	\$ 90,589,026
	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Revenue generated from services	\$ 106,659,899	\$ 101,751,348	\$ 92,067,474
Revenue generated from sales	185,461,514	117,275,333	68,132,237
Total revenue	\$ 292,121,413	\$ 219,026,681	\$ 160,199,711
Net income from continuing operations	\$ 23,634,372	\$ 18,180,563	\$ 33,612,404
	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Net cash (used in) provided by operating activities	\$ 31,958,893	\$ (16,212,682)	\$ 525,753
Net cash provided by investing activities	\$ 3,394,659	\$ 17,767,612	\$ 569,301
Net cash (used in) provided by financing activities	\$ 141,225	\$ (287,123)	\$ (919,642)

As of December 31, 2023, there were no consolidated assets of the VIEs that are collateral for the VIEs' obligations and can only be used to settle the VIEs' obligations. There were no creditors (or beneficial interest holders) of the VIEs that have recourse to the general credit of the Group in the normal course of business. The Group neither provides nor intends to provide additional financial or other support not previously contractually required to the VIEs and subsidiaries of the VIEs. Relevant PRC laws and regulations restrict the VIEs from transferring a portion of its net assets, equivalent to the balance of its paid-in capital, capital reserve and statutory reserves, to the Group in the form of loans, advances or cash dividends. Please refer to Note 21 for disclosure of restricted net assets.

***Non-controlling interests***

Non-controlling interests are recognized to reflect the portion of the equity that is not attributable, directly, or indirectly, to the Group. Non-controlling interests are presented as a separate component of equity in the consolidated balance sheets and statements of operations and other comprehensive income (loss) are attributed to controlling and non-controlling interests. As of December 31, 2023, non-controlling interests primarily relate to the 20% equity interest in Taiding, 49% equity interest in Liaogang Yingkou, and the 35% equity interest in Gansu Zhonghexi. As of December 31, 2022, non-controlling interests primarily relate to the 20% equity interest in Taiding, 49% equity interest in Liaogang Yingkou, 49% interest in Nisun Haiyuan, and the 35% equity interest in Gansu Zhonghexi.



## **Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Uses of estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during each reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Group's consolidated financial statements include: the allowance for credit losses, the valuation of inventory, realizability of deferred tax assets, estimated useful lives of fixed assets, intangible assets and right-of-use assets and fair values in connection with the impairment of property and equipment, the valuation of intangible assets and goodwill, accruals for income tax uncertainties, and the determination of fair values related to business acquisitions and investments.

### ***Business combinations***

The Group accounts for business combinations using the purchase method of accounting in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, Business Combinations. The purchase method of accounting requires the consideration transferred to be allocated to the assets, including separately identifiable assets and liabilities the Group acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets purchased, liabilities assumed, and equity instruments issued as well as any contingent consideration and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total acquisition cost, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings as a bargain purchase gain.

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed, and non-controlling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets, the forecasted life cycle and forecasted cash flows over that period. The fair value of the identifiable assets acquired, and liabilities assumed at the acquisition date is based on a valuation performed by an independent valuation firm engaged by the Group.

### ***Discontinued operations***

A component of a reporting entity or a group of components of a reporting entity that are disposed or meet the criteria to be classified as held for sale, such as the management, having the authority to approve the action, commits to a plan to sell the disposal group, should be reported as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. Discontinued operations are reported when a component of an entity comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity is classified as held for disposal or has been disposed of, if the component either (1) represents a strategic shift or (2) have a major impact on an entity's financial results and operations. Included in the consolidated statements of operations and comprehensive income (loss), the results from discontinued operations are reported separately from the income and expense from continuing operations and prior periods are presented on a comparative basis. In order to present the financial effects of the continuing operations and discontinued operations, revenues and expenses arising from intra-group transactions are eliminated except for those revenues and expenses that are considered to continue after the disposal of the discontinued operations, if any.

## Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Disposal of subsidiary*

On December 28, 2022, the Group sold all its equity interests in Youjiation to Shandong Yongdao Zhihe property management Co., Ltd, which was acquired on January 14, 2022, for cash consideration of \$289,973 (RMB 2 million), which was collected subsequently on January 17, 2023. The disposition resulted in a gain from disposition of \$86,159 for the year ended December 31, 2022. The disposal of this subsidiary did not have a significant effect on the Group's operations and financial results. In fiscal year 2022, the disposed subsidiary had a sales of US\$4,589,710 with a loss before income tax of US\$196,468. As the other shareholder of Youjiation, Xu Guifeng, did not agree to the transfer of the equity interest in Youjiation to Shandong Yongdao Zhihe, on November 24, 2023, the Group received US\$71,514 (RMB510,000) in cash from Xu Guifeng as consideration for the transfer of the Company's holding of the equity interest in Youjiation. On January 9, 2024, the Group returned to Shandong Yongdao Zhihe the cash amount of US\$279,037 (RMB2,000,000).

### *Revenue recognition*

The Group follows FASB ASC Topic 606 Revenue from Contracts with Customers ("ASC 606"). Under ASC 606, revenue is recognized when control of promised goods or services is transferred to the Company's customers in an amount of consideration to which an entity expects to be entitled to in exchange for those goods or services. All of the Company's contracts with customers do not contain cancelable and refund-type provisions.

Under the guidance of ASC 606, the Group 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 Group satisfies its performance obligations. In determining the transaction price, the Group includes variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur. Revenues are recorded, net of sales related taxes and surcharges.

The Group's revenue for the years ended December 31, 2023, 2022 and 2021 were generated \$378,790,712, \$221,790,445 and \$160,199,711 in the Chinese Mainland and \$7,880,187, \$12,383,820 and nil in Hongkong. The following table illustrates the disaggregation of revenue in 2023, 2022, and 2021 under ASC 606:

	For the year ended December 31,		
	2023	2022	2021
<b>Revenue generated from services:</b>			
Small and Medium Enterprise financing solutions	\$ 101,823,899	\$ 87,269,959	\$ 87,133,963
Supply Chain financing solutions	6,153,645	3,542,592	4,930,289
Other financing solutions	-	-	3,222
Total revenue generated from services	107,977,544	90,812,551	92,067,474
<b>Revenue generated from sales:</b>			
Supply chain trading business	278,693,355	143,361,714	68,132,237
<b>Total</b>	<b>\$ 386,670,899</b>	<b>\$ 234,174,265</b>	<b>\$ 160,199,711</b>

### *Financial Services*

SMEs financing solutions: The Group earns one-time advisory fees from its services provided to small-and mid-size enterprises. The Group enters into one-time advisory fee agreements with underwriters, financial institutions and issuers, which specifies the key terms and conditions of the arrangement. Such agreements generally do not include rights of return, credits or discounts, rebates, price protection or other similar privileges. The Group earns a one-time advisory fee from its clients upon offerings on the PRC provincial or national asset exchanges or other designated markets. Revenue is calculated at a fixed charge rate with the amount of the offering (prorated by the period length). The Group believes such arrangement represents a performance obligation that is satisfied at a point in time, therefore, the underwriting related advisory fees are recognized as revenue upon the closing of the offerings.

## Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Recurring service fees:* The Group also provides ongoing user management services to small and medium commercial banks and financial institutions in distributing and sourcing funds for their direct banking and other financial products in exchange for a recurring service fee. Recurring service agreements do not include rights of return, credits or discounts, rebates, price protection or other similar privileges. Recurring service fees are calculated as a fixed percentage of the qualified investments made by users during the contractual investment period of the direct banking and other financial products. Payment of recurring service fees by commercial banks and financial institutions are normally on a regular basis (typically quarterly or annually). The Group believes such arrangement requires the Group to provide ongoing user management services, which represents a performance obligation that the Group satisfies over time. Therefore, the recurring service revenue is recognized over the contract term on a straight-line basis. The Group has discontinued this service for the year ended December 31, 2022.

*Supply chain solutions:* For the year ended December 31, 2023, 2022, and 2021 the Group also offered supplier chain financing advisory services to suppliers and merchants. Pursuant to the agreements with related suppliers, the Group earns advisory fees when suppliers receive the financing and the advisory fee is calculated as a fixed charge rate with the amount of the financing (prorated by the period length). The Group believes such arrangement represents a performance obligation that is satisfied at a point in time, therefore, the supplier chain advisory fees are recognized as revenue when the suppliers receive the financing.

### *Disaggregation of revenue from financial services*

The Group derives revenue primarily from one-time commissions and recurring service fees paid by clients or financial product providers. The following tables show the revenue from financial services disaggregated by nature for the year ended December 31, 2023, 2022 and 2021:

	For the year ended December 31,		
	2023	2022	2021
One-time commission fees	\$ 107,977,544	\$ 90,812,551	\$ 90,853,014
Recurring service fees	-	-	1,214,460
Total	<u>\$ 107,977,544</u>	<u>\$ 90,812,551</u>	<u>\$ 92,067,474</u>

### *Product Sales Revenues*

In accordance with ASC 606, the Group evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When the Group is a principal, the Group obtains control of the specified goods or services before they are transferred to the customers, the revenues should be recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods transferred. When the Group is an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods, the revenues should be recognized in the net amount for the amount of commission which the Group earns in exchange for arranging for the specified goods or services to be provided by other parties. Revenues are recorded net of value-added taxes.

For the year ended December 31, 2023, 2022 and 2021, the Group commenced a supply chain trading business, which involves acquiring products, primarily agriculture and chemical products, from suppliers at customers' requests in most cases and selling them directly to customers. Sales contracts are entered into with each individual customer. The Group recognizes the product sales revenues from the supply chain trading business on a gross basis as the Group is acting as a principal in these transactions as the Group (i) is responsible for fulfilling the promise to provide the specified goods, (ii) is responsible for inventory risks and (iii) has discretion in establishing price. Revenues are recorded net of value-added taxes, or VAT. Revenue from the sale of goods is recognized at a point in time when the products are delivered and title passes to customers.

### *Practical expedience*

The Group has applied the practical expedient for certain revenue streams to exclude the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which the Group recognizes revenue in proportion to the amount the Group has the right to invoice for services performed.

## **Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Cash and cash equivalents***

Cash and cash equivalents consist of cash on hand, money market fund investments, time deposits, as well as highly liquid investments, which have original maturities of three months or less.

### ***Restricted Cash***

The Group had restricted cash of \$197,096 and \$3,417,244 as of December 31, 2023 and December 31, 2022. In November 2016, the FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts presented in the statement of cash flows.

### ***Short-term investments***

The Group's short-term investments include investments in enterprise wealth management products issued by commercial banks and national financial institutions that have a stated maturity within one year and normally pay a prospective fixed interest rate. , structure deposits issued by commercial banks that have relatively high interest rate, and the non-standard debt securities or asset backed securities, issued by some of Chinese local qualified issuers in the local or provincial financial assets exchanges, guaranteed by local qualified guaranty companies in the exchanges.

The wealth management products, issued by commercial banks and national financial institutions, are unsecured and primarily invested in financial instruments with high credit ratings and good liquidity in the interbank and exchange markets, including but not limited to debt securities issued by financial institutions, central bank bills, interbank and exchange-traded bonds, and asset backed securities.

The non-standard debt securities or asset backed securities, are unsecured and primarily invested in the credit risk mitigation funds, with underlying assets of bridge loans to small and medium-size enterprises with credit renewal agreement with local commercial banks, and some underlying debt instruments, mainly from national or local real estate developers, both issued by the qualified issuers in the local or provincial financial assets exchanges. Such debt securities or asset backed securities, bearing relatively high interest rate, have various maturity terms, from one month to one year. The principle and interests are paid upon maturity. Such investments have been classified as "held to maturity" by the management, and have been measured at amortized cost, and have been subject to the assessment of current estimated credit losses at least annually.

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

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Fair value of financial instruments***

The Group follows the provisions of FASB ASC Section 820, “Fair Value Measurements and Disclosures” (“ASC 820”). ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 — Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 — Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 — Inputs are unobservable inputs which reflect the reporting entity’s own assumptions on what assumptions market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the balance sheet for cash, accounts receivable, receivables from supply chain financing, bank acceptance notes receivable, prepayments and advances to suppliers, loans to third parties, accounts payable, bank acceptance notes payable, advances from customers, payables to supply chain financing, taxes payable, due to related party and accrued expenses and other current liabilities, approximate their fair value based on the short-term maturity of these instruments. The Group believes that the carrying amount of the short-term loans approximate fair value based on the terms of the borrowings and current market rates as the rates of the borrowings are reflective of the current market rate.

Transfers into or out of the fair value hierarchy classifications are made if the significant inputs used in the financial models measuring the fair value of the assets and liabilities became unobservable or observable in the current marketplace. These transfers are considered to be effective as of the beginning of the period in which they occur. The Group did not transfer any assets or liabilities in or out of Level 2 and Level 3 during the years ended December 31, 2023 and 2022.

***Fair value measurements on a recurring basis***

As of December 31, 2023, the financial instruments measured at fair value on a recurring basis are as follows:

Description	Fair value as of December 31, 2023	Fair value measurement at reporting date		
		(Level 1)	(Level 2)	(Level 3)
Short-term investments:				
Wealth management products and structure deposits	\$ 12,788,629	\$ -	\$ 12,788,629	\$ -
Total	<u>\$ 12,788,629</u>	<u>\$ -</u>	<u>\$ 12,788,629</u>	<u>\$ -</u>

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As of December 31, 2022, the financial instruments measured at fair value on a recurring basis are as follows:

Description	Fair value as of December 31, 2022	Fair value measurement at reporting date		
		(Level 1)	(Level 2)	(Level 3)
Short-term investments:				
Wealth management products and structure deposits	\$ 11,700,400	\$ -	\$ 11,700,400	\$ -
Long-term investments:				
Structure deposits	7,249,319	-	7,249,319	-
Total	<u>\$ 18,949,719</u>	<u>\$ -</u>	<u>\$ 18,949,719</u>	<u>\$ -</u>

***Accounts receivable***

In January 2022, the Group adopted ASU 2016-13, “Financial Instruments — Credit Losses (Topic 326): Measurement on Credit Losses on Financial Instruments”, including certain subsequent amendments, transitional guidance and other interpretive guidance within ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-11, ASU 2020-02 and ASU 2020-03 (collectively, including ASU 2016-13, “ASC 326”). ASC 326 introduces an approach based on expected losses to estimate the allowance for doubtful accounts, which replaces the previous incurred loss impairment model. The Group’s estimation of allowance for doubtful accounts considers factors such as historical credit loss experience, age of receivable balances, current market conditions, reasonable and supportable forecasts of future economic conditions, as well as an assessment of receivables due from specific identifiable counterparties to determine whether these receivables are considered at risk or uncollectible. The Group assesses collectibility by pooling receivables that have similar risk characteristics and evaluates receivables individually when specific receivables no longer share those risk characteristics. For receivables evaluated individually, when it is determined that foreclosure is probable or when the debtor is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of collateral, expected credit losses are based on the fair value of the collateral at the reporting date. The adoption of ASC 326 did not have a material impact on the Group’s financial position, results of operations and cash flows. The consolidated financial statements for the year ended December 31, 2021 were not retrospectively adjusted. The allowance for doubtful accounts were \$1,225,481 and \$901,010 as of December 31, 2023 and 2022, respectively. The Group writes off accounts and contract receivables against the allowance when a balance is determined to be uncollectible.

***Inventories***

Inventories are stated at the lower of cost or net realizable value. Cost of inventories is determined using the weighted average cost method. Adjustments to reduce the cost of inventories to its net realizable value for slow-moving merchandise and damaged goods are recorded in cost of goods sold. The Group considers factors such as historical and forecasted consumer demand when estimating the net realizable value. The Group takes ownership and risks of the products purchased.

***Advances to suppliers***

The Group advances funds to certain suppliers for purchases of finished goods. These advances are interest free, unsecured and short term in nature and are reviewed periodically to determine whether their carrying value has become impaired. For the years ended December 31, 2023, 2022 and 2021, the Group recorded an allowance of \$3,982,991, \$4,186,385, nil, respectively.

***Investment in limited partnership***

The Group has an investment in a limited partnership that pursue various investment strategies, including debt securities, which have a stated maturity within five years and pays a prospective fixed rate of return and an investment in a privately held company. The Group applies the equity method of accounting to account for the investment in limited partnership, according to ASC Topic 323, Investment—Equity Method and Joint Ventures (“ASC 323”), over which it has significant influence but does not own a majority equity interest or otherwise control.

## **Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Under the equity method, the Group's share of profits or losses of the equity method investee is recognized in the consolidated statements of operations. The Group records its share of the results of the equity method investees on a quarterly basis in arrears. The excess of the carrying amount of the investment over the underlying equity in net assets of the equity method investee generally represents goodwill and intangible assets acquired. When the Company's share of losses of the equity method investee equals or exceeds its interest in the equity method investee, the Company does not recognize further losses, unless the Company has incurred obligations or made payments or guarantees on behalf of the equity method investee.

The Group continually reviews its investment in this limited partnership under the equity method to determine whether a decline in fair value to below the carrying value is other-than-temporary. The primary factors the Group considers in its determination are the duration and severity of the decline in fair value, the financial condition, operating performance and the prospects of the equity investee, and other company specific information such as recent financing rounds. If the decline in fair value is deemed to be other-than-temporary, the carrying value of the equity investee is written down to fair value.

### ***Stock-based compensation***

The Group accounts for share-based compensation in accordance with ASC Topic 718, Compensation-Stock Compensation: Overall, ("ASC 718").

In accordance with ASC 718, the Group determines whether an award should be classified and accounted for as a liability award or equity award. All grants of share-based awards to employees classified as equity awards are measured based on their grant date fair values and recognized as compensation expense over the requisite service period and/or performance period in the consolidated statements of operations.

The Group recognizes share-based compensation based on the fair value of equity awards on the date of the grant, with compensation expense recognized using a straight-line vesting method over the requisite service periods of the awards, which is generally the vesting period. The expected life assumption is primarily based on historical exercise patterns and employee post-vesting termination rates. The risk-free interest rate for the expected term of an option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is based on the Company's current and expected dividend policy.

### ***Equity investments***

FASB ASU 2016-01 ("ASU 2016-01"), Recognition and Measurement of Financial Assets and Financial Liabilities amends certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The main provisions require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value through earnings unless they qualify for a measurement alternative.

#### ***Equity investments without readily determinable fair values***

The Group elected to record its equity investments without readily determinable fair values and not accounted for under the equity method at cost, less impairment, adjusted for subsequent observable price changes on a nonrecurring basis, and report changes in the carrying value of the equity investment in current earnings. Changes in the carrying value of the equity investments are required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. Reasonable efforts are to be made to identify price changes that are known or that can reasonably be known.

#### ***Equity investments with readily determinable fair values***

Equity investments with readily determinable fair values are measured and recorded at fair value using the market approach based on the quoted prices in active markets at the reporting date.

## Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Equity investments accounted for using the equity method*

The Group accounts for its equity investments over which it has significant influence (usually 20% to 49.9%) but does not own a majority equity interest or otherwise control, using the equity method. The Group adjusts the carrying amount of the investment and recognizes investment income or loss for its share of the earnings or loss of the investee after the date of investment. The Group assesses its equity investments for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, operating performance of the entity, including current earnings trends and undiscounted cash flows, and other entity-specific information. The fair value determination, particularly for investments in a privately held entity, requires judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investment and determination of whether any identified impairment is other-than-temporary.

The investment held by the Group as of December 31, 2023 and 2022 represented the Group's 23.08% equity interest in Wenzhou Jinda Holding Co., Ltd ("Jinda"). The Group considers it has significant influence over Jinda due to the level of ownership and its participation in their significant business operating and strategic decisions. Accordingly, the Group accounts for the investment using the equity method. For the years ended December 31, 2023, 2022 and 2021, the Group did not receive any dividends from this investment. For the year ended December 31, 2023, the Group recognized its share of gain in Jinda of \$5,909. For the years ended December 31, 2022 and 2021, the Group recognized its share of loss in Jinda of \$44,030, and \$41,379 respectively.

### *Property and equipment, net*

Property and equipment are recorded at cost. Depreciation and amortization is provided in amounts sufficient to recognize the cost of the related assets over their useful lives using the straight-line method, as follows:

	Useful life
Transportation equipment	4 years
Office equipment	3 - 5 years
Electronic equipment	3 - 5 years
Leasehold improvements	Shorter of remaining lease term or life of assets

The Group charges maintenance, repairs and minor renewals directly to expense as incurred; major additions and betterments are capitalized.

### *Intangible assets, net*

Intangible assets acquired are recorded at cost less accumulated amortization. Amortization is provided in amounts sufficient to recognize the cost of the related assets over their useful lives using the straight-line method, as follows:

	Useful life
Software	3-5 years
Technology	5-10 years

The estimated useful lives of amortizable intangible assets are reassessed if circumstances occur that indicate the original estimated useful lives have changed.



## **Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Impairment of long-lived assets***

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as significant adverse changes to market conditions that will impact the future use of the assets) indicate that the carrying amount may not be fully recoverable or that the remaining useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets. No impairment charge was recognized for the years ended December 31, 2023, 2022 and 2021.

### ***Goodwill***

Goodwill represents the excess of the consideration over the fair value of the identifiable assets and liabilities acquired at the date of acquisition. In January 2017, the FASB issued ASU 2017-04, “Intangibles—Goodwill and Other (Topic 350), simplifying the test for goodwill impairment”. The guidance removes Step 2 of the goodwill impairment test, which required a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value. The Group tests goodwill at least annually for impairment at the reporting unit level. A reporting unit is the operating segment, or one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. The Group recognizes an impairment charge if the carrying amount of a reporting unit exceeds its fair value and the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of that goodwill. When a portion of a reporting unit is disposed, goodwill is allocated to the gain or loss on disposition based on the relative fair values of the business or businesses disposed and the portion of the reporting unit that will be retained. For the years ended December 31, 2023, 2022 and 2021, the Group has recognized goodwill impairment charges is \$5,488,816, \$777,329 and nil. For the goodwill impairment recognized during the year ended December 31, 2023, the Group recorded \$5,488,816 for Hengpu.

### ***Leases***

The Group adopted FASB ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”) on January 1, 2019 by using the modified retrospective method and did not restate the prior periods. The Group has elected the package of practical expedients, which allows the Group not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Group also elected the practical expedient not to separate lease and non-lease components of contracts. Lastly, the Group elected the short-term lease exemption for all contracts with lease terms of 12 months or less.

The Group determines if an arrangement is a lease or contains a lease at lease inception. For operating leases, the Group recognizes a “right of use” asset (“ROU”) and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. For finance leases, assets are included in property and equipment on the consolidated balance sheets. As most of the Group’s leases do not provide an implicit rate, the Group estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized loan basis with similar terms and payments, and in the economic environment where the leased asset is located. The Group’s leases often include options to extend and lease terms include such extended terms when the Group is reasonably certain to exercise those options. Lease terms also include periods covered by options to terminate the leases when the Group is reasonably certain not to exercise those options. Lease expense is recorded on a straight-line basis over the lease term.

## **Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Research and development expenses***

Research and development expenses mainly consist of salary and welfare benefits and bandwidth costs incurred for the development and enhancement to the Group's websites and platform applications. Research and development expenditures are expensed as incurred. Research and development expenses were \$1,093,457, \$1,563,718, and \$1,599,728 for the years ended December 31, 2023, 2022 and 2021, respectively.

### ***Income taxes***

The Group's subsidiaries in China are subject to the income tax laws of the PRC and Hong Kong. No taxable income was generated outside the PRC and Hong Kong for the years ended December 31, 2023, 2022 and 2021. The Group accounts for income tax under FASB ASC Section 740 which utilizes the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of the differences between financial statement carrying amounts of assets and liabilities versus the tax basis of assets and liabilities. Deferred tax assets are also provided for carryforward losses which can be used to offset future taxable income. Deferred income taxes will be recognized if significant temporary differences between tax and financial statements occur. A valuation allowance is established against net deferred tax assets when it is more likely than not that some portion or all of the net deferred tax asset will not be realized. The Group provided a valuation allowance of \$766,475 and \$1,566,959 on the net deferred tax assets as of December 31, 2023 and 2022, respectively.

The Group continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. 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 has a greater than 50% likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest related to underpayment of income taxes for uncertain tax positions are classified as income tax expense in the period incurred. No penalties or interest relating to uncertain tax positions has been incurred during the years ended December 31, 2023, 2022 and 2021. As of December 31, 2023, the tax years ended December 31, 2021 through December 31, 2023 for the Group's PRC subsidiaries remain open for statutory examination by PRC tax authorities and HK tax authorities.

Under the Provisional Regulations of the PRC Concerning Income Tax on Enterprises promulgated by the PRC, income tax is payable by enterprises at a rate of 25% of their taxable income determined under PRC accounting rules. Consolidated tax returns are not recognized in the PRC and all PRC companies file their own tax returns. The Group believes that it has provided the best estimates of its accrued tax liabilities because those accruals are based on the prevailing tax rates stipulated under the laws.

Under the provisions of the profits tax enacted in Hong Kong, profits tax is payable by enterprises at a rate of half the current rate (i.e., 8.25%) for the first HK\$2 million of profits earned while the remaining profits will continue to be taxed at the existing 16.5% if profits are generated.

### ***Value added tax ("VAT")***

Revenue represents the invoiced value of goods and services, net of VAT. VAT is based on the gross sales price and VAT rates range from 6% to 13%, depending on the type of goods or service provided. Entities that are VAT general taxpayers are allowed to offset qualified input VAT paid to suppliers against their output VAT liabilities. The net VAT balance between input VAT and output VAT is recorded in taxes payable. All of the VAT returns filed by the Group's subsidiaries in China, have been and remain subject to examination by the tax authorities for five years from the date of filing. Under the provisions of tax enacted in Hong Kong, no VAT is levied.

### ***Foreign currency translation***

Since the Group operates primarily in the PRC, the Group's functional currency is the Chinese Yuan ("RMB"). The Group's financial statements have been translated into the reporting currency of the United States Dollar. Assets and liabilities of the Group are translated at the exchange rate at each reporting period end date. Equity is translated at the historical exchange rates when the transaction occurred. Income and expense accounts are translated at the average rate of exchange during the reporting period. The resulting translation adjustments are reported in other comprehensive income (loss). Gains and losses resulting from other foreign currency transactions are reflected in the results of operations.

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into USDs at the rates used in translation. The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	December 31, 2023	December 31, 2022	December 31, 2021
Balance sheet items, except for equity accounts	US\$1=RMB 7.0999	US\$1=RMB 6.8972	US\$1=RMB 6.3726
Items in the statements of operations and cash flows	US\$1=RMB 7.0809	US\$1=RMB 6.7290	US\$1=RMB 6.4508
Balance sheet items, except for equity accounts	US\$1=HKD 7.8015	US\$1=HKD 7.8015	US\$1=HKD 7.7996
Items in the statements of operations and cash flows	US\$1=HKD 7.8306	US\$1=HKD 7.8306	US\$1=HKD 7.7727

***Statutory reserves***

In accordance with the relevant regulations and their articles of association, subsidiaries of the Group incorporated in the PRC are required to allocate at least 10% of their after-tax profit determined based on the PRC accounting standards and regulations to the general reserve until the reserve has reached 50% of the relevant subsidiary's registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective company. These reserves can only be used for specific purposes and are not transferable to the Group in the form of loans, advances or cash dividends. As of December 31, 2023, and 2022, appropriations to the general reserve were \$11,564,250 and \$9,167,845, respectively. No appropriations to the enterprise expansion fund or staff welfare and bonus fund have been made by the Group.

***Comprehensive income (loss)***

Comprehensive income (loss) consists of two components, net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to revenue, expenses, gains and losses that under U.S. GAAP are recorded as an element of shareholders' equity but are excluded from net income (loss). Other comprehensive income (loss) consists of foreign currency translation adjustments resulting from the Group not using the U.S. dollar as its functional currency.

***The Reverse Share Split***

On May 2, 2023, the Board of Directors of the Group approved a reverse share split of the Group's authorized shares (the "Reverse Share Split") at the ratio of one-for-ten. The Reverse Share Split was effective on May 18, 2023 to enable the Group to meet the NASDAQ continued listing standards relating to the minimum bid price (with which the Group was previously advised it was non-compliant). As a result, the Group's issued and outstanding shares was decreased.

Except where otherwise specified, all number of shares, share prices and per share data in the consolidated financial statements and the notes to the consolidated financial statements have been retroactively restated as if the Reverse Share Split occurred at the beginning of the periods presented.

***Employee benefits***

The full-time employees of the Group's PRC subsidiaries are entitled to staff welfare benefits including medical care, housing fund, pension benefits and unemployment insurance, which are governmental mandated defined contribution plans. These entities are 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.

***Credit risk and concentrations***

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash and accounts receivable. As of December 31, 2023, and 2022, \$ 114,651,940 and \$ 67,318,573 of the Group's cash and cash equivalents and restricted cash was on deposit at financial institutions in the PRC and Hong Kong, which the management believes are of high credit quality. On May 1, 2015, China's new Deposit Insurance Regulation came into effect, pursuant to which banking financial institutions, such as commercial banks, established in China are required to purchase deposit insurance for deposits for each account in each bank in RMB and in foreign currency placed with them for up RMB 500,000 (USD \$70,424 ). Such Deposit Insurance Regulations would not be effective in providing complete protection for the Group's accounts, as its aggregate deposits are much higher than the coverage limit. However, the Group believes that the risk of failure of any of these Chinese banks is remote. Bank failure is uncommon in China and the Group believes that the Chinese banks that hold the Group's cash and cash equivalents, restricted cash and short-term investments are financially sound based on public available information. In Hong Kong, the DPS is established under the Deposit Protection Scheme Ordinance (DPS Ordinance). In case a member bank of DPS (a Scheme member) fails, the DPS will pay compensation up to a maximum of HK\$500,000 (approximately US\$ 64,013 ) to each depositor of the failed Scheme member. Balances in excess of the insured amounts as of December 31, 2023 were approximately \$110,968,651.

## **Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Net earnings (loss) per share***

The Group computes earnings (loss) per share (“EPS”) in accordance with FASB ASC 260, “Earnings per Share” (“ASC 260”). Basic EPS is measured as net income (loss) divided by the weighted average common shares outstanding (including pre-funded warrants) for the period. For the calculation of diluted net income per share, the weighted average number of ordinary shares is adjusted by the effect of dilutive potential ordinary shares, including unvested RSUs and ordinary shares issuable upon the exercise of outstanding share options using the treasury stock method. The effect mentioned above is not included in the calculation of the diluted income/(loss) per share when inclusion of such effect would be anti-dilutive. For the years ended December 31, 2023, 2022, and 2021, there were no dilutive outstanding instruments.

### ***Treasury shares***

The Group accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury shares account in shareholders’ equity (deficit). At retirement of the treasury shares, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury shares over the par value reduces additional paid-in capital.

### ***Reclassification***

For comparability purposes with the Group’s consolidated financial statements as of and for the year ended December 31, 2023, goodwill impairment for the year ended December 31, 2022, was reclassified from general and administrative expenses and presented as a separate line item. The reclassification has no impact on the income statements, earning per shares and the overall consolidated financial statements.

### ***Recent accounting pronouncements***

The Group considers the applicability and impact of all accounting standards updates (“ASUs”). Management periodically reviews new accounting standards that are issued.

In June 2022, the FASB issued ASU 2022-03, which (1) clarifies the guidance in ASC 820 on the fair value measurement of an equity security that is subject to a contractual sale restriction and (2) requires specific disclosures related to such an equity security. ASU 2022-03 clarifies that a “contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security” and is not included in the equity security’s unit of account. Accordingly, an entity should not consider the contractual sale restriction when measuring the equity security’s fair value (i.e., the entity should not apply a discount related to the contractual sale restriction, as stated in ASC 820-10-35-36B as amended by the ASU). In addition, the ASU prohibits an entity from recognizing a contractual sale restriction as a separate unit of account. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Group’s consolidated financial statements.

In September 2022, the FASB issued ASU 2022-04 to enhance transparency about an entity’s use of supplier finance programs. ASU 2022-04 requires the buyer in a supplier finance program to disclose qualitative and quantitative information about the program, and at a minimum, the following at least annually: (1) the key terms of the program; including payment terms and assets pledged as security or other forms of guarantees; (2) the amount of obligations outstanding at the end of the reporting period that the buyer has confirmed as valid; a description of where those obligations are presented in the balance sheet; roll forward information for the annual period showing the amount at the beginning of the period, the amount added during the period, the amount settled during the period, and the amount outstanding at the end of the period. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on roll forward information, which is effective for fiscal years beginning after December 15, 2023. The adoption of this standard is not expected to have a material effect on the Group’s consolidated financial statements.

Except for the above-mentioned pronouncements, there are no other recently issued accounting standards that are expected to have a material impact on the Group’s consolidated financial position, statements of operations and cash flows.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 is designed to improve the reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses that are regularly provided to the CODM. The new standard is effective for the Group for its fiscal year beginning January 1, 2025, with early adoption permitted. The Group does not expect that the adoption of this guidance will have a material impact on its financial position, results of operations and cash flows.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 expands existing income tax disclosures for rate reconciliations by requiring disclosure of certain specific categories and additional reconciling items that meet quantitative thresholds and expands disclosures for income taxes paid by requiring disaggregation by certain jurisdictions. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Group is currently evaluating the impact of adopting the standard and does not expect that the adoption of this guidance will have a material impact on its financial position, results of operations and cash flows.

### Note 3 — SHORT-TERM INVESTMENTS

The following table summarizes the Group's short-term investments as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Wealth management products, cost	\$ 12,394,541	\$ 10,830,482
Structured deposits	-	724,932
Add: Accrued interest receivable	394,088	144,986
Total short-term investments	<u>\$ 12,788,629</u>	<u>\$ 11,700,400</u>

As of December 31, 2023 and 2022, short-term investments consist of investments in wealth management products issued by financial institutions of which the underlying assets are loans receivable or capital lease receivables and investments in structured deposits issued by a commercial bank. All the short investments have a stated maturity within 12 months and pay the prospective rates of return ranging from 2.25% to 9.5%. The Company recorded investment income on the products of \$1,134,178, \$1,412,101 and \$816,948 for the years ended December 31, 2023, 2022 and 2021, respectively.

### Note 4 — ACCOUNTS RECEIVABLE, NET

The accounts receivable consists of the following:

	December 31, 2023	December 31, 2022
Accounts receivable from services	\$ 13,411,519	\$ 14,373,341
Accounts receivable from sales	8,934,757	5,459,015
Total	<u>22,346,276</u>	<u>19,832,356</u>
Less: allowance for doubtful accounts	<u>(1,225,481)</u>	<u>(901,010)</u>
Accounts receivable, net	<u>\$ 21,120,795</u>	<u>\$ 18,931,346</u>

Movement of the allowance for doubtful accounts for accounts receivable and contract assets is as follows:

	Year ended December 31, 2023
Balance as of January 1	\$ 901,010
Provisions for doubtful accounts	350,195
Changes due to foreign exchange	(25,724)
Balance as of December 31	<u>\$ 1,225,481</u>

As of the date of the report, 79% of the accounts receivable as of 31 December 2023 had been collected and the remaining uncollected amounts had been subject to allowance for doubtful accounts based on credit impairment loss calculations.

### Note 5 — ADVANCE TO SUPPLIERS

As of December 31, 2023, and 2022, the balance of advance to suppliers amounted to \$38,602,304 and \$46,968,549, respectively. For the year ended December 31, 2023, the Company provided \$ 3,982,991 for an allowance for doubtful accounts for those outstanding advances to suppliers due to non-delivery and non-refund of prepayments by the supplier, the Company initiated a lawsuit in September 2022 with unsatisfactory mediation results and expects to re-initiate the lawsuit. For the year ended December 31, 2022, the Company provided \$4,186,385 for an allowance for doubtful accounts.

On March 23, 2023, the Group filed a lawsuit against Linyi Jinlong Cold Storage Factory ("Linyi Jinlong"), a supplier of the Group's subsidiary, Fintech (Zibo) Supply Chain Management Co. Ltd. ("Fintech Zibo"), for purchasing frozen pork cuts from Linyi Jinlong in the amount of \$1,117,664 (RMB7.71 million), which had been paid, and the Company demanded a refund or return of the goods due to the quality of the goods not being up to the required standard, which has not been properly dealt with by Linyi Jinlong. Considering that the recovery of the amount is unlikely, the financial statements provide full allowance for this prepayment.

### Note 6 — RECEIVABLES FROM SUPPLY CHAIN SOLUTIONS

As of December 31, 2023, and 2022, the balance of receivables from supply chain solutions amounted to \$59,167,029 and \$43,475,981, respectively. The aging of these financing receivables is generally within 12 months. For the year ended December 31, 2023, the Company provided a \$2,323,289 allowance for credit losses for those outstanding receivables from supply chain solutions due to accounting estimates based on Current Expected Credit Loss. For the year ended December 31, 2022, the Company provided a \$673,300 allowance for doubtful accounts for those outstanding receivables from supply chain solutions due to the possibility that some customers may not be able to pay their outstanding debts, and remaining outstanding receivables from supply chain solutions are secured by assets or are collected after December 31, 2022.

**Note 7 — INVENTORIES**

The inventories consist of the following:

	December 31, 2023	December 31, 2022
Raw materials	\$ 1,882,987	\$ 339,665
finished goods	29,070,596	31,270,212
Inventories	<u>\$ 30,953,583</u>	<u>\$ 31,609,877</u>

The Company consistently monitors its inventory for potential obsolete products. Any loss on damaged items is immaterial and will be recognized immediately. As a result, no reserve was made for inventory as of December 31, 2023 and 2022.

**Note 8 — PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consists of the following:

	December 31, 2023	December 31, 2022
Transportation equipment	\$ 1,253,545	\$ 1,103,604
Office equipment	152,230	107,504
Electronic equipment	267,120	199,420
Leasehold improvements	240,149	368,012
Subtotal	<u>1,913,044</u>	<u>1,778,540</u>
Less: accumulated depreciation	<u>(1,031,768)</u>	<u>(1,058,966)</u>
Property and equipment, net	<u>\$ 881,276</u>	<u>\$ 719,574</u>

Depreciation expense was \$349,696, \$353,298 and \$200,655 for the years ended December 31, 2023, 2022 and 2021, respectively.

**Note 9 — INTANGIBLE ASSETS, NET**

The following is a summary of intangible assets as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Software	\$ 571,541	\$ 543,137
Technology	4,183,158	4,306,095
Total intangible assets	<u>4,754,699</u>	<u>4,849,232</u>
Less: accumulated amortization	<u>(3,871,871)</u>	<u>(3,053,998)</u>
Intangible assets, net	<u>\$ 882,828</u>	<u>\$ 1,795,234</u>

Amortization expense was \$907,490, \$934,457 and \$971,453 for the years ended December 31, 2023, 2022 and 2021, respectively.

Amortization expense for the next four years are as follows:

	Amortization expense
2024	\$ 732,137
2025	65,132
2026	41,995
2027	43,564
<b>TOTAL</b>	<u><u>882,828</u></u>

**Note 10 — INVESTMENT IN LIMITED PARTNERSHIP**

During the year end December 31, 2020, the Group invested, as a limited partner, \$15,962,799 (RMB101,724,531) into a Limited partnership (“LP”), which invests the funds in debt securities of private companies. Pursuant to the agreement, the LP’s investment in debt securities have a fixed interest rate of 8% for a term of 5 years. The interest is due on an annual basis. The Group values its investment in the LP using the equity method and classified it as long-term according to ASC Topic 323. On April 28, 2023, the Group revised the partnership agreement with the general partner to transfer all of its investment in the limited partnership to Tai’an Lakeshore Investment Co., Ltd, which is the minority limited partner. The purchase price was approximately \$15,368,555 (RMB 106 million) in cash, which was paid on May 10, 2023. The disposition results in a gain from disposition of approximately \$77,200 (approximately RMB 532 thousand). As of December 31, 2023, the carrying value of this investment was nil. As of December 31, 2022, the carrying value of this investment was \$14,913,539, consisting of the principal balance of \$14,748,671 and interest receivable of \$164,868. For the year ended December 31, 2023, 2022 and 2021, the Group recognized investment income from this investment of \$443,211, \$837,861 and \$892,308,, respectively. For the years ended December 31, 2023, 2022 and 2021, the Group received cash distributions of \$528,612, \$820,072 and \$799,569, respectively. For the years ended December 31, 2023, 2022 and 2021, the Group did not recognize any impairment loss for the investment in the LP.

## Note 11 — Goodwill

Changes in the carrying amount of goodwill by segment for the years ended December 31, 2023 and 2022 were as follows:

	Acquisition of Fintech	Acquisition of Hengpu	Acquisition of Nami	Total
Balance as of December 31, 2022(i)	4,585,321	6,593,272	12,635,412	23,814,005
Goodwill allowance (ii)	-	(5,488,816)	-	(5,488,816)
Foreign currency translation adjustments	(130,910)	(173,559)	(360,737)	(665,206)
Balance as of December 31, 2023	<u>\$ 4,454,411</u>	<u>\$ 930,897</u>	<u>\$ 12,274,675</u>	<u>\$ 17,659,983</u>

(i) The goodwill associated with the Fintech Acquisition and Hengpu Acquisition was initially recognized at the acquisition closing date on December 31, 2019. The goodwill associated with the Nami Acquisition and Hengpu Acquisition was initially recognized at the acquisition closing date on May 31, 2020.

(ii) For the goodwill impairment recognized during the year ended December 31, 2023, the Group recorded \$5,488,816 for Hengpu.

## Note 12 — LONG-TERM INVESTMENTS

As of December 31, 2023, and 2022, the balance of long-term investment amounted to nil and \$7,249,319, respectively. As of December 31, 2023, early redemption of outstanding long-term investments and no new long-term investments. As of December 31, 2022, long-term investments consist of investments in structured deposits issued by a commercial bank. All the long-term investments have a stated maturity of more than 12 months and pay the prospective rate of 3.33%. The Company recorded interest income on these investments of 133,818 and \$92,491 for the year ended December 31, 2023 and 2022, respectively.

## Note 13 — SHORT TERM BANK LOANS

Short-term bank loans consisted of the following loans:

Lender	December 31, 2023	Term	Effective Interest Rate
Industrial and Commercial Bank of China (ICBC)	422,541	November 20, 2023 to November 20, 2024	3.45%
Dongying Bank	1,408,471	November 03, 2023 to November 03, 2024	6.90%
China Everbright Bank	<u>\$ 140,847</u>	January 12, 2023 to January 11, 2024	4.35%
Total	1,971,859		
Less: current portion	<u>1,971,859</u>		
Long term portion	<u>\$ -</u>		

Lender	December 31, 2022	Term	Effective Interest Rate
China Everbright Bank	<u>\$ 434,959</u>	August 26, 2022 to August 25, 2023	4.35%
Total	434,959		
Less: current portion	<u>434,959</u>		
Long term portion	<u>\$ -</u>		

All principal of the above loans as of December 31, 2023 and 2022 are due upon maturity and interest payments are due on a quarterly or monthly basis.

As of 31 December 2023, Industrial and Commercial Bank of China of \$422,541 were guaranteed by Fintech Shanghai and China Everbright Bank of \$140,847 were guaranteed by Jiang Peng, Qingping Lv and Fintech Shanghai.

The Group repaid \$411,579 to China Everbright Bank on August 25, 2023. The Group repaid \$140,847 to China Everbright Bank on January 10, 2024.

Interest expense for these loans was \$30,144, \$24,239 and \$31,355 for the years ended December 31, 2023, 2022 and 2021, respectively.

## Note 14 — LEASES

Leases are classified as operating leases or finance leases in accordance with FASB ASC 842. The Group's operating leases are principally for office facilities. For leases with terms greater than 12 months, the Group records the related right-of-use asset and lease liability at the present value of lease payments over the term. The right-of-use asset is amortized over the life of the lease on a straight-line basis. Certain leases include rental escalation clauses, renewal options and/or termination options, which are factored into the Group's determination of lease payments when appropriate.

**Note 14 — LEASES (CONTINUED)**

As of December 31, 2023, the weighted average remaining lease term was the weighted average remaining lease term was 1.03 years and the weighted average discount rate was 4.3% for the Group's operating leases. The Group's lease costs are included within general and administrative expenses on the consolidated statements of operations. For the year ended December 31, 2023, the amortization expense amounted to \$907,422 and the interest expense amount to \$125,855.

As of December 31, 2022, the weighted average remaining lease term was 2.67 years and the weighted average discount rate was 4.3% for the Group's operating leases. The Group's lease costs are included within cost of revenue and administrative expenses on the consolidated statements of operations. For the year ended December 31, 2022, the lease cost amounted to \$885,559.

As of December 31, 2021, the weighted average remaining lease term was 1.21 years and the weighted average discount rate was 4.65% for the Group's operating leases. The Group's lease costs are included within cost of revenue and selling and administrative expenses on the consolidated statements of operations. For the year ended December 31, 2021, the lease cost amounted to \$680,033.

The future undiscounted aggregate minimum lease payments under non-cancellable operating leases are as follows as of December 31, 2023:

<b>Year ended December 31,</b>	<b>Amount</b>
2024	\$ 953,341
2025	821,807
2026	626,909
2027	277,752
2028	-
thereafter	-
Total undiscounted future minimum lease payments	2,679,809
Less: amount representing interest	175,646
Total present value of operating lease liabilities	2,504,163
Less: current portion of operating lease liabilities	861,087
Non-current portion of operating lease liabilities	<u>\$ 1,643,076</u>

**Note 15 — INCOME TAXES**

Taxes payable consisted of the following:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Income tax payable	\$ 2,400,330	\$ 808,705
Value added tax payable	1,662,880	1,897,087
Business tax payable	20,843	19,342
Other taxes payable	61,867	23,340
Total taxes payable	<u>\$ 4,145,920</u>	<u>\$ 2,748,474</u>

**BVI**

Nisun International, formerly known as Hebron Technology, and Nisun BVI were incorporated in the BVI and are not subject to income taxes under the current laws of the BVI.

**Cayman**

Nami Cayman is incorporated in the Cayman Islands and is not subject to income taxes under the current laws of the Cayman Islands.

**Hong Kong**

Nisun HK and Nami HK are the companies registered in Hong Kong and subject to a corporate income tax rate of 8.25% on the first HK\$2 million of profits and the remaining profits will be taxed at 16.5% if revenue is generated in Hong Kong. HK\$1,714,103 and HK\$3,572,012 pretax income was generated in Hong Kong for the years ended December 31, 2023 and 2022.



## Note 15 — INCOME TAXES (CONTINUED)

### PRC

Under the PRC Enterprise Income Tax Law (the “EIT Law”), the standard enterprise income tax rate for domestic enterprises and foreign invested enterprises is 25%. Starting from the year ended December 31, 2020, Fintech qualified as a High-technology Company and is subject to a favorable income tax rate of 15%. Fintech’s High-technology certificate is valid for three years starting from November 2020 and subject to renewal. In accordance with the implementation rules of the Income Tax Law of the PRC, for the enterprises newly established in the Horgos Development Zone within the scope of “preferential catalogue of income tax for key industries encouraged to develop in Xinjiang’s difficult areas”, the entity shall be exempt from the enterprise income tax for five years from the tax year of the first production and operations income. Khorgos is established in the Horgos Development Zone and its income tax is eligible to be exempt for five years starting from the year ended December 31, 2019. For the year ended December 31, 2023, Jilin Lingang, Jilin Lingang Hengda, Liaogang Yingkou, Fintech Zibo Nisun Gold, Nisun Shandong, Gansu Zhonghexi, NingChen, Shanghai Naqing, RZ Sailang, Fanshengke, Henan Trading and Fanningke are subject to a favorable income tax rate of 5% due to being small and micro taxpayers. The remaining Group’s subsidiaries, VIEs and VIEs’ subsidiaries from the financial services business are subject to corporate income tax at the PRC unified rate of 25%.

*i) The components of the income tax provision (benefit) are as follows:*

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Current tax provision	\$ 6,527,819	\$ 4,792,026	\$ 9,996,987
Deferred tax (benefit) provision	(710,672)	(50,172)	272,514
Total	<u>\$ 5,817,147</u>	<u>\$ 4,741,854</u>	<u>\$ 10,269,501</u>

*ii) The following table summarizes net deferred tax assets resulting from differences between the financial accounting basis and tax basis of assets and liabilities:*

	December 31, 2023	December 31, 2022
<b>Deferred tax assets:</b>		
Provision for doubtful accounts	\$ 1,185,047	\$ 1,369,968
Net operating loss carry-forwards	-	214,893
Expenses not currently deductible	-	292,675
Total deferred tax assets	1,185,047	1,877,536
Less: valuation allowance	(766,476)	(1,566,959)
Net deferred tax assets	<u>\$ 418,571</u>	<u>\$ 310,577</u>

The change in valuation allowance for the years ended December 31, 2023, 2022 and 2021 amounted to negative \$800,483 , \$942,054 and \$256,740, respectively.

	December 31, 2023	December 31, 2022
<b>Deferred tax liabilities:</b>		
Intangible assets acquired from business combinations	\$ 114,650	\$ 291,858
Revenue not currently taxable	-	418,066
Other	-	17,402
Total deferred tax liabilities	<u>\$ 114,650</u>	<u>\$ 727,326</u>

**Note 15 — INCOME TAXES (CONTINUED)**

As the PRC does not allow the filing of consolidated tax returns, the deferred taxes relate to separate entities that file their own tax returns and therefore could not be offset with each other. The following table reconciles the China statutory rates to the Group's effective tax rate for the years ended December 31, 2023, 2022 and 2021:

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
China Income tax statutory rate	25.0%	25.0%	25.0%
Effect of favorable income tax rates	(4.2)%	(8.1)%	(8.3)%
Effect of temporary differences	(3.0)%	-	0.6%
Effect of non-deductible expenses	2.6%	0.1%	7.7%
Change in Valuation Allowance	3.4%	4.1%	-
Effect of net operating loss carryforwards	0.9%	-	-
Effective tax rate-continuing operations	24.7%	21.1%	25.0%

The Group continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. As of December 31, 2023, the tax years ended December 31, 2021 through December 31, 2023 for the Group's PRC subsidiaries, VIEs and the subsidiaries of VIEs remain open for statutory examination by PRC tax authorities.

The per share effect of favorable income tax rates for the years ended December 31, 2023, 2022 and 2021 were \$0.25, \$0.16 and \$1.57, respectively.

**Note 16 — CONCENTRATION OF MAJOR CUSTOMERS**

Substantially all of the Group's revenue from financial services and the supply chain trading business is derived from customers that are located primarily in China. The Group has a concentration of its revenues with specific customers. For the year ended December 31, 2023, four customers accounted for 28%, 19%, 15%, and 11% of the Group's total revenue from the financial services business and two customer accounted for 44% and 12% of the Group's total revenue from its supply chain trading business. For the year ended December 31, 2022, five customers accounted for 18%, 16%, 15%, 13% and 13% of the Group's total revenue from the financial services business and one customer accounted for 29% of the Group's total revenue from its supply chain trading business. For the year ended December 31, 2021, two customers accounted for 37% and 15% of the Group's total revenue from the financial services business and two customers accounted for 71% and 10% of the Group's total revenue from its supply chain trading business. As of December 31, 2023, three customers accounted for approximately 23%, 19% and 16% of the Group's total accounts receivable balance. As of December 31, 2022, two customers accounted for approximately 20% and 11% of the Group's total accounts receivable balance.

**Note 17 — SHAREHOLDERS' EQUITY**

The Group had 5,000,000 authorized common shares at \$0.01 par value, consisting of 4,000,000 authorized Class A common shares and 1,000,000 Class B common shares, of which 3,981,262 Class A common shares were issued and outstanding as of December 31, 2021. On January 13, 2022, the Company adopted the Amended and Restated Memorandum and Articles of Association of the Company to increase the authorized number of Class A common shares, par value of \$0.01. On February 2, 2022, the Company filed the Amended M&A with the British Virgin Islands Registrar of Corporate Affairs. Pursuant to the Amended M&A, the Company is authorized to issue a maximum of 31,000,000 Common Shares divided into (i) 30,000,000 Class A Common Shares, and (ii) 1,000,000 Class B Common Shares of which 4,006,263 Class A common shares were issued and 3,944,075 outstanding as of December 31, 2022. No class B common shares are issued and outstanding as of December 31, 2022.

On May 2, 2023, the Board of Directors of the Group approved a reverse split of the Company's common shares at the ratio of one-for-ten with the effective date of May 18, 2023. The Reverse Share Split reduced the shares authorized for issuance to 31,000,000 common shares divided into: (i) 30,000,000 Class A Common Shares, each with a par value of US\$0.01, and (ii) 1,000,000 Class B Common Shares, each with a par value of US\$0.01, of which 4,017,596 Class A common shares were issued and 3,952,198 outstanding as of December 31, 2023. No class B common shares are issued and outstanding as of December 31, 2023. The financial statements give retroactive effect to this one-for-ten Reverse Share Split.

## Note 17 — SHAREHOLDERS' EQUITY (CONTINUED)

### Additional paid-in capital

On June 30, 2020, Nisun Cayman, contributed additional capital of \$4,550,000 which has been shown as additional paid-in capital.

### Private placement 2019

On December 6, 2019, the Group and certain institutional investors entered into a share purchase agreement pursuant to which the Group sold 1,048,932 Class A common shares at \$6.21 per share. The transaction closed on May 1, 2020 and the Group received net proceeds of \$6,503,378.

### Shares issued for acquisition of Nami

In connection of the acquisition of Nami on May 31, 2020, the Group issued 1,562,726 Class A common shares to the shareholders of Nami as purchase consideration. The fair value of the stock consideration was \$18,330,776 based on the weighted average of the closing share price of the Group for five trading days up to the date immediately prior to the signing date of purchase agreement.

### Share incentive plan

The Board of directors approved the 2019 One Million Share Incentive Plan (the "2019 Plan") on December 20, 2019, which permits the grant of restricted shares and options to the employees, directors, officers and consultants to purchase the Company's Class A common shares. The maximum aggregate number of Class A common shares, which may be issued pursuant to all awards under the 2019 Plan, 100,000 shares. The Plan is valid and effective for a term of ten years commencing from its adoption.

On April 6, 2020, the Board initially granted an aggregate of 30,000 restricted Class A common shares to the Group's CFO and two officers of which subsequently 6,700 shares were forfeited and cancelled. The fair value of these restricted Class A common shares was \$1,721,870, determined using the closing price of \$73.90 on April 6, 2020. Pursuant to the agreement, one-third (33%) of the common shares of restricted stock vested on the date of the grant and the first anniversary of the date of grant; and the remaining 34% will vest on the second anniversary of the date of the grant. For the year ended December 31, 2022, 2021, and 2020, the Group recognized share-based compensation of \$125,630, \$1,097,415 and \$498,825, respectively. As of December 31, 2022, the Group had no unrecognized share-based compensation.

On September 24, 2021, the Board granted an aggregate of 750 Class A common shares to three non-employee directors. The fair value of these Class A common shares was \$71,175, determined using the closing price on September 4, 2020. On September 4, 2020, the Company entered into certain engagement letters with these three directors. Pursuant to the agreements, each of the Directors will have served the Company for a full year (the vesting period) and on September 4, 2021, the anniversary date of their appointment as a director, received such shares share. The value of these shares was recognized in general and administrative expenses over the vesting period.

On September 1, 2023, the Board granted an aggregate of 7,500 Class A common shares to three non-employee directors. The fair value of these Class A common shares was \$19,800, determined using the closing price on September 1, 2023. On September 4, 2020, the Company entered into certain engagement letters with these three directors. Pursuant to the agreements, each of the Directors will have served the Company for a full year (the vesting period) and on September 4, 2022, the anniversary date of their appointment as a director, received such shares share. 7,500 shares of Class A common stock were retroactively issued in 2023 for shares due to three non-employee directors in 2022. The value of these shares was recognized in general and administrative expenses over the vesting period.

On September 5, 2023, the Board granted an aggregate of 4,500 Class A common shares to two non-employee directors. The fair value of these Class A common shares was \$12,015, determined using the closing price on September 5, 2023. On September 4, 2020, the Company entered into certain engagement letters with these two directors. Pursuant to the agreements, each of the Directors will have served the Company for a full year (the vesting period) and on September 4, 2023, the anniversary date of their appointment as a director, received such shares share. The value of these shares was recognized in general and administrative expenses over the vesting period.

### Public and registered direct offerings

On December 13, 2021, the Company completed an underwritten public offering of approximately \$77 million, before deducting underwriting discounts, commissions and other offering expenses. The offering consisted of (i) 1,219,000 shares of Class A common shares and (the "December 2021 Common shares") (ii) pre-funded warrants to purchase 706,000 Class A Common Shares (the "Pre-Funded Warrants"). Each Pre-funded Warrants entitles the holder to purchase one Class A Common Share at an exercise price of \$0.01 per share until the Pre-funded Warrants are exercised in full, subject to adjustment as provided in the Prefunded Warrant. The Pre-Funded Warrants are exercisable at any time after the date of issuance upon payment of the exercise price.

**Note 17 — SHAREHOLDERS' EQUITY (CONTINUED)**

Management determined that the Pre-Funded Warrants met the requirements for equity classification under ASC 815-40 because they are indexed to the Company's own stock. The warrants were recorded at their fair value on the date of issuance as a component of shareholders' equity. In addition, since these warrants are exercisable for a nominal amount, they have been shown as exercised when issued and as outstanding common stock in the accompanying financial statements and earnings per share calculations.

As of December 31, 2023, 705,153 of the 706,000 Pre-Funded Warrants have been exercised.

**Note 18 — RELATED PARTY TRANSACTIONS**

The table below sets forth major related parties of The Group and their relationships with the Group:

Entity or individual name	Relationship with the Group
NiSun Agricultural Group Co., Ltd. ("NiSun Agricultural")	An affiliated entity controlled by the ultimate controlling shareholder of the Group
Nisun International Enterprise Management Group Co., Ltd ("Nisun Cayman")	A shareholder who owns 19.42% equity interest of the Group
Mr. Bodang Liu	An affiliate and largest shareholder of the Group
Mr. Jian Lin	The shareholder of Wenzhou Jinda

(a) The Group entered into the following related party transactions:

From July 12, 2019 to June 20, 2022, the Group rented an office from NiSun Agricultural and incurred \$ 70,044 and \$136,532 of rent expense for the years ended December 31, 2022 and 2021, respectively.

Starting from July 01, 2022, the Group rented an office to NiSun Agricultural and earned \$ 233,215 and \$122,706 of rental income for the year ended December 31, 2023 and 2022, respectively.

(b) The Group had the following significant related party balances:

As of December 31, 2023, the Group had fully repaid the amount owed by Nisun Cayman.

As of December 31, 2022, the Group had a due to related party balance of \$8,028,965 owing to Nisun Cayman. During the year ended December 31, 2020, Nisun Cayman advanced \$10,528,965 (RMB 69,883,631) as a loan to the Group. The Group repaid Nisun Cayman \$2.5 million during the year ended December 31, 2022. The loan is due on demand and without interest.

## Note 19 — COMMITMENTS AND CONTINGENCIES

### COMMITMENTS

Non-cancellable operating leases

The following table sets forth our contractual obligations as of December 31, 2023:

	Payment due by December 31,				
	Total	2024	2025	2026	2027
Operating lease commitments for property management expenses under lease agreement	\$ 366,243	\$ 104,641	\$ 104,641	\$ 104,641	\$ 52,320

### CONTINGENCIES

The Group may be involved in various legal proceedings, claims and other disputes arising from the commercial operations, employees and other matters which, in general, are subject to uncertainties and in which the outcomes are not predictable. The Group determines whether an estimated loss for a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. As of December 31, 2023, the Group guaranteed a bank loan for a third party company of \$1,408,471. Except for the guarantee, the Group was not aware of any litigation, lawsuits or claims as of December 31, 2023.

### Note 20 — SUBSEQUENT EVENTS

#### Returned from Youjiation equity

On December 28, 2022, the Group sold all its equity interests in Youjiation to Shandong Yongdao Zhihe property management Co., Ltd, which was acquired on January 14, 2022, for cash consideration of \$289,973 (RMB 2 million), which was collected subsequently on January 17, 2023. As the other shareholder of Youjiation, Xu Guifeng, did not agree to the transfer of the equity interest in Youjiation to Shandong Yongdao Zhihe, on November 24, 2023, the Group received US\$71,514 (RMB510,000) in cash from Xu Guifeng as consideration for the transfer of the Company's holding of the equity interest in Youjiation. On January 9, 2024, the Group returned to Shandong Yongdao Zhihe the cash amount of US\$279,037 (RMB2,000,000).

#### Recovery of short-term investment

As of 30 April, 2024, the principal of short-term investments as at 31 December 2023 was recovered in the amount of \$12.39 million, and investment income of \$0.44 million was achieved.

### Note 21 — RESTRICTED NET ASSETS

The Group's ability to pay dividends is primarily dependent on the Group receiving distributions of funds from its subsidiaries and VIEs. Relevant PRC statutory laws and regulations permit payments of dividends by the Group's subsidiaries and VIEs incorporated in the PRC only out of their retained earnings, after required statutory reserves, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Group's subsidiaries and VIEs.

In accordance with the PRC laws and regulations, statutory reserve funds can only be used for specific purposes and are not distributable as cash dividends. As a result of these PRC laws and regulations that require annual appropriation of 10% of net after-tax profits determined in accordance with PRC accounting standards and regulations to be set aside prior to payment of dividends as a general reserve fund or statutory surplus fund until such reserve reaches 50% of the registered capital. Therefore, The Group's PRC subsidiaries and VIEs are restricted in their ability to transfer a portion of their net assets to the Group. For the years ended December 31, 2023 and 2022 the statutory reserve balance for the Group's entities established in the PRC was \$11,535,366 and \$9,167,845, respectively.

### Note 22 — CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

The Group performed a test on the restricted net assets of its consolidated subsidiaries and VIEs (the "restricted net assets") in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements". Such restricted net assets amounted to approximately \$78.4 million, or 39.7% of the Group's total consolidated net assets, as of December 31, 2023. Based upon this percentage, the Group is required to disclose the financial information for the parent company.

No dividends have been paid to the parent Company for the periods presented. For the purpose of presenting parent only financial information, the Group records its investment in its subsidiaries under the equity method of accounting. Such investments are presented on the separate consolidated balance sheets as "Investment in Subsidiaries, VIEs and VIEs' subsidiaries" and the income of the subsidiaries, VIEs and VIEs' subsidiaries as "Share of Profit (Loss) in Subsidiaries, VIEs and VIEs' subsidiaries." Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

The Group did not have any significant or other commitments, long-term obligations or guarantees as of December 31, 2023 and 2022.

**Note 22 — CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)**

**ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY**

a) Condensed parent company balance sheets:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 7,676,349	\$ 23,091,162
Due from intercompany and others	10,805,488	11,005,498
<b>TOTAL CURRENT ASSETS</b>	<b>18,481,837</b>	<b>34,096,660</b>
Other non-current assets	-	-
Investment in subsidiaries, VIE, and VIEs' subsidiaries	180,681,532	159,855,586
<b>TOTAL ASSETS</b>	<b>\$ 199,163,369</b>	<b>\$ 193,952,246</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses and other liabilities	\$ 364,498	\$ 8,320,441
<b>TOTAL CURRENT LIABILITIES</b>	<b>364,498</b>	<b>8,320,441</b>
<b>Commitments and contingencies</b>		
<b>Shareholders' equity*</b>		
Class A common stock, \$0.01 par value, 30,000,000 and 30,000,000 shares authorized, 4,017,596 and 4,006,263 shares issued and 3,952,865 and 3,944,075 shares outstanding as of December 31, 2023 and 2022 respectively.	40,176	40,063
Class B common stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding.	-	-
Treasury shares, at cost	(261,592)	(355,844)
Additional paid-in capital	130,535,082	130,503,387
Retained earnings	68,395,637	53,214,304
Statutory reserve	11,564,250	9,167,845
Accumulated other comprehensive loss	(11,474,682)	(6,937,950)
Total shareholders' equity	198,798,871	185,631,805
Total liabilities and shareholders' equity	<b>\$ 199,163,369</b>	<b>\$ 193,952,246</b>

\* The financial statements give retroactive effect to the May 18, 2023 one-for-ten reverse share split.

b) Condensed statements of comprehensive income (loss)

	<b>For the year ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Intercompany revenue	\$ -	\$ 2,939,975	\$ -
General and administrative	(474,664)	(1,421,470)	(3,071,681)
Other income (expense)	(67,815)	23,111	-
Share of profit in subsidiaries, VIEs and VIEs' subsidiaries	18,120,217	16,079,196	33,452,042
Net income	17,577,738	17,620,812	30,380,361
Foreign currency translation adjustment	(4,536,797)	(12,576,380)	2,039,011
Comprehensive income	13,040,941	5,044,432	32,419,372
Comprehensive loss attributable to non-controlling interests	65	6,231	2,051
Comprehensive income attributable to shareholders	<b>\$ 13,041,006</b>	<b>\$ 5,050,663</b>	<b>\$ 32,421,423</b>

**Note 22 — CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)**

## c) Condensed statement of cash flows

	<b>For the year ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:			
Net income	\$ 17,577,738	\$ 17,620,812	\$ 30,380,361
Adjustments to reconcile net income (loss) to net cash used in operating activities	-	-	-
Share of profit in subsidiaries, VIEs and VIEs' subsidiaries	(18,120,217)	(16,079,196)	(33,449,939)
Shares-based compensation	31,808	310,630	570,000
Due from intercompany and others	-	(4,000,000)	(364)
Net cash (used in) operating activities	<u>(510,671)</u>	<u>(2,147,754)</u>	<u>(2,499,942)</u>
Cash flows from investing activities:			
Payments made for investment in subsidiaries	<u>(6,969,429)</u>	<u>(40,202,189)</u>	<u>-</u>
Net cash (used in) investing activities	<u>(6,969,429)</u>	<u>(40,202,189)</u>	<u>-</u>
Cash flows from financing activities:			
Proceeds from issuance of shares and warrants	-	-	70,794,465
Repayment of related party loans	(8,028,965)	(2,500,000)	-
Purchase of treasury shares	<u>94,252</u>	<u>(355,844)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(7,934,713)</u>	<u>(2,855,844)</u>	<u>70,794,465</u>
Net (decrease) increase in cash and cash equivalents	<u>(15,414,813)</u>	<u>(45,205,787)</u>	<u>68,294,523</u>
Cash and cash equivalents at beginning of the year	23,091,162	68,296,949	2,426
Cash and cash equivalents at end of the year	<u>\$ 7,676,349</u>	<u>\$ 23,091,162</u>	<u>\$ 68,296,949</u>

**ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY***Basis of presentation*

Condensed financial information is used for the presentation of the Group, or the parent company. The condensed financial information of the parent company has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the parent company uses the equity method to account for investment in its subsidiaries and VIEs.

The parent company records its investment in its subsidiaries and VIEs under the equity method of accounting as prescribed in FASB ASC 323, Investments-Equity Method and Joint Ventures. Equity method accounting ceases when the carrying amount of the investment, including any additional financial support, in a subsidiary and VIE is reduced to zero unless the parent company has guaranteed obligations of the subsidiary and VIE or is otherwise committed to provide further financial support. If the subsidiary and VIE subsequently reports net income, the parent company shall resume applying the equity method only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The parent company's condensed financial statements should be read in conjunction with the Group's consolidated financial statements.