

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2024

or

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

For the transition period from _____ to _____

Commission File Number 001-40391

iPower Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

82-5144171

(I.R.S. Employer
Identification No.)

8798 9th Street

Rancho Cucamonga, CA 91730

(Address of principal executive offices) (Zip Code)

(626) 863-7344

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	IPW	The Nasdaq Stock Market LLC

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, 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 provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock on February 13, 2025 was 31,449,098.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

iPower Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
As of December 31, 2024 and June 30, 2024

	December 31, 2024 (Unaudited)	June 30, 2024
ASSETS		
Current assets		
Cash and cash equivalent	\$ 2,877,457	\$ 7,377,837
Accounts receivable, net	13,926,432	14,740,093
Inventories, net	9,183,631	10,546,273
Prepayments and other current assets, net	2,292,744	2,346,534
Total current assets	<u>28,280,264</u>	<u>35,010,737</u>
Non-current assets		
Right of use - non-current	4,757,429	6,124,163
Property and equipment, net	303,059	370,887
Deferred tax assets, net	3,001,517	2,445,605
Goodwill	3,034,110	3,034,110
Intangible assets, net	3,306,014	3,630,700
Other non-current assets	1,187,179	679,655
Total non-current assets	<u>15,589,308</u>	<u>16,285,120</u>
Total assets	<u>\$ 43,869,572</u>	<u>\$ 51,295,857</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable, net	\$ 8,853,320	\$ 11,227,116
Other payables and accrued liabilities	3,491,596	3,885,487
Lease liability - current	1,540,624	2,039,301
Short-term loan payable	-	491,214
Short-term loan payable - related party	350,000	350,000
Revolving loan payable, net	-	5,500,739
Income taxes payable	274,947	276,158
Total current liabilities	<u>14,510,487</u>	<u>23,770,015</u>
Non-current liabilities		
Long-term revolving loan payable	4,042,400	-
Lease liability - non-current	3,612,756	4,509,809
Total non-current liabilities	<u>7,655,156</u>	<u>4,509,809</u>
Total liabilities	<u>22,165,643</u>	<u>28,279,824</u>
Commitments and contingency	-	-
Stockholders' Equity		
Preferred stock, \$0.001 par value; 20,000,000 shares authorized; 0 shares issued and outstanding at December 31, 2024 and June 30, 2024	-	-
Common stock, \$0.001 par value; 180,000,000 shares authorized; 31,359,899 and 31,359,899 shares issued and outstanding at December 31, 2024 and June 30, 2024	31,361	31,361
Additional paid in capital	33,867,156	33,463,883
Accumulated deficits	(12,041,063)	(10,230,601)
Non-controlling interest	(44,195)	(38,204)
Accumulated other comprehensive loss	(109,330)	(210,406)
Total stockholders' equity	<u>21,703,929</u>	<u>23,016,033</u>
Total liabilities and stockholders' equity	<u>\$ 43,869,572</u>	<u>\$ 51,295,857</u>

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

iPower Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss
For the Three and Six Months Ended December 31, 2024 and 2023

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
REVENUES				
Product sales	\$ 17,606,889	\$ 16,800,122	\$ 35,882,301	\$ 43,308,496
Service income	1,465,682	–	2,198,791	–
Total revenues	<u>19,072,571</u>	<u>16,800,122</u>	<u>38,081,092</u>	<u>43,308,496</u>
COST OF REVENUES				
Product costs	9,461,119	9,481,882	19,378,567	24,231,411
Service costs	1,221,566	–	1,824,742	–
Total cost of revenues	<u>10,682,685</u>	<u>9,481,882</u>	<u>21,203,309</u>	<u>24,231,411</u>
GROSS PROFIT	<u>8,389,886</u>	<u>7,318,240</u>	<u>16,877,783</u>	<u>19,077,085</u>
OPERATING EXPENSES:				
Selling and fulfillment	4,628,914	6,936,980	10,543,722	17,000,451
General and administrative	3,077,365	2,933,607	8,396,888	5,897,658
Total operating expenses	<u>7,706,279</u>	<u>9,870,587</u>	<u>18,940,610</u>	<u>22,898,109</u>
INCOME (LOSS) FROM OPERATIONS	<u>683,607</u>	<u>(2,552,347)</u>	<u>(2,062,827)</u>	<u>(3,821,024)</u>
OTHER INCOME (EXPENSE)				
Interest expenses	(140,672)	(182,612)	(280,634)	(410,977)
Loss on equity method investment	(802)	(801)	(1,721)	(1,826)
Other non-operating income (expenses)	(205,958)	128,838	12,728	61,672
Total other expenses, net	<u>(347,432)</u>	<u>(54,575)</u>	<u>(269,627)</u>	<u>(351,131)</u>
INCOME (LOSS) BEFORE INCOME TAXES	<u>336,175</u>	<u>(2,606,922)</u>	<u>(2,332,454)</u>	<u>(4,172,155)</u>
PROVISION FOR INCOME TAX EXPENSE (BENEFIT)	<u>120,511</u>	<u>(688,939)</u>	<u>(516,001)</u>	<u>(964,821)</u>
NET INCOME (LOSS)	<u>215,664</u>	<u>(1,917,983)</u>	<u>(1,816,453)</u>	<u>(3,207,334)</u>
Non-controlling interest	(3,155)	(3,155)	(5,991)	(5,991)
NET INCOME (LOSS) ATTRIBUTABLE TO IPOWVER INC.	<u>\$ 218,819</u>	<u>\$ (1,914,828)</u>	<u>\$ (1,810,462)</u>	<u>\$ (3,201,343)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustments	156,130	(160,255)	101,076	(160,962)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO IPOWVER INC.	<u>\$ 374,949</u>	<u>\$ (2,075,083)</u>	<u>\$ (1,709,386)</u>	<u>\$ (3,362,305)</u>
WEIGHTED AVERAGE NUMBER OF COMMON STOCK				
Basic	<u>31,437,517</u>	<u>29,790,242</u>	<u>31,427,360</u>	<u>29,777,378</u>
Diluted	<u>31,437,517</u>	<u>29,790,242</u>	<u>31,427,360</u>	<u>29,777,378</u>
EARNINGS (LOSSES) PER SHARE				
Basic	<u>\$ 0.01</u>	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.11)</u>
Diluted	<u>\$ 0.01</u>	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.11)</u>

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

iPower Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Three and Six Months Ended December 31 , 2024 and 2023

	Common Stock		Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Non-controlling interest	Accumulated other Comprehensive income (loss)	Total
	Shares	Amount					
Balance, June 30, 2024	31,359,899	\$ 31,361	\$ 33,463,883	\$ (10,230,601)	\$ (38,204)	\$ (210,406)	\$ 23,016,033
Net loss	-	-	-	(2,029,281)	(2,836)	-	(2,032,117)
Stock-based compensation	-	-	205,960	-	-	-	205,960
Foreign currency translation adjustments	-	-	-	-	-	(55,054)	(55,054)
Balance, September 30, 2024, unaudited	<u>31,359,899</u>	<u>\$ 31,361</u>	<u>\$ 33,669,843</u>	<u>\$ (12,259,882)</u>	<u>\$ (41,040)</u>	<u>\$ (265,460)</u>	<u>\$ 21,134,822</u>
Net income (loss)	-	-	-	218,819	(3,155)	-	215,664
Stock-based compensation	-	-	197,313	-	-	-	197,313
Foreign currency translation adjustments	-	-	-	-	-	156,130	156,129
Balance, December 31, 2024, unaudited	<u>31,359,899</u>	<u>\$ 31,361</u>	<u>\$ 33,867,156</u>	<u>\$ (12,041,063)</u>	<u>\$ (44,195)</u>	<u>\$ (109,330)</u>	<u>\$ 21,703,929</u>
Balance, June 30, 2023	29,710,939	\$ 29,712	\$ 29,624,520	\$ (8,702,442)	\$ (24,915)	\$ (62,134)	20,864,741
Net loss	-	-	-	(1,286,515)	(2,836)	-	(1,289,351)
Stock-based compensation	-	-	117,882	-	-	-	117,882
Foreign currency translation adjustments	-	-	-	-	-	(707)	(707)
Balance, September 30, 2023, unaudited	<u>29,710,939</u>	<u>\$ 29,712</u>	<u>\$ 29,742,402</u>	<u>\$ (9,988,957)</u>	<u>\$ (27,751)</u>	<u>\$ (62,841)</u>	<u>\$ 19,692,565</u>
Net loss	-	-	-	(1,914,828)	(3,155)	-	(1,917,983)
Stock-based compensation	-	-	141,245	-	-	-	141,245
Foreign currency translation adjustments	-	-	-	-	-	(160,255)	(160,255)
Balance, December 31, 2023, unaudited	<u>29,710,939</u>	<u>\$ 29,712</u>	<u>\$ 29,883,647</u>	<u>\$ (11,903,785)</u>	<u>\$ (30,906)</u>	<u>\$ (223,096)</u>	<u>\$ 17,755,572</u>

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

iPower Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
For the Six Months Ended December 31 , 2024 and 2023

	For the Six Months Ended December 31,	
	2024 (Unaudited)	2023 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,816,453)	\$ (3,207,334)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Depreciation and amortization expense	392,568	402,342
Inventory reserve	288,474	222,755
Credit loss reserve	1,516,940	–
Loss on equity method investment	1,721	1,826
Stock-based compensation expense	403,273	259,127
Amortization of operating lease right of use assets	932,701	695,712
Amortization of debt premium / discount and non-cash financing costs	125,906	107,452
Change in operating assets and liabilities		
Accounts receivable	(703,279)	2,305,710
Inventories	1,074,168	4,588,812
Deferred tax assets	(555,912)	(967,113)
Prepayments and other current assets	53,790	1,278,027
Non-current prepayments	–	140,844
Other non-current assets	156,842	7,965
Accounts payable	(2,373,796)	686,843
Other payables and accrued liabilities	69,014	(884,355)
Operating lease liabilities	(952,672)	(696,678)
Income taxes payable	(1,211)	103,796
Net cash (used in) provided by operating activities	(1,387,926)	5,045,731
CASH FLOWS FROM INVESTING ACTIVITIES:		
Prepayments for software development	(664,366)	–
Net cash used in investing activities	(664,366)	–
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of offering cost settlement	(325,000)	–
Payments on Short-term loan - related parties	–	(1,000,000)
Proceeds from short-term loans -related party	–	2,000,000
Payments on short-term loans - related party	(483,599)	–
Payments on promissory note	–	(875,000)
Proceeds from revolving loan	3,650,210	–
Payments on revolving loan	(5,400,000)	(7,300,000)
Net cash used in financing activities	(2,558,389)	(7,175,000)
EFFECT OF EXCHANGE RATE ON CASH	110,301	(118,346)
CHANGES IN CASH AND CASH EQUIVALENT	(4,500,380)	(2,247,615)
CASH AND CASH EQUIVALENT, beginning of period	7,377,837	3,735,642
CASH AND CASH EQUIVALENT, end of period	\$ 2,877,457	\$ 1,488,027
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	\$ –	\$ –
Cash paid for interest	\$ 121,754	\$ –
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Right of use assets derecognized due to termination of operating leases	\$ 434,033	\$ –
Right of use assets acquired under new operating leases	\$ –	\$ 632,732

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

iPower Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
As of December 31, 2024 and June 30, 2024 and for the Three and Six Months Ended December 31, 2024 and 2023

Note 1 - Nature of business and organization

iPower Inc., formerly known as BZRTN Inc., a Nevada corporation (the “Company”), was incorporated on April 11, 2018. The Company is principally engaged in the marketing and sale of consumer home, garden and other products and accessories mainly in the North America.

On May 18, 2021, the Company acquired 100% of the equity ownership of its variable interest entity, E Marketing Solution Inc. (“E Marketing”), an entity incorporated in California and owned by one of the minority shareholders of the Company. As a result, E Marketing became the Company’s wholly-owned subsidiary.

On May 18, 2021, the Company acquired 100% of the equity ownership of its variable interest entity, Global Product Marketing Inc. (“GPM”), an entity which was incorporated in the State of Nevada on September 4, 2020, and was owned by Chenlong Tan, the Company’s Chairman, CEO and President, and one of the majority shareholders of the Company. As a result, GPM became the Company’s wholly-owned subsidiary.

On January 13, 2022, the Company entered into a joint venture agreement and formed a Nevada limited liability company, Box Harmony, LLC (“Box Harmony”), for the principal purpose of providing logistics services primarily for foreign-based manufacturers or distributors who desire to sell their products online in the United States, with such logistics services to include, without limitation, receiving, storing and transporting such products. The Company owns 40% of the equity interest in Box Harmony, retaining significant influence while not owning a majority equity interest in or otherwise controlling Box Harmony. See details at Note 3 below.

On February 10, 2022, the Company entered into another joint venture agreement and formed a Nevada limited liability company, Global Social Media, LLC (“GSM”), for the principal purpose of creating a social media platform in order to provide content and services to assist businesses, including the Company and other businesses, in marketing their products. The Company owns 60% of the equity interest in GSM and controls its operations. See details at Note 3 below.

On February 15, 2022, the Company acquired 100% of the ordinary shares of Anivia Limited (“Anivia”), a corporation organized under the laws of the British Virgin Islands (“BVI”), in accordance with the terms of a share transfer framework agreement (the “Transfer Agreement”), dated February 15, 2022, by and between the Company, White Cherry Limited, a BVI company (“White Cherry”), White Cherry’s equity holders, Li Zanyu and Xie Jing (together with White Cherry, the “Sellers”), Anivia, Fly Elephant Limited, a Hong Kong company, Dayourenzai (Shenzhen) Technology Co., Ltd., and Daheshou (Shenzhen) Information Technology Co., Ltd. Anivia owns 100% of the equity of Fly Elephant Limited, which in turn owns 100% of the equity of Dayourenzai (Shenzhen) Technology Co., Ltd., a corporation located in the People’s Republic of China (“PRC”), which is a wholly foreign-owned enterprise (“WFOE”) of Fly Elephant Limited. The WFOE controls, through contractual arrangements summarized in Note 4 below, the business, revenues and profits of Daheshou (Shenzhen) Information Technology Co., Ltd., a company organized under the Laws of the PRC (“DHS”) and located in Shenzhen, China. See details on Note 4 below.

Note 2 – Basis of Presentation and Summary of significant accounting policies

Basis of presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries and variable interest entity and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the requirements of the U.S. Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These unaudited condensed consolidated financial statements have been prepared on the same basis as its annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company’s financial information. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2025, or for any other interim period or for any other future year. All intercompany balances and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K for the year ended June 30, 2024, which was filed with the SEC on September 20, 2024.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, E Marketing Solution Inc., Global Product Marketing Inc., Global Social Media, LLC, and Anivia Limited and its subsidiaries and VIE, including Fly Elephant Limited, Dayourenzai (Shenzhen) Technology Co., Ltd., and Daheshou (Shenzhen) Information Technology Co., Ltd. All inter-company balances and transactions have been eliminated.

Prior Period Reclassification

Certain prior period amounts in the unaudited condensed statements of cash flows have been reclassified to conform to the current period presentation, including reclassifications made in the presentation of cash flows from operating activities. These reclassifications had no impact on the prior year net loss or stockholders’ equity.

Emerging Growth Company Status

The company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act of 1933, as amended, (the “Securities Act”), as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the company’s financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of utilizing the emerging growth company reduced reporting requirements difficult.

Use of estimates and assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

Foreign currency translation and transactions

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

The balance sheet amounts of the VIE, with the exception of equity, on December 31, 2024, were translated at 7.2993 RMB to \$1.00. The equity accounts were stated at their historical rates. The average translation rates applied to statements of operations and comprehensive income (loss) accounts for the six months ended December 31, 2024 was 7.1764 RMB to \$1.00. Cash flows were also translated at average translation rates for the period and, therefore, amounts reported on the statement of cash flows would not necessarily agree with changes in the corresponding balances on the unaudited condensed consolidated balance sheet.

Cash and cash equivalents

Cash and cash equivalents consist of amounts held as cash on hand and financial institution and financial service company deposits.

From time to time, the Company may maintain bank balances in interest bearing accounts in excess of the \$250,000, which is currently the maximum amount insured by the FDIC for interest bearing accounts (there is currently no insurance limit for deposits in noninterest bearing accounts). The Company has not experienced any losses with respect to cash. Management believes our Company is not exposed to any significant credit risk with respect to its cash.

Accounts receivable, net

During the ordinary course of business, the Company extends unsecured credit to its customers. Accounts receivable are stated at the amount the Company expects to collect from customers, which includes the amount withheld by sales channel partners and refundable to the Company. Based on historical and expected loss rate and status of negotiations with the sales channel partner, management reviews its accounts receivable balances each reporting period to determine if an allowance for credit loss is required.

The Company evaluates the creditworthiness of all of its customers individually before accepting them and continuously monitors the recoverability of accounts receivable. If there are any indicators that a customer may not make payment, the Company may consider making provision for non-collectability for that particular customer. At the same time, the Company may cease further sales or services to such customer. The following are some of the factors that the Company develops allowance for credit losses:

- the customer fails to comply with its payment schedule;
- the customer is in serious financial difficulty;
- a significant dispute with the customer has occurred regarding job progress or other matters;
- the customer breaches any of its contractual obligations;
- the customer appears to be financially distressed due to economic or legal factors;
- the business between the customer and the Company is not active; or
- other objective evidence indicates non-collectability of the accounts receivable.

Accounts receivable are recognized and carried at carrying amount less an allowance for credit losses, if any. The Company maintains an allowance for credit losses resulting from the inability of its customers to make required payments based on contractual terms. The Company reviews the collectability of its receivables on a regular and ongoing basis. The Company has also included in calculation of allowance for credit losses the potential impact of the overall economic conditions on our customers' industry and businesses and their ability to pay our accounts receivable. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The Company also considers external factors to the specific customer, including current conditions and forecasts of economic conditions, including the potential impact of the COVID-19 pandemic. In the event we recover amounts previously written off, we will reduce the specific allowance for credit losses. In late October 2024, the Company determined that the collectability of certain refundable amount withheld by sales channel partners was remote so recorded additional allowance for credit losses of \$41,346 and \$1,516,940 for the three and six months ended December 31, 2024.

Equity method investment

The Company accounts for its ownership interest in Box Harmony, a 40% owned joint venture, following the equity method of accounting, in accordance with ASC 323, Investments — Equity Method and Joint Ventures. Under this method, the carrying cost is initially recorded at cost and then increased or decreased by recording its percentage of gain or loss in Box Harmony's statement of operations and a corresponding charge or credit to the carrying value of the asset.

Variable interest entities

On February 15, 2022, the Company acquired 100% of the ordinary shares of Anivia and its subsidiaries, including Daheshou (Shenzhen) Information Technology Co., Ltd., a company organized under the Laws of the PRC ("DHS"). Pursuant to the terms of the Agreements, the Company does not have direct ownership in DHS but is actively involved in DHS's operations as the sole manager to direct the activities and significantly impact DHS's economic performance. DHS's operational funding has been provided by the Company following the February 15, 2022 acquisition. During the term of the Agreements, the Company bears all the risk of loss and has the right to receive all of the benefits from DHS. As such, based on the determination that the Company is the primary beneficiary of DHS, in accordance with ASC 810-10-25-38A through 25-38J, DHS is considered a VIE of the Company and the financial statements of DHS have been consolidated from the date such control existed, February 15, 2022.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company accounts for goodwill under *ASC Topic 350, Intangibles-Goodwill and Other*.

Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or if events or circumstances indicate a potential impairment, at the reporting unit level. The Company's review for impairment includes an assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill, a quantitative goodwill impairment test is performed, which compares the fair value of the reporting unit with its carrying amounts, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. However, if the carrying amount of the reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

During the six months ended December 31, 2024 and 2023, the Company performed a qualitative goodwill impairment analysis following the steps laid out in ASC 350-20-35-3C and noted no goodwill impairment. As of December 31, 2024 and June 30, 2024, the goodwill balance amounted to \$3,034,110.

Intangible Assets, net

Finite life intangible assets at December 31, 2024 include covenant not to compete, supplier relationship, and software recognized as part of the acquisition of Anivia. Intangible assets are recorded at the estimated fair value of these items at the date of acquisition, February 15, 2022. Intangible assets are amortized on a straight-line basis over their estimated useful life as follows:

	Useful Life
Covenant Not to Compete	10 years
Supplier relationship	6 years
Software	5 years

The Company reviews the recoverability of long-lived assets, including intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. As of December 31, 2024 and 2023, there were no indicators of impairment.

Fair value of financial instruments

ASC 825, “Disclosures about Fair Value of Financial Instruments,” requires disclosure of fair value information about financial instruments. ASC 820, “Fair Value Measurements” defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and all other current assets and liabilities approximate fair values due to their short-term nature.

For other financial instruments to be reported at fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines the fair value of its financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 – Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level 3 – Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The Company does not have any assets or liabilities measured at fair value on a recurring basis. We measure certain non-financial assets on a non-recurring basis, including goodwill.

Revenue recognition

The Company recognizes revenues from service and product sales, net of promotional discounts and return allowances, when the following revenue recognition criteria are met: a contract has been identified, separate performance obligations are identified, the transaction price is determined, the transaction price is allocated to separate performance obligations and revenue is recognized upon satisfying each performance obligation. The Company transfers the risk of loss or damage upon shipment or completion of service, therefore, revenue from product sales is recognized when it is shipped to the customer and the revenue from services is recognized upon completion of services. Return allowances, which reduce product revenue by the Company’s best estimate of expected product returns, are estimated using historical experience.

The Company evaluates the criteria of ASC 606 - Revenue Recognition Principal Agent Considerations in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when the Company is primarily responsible for fulfilling the promise to provide a specified good or service and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the delivery of goods to customers are recorded as customer deposits.

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers. Current discount offers, when accepted by the Company's customers, are treated as a reduction to the purchase price of the related transaction.

Sales discounts are recorded in the period in which the related sales are recorded. Sales return allowances are estimated based on historical amounts and are recorded upon recognizing the related sales. Shipping and handling costs are recorded as selling expenses.

Advertising costs

Advertising costs are expensed as incurred. Total advertising and promotional costs included in selling and fulfillment expenses for the three and six months ended December 31, 2024 and 2023 were as following.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Advertising and promotion	\$ 630,956	\$ 1,139,239	\$ 1,282,080	\$ 2,709,981

Cost of revenue

Cost of revenue mainly consists of costs for purchases of products, net of purchase discounts and rebates, and related inbound freight and delivery fees.

Operating expenses

Operating expenses, which consist of selling and fulfillment and general and administrative expenses, are expensed as incurred. Vendor warranty credits resulting from refund of returns on quality issues are recorded to offset merchant selling fees. During the six months ended December 31, 2024 and 2023, the Company recorded vendor credits of \$48,582 and \$0, respectively.

Inventory, net

Inventory consists of finished goods ready for sale and is stated at the lower of cost or market. The Company values its inventory using the weighted average costing method. The Company's policy is to include as a part of inventory and cost of goods sold any freight incurred to ship the product from its vendors to warehouses. Outbound freight costs related to shipping costs to customers are considered periodic costs and are reflected in selling and fulfillment expenses. The Company regularly reviews inventory and considers forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of the inventory is less than cost, the Company makes provisions in order to reduce its carrying value to its estimated market value. The Company also reviews inventory for slow moving inventory and obsolescence and records allowance for obsolescence.

Debt Issuance Costs

Costs incurred in connection with the issuance of debt are deferred and amortized as interest expense over the term of the related debt using the effective interest method. To the extent that the debt is outstanding, these amounts are reflected in the unaudited condensed consolidated balance sheets as direct deductions from the carrying amount of the outstanding borrowings.

Equity offering costs

The Company capitalizes certain legal, accounting and other third-party fees that are directly related to an equity financing that is probable of successful completion until such financing is consummated. After consummation of an equity financing, these costs are recorded as a reduction of the proceeds received as a result of the offering. Should a planned equity financing be abandoned, terminated or significantly delayed, the deferred offering costs are immediately written off to operating expenses in the consolidated statements of operations and comprehensive income (loss) in the period of determination. For the year ended June 30, 2024, \$1,756,913 was recorded as deferred offering costs and reclassified to additional paid in capital upon closing of the offering on June 18, 2024. As of December 31, 2024 and June 30, 2024, there were no deferred offering costs included in the Company's consolidated balance sheets.

Segment reporting

The Company follows ASC 280, Segment Reporting. The Company's chief operating decision maker, the Chief Executive Officer, reviews the consolidated results of operations when making decisions about allocating resources and assessing the performance of the Company as a whole and, hence, the Company has only one reportable segment. The Company does not distinguish between markets or segments for the purpose of internal reporting. For the six months ended December 31, 2024 and 2023, sales through Amazon to Canada and other foreign countries were approximately 6.9% and 9.8% of the Company's total sales, respectively. During the six months ended December 31, 2024, sales of hydroponic products, including ventilation and grow light systems, was approximately 16.8% of the Company's total sales and the remaining 83.2% consisted of general gardening, home goods, and other products and accessories. During the six months ended December 31, 2023, sales of hydroponic products, including ventilation and grow light systems, were approximately 19.3% of the Company's total sales and the remaining 80.7% consisted of general gardening, home goods and other products and accessories. As of December 31, 2024 and June 30, 2024, the Company had approximately \$1.4 million and \$1.9 million of inventory stored in China. The Company's majority of long-lived assets are located in California, United States, majority of the deferred tax assets are US related, and a majority of the Company's revenues are derived from within the United States.

Leases

The Company records right-of-use ("ROU") assets and related lease obligations on the balance sheet.

ROU assets represent our right to use an underlying asset for the lease terms and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Stock-based Compensation

The Company applies ASC No. 718, "Compensation-Stock Compensation," which requires that share-based payment transactions with employees and nonemployees, upon adoption of ASU 2018-07, be measured based on the grant date fair value of the equity instrument and recognized as compensation expense over the requisite service period, with a corresponding addition to equity. Under this method, compensation costs related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the period during which an employee is required to provide service in exchange for the award, which generally is the vesting period. In addition to the requisite service period, the Company also evaluates the performance condition and market condition under ASC 718-10-20. For an award which contains both a performance and a market condition, and where both conditions must be satisfied for the award to vest, the market condition is incorporated into the fair value of the award, and that fair value is recognized over the employee's requisite service period or nonemployee's vesting period if it is probable the performance condition will be met. If the performance condition is ultimately not met, compensation costs related to the award should not be recognized (or should be reversed) because the vesting condition in the award has not been satisfied. The Company also revisits the anticipated timing for meeting the performance conditions. As per ASC 718-10-55-78, if the expected number of awards to vest and the fair value remain the same under the new estimates, with the adjustment solely impacting the timing of recognition, the Company will apply the prospective approach to record the adjustment.

The Company will recognize forfeitures of such equity-based compensation as they occur.

Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their perspective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance must be established for deferred tax assets when it is more-likely-than-not (a probability level of more than 50%) that they will not be realized. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company has analyzed filing positions in each of the federal and state jurisdictions where the Company is required to file income tax returns, as well as open tax years in such jurisdictions. The Company has identified the U.S. federal jurisdiction, and the states of Nevada and California, as its "major" tax jurisdictions. However, the Company has certain tax attribute carryforwards which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

The Company believes that our income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740, Income Taxes. The Company's policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

Commitments and contingencies

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

Earnings per share

Basic earnings per share is computed by dividing net income attributable to holders of common stock by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if securities to issue common stock were exercised.

Recently issued accounting pronouncements

In November 2024, The FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This ASU requires public companies to disclose, in the notes to financial statements, specified information about certain costs and expenses at each interim and annual reporting period. The FASB further clarified the effective date in January 2025 with the issuance of ASU 2025-01, *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date* (“ASU 2025-01”). ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The requirements should be applied on a prospective basis while retrospective application is permitted. The Company plans to adopt this pronouncement for its fiscal year beginning July 1, 2027, and is in the process of analyzing the impact on its consolidated financial statements.

In December 2023, The FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*. Under this ASU, public business entities must annually “(1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income [or loss] by the applicable statutory income tax rate).” This ASU’s amendments are effective for public business entities for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Entities are permitted to early adopt the standard “for annual financial statements that have not yet been issued or made available for issuance.” The amendments should be applied on a prospective basis. Retrospective application is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In November 2023, The FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments apply to all public entities that are required to report segment information in accordance with Topic 280, *Segment Reporting*. The amendments in this ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The key amendments: 1. Require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss. 2. Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the significant expenses disclosed and each reported measure of segment profit or loss. 3. Require that a public entity provide all annual disclosures about a reportable segment’s profit or loss and assets currently required by FASB Accounting Standards Codification® Topic 280, *Segment Reporting*, in interim periods. 4. Clarify that if the CODM uses more than one measure of a segment’s profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity’s consolidated financial statements. 5. Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. 6. Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in the ASU and all existing segment disclosures in Topic 280. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. This ASU incorporates certain U.S. Securities and Exchange Commission (SEC) disclosure requirements into the FASB Accounting Standards Codification™ (“Codification”). The amendments in the ASU are expected to clarify or improve disclosure and presentation requirements of a variety of Codification Topics, allow users to more easily compare entities subject to the SEC’s existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC’s regulations. In SEC Release No. 33-10532, Disclosure Update and Simplification, issued August 17, 2018, the SEC referred certain of its disclosure requirements that overlap with, but require incremental information to, generally accepted accounting principles to the FASB for potential incorporation into the Codification. The ASU incorporates into the Codification 14 of the 27 disclosures referred by the SEC. They modify the disclosure or presentation requirements of a variety of Topics in the Codification. The requirements are relatively narrow in nature. Some of the amendments represent clarifications to, or technical corrections of, the current requirements. Because of the variety of Topics amended, a broad range of entities may be affected by one or more of those amendments. For entities subject to the SEC’s existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. For all other entities, the amendments will be effective two years later. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective for any entity. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In June 2022, FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The amendments in this ASU clarify the guidance in ASC 820 on the fair value measurement of an equity security that is subject to a contractual sale restriction and require specific disclosures related to such an equity security. This standard is effective for fiscal years beginning after December 15, 2024. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

Subsequent events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through the date that the consolidated financial statements are available to be issued. Material subsequent events that required recognition or additional disclosure in the unaudited condensed consolidated financial statements are presented.

Note 3 - Joint Ventures

Box Harmony, LLC

On January 13, 2022, the Company entered into a joint venture agreement (the “Joint Venture Agreement”) with Titanium Plus Autoparts, Inc., a California corporation (“TPA”), Tony Chiu (“Chiu”) and Bin Xiao (“Xiao”). Pursuant to the terms of the Joint Venture Agreement, the parties formed a Nevada limited liability company, Box Harmony, LLC (“Box Harmony”), for the principal purpose of providing logistic services primarily for foreign-based manufacturers or distributors who desire to sell their products online in the United States, with such logistic services to include, without limitation, receiving, storing and transporting such products.

Following entry into the Joint Venture Agreement, Box Harmony issued a total of 6,000 certificated units of membership interest, designated as Class A voting units (“Equity Units”), as follows: (i) the Company agreed to contribute \$50,000 in cash in exchange for 2,400 Equity Units in Box Harmony and agreed to provide Box Harmony with the use and access to certain warehouse facilities leased by the Company (see below), and (ii) TPA received 1,200 Equity Units in exchange for (a) \$1,200 and contributing the TPA IP License referred to below, (b) its existing and future customer contracts, and (c) granting Box Harmony the use of shipping accounts (FedEx and UPS) and all other TPA carrier contracts, and (iii) Xiao received 2,400 Equity Units in exchange for \$2,400 and his agreement to manage the day to day operations of Box Harmony.

Under the terms of the Box Harmony limited liability operating agreement (the “LLC Agreement”), TPA and Xiao each granted to the Company an unconditional and irrevocable right and option to purchase from Xiao and TPA at any time within the first 18 months following January 13, 2022, up to 1,200 Class A voting units, at an exercise price of \$550 per Class A voting unit, for a total exercise price of up to \$660,000. If such option is fully exercised, the Company would own 3,600 Equity Units or 60% of the total outstanding Equity Units. As of the date of this report, the Company had not exercised the option to purchase additional voting units from Xiao and TPA. The LLC Agreement prohibits the issuance of additional Equity Units and certain other actions unless approved in advance by the Company, that a noncontrolling right that would not be substantive to overcome the majority voting interests held by TPA and Xiao. In January 2023, TPA and Xiao transferred their 60% equity units to a third party without consideration as the LLC was still in development stage and did not have significant operations. The transfer of equity did not have any impact on the LLC’s financial statements.

As a result, the Company owns 40% of the equity interest in Box Harmony with significant influence but does not own a majority equity interest or otherwise control of Box Harmony. The Company accounts for its ownership interest in Box Harmony following the equity method of accounting, in accordance with ASC 323, Investments —Equity Method and Joint Ventures. Under this method, the carrying cost is initially recorded at cost and then increased or decreased by recording its percentage of gain or loss in its statement of operations and a corresponding charge or credit to the carrying value of the asset.

Global Social Media, LLC

On February 10, 2022, the Company entered into a joint venture agreement with Bro Angel, LLC, Ji Shin and Bing Luo (the “GSM Joint Venture Agreement”). Pursuant to the terms of the GSM Joint Venture Agreement, the parties formed a Nevada limited liability company, Global Social Media, LLC (“GSM”), for the principal purpose of providing a social media platform, contents and services to assist businesses, including the Company and other businesses, in marketing their products.

Following entry into the GSM Joint Venture Agreement, GSM issued 10,000 certificated units of membership interest (the “GSM Equity Units”), of which the Company was issued 6,000 GSM Equity Units and Bro Angel was issued 4,000 GSM Equity Units. Messrs. Shin and Luo are the owners of 100% of the equity of Bro Angel. The LLC Agreement prohibits the issuance of additional Equity Units and certain other actions unless approved in advance by Bro Angel, creating a noncontrolling right that would not be substantive to overcome the majority voting interests held by the Company.

As of the date of this report, the members had not completed the capital contributions and no receivables were recorded.

Pursuant to the terms of the Agreements, the Company owns 60% of the equity interest in GSM and control of GSM’s operations. Based on ASU 2015-02, the Company consolidates GSM into its financial statements due to its majority equity ownership and control over operations. For the six months ended December 31, 2024 and 2023, the impact of GSM’s activities were immaterial to the Company’s unaudited condensed consolidated financial statements.

Note 4 – Variable interest entity

Effective February 15, 2022, upon acquisition of Anivia, the Company assumed the contractual arrangements between the WFOE and DHS through a variable interest operating entity structure. On September 26, 2024, Mr. Zanyu Li, the equity owner of DHS transferred his shares to Ms. Xiaoyun Liu. Ms. Liu has become the Manager and Legal Representative of DHS and assumed all responsibilities and obligations of Mr. Zanyu Li. The transfer of equity ownership did not change the control the Company had on the VIE, therefore there was no impact on the Company’s financial statements.

The Company did not provide financial or other support to the VIE for the periods presented where the Company was not otherwise contractually required to provide such support.

As of December 31, 2024 and June 30, 2024, there was no pledge or collateralization of the VIE assets that would be used to settle obligations of the VIE.

The carrying amounts of the assets, liabilities and the results of operations of the VIE included in the Company’s unaudited condensed consolidated balance sheets and statements of operations and comprehensive income after the elimination of intercompany balances and transactions with the VIE are as follows:

The carrying amount of the VIE’s assets and liabilities were as follows for the periods indicated:

	December 31, 2024	June 30, 2024
Cash in bank	\$ 209,313	\$ 222,648
Prepayments and other receivables	\$ 7,124	\$ 202,904
Rent deposit	\$ 9,590	\$ 72,281
Office equipment, net	\$ 5,849	\$ 12,205
Right of use – noncurrent	\$ –	\$ 434,034
Accounts payable	\$ 185,307	\$ 381,013
Lease liability	\$ –	\$ 443,059
Income tax payable	\$ 274,947	\$ 276,158
Other payables and accrued liabilities	\$ 550,763	\$ 514,285

The operating results of the VIE were as follows for the three and six months ended December 31, 2024:

	Three Months	Six Months
Revenue	\$ —	\$ —
Net loss after elimination of intercompany transactions	(45,288)	(184,218)

The operating results of the VIE were as follows for the three and six months ended December 31, 2023:

	Three Months	Six Months
Revenue	\$ —	\$ —
Net income (loss) after elimination of intercompany transactions	\$ 27,461	(391,882)

For the three and six months ended December 31, 2024, the VIE contributed approximately \$0.8 million and \$2.2 million of revenue and \$0.3 million and \$0.5 million of net loss before elimination. For the three and six months ended December 31, 2023, the VIE contributed approximately \$1.8 million and \$3.9 million of revenue and \$0.15 million and \$0.2 million of net loss before elimination, respectively.

Note 5 – Accounts receivable, net

Accounts receivable for the Company consisted of the following as of the dates indicated below:

	December 31, 2024	June 30, 2024
Accounts receivable	\$ 15,798,758	\$ 15,095,479
Less: allowance for credit losses	(1,872,326)	(355,386)
Total accounts receivable	<u>\$ 13,926,432</u>	<u>\$ 14,740,093</u>

The changes in allowance for credit losses on accounts receivable are summarized below:

	Allowance for Credit Losses
Balance at June 30, 2023	\$ 70,000
Allowance recorded during the three months ended September 30, 2023	—
Balance at September 30, 2023	\$ 70,000
Allowance recorded during the three months ended December 31, 2023	—
Balance at December 31, 2023	<u>\$ 70,000</u>
Balance at June 30, 2024	\$ 355,386
Allowance recorded during the three months ended September 30, 2024	1,475,594
Balance at September 30, 2024	\$ 1,830,980
Allowance recorded during the three months ended December 31, 2024	41,346
Balance at December 31, 2024	<u>\$ 1,872,326</u>

Note 6 – Inventories, net

As of December 31, 2024 and June 30, 2024, inventories consisted of finished goods ready for sale, net of allowance for obsolescence, amounted to \$9,183,631 and \$10,546,273, respectively.

For the three and six months ended December 31, 2024, the Company recorded inventory reserve expense of \$0 and \$288,474, respectively. For the three and six months ended December 31, 2023, the Company recorded inventory reserve expense of \$117,563 and \$222,755, respectively. As of December 31, 2024 and June 30, 2024, allowance for obsolescence was \$936,299 and \$647,825, respectively.

Note 7 – Prepayments and other current assets, net

As of December 31, 2024 and June 30, 2024, prepayments and other current assets consisted of the following:

	December 31, 2024	June 30, 2024
Advance to suppliers	\$ 1,832,378	\$ 1,567,528
Prepaid income taxes	16,687	31,496
Prepaid expenses and other receivables	443,679	747,510
Less: Allowance for credit losses	–	–
Total	<u>\$ 2,292,744</u>	<u>\$ 2,346,534</u>

Other receivables consisted of delivery fees of \$64 and \$3,995 from a third party for using the Company's courier accounts at December 31, 2024 and June 30, 2024.

The changes in allowance for credit losses on other receivables are summarized below:

	Allowance for Credit Losses
Balance at June 30, 2023	\$ 249,128
Allowance recorded during the three months ended September 30, 2023	–
Balance at September 30, 2023	\$ 249,128
Allowance recorded during the three months ended December 31, 2023	–
Balance at December 31, 2023	<u>\$ 249,128</u>
Balance at June 30, 2024	\$ –
Allowance recorded during the three months ended September 30, 2024	–
Balance at September 30, 2024	–
Allowance recorded during the three months ended December 31, 2024	\$ –
Balance at December 31, 2024	<u>\$ –</u>

During the year ended June 30, 2024, the Company collected \$249,128 of aged other receivables and recorded a reduction of bad debts expense as a reversal of the allowance of credit loss.

Note 8 – Intangible assets, net

As of December 31, 2024 and June 30, 2024, intangible assets, net, consisted of the following:

	December 31, 2024	June 30, 2024
Covenant not to compete	\$ 3,459,120	\$ 3,459,120
Supplier relationships	1,179,246	1,179,246
Software	534,591	534,591
Accumulated amortization	(1,866,943)	(1,542,257)
Total	\$ 3,306,014	\$ 3,630,700

The intangible assets were acquired on February 15, 2022 through acquisition of Anivia. The weighted average remaining life for finite-lived intangible assets at December 31, 2024 was approximately 5.70 years. The amortization expense for the three and six months ended December 31, 2024 was \$162,343 and \$324,686, respectively. The amortization expense for the three and six months ended December 31, 2023 was \$162,343 and \$324,686, respectively. At December 31, 2024, finite-lived intangible assets are expected to be amortized over their estimated useful lives, which ranges from a period of five to 10 years, and the estimated remaining amortization expense for each of the five succeeding years thereafter is as follows:

Year Ending June 30,	Amount
2025	\$ 324,685
2026	649,371
2027	609,277
2028	468,750
2029	345,912
Thereafter	908,019
Intangible assets, net	\$ 3,306,014

Note 9 – Other payables and accrued liabilities

As of December 31, 2024 and June 30, 2024, other payables and accrued liabilities consisted of the following:

	December 31, 2024	June 30, 2024
Accrued payables for inventory in transit	\$ 1,526,602	\$ 1,405,780
Credit cards payable	160,299	231,243
Customer deposit	321,884	313,358
Accrued Amazon fees	311,035	530,456
Sales taxes payable	490,750	442,889
Payroll liabilities	165,969	204,137
Settlement payable	–	325,000
Other accrued liabilities and payables	515,057	432,624
Total	\$ 3,491,596	\$ 3,885,487

Note 10 – Loans payable

Long-term loan

Asset-based revolving loan

On November 12, 2021, the Company entered into a Credit Agreement with JPMorgan Chase Bank, N.A. (“JPMorgan”), as administrative agent, issuing bank and swingline lender, for an asset-based revolving loan (“ABL”) of up to \$25 million with key terms listed as follows:

- Borrowing base equal to the sum of
 - Up to 90% of eligible credit card receivables
 - Up to 85% of eligible trade accounts receivable
 - Up to the lesser of (i) 65% of cost of eligible inventory or (ii) 85% of net orderly liquidation value of eligible inventory
- Interest rates of between LIBOR plus 2% and LIBOR plus 2.25% depending on utilization
- Undrawn fee of between 0.25% and 0.375% depending on utilization
- Maturity Date of November 12, 2024

In addition, the ABL includes an accordion feature that allows the Company to borrow up to an additional \$25.0 million. To secure complete payment and performance of the secured obligations, the Company granted a security interest in all of its right, title and interest in, to and under all of the Company’s assets as collateral to the ABL. Upon closing of the ABL, the Company paid \$796,035 in financing fees including 2% of \$25.0 million or \$500,000 paid to its financial advisor. The financing fees are recorded as debt discount and are to be amortized over the three-year term of the ABL as interest expense.

On October 7, 2022, the Company entered into a second amendment to the credit agreement and consent (the “Second Amendment to the Credit Agreement”), originally dated November 12, 2021, as amended, with JPMorgan. The Company entered into the Second Amendment to the Credit Agreement primarily for the purpose of changing the interest rate repayment calculations from LIBOR to the Secured Overnight Financing Rate, or SOFR, which adjustment had originally been anticipated under the terms of the original Credit Agreement. In addition, two of the negative covenants set forth in the original Credit Agreement were amended in order to (i) adjust the definition of “Covenant Testing Trigger Period” to increase the required cash availability from \$3,000,000 to \$4,000,000, or 10% of the aggregate revolving commitment for the preceding 30 days, and (ii) require that the Company will not and will not permit any of its subsidiaries, after reasonable due diligence and due inquiry, to knowingly sell their products, inventory or services directly to any commercial businesses that grow or cultivate cannabis; it being acknowledged, however, that the Company does not generally conduct due diligence on its individual retail customers.

On November 8, 2024, the Company entered into a third amendment (the “Third Amendment”) to that certain credit agreement, initially entered into by and among the Company and its subsidiaries and JPMorgan Chase Bank, N.A., as administrative agent for the Lender and a lender (the “Administrative Agent” or “Lender”), on November 12, 2021 (the “Credit Agreement”). The Third Amendment to the Credit Agreement amended, among other things, (i) the defined term “Aggregate Revolving Commitment” to mean \$15,000,000, and (ii) extended the maturity date to “November 8, 2027 or any earlier date on which the Revolving Commitments are reduced to zero or otherwise terminated pursuant to the terms hereof.” The borrowing rate is SOFR plus 2.25% to 2.50% depending on utilization of the borrowing availability.

As of December 31, 2024, the outstanding amount of the ABL, which was classified as long-term revolving loan payable, including interest payable, was \$4,042,400. As of June 30, 2024, the outstanding amount of the revolving loan payable, net of debt discount and including interest payable, was \$5,500,739.

Below is a summary of the interest expense recorded for the three and six months ended December 31, 2024 and 2023:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Accrued interest	\$ 66,025	\$ 67,689	\$ 109,170	\$ 201,304
Credit utilization fees	14,583	20,539	36,350	36,065
Amortization of debt discount	59,602	66,305	125,906	132,609
Total	<u>\$ 140,210</u>	<u>\$ 154,533</u>	<u>\$ 271,426</u>	<u>\$ 369,978</u>

As of December 31, 2024, the Company was in compliance with the ABL covenants.

Promissory note payable

On February 15, 2022, as part of the consideration for the acquisition of Anivia, the Company issued a two-year unsecured 6% subordinated promissory note, payable in equal semi-annual installments commencing August 15, 2022 (the "Purchase Note"). The principal amount of the Purchase Note was \$3.5 million with a fair value of \$3.6 million as of February 15, 2022. In October 2022, the Company paid the first installment of \$875,000. And in February 2023, the Company paid the second installment of \$875,000. In August 2023, the Company paid the third installment of \$875,000. In February 2024, the Company paid the fourth installment of \$875,000. For the six months ended December 31, 2024, the Company recorded accrued interest of \$0 and amortization of note premium of \$0. For the six months ended December 31, 2023, the Company recorded accrued interest of \$32,813 and amortization of note premium of \$25,157. For the year ended June 30, 2024, the Company recorded accrued interest of \$39,429 and amortization of note premium of \$31,602. In February 2024, the note premium was fully amortized, and the outstanding balance of the principal and accrued interest of \$275,679 was fully paid off. As of December 31, 2024 and June 30, 2024, the total outstanding balance of the Purchase Note was \$0.

Short-term loan payable

On July 8, 2023, the Company entered into an agreement with White Cherry Limited ("White Cherry"), a BVI company owned by the former owner of DHS, for an on-demand, unsecured and subordinated loan ("On-demand Loan"). Pursuant to the agreement, White Cherry agreed to loan the Company the amount requested. The On-demand Loan bears interest at the rate of the Secured Overnight Financing Rate, or SOFR, plus 1% per annum. The On-demand Loan is due in 30 days upon receipt of White Cherry's notice of repayment. On July 16, 2023, the Company borrowed \$2 million from White Cherry and repaid \$1 million on July 31, 2023 and \$1 million on January 31, 2024. For the three and six months ended December 31, 2024, the Company recorded accrued interest of \$0. For the three and six months ended December 31, 2023, the Company recorded accrued interest of \$26,128 and \$32,189, respectively. As of December 31, 2024, the outstanding balance of the On-demand Loan was fully paid off.

On April 8, 2024, the Company entered into an agreement with an unrelated accredited investor (the "Investor") for an on-demand, unsecured and subordinated loan ("On-demand Loan 2"). Pursuant to the agreement, the Investor agreed to loan the Company the amount requested. The On-demand Loan 2 bears interest at the rate of the Secured Overnight Financing Rate, or SOFR, plus 1.5% per annum. The On-demand Loan 2 is due in 30 days upon receipt of the Investor's notice of repayment. For the three and six months ended December 31, 2024, the Company recorded interest expense of \$0 and \$3,733, respectively. As of June 30, 2024, the outstanding balance of the On-demand Loan 2, including accrued interest of \$7,615, was \$491,214. As of December 31, 2024, the On-demand Loan 2 had been fully paid off.

On April 1, 2024, the Company borrowed \$350,000 short-term loan ("RP Loan") from an entity owned by Mr. Allan Huang, one of the majority shareholders of the Company. The RP Loan bears no interest and is due upon receipt of request of repayment. As of December 31, 2024 and June 30, 2024, the outstanding balance of the RP Loan was \$350,000.

Note 11 - Related party transactions

On April 1, 2024, the Company borrowed \$350,000 short-term loan from an entity owned by Mr. Allan Huang, one of the majority shareholders of the Company. See Note 10 above for details.

During the year ended June 30, 2024, the Company started selling products through MII Strategy Inc. ("MII"), a company owned by the Company's CEO, Mr. Chenlong Tan. As of December 31, 2024 and June 30, 2024, the total amount due from MII was \$0 and \$56,406.

On July 8, 2023, the Company entered into an agreement with White Cherry for an on demand loan. See Note 10 above for details.

Note 12 – Income taxes

In addition to corporate income taxes in the United States, upon completion of the acquisition of Anivia in February 2022, the Company is subject to corporate income taxes in People's Republic of China ("PRC"). Anivia and its subsidiaries are subject to BVI or Hong Kong income taxes but did not have any operations for the year ended June 30, 2022 in those jurisdictions. DHS, the operating VIE of Anivia, is considered a Controlled Foreign Corporation (CFC) defined under IRC Sec. 957(a) since the Company indirectly owns more than 50% voting control of DHS as a result of the Transfer Agreement. Therefore, DHS is subject to the Global Intangible Low-Taxed Income (or GILTI) Tax. DHS is subject to 5% tax rate in PRC until December 31, 2027. Since DHS had losses during the six months ended December 31, 2024 and 2023 and the year ended June 30, 2024, no GILTI tax was recorded as of December 31, 2024 and June 30, 2024. The Company is not eligible for the GILTI high-tax exclusion. In addition, as a result of the acquisition, the Company recognized goodwill in the amount of \$6,094,144. Since the acquisition was a stock acquisition, the Goodwill is not deductible for tax purposes.

For the three and six months ended December 31, 2024, as a result of the Company's inability to establish a reliable estimate for annual effective tax rate, the Company calculated income tax expense using the actual effective tax rate year to date, as opposed to the estimated annual effective tax rate, as provided in Accounting Standards Codification (ASC) 740-270-30-18.

The income tax provision for the three and six months ended December 31, 2024 and 2023 consisted of the following:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Current:				
Federal	\$ 14,042	\$ 1,705	\$ 14,042	\$ –
States	17,460	(904)	25,869	11,566
Foreign	–	–	–	–
Total current income tax provision	<u>31,502</u>	<u>801</u>	<u>39,911</u>	<u>11,566</u>
Deferred:				
Federal	76,153	(555,981)	(444,984)	(840,629)
States	12,856	(133,943)	(110,928)	(200,567)
Foreign	–	184	–	64,809
Total deferred taxes	<u>89,009</u>	<u>(689,740)</u>	<u>(555,912)</u>	<u>(976,387)</u>
Total provision for income taxes	<u>\$ 120,511</u>	<u>\$ (688,939)</u>	<u>\$ (516,001)</u>	<u>\$ (964,821)</u>

The Company is subject to U.S. federal income tax as well as state income tax in certain jurisdictions. The tax years 2019 to 2023 remain open to examination by the major taxing jurisdictions to which the Company is subject.

For the three and six months ended December 31, 2024, The Company recorded income tax expense (benefit) of \$120,511 and \$(516,001), respectively, reflecting an effective tax rate of 35.85% and (22.12)%, respectively. For the three and six months ended December 31, 2023, The Company recorded income tax (benefit) of \$(688,939) and \$(964,821), respectively, with effective tax rates of (26.43)% and (23.13)%, respectively.

The Company's effective tax rates for the three and six months ended December 31, 2024 and 2023 differ from the federal statutory rate of 21%, primarily due to U.S. state income tax deduction, other permanent differences and the impact of foreign jurisdictions subject to a full valuation allowance.

As of December 31, 2024, prepaid income taxes to US tax authorities and income tax payable to Chinese tax authorities was \$16,687 and \$274,946.97, respectively. As of June 30, 2024, prepaid income taxes to US tax authorities and income tax payable to Chinese tax authorities was \$31,496 and \$276,158, respectively.

The tax effects of temporary differences which give rise to significant portions of the deferred taxes are summarized as follows:

	December 31, 2024	June 30, 2024
Deferred tax assets		
263A calculation	\$ 253,451	\$ 291,354
Inventory reserve	248,254	171,942
State taxes	5,265	4,840
Accrued expenses	91,025	155,860
ROU assets / liabilities	104,984	110,391
Net operating loss	2,152,198	2,190,589
Disallowed interest expense	253,217	258,352
Stock-based compensation	448,167	341,591
Valuation allowance	(95,713)	(64,897)
Allowance for credit loss	496,434	40,067
Total deferred tax assets	<u>3,957,282</u>	<u>3,500,089</u>
Deferred tax liabilities		
Depreciation	(64,656)	(77,287)
Intangible assets acquired	(891,109)	(977,197)
Total deferred tax liabilities	<u>(955,765)</u>	<u>(1,054,484)</u>
Net deferred tax assets	<u>\$ 3,001,517</u>	<u>\$ 2,445,605</u>

For the six months ended December 31, 2024 and 2023, the Company recorded \$30,816 and \$66,104 of valuation allowance to reduce deferred tax assets for the losses incurred by DHS.

Note 13 – Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the periods presented:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Numerator:				
Net loss attributable to iPower Inc.	\$ 218,819	\$ (1,914,828)	\$ (1,810,462)	\$ (3,201,343)
Denominator:				
Weighted-average shares used in computing basic and diluted earnings per share*	\$ 31,437,517	\$ 29,790,242	\$ 31,427,360	\$ 29,777,378
Losses per share of ordinary shares - basic and diluted	\$ 0.01	\$ (0.06)	\$ (0.06)	\$ (0.11)

* Due to the anti-dilutive effect, the computation of basic and diluted EPS did not include the shares underlying the exercise of warrants, options, and unvested RSUs as the Company had a net loss/or the warrants and options were out of the money (the exercise price is higher than the market price) for the three and six months ended December 31, 2024 and 2023.

* For the three and six months ended December 31, 2024, 89,199 and 107,347 vested but unissued shares of restricted stock units under the 2020 Equity Incentive Plan (as discussed in Note 14) are considered issued shares and therefore are included in the computation of basic losses per share when the shares are fully vested.

* For the three and six months ended December 31, 2023, 40,981 and 107,347 vested but unissued shares of restricted stock units under the 2020 Equity Incentive Plan (as discussed in Note 16) are considered issued shares and therefore are included in the computation of basic losses per share when the shares are fully vested.

Note 14 – Equity

Common Stock

As of December 31, 2024, the total authorized shares of capital stock were 200,000,000 shares consisting of 180,000,000 shares of Common Stock (“Common Stock”) and 20,000,000 shares of preferred stock (the “Preferred Stock”), each with a par value of \$0.001 per share.

The holders of Common Stock shall be entitled to one vote per share in voting to the election of directors and all other corporate purposes. Subject to the express terms of any outstanding series of Preferred Stock, dividends may be paid in cash or otherwise with respect to the holders of Common Stock out of the assets of the Company legally available therefor, upon the terms, and subject to the limitations, as the Board of Directors of the Company (the “Board of Directors”) may determine. In the event of liquidation or dissolution of the Company, subject to the express terms of any outstanding series of Preferred Stock, the holders of Common Stock shall be entitled to share in the distribution of any remaining assets available for distribution to the holders of Common Stock ratably in proportion to the total number of shares of Common Stock then issued and outstanding.

During the year ended June 30, 2024, the Company issued 107,293 shares of restricted Common Stock for RSUs vested.

On June 18, 2024, the Company closed on a registered direct offering (the “Registered Direct”) of 2,083,334 shares of common stock (the “Shares”) and a concurrent private placement (“Private Placement,” and together with the Registered Direct, the “Offering”) of warrants (the “Warrants”) to purchase 2,083,334 shares of common stock (the “Warrant Shares”), which were sold for gross aggregate proceeds of \$5,000,002. The Shares were sold pursuant to a prospectus supplement, filed on June 18, 2024, to the Registration Statement on Form S-3, originally filed on September 25, 2023, with the SEC (File No. 333-274665) and declared effective by the SEC on September 29, 2023. The Warrants, which were issued pursuant to an exemption from registration pursuant to Section 4(a)(2) or Regulation D on the Securities Act, have a term of five years and are immediately exercisable at \$2.40 per share. The Shares and Warrants were sold to a purchaser pursuant to a securities purchase agreement, dated June 16, 2024, between the Company and the purchaser (the “Purchase Agreement”). Roth Capital Partners, LLC (the “Placement Agent”) acted as placement agent, pursuant to a placement agency agreement between the Company and the Placement Agent dated June 16, 2024 (the “Placement Agency Agreement”). The Company paid the Placement Agent as compensation a cash fee equal to 6.5% of the gross proceeds of the Offering plus reimbursement of certain expenses and legal fees. The net proceeds of the Offering, after deducting \$456,913, the Placement Agent’s fees and expenses and other direct offering costs paid by the Company, was \$4,543,089.

The Company calculated the fair value of the Warrants at \$3.1 million at the grant date, with a relative fair value of \$1.7 million after allocation of the fair value of the Shares, using the Black-Scholes Model with the following variables:

- Stock Price - \$2.00
- Exercise Price - \$2.40
- Volatility – 104%
- Term –5 years
- Risk Free Rate of Return – 4.24%

Pursuant to the Warrant agreement, except for some fundamental transactions within the Company’s control, in no event shall the Company be required to net cash settle the Warrants. The Company considered and followed the rules and guidelines under ASC 480-10 and ASC 815 and concluded that the Warrants should be classified and recorded as equity. Further, as the warrants were issued as part of the Offering, the relative fair value of the Warrants was included in the gross proceeds and recorded as additional paid-in capital.

On June 18, 2024, as disclosed in Note 17 below, in order to recoup the settlement payment made to Boustead Securities, LLC, the Company’s Chief Executive Officer and co-founder, Lawrence Tan, along with co-founder Allan Huang, returned a total of 541,667 shares to the Company for cancellation (the “Share Cancellation”). The Share Cancellation was completed in June 2024 and the par value of \$542 was reduced against additional paid-in capital.

As of December 31, 2024 and June 30, 2024, there were 31,359,899 shares of Common Stock issued and outstanding.

Preferred Stock

The Preferred Stock was authorized as “blank check” series of Preferred Stock, providing that the Board of Directors is expressly authorized, subject to limitations prescribed by law, by resolution or resolutions and by filing a certificate pursuant to the applicable law of the State of Nevada, to provide, out of the authorized but unissued shares of Preferred Stock, for series of Preferred Stock, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. As of December 31, 2024 and June 30, 2024, respectively, there were no shares of Preferred Stock issued and outstanding.

Equity Incentive Plan

On May 5, 2021, the Company's Board of Directors adopted, and its stockholders approved and ratified, the iPower Inc. Amended and Restated 2020 Equity Incentive Plan (the "Plan"). The Plan allows for the issuance of up to 5,000,000 shares of Common Stock, whether in the form of stock options, restricted stock, restricted stock units, stock appreciation rights, performance units, performance shares and other stock or cash awards. The general purpose of the Plan is to provide an incentive to the Company's directors, officers, employees, consultants and advisors by enabling them to share in the future growth of the Company's business. On November 16, 2021 and December 6, 2022, the Company filed a registration statement on Form S-8 registering all shares issuable under the Plan, which was subsequently amended on December 6, 2022 and September 15, 2023 and November 22, 2023.

Restricted Stock Unit

Following completion of the IPO on May 11, 2021, pursuant to their letter agreements, the Company awarded 46,546 restricted stock units ("RSUs") under the Plan to its independent directors, its Chief Financial Officer, and certain other employees and consultants, all of which vested over 12 months following the grant date and were subject to other restrictions until the filing of a Registration Statement on Form S-8 registering the shares. The fair value of the RSUs was determined based on \$5.00 per share, the initial listing price of the Company's Common Stock on the grant date. During the six months ended December 31, 2024, the Company granted an additional 71,427 shares of RSUs. For the three and six months ended December 31, 2024, the Company recorded \$22,500 and \$54,288 of stock-based compensation expense. There was no forfeiture of RSUs occurred during the six months ended December 31, 2024 and 2023. As of December 31, 2024 and June 30, 2024, the unvested number of RSUs was 29,763 and 3,250 and the unamortized expense was \$37,500 and \$1,788, respectively.

Information relating to RSU grants is summarized as follows:

	Total RSUs Issued	Total Fair Market Value of RSUs Issued as Compensation (1)
RSUs granted, but not vested, at June 30, 2024	3,250	
RSUs granted	71,427	\$ 90,000
RSUs forfeited	—	
RSUs vested	(44,914)	
RSUs granted, but not vested, at December 31, 2024	<u>29,763</u>	

(1) The total fair value was based on the current stock price on the grant date.

As of December 31, 2024, of the 375,068 vested RSUs, 285,869 shares of Common Stock were issued, and 89,199 shares were to be issued in the near future.

Stock Option

On May 12, 2022, the Compensation Committee of the Board of Directors approved an incentive plan for the Company's executive officers consisting of a cash performance bonus of \$60,000 to be awarded to Kevin Vassily, CFO of the Company, and grants of stock option (the "Option Grants") exercisable to purchase (i) 3,000,000 shares of Common Stock to Chenlong Tan, CEO and (ii) 330,000 shares of Common Stock to Mr. Vassily. The Option Grants, which were issued on May 13, 2022, have an exercise price of \$1.12, a contractual term of 10 years, and consist of six vesting tranches with a vesting schedule based entirely on the attainment of both operational milestones (performance conditions) and market conditions, assuming continued employment of the recipients through each vesting date. Each of the six vesting tranches of the Option Grants will vest when both (i) the market capitalization milestone for such tranche, which begins at \$150 million for the first tranche and increases by increments of \$50 million through the fourth tranche and \$100 million thereafter (based on achieving such market capitalization for five consecutive trading days), has been achieved, and (ii) any one of the following six operational milestones focused on revenue or any one of the six operational milestones focused on operating income have been achieved during a given fiscal year.

The estimated achievement status of the operational milestones as of December 31, 2024 was as follows:

Revenue in Fiscal Year		Operating Income in Fiscal Year	
Milestone (in Millions)	Achievement Status	Milestone (in Millions)	Achievement Status
\$ 90	Probable	\$ 6	Probable
\$ 100	Probable	\$ 8	Probable
\$ 125	Probable	\$ 10	Probable
\$ 150	Probable	\$ 12	Probable
\$ 200	Probable	\$ 16	—
\$ 250	—	\$ 20	—

The Company evaluated the performance condition and market condition under ASC 718-10-20. The Option Grants are considered an award containing a performance and a market condition and both conditions (in this case at least one of the performance conditions) must be satisfied for the award to vest. The market condition is incorporated into the fair value of the award, and that fair value is recognized over the longer of the implied service period or requisite service period if it is probable that one of the performance conditions will be met. In relation to the five awards deemed probable to vest, the recognition period ranges from 2.93 years to 9.64 years. If the performance condition is ultimately not met, compensation cost related to the award should not be recognized (or should be reversed to the extent any expense has been recognized related to such tranche) because the vesting condition in the award would not have been satisfied.

On the grant date, a Monte Carlo simulation was used to determine for each tranche (i) a fixed amount of expense for such tranche and (ii) the future time when the market capitalization milestone for such tranche was expected to be achieved. Separately, based on a subjective assessment of our future financial performance, each quarter we determine whether it is probable that the Company will achieve each operational milestone that has not previously been achieved or deemed probable of achievement and, if so, the future time when the Company expects to achieve that operational milestone. The Monte Carlo simulation utilized the following inputs:

- Stock Price - \$1.12
- Volatility - 95.65%
- Term - 10 years
- Risk Free Rate of Return - 2.93%
- Dividend Yield - 0%

The total fair value of the Option Grants was \$3.2 million of which, at December 31, 2023, \$2.3 million is deemed probable of vesting.

During the quarter ended December 31, 2024, the Company reassessed the expected timing of meeting the performance conditions. According to ASC 718-10-55-78, since the number of awards expected to vest and the fair value remained unchanged with the new estimate, the adjustment only affected the recognition timing. Therefore, the Company will apply the prospective approach to record the adjustment. As of December 31, 2024, none of the options had vested. For the three and six months ended December 31, 2024, the Company recorded \$75,302 and \$185,684 of stock-based compensation expense related to the Option Grants. For the three and six months ended December 31, 2023, the Company recorded \$110,382 and \$220,764 of stock-based compensation expense related to the Option Grants. As of December 31, 2024, unrecognized compensation cost related to tranches probable of vesting is approximately \$1.1 million and will be recognized over two years to nine years, depending on the tranche.

On August 29, 2024, the board of directors (the "Board") of the Company, based on the recommendation of the compensation committee of the Board, approved a grant of 1,200,000 stock options (the "2024 Stock Options") issuable to Chenlong Tan, the Company's Chief Executive Officer, pursuant to the terms of the iPower Inc. Amended and Restated 2020 Equity Incentive Plan (the "Plan"). Following the Board's approval, Mr. Tan and the Company entered into a stock option award agreement (the "Stock Option Award Agreement").

According to the Stock Option Award Agreement, and subject to the terms and conditions of the Stock Option Award Agreement and the Plan, upon vesting of the 2024 Stock Options, Mr. Tan will have the option to purchase common stock, par value \$0.001 per share of the Company, at an exercise price of \$1.43 per share (which is 110% of the Fair Market Value of the stock on the grant date). The 2024 Stock Options have a term of 10 years and will vest as follows: 30,000 2024 Stock Options vested on the grant date (August 29, 2024), and 32,500 2024 Stock Options will vest on the first day of each month from September 1, 2024, to August 1, 2027.

On the grant date, a Black-Scholes Model was used to determine the fair value of the 2024 Stock Options with the following inputs:

- Stock Price - \$1.30
- Exercise Price - \$1.43
- Volatility - 101%
- Expected Term - 5.71 years
- Risk Free Rate of Return - 3.66%
- Dividend Yield - 0%

The total fair value of the 2024 Stock Options was \$1.22 million as of the grant date. For the three and six months ended December 31, 2024, 97,500 and 160,000 stock options were vested and the Company recorded \$99,512 and \$163,302 as stock compensation expense. As of December 31, 2024, the unrecognized compensation cost of the 2024 Stock Options was approximately \$1.06 million and will be recognized monthly through August 1, 2027.

Note 15 – Warrant liabilities

On January 27, 2021, the Company completed a private placement offering pursuant to which the Company sold to two accredited investors an aggregate of \$3,000,000 in Convertible Notes and warrants to purchase shares of Class A Common Stock equaling 80% of the number of shares of Class A Common Stock issuable upon conversion of the Convertible Notes. The convertible note warrants are exercisable for a period of three years from the IPO completion date at a per share exercise price equal to the IPO. In accordance with the terms of the warrants, in the event the Convertible Notes are repaid in cash by the Company, the warrants issued in conjunction with the Convertible Notes will expire and have no further value.

The outstanding warrants held by the Convertible Note investors were reclassified to additional paid in capital as the terms became fixed upon closing of the IPO. Through December 31, 2023, none of the private placement investors exercised any of their warrants and the warrants expired in May 2024. As such, there were no warrants outstanding as of December 31, 2024 and June 30, 2024.

Note 16 - Concentration of risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

As of December 31, 2024 and June 30, 2024, \$2,877,457 and \$7,377,837, respectively, were deposited with various major financial institutions in the United States and PRC. Accounts at each institution in the United States are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. The Company had approximately \$1.4 million and \$5.8 million, respectively, in excess of the FDIC insurance limit, as of December 31, 2024 and June 30, 2024.

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposing the Company to credit risk. The risk is mitigated by the Company's assessment of its customers' creditworthiness and its ongoing monitoring of outstanding balances. The Company maintains reserves for estimated credit losses, and such losses have generally been within expectations.

The business of DHS, the Company's VIE, may be impacted by Chinese economic conditions, changes in regulations and laws, and other uncertainties.

Customer and vendor concentration risk

For the six months ended December 31, 2024 and 2023, Amazon Vendor and Amazon Seller customers accounted for 91% and 95% of the Company's total revenues, respectively. As of December 31, 2024 and June 30, 2024, accounts receivable from Amazon Vendor and Amazon Seller accounted for 80% and 91% of the Company's total accounts receivable.

For the six months ended December 31, 2024 and 2023, one supplier accounted for 8% and 11% of the Company's total purchases, respectively. As of December 31, 2024 and June 30, 2024, accounts payable to one supplier accounted for 12% and 42% of the Company's total accounts payable.

Note 17 - Commitments and contingencies

Lease commitments

The Company has entered into a lease agreement for office and warehouse space with a lease period from December 1, 2018 until December 31, 2020. On August 24, 2020, the Company negotiated for new terms to extend the lease through December 21, 2023 at the rate of approximately \$42,000 per month. On December 21, 2023, the lease expired without renewal.

On September 1, 2020, in addition to the primary fulfillment center, the Company leased a second fulfillment center in City of Industry, California. The base rental fee was \$27,921 to \$29,910 per month through October 31, 2023. On October 31, 2023, the lease expired without renewal.

On February 15, 2022, upon completion of the acquisition of Anivia Limited, the Company assumed an operating lease for offices located in the People's Republic of China. In July 2023, the Company renewed the lease contract for its existing office plus additional office space. The lease term is for three years expiring on July 14, 2026. The total base rental fee for these offices is approximately \$19,406 per month. In September 2024, the Company terminated the lease contract of the office space.

On July 28, 2021, the Company entered into a Lease agreement (the "Lease Agreement") with 9th & Vineyard, LLC, a Delaware limited liability company (the "Landlord"), to lease from the Landlord approximately 99,347 square feet of space located at 8798 9th Street, Rancho Cucamonga, California (the "Premises"). The term of the Lease Agreement is for 62 months, commencing on the date on which the Landlord completes certain prescribed improvements on the property (the "Rent Commencement Date"). The Lease Agreement does not provide for an option to renew. Under the Lease Agreement, the Company is responsible for its pro rata share of certain costs, including utility costs, insurance and common area costs, as further detailed in the Lease Agreement. In addition, following the Rent Commencement Date, the first two months of the Base Rent were abated.

The lease did not start under the original agreement as the construction was not completed. On February 23, 2022, the Company entered into an amended agreement to extend the lease term to 74 months. Under the amended agreement, the lease commenced on February 10, 2022, with rent payments commencing May 11, 2022 and the lease expiring on May 31, 2028. The base rental fee is \$114,249, increasing gradually over time to \$140,079 per month through the expiration date of May 31, 2028.

On May 1, 2022, the Company leased another fulfillment center in Duarte, California. The base rental fee is \$56,000 to \$59,410 per month through April 30, 2025.

In September 2024, DHS entered into a sublease agreement with a third-party entity for office space in Shenzhen. The lease term is for one year from October 1, 2024 to September 30, 2025. The lease is treated as short-term lease and the base rental fee is approximately \$10,000 per month.

The Company's total commitment for the full term of these leases is \$12,651,376. The financial statements reflected \$4,757,429 and \$6,124,163, respectively, of operating lease right-of-use assets, and \$5,153,380 and \$6,549,110, respectively, of operating lease liabilities as of December 31, 2024 and June 30, 2024.

Three months Ended December 31, 2024 and 2023:

Lease cost	12/31/2024	12/31/2023
Operating lease cost (included in G&A in the Company's statement of operations)	\$ 534,836	\$ 739,557
Other information		
Cash paid for amounts included in the measurement of lease liabilities	\$ 544,820	\$ 742,427
Remaining term in years	0.33 – 3.42	1.33 – 4.42
Average discount rate - operating leases	5 - 6%	5 - 8%

Six months Ended December 31, 2024 and 2023:

Lease cost	12/31/2024	12/31/2023
Operating lease cost (included in G&A in the Company's statement of operations)	\$ 1,264,477	\$ 1,532,546
Other information		
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,285,143	\$ 1,529,857
Remaining term in years	0.33 – 3.42	1.33 – 4.42
Average discount rate - operating leases	5 - 6%	5 - 8%

The supplemental balance sheet information related to leases for the period is as follows:

Operating leases	12/31/2024	6/30/2024
Right of use asset - non-current	\$ 4,757,429	\$ 6,124,163
Lease Liability – current	1,540,624	2,039,301
Lease Liability - non-current	3,612,756	4,509,809
Total operating lease liabilities	<u>\$ 5,153,380</u>	<u>\$ 6,549,110</u>

Maturities of the Company's lease liabilities are as follows:

	Operating Lease
For Year ending June 30:	
2025	\$ 990,690
2026	1,533,918
2027	1,586,572
2028	1,459,409
Less: Imputed interest/present value discount	(417,209)
Present value of lease liabilities	<u>\$ 5,153,380</u>

Contingencies

Except as disclosed below, the Company is not currently a party to any material legal proceedings, investigation or claims. As the Company may, from time to time, be involved in legal matters arising in the ordinary course of its business, there can be no assurance that such matters will not arise in the future or that any such matters in which the Company is involved, or which may arise in the ordinary course of the Company's business, will not at some point proceed to litigation or that such litigation will not have a material adverse effect on the business, financial condition or results of operations of the Company.

Pursuant to an engagement agreement, dated and effective August 31, 2020 (the "Engagement Agreement"), with Boustead Securities LLC ("Boustead"), the Company engaged Boustead to act as its exclusive placement agent for private placements of its securities and as a potential underwriter for its initial public offering. On February 28, 2021, the Company informed Boustead that it was terminating the Engagement Agreement and any continuing obligations the Company may have had under its terms. On April 15, 2021, the Company provided formal written notice to Boustead of its termination of the Engagement Agreement and all obligations thereunder, effective immediately. On April 30, 2021, Boustead filed a statement of claim with the Financial Institute Regulatory Authority, or FINRA, demanding to arbitrate the dispute, and is seeking, among other things, monetary damages against the Company and D.A. Davidson & Co. (who acted as underwriter in the Company's IPO). The Company has agreed to indemnify D.A. Davidson & Co. and the other underwriters against any liability or expense they may incur or be subject to arising out of the Boustead dispute. Additionally, Chenlong Tan, the Company's Chairman, President and Chief Executive Officer and a beneficial owner more than 5% of the Company's Common Stock, has agreed to reimburse the Company for any judgments, fines and amounts paid or actually incurred by the Company or an indemnitee in connection with such legal action or in connection with any settlement agreement entered into by the Company or an indemnitee up to a maximum of \$3.5 million in the aggregate, with the sole source of funding of such reimbursement to come from sales of shares then owned by Mr. Tan. As of December 31, 2023, the Company cannot reasonably estimate the amount of potential exposure.

On April 3, 2024, the Company and D.A. Davidson & Co entered into a settlement agreement and mutual release (the "Settlement Agreement") with Boustead Securities, LLC ("Boustead") and its current and former employees, officers, directors, partners, agents and affiliates, pursuant to which all parties agreed to release all claims in exchange for the Company's payment of \$1.3 million (the "Settlement Amount") to Boustead. The Settlement Agreement was entered into for purposes of settling in full the FINRA Arbitration (FINRA Case No. 22-01133) which had been brought by Boustead against the Company and D.A. Davidson after the Company opted not to complete its initial public offering with Boustead but instead engaged and completed its initial public offering with D.A. Davidson. Pursuant to the terms of the Settlement Agreement, the Company is required to pay the Settlement Amount in four equal installments of \$325,000 on each of April 3, 2024, May 3, 2024, June 3, 2024 and July 3, 2024. Within five days of its receipt of the final payment, or by July 8, 2024, Boustead will be obligated to dismiss the FINRA Arbitration against the Company, with prejudice, after which time the Company will be required to dismiss, with prejudice, all counterclaims brought by the Company against Boustead. For the year ended June 30, 2024, the Company considered and concluded that the Settlement Amount of \$1.3 million was incremental costs directly associated with the IPO under ASC 340-10-S99-1 and so recorded as offering costs against additional paid-in capital. As of June 30, 2024, the outstanding balance of the Settlement Amount was \$325,000. As of December 31, 2024, the Settlement Amount had been paid off and the parties have formally withdrawn all of the complaints that were before FINRA, with prejudice, and the matter is settled in full.

In conjunction with entry into the Settlement Agreement, the Company's CEO and co-founder, Chenlong Tan, and Allan Huang, also a co-founder of the Company, entered into a pledge agreement (the "Pledge Agreement") with the Company pursuant to which they each pledged 1,300,000 shares of their iPower common stock, for a total of 2,600,000 shares (the "Pledged Shares"), in order that the Company may, from time to time, sell such Pledged Shares into the market on behalf of Messrs. Tan and Huang in order to recoup the Settlement Amount.

On June 18, 2024, calculating the shares at \$2.40, Messrs. Tan and Huang returned a total of 541,667 shares as indemnification payment to the Company for cancellation (the "Share Cancellation"). The Share Cancellation was completed in June 2024.

In February 2022, the Russian Federation began conducting military operations against Ukraine, and in October 2023, an armed conflict between Hamas-led Palestinian militant groups and Israeli military forces began, both of which have since escalated into prolonged wars. While we do not do business in those regions, the military conflicts in Ukraine and in Israel have resulted in global economic uncertainty and increased the cost of various commodities. In response to these types of events, should they directly impact our supply chain or other operations, we may experience or be exposed to supply chain disruptions which could cause us to seek alternate sources for product supply or suffer consequences that are unexpected and difficult to mitigate. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. Although, it is difficult to predict the impact that these factors may have on our business in the future, we have experienced a delay in, as well as an increase in costs in shipping, and the resulting inventory level increase in our warehouse facilities, thus resulting in reduced profits. In addition, supply chain disruptions may put upward pressure on our costs and increase the risk that we may be unable to acquire the materials and services we need to continue to make certain products.

On April 13, 2020, the Company entered into an agreement with Royal Business Bank (the "Lender") for a total amount of \$175,500, pursuant to a promissory note issued by the Company to the Lender (the "PPP Note"). The loan was made pursuant to the Payroll Protection Program established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). On March 22, 2021, the \$175,500 PPP Note due to Royal Business Bank was fully forgiven by the Small Business Administration ("SBA").

The Company is required to retain PPP loan documentation through 2026 and permit authorized representatives of the SBA to access such files upon request. Should the SBA conduct such a review and reject all or some of the Company's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Company may be required to adjust previously reported amounts and disclosures in the consolidated financial statements.

Note 18 - Subsequent events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through the date that the unaudited condensed consolidated financial statements were available to be issued. Other than as set forth below, there were no material subsequent events that required recognition or additional disclosure in the unaudited condensed consolidated financial statements presented.

On January 2, 2025, the Company received a letter from the Nasdaq Listing Qualifications Staff of The Nasdaq Stock Market LLC ("Nasdaq") stating that for the 30 consecutive business day period between November 15, 2024 to December 31, 2024, the Company's common stock had failed to maintain a minimum closing bid price of \$1.00 per share, as required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement"). Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company has an initial period of 180 calendar days, or until July 1, 2025 (the "Compliance Period"), to regain compliance with the Minimum Bid Price Requirement. To regain compliance, the closing bid price of the Company's common stock must meet or exceed \$1.00 per share for a minimum of ten consecutive trading days, unless such period is extended by Nasdaq.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (the “MD&A”) should be read in conjunction with our unaudited financial statements and the related notes thereto included elsewhere herein. This MD&A contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations, and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words “believe,” “plan,” “intend,” “anticipate,” “target,” “estimate,” “expect,” and the like, and/or future-tense or conditional constructions (“will,” “may,” “could,” “should,” etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this report. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors.

Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. We undertake no obligation to publicly update or revise any forward- looking statements, including any changes that might result from any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.

Overview

Driven by technology and data, iPower Inc. (“iPower,” “we,” “us,” or “the Company”) is an online supplier of consumer goods, including hydroponics equipment, general gardening supplies and consumer home goods. Through the operations of our e-commerce platforms and channel partners, and our combined 121,000 sq. ft. of fulfillment centers in Rancho Cucamonga and Los Angeles, California, we believe we are one of the leading marketers, distributors and retailers in the consumer gardening and home goods categories, based on management’s estimates. Our core strategy continues to focus on expanding our geographic reach across the United States and internationally through organic growth, both in terms of expanding customer base as well as brand and product development. iPower has developed a set of methodologies driven by proprietary data formulas to effectively bring products to market and sales.

We are actively developing our in-house branded products and through supply chain partners, which to date include the **iPower** and **Simple Deluxe** brands and more, some of which have been designated as Amazon best seller product leaders and Amazon Choice products, among others.

Trends and Expectations

Product and Brand Development

We plan to increase investments in product and brand development. We actively evaluate potential acquisition opportunities of companies and product brand names that can complement our product catalog and improve our existing products and supply chain efficiencies.

Global Economic Disruption

While at present the majority of our products are sourced either in the United States or China, the military conflicts between Russia and Ukraine and Israel and Hamas may nonetheless increase the likelihood of supply chain disruptions and hinder our ability to find the materials we need to make our products. Thus far, as a result of the general global economic disruptions, we have experienced a decrease in the speed with which we are able to purchase new inventory, as well as an increase in costs due to delays in shipping, as well as a resulting increase in time with which products remain in our warehouse facilities, thus resulting in reduced profits. In addition, supply chain disruptions may make it harder for us to find favorable pricing and reliable sources for the materials we need, putting upward pressure on our costs and increasing the risk that we may be unable to acquire the materials and services we need to continue to make certain products.

Regulatory Environment

Among our suite of products, we sell hydroponic gardening products to end users that may use such products in new and emerging industries or segments, including the growing of cannabis. The demand for hydroponic gardening products depends on the uncertain growth of these industries or segments due to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions. Demand for our products could be impacted by changes in the regulatory environment with respect to such industries and segments.

RESULTS OF OPERATIONS

For the three months ended December 31, 2024 and 2023

The following table presents certain unaudited condensed consolidated statement of operations information and presentation of that data as a percentage of change from period to period.

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	Variance
Revenues – product sales	\$ 17,606,889	\$ 16,800,122	4.8%
Revenues – service income	1,465,682	–	–
	<u>19,072,571</u>	<u>16,800,122</u>	<u>13.5%</u>
Cost of revenues – product costs	9,461,119	9,481,882	(0.2%)
Cost of revenues – service costs	1,221,566	–	–
	<u>10,682,685</u>	<u>9,481,882</u>	<u>12.7%</u>
Gross profit	8,389,886	7,318,240	14.6%
Operating expenses	7,706,279	9,870,587	(21.9%)
Operating income (loss)	683,607	(2,552,347)	126.8%
Other expenses	347,432	54,575	536.6%
Income (loss) before income taxes	336,175	(2,606,922)	112.9%
Income tax expenses (benefit)	120,511	(688,939)	117.5%
Net income (loss)	215,664	(1,917,983)	111.2%
Non-controlling interest	(3,155)	(3,155)	0.0%
Net income (loss) attributable to iPower Inc.	218,819	(1,914,828)	111.4%
Other comprehensive income (loss)	156,130	(160,255)	197.4%
Comprehensive income (loss) attributable to iPower Inc.	\$ 374,949	(2,075,083)	118.1%
Gross profit % of revenues	44.0%	43.6%	
Operating income (loss) % of revenues	3.6%	(15.2%)	
Net income (loss) % of revenues	1.1%	(11.4%)	

Revenues

Revenues for the three months ended December 31, 2024 increased 13.5% to \$19,072,571 as compared to \$16,800,122 for the three months ended December 31, 2023. While pricing remained stable and with the additional logistics service income, the increase mainly resulted from an increase in sales volume during the three months ended December 31, 2024 as compared to the three months ended December 31, 2023. This was further enhanced by growth in the Company's SuperSuite supply chain offerings.

Costs of Goods Sold

Costs of goods sold for the three months ended December 31, 2024 increased 12.7% to \$10,682,685 as compared to \$9,481,882 for the three months ended December 31, 2023. The increase was primarily due to the combination of an increase in the costs related to the logistics service income and a decrease in freight costs and lowered product costs resulted from management's efforts on supply chain management.

Gross Profit

Gross profit for the three months ended December 31, 2024 was \$8,389,886 as compared to \$7,318,240 for the three months ended December 31, 2023. The gross profit ratio of the product sales revenues increased to 44.0% for the three months ended December 31, 2024 from 43.6% for the three months ended December 31, 2023. The increase in the gross profit ratio was mainly driven by the decrease in freight costs and lowered product costs resulted from management's efforts on supply chain management during the three months ended December 31, 2024, as discussed above.

Operating Expenses

Operating expenses for the three months ended December 31, 2024 decreased 21.9% to \$7,706,279 as compared to \$9,870,587 for the three months ended December 31, 2023. The decrease was mainly due to the combination of a decrease in selling and fulfillment expenses of \$2.3 million as a result of decreased costs related to advertising, merchant fees, rental expenses and delivery fees, and an increase in general and administrative expenses of \$0.1 million, which included payroll expenses, stock-based compensation expense, insurance expenses, travel expenses and other operating expenses. Specifically the decrease in merchant fees was resulted from sales to different amazon vendor account mix. However, we cannot guarantee that this trend will continue.

Income (Loss) from Operations

Income (loss) from operations was \$683,607 for the three months ended December 31, 2024 as compared to \$(2,552,347) for the three months ended December 31, 2023. The increase in income was resulted from the combination of the increase in gross profit and the decrease in operating expenses.

Other Expenses

Other expenses consist of interest expense and other non-operating income (expenses). Other expenses for the three months ended December 31, 2024 was \$347,432 as compared to \$54,575 for the three months ended December 31, 2023. The increase in other expenses was mainly due to the combination of an increase in other non-operating expenses of \$334,796, including a foreign currency exchange loss of 45,580, and a decrease in interest, including amortization of debt discount, on the revolving loan of \$41,940 during the three months ended December 31, 2024 resulted from the decreasing loan balance.

Net Income (Loss) Attributable to iPower Inc.

Net income (loss) attributable to iPower Inc. for the three months ended December 31, 2024 was \$218,819 as compared to \$(1,914,828) for the three months ended December 31, 2023, representing an increase in net income of \$2,133,647. The increase was primarily due to the combination of a decrease in the operating expenses and an increase in gross profit ratio as discussed above.

Comprehensive Income (Loss) Attributable to iPower Inc.

Comprehensive income (loss) attributable to iPower Inc. for the three months ended December 31, 2024 was \$374,949 as compared to \$(2,075,083) for the three months ended December 31, 2023, representing an increase in comprehensive income of \$2,450,032. The increase was due to the reasons discussed above, along with an increase in other comprehensive income of \$316,384 as a result of foreign currency translation adjustments resulting from the translation of RMB, the functional currency of our VIE in the PRC, to USD, the reporting currency of the Company.

For the six months ended December 31, 2024 and 2023

The following table presents certain unaudited condensed consolidated statement of operations information and presentation of that data as a percentage of change from period to period.

	Six Months Ended December 31, 2024	Six Months Ended December 31, 2023	Variance
Revenues – product sales	\$ 35,882,301	\$ 43,308,496	(17.1%)
Revenues – service income	2,198,791	–	–
	<u>38,081,092</u>	<u>43,308,496</u>	<u>(12.1%)</u>
Cost of revenues – product costs	19,378,567	24,231,411	(20.0%)
Cost of revenues – service costs	1,824,742	–	–
	<u>21,203,309</u>	<u>24,231,411</u>	<u>(12.5%)</u>
Gross profit	16,877,783	19,077,085	(11.5%)
Operating expenses	18,940,610	22,898,109	(17.3%)
Operating loss	(2,062,827)	(3,821,024)	(46.0%)
Other expenses	269,627	351,131	(23.2%)
Loss before income taxes	(2,332,454)	(4,172,155)	(44.1%)
Income tax benefit	(516,001)	(964,821)	(46.5%)
Net loss	(1,816,453)	(3,207,334)	(43.4%)
Non-controlling interest	(5,991)	(5,991)	0.0%
Net loss attributable to iPower Inc.	(1,810,462)	(3,201,343)	(43.4%)
Other comprehensive (loss) income	101,076	(160,962)	162.8%
Comprehensive loss attributable to iPower Inc.	<u>\$ (1,709,386)</u>	<u>\$ (3,362,305)</u>	<u>(49.2%)</u>
Gross profit % of revenues	44.3%	44.0%	
Operating loss % of revenues	(5.4%)	(8.8%)	
Net loss % of revenues	(4.8%)	(7.4%)	

Revenues

Revenues for the six months ended December 31, 2024 decreased 12.1% to \$38,081,092 as compared to \$43,308,496 for the six months ended December 31, 2023. While pricing remained stable and with the additional logistics service income, the decreased revenue mainly resulted from a decrease in sales volume during the six months ended December 31, 2024 as the Company offered less promotions and clearance activities due to lower inventory level as compared to the six months ended December 31, 2023. This was partially offset by growth in the Company's SuperSuite supply chain offerings.

Costs of Goods Sold

Costs of goods sold for the six months ended December 31, 2024 decreased 12.5% to \$21,203,309 as compared to \$24,231,411 for the six months ended December 31, 2023. The decrease was primarily due to a combination of the costs related to the logistics service income and the decrease in sales, freight costs, and lowered product costs resulted from management's efforts on supply chain management.

Gross Profit

Gross profit was \$16,877,783 for the six months ended December 31, 2024 as compared to \$19,077,085 for the six months ended December 31, 2023. The gross profit ratio of the product sales revenues increased to 46.0% for the six months ended December 31, 2024 from 44.0% for the six months ended December 31, 2023. The increase in the gross profit ratio was mainly driven by the decrease in costs of goods sold during the six months ended December 31, 2024, as discussed above.

Operating Expenses

Operating expenses for the six months ended December 31, 2024 decreased 17.3% to \$18,940,610 as compared to \$22,898,109 for the six months ended December 31, 2023. The decrease was mainly due to the combination of a decrease in selling and fulfillment expenses of \$6.5 million as a result of decreased costs related to advertising, merchant fees, rental expenses and delivery fees, and an increase in general and administrative expenses of \$2.5 million, which included payroll expenses, stock-based compensation expense, insurance expenses, allowance for credit losses, travel expenses and other operating expenses. The increase in general and administrative expenses was mainly due to the expansion of our vendor network and development of the SuperSuite platform and an increased allowance for credit loss and inventory reserves of \$1.8 million.

Loss from Operations

Loss from operations was \$2,062,827 for the six months ended December 31, 2024 as compared to \$3,821,024 for the six months ended December 31, 2023. The decrease in loss from operations resulted from the decrease in operating expenses being greater than the decrease in gross profit with the improved gross profit ratio.

Other Expenses

Other expenses for the six months ended December 31, 2024 was \$269,627 as compared to \$351,131 for the six months ended December 31, 2023. The decrease in other expenses was mainly due to the decrease in other non-operating income of \$48,944, and the decrease in interest expenses, including amortization of debt discount, on the revolving loan of \$130,343 during the six months ended December 31, 2024 as a result of the decreasing balance on the revolving loan.

Net Loss Attributable to iPower Inc.

Net loss attributable to iPower Inc. for the six months ended December 31, 2024 was \$1,810,462 as compared to \$3,201,343 for the six months ended December 31, 2023, representing a decrease in net loss of \$1,390,881. The decrease was primarily due to the decrease in operating expenses being greater than the decrease in gross profit resulting in the improved gross profit ratio as discussed above.

Comprehensive Loss Attributable to iPower Inc.

Comprehensive loss attributable to iPower Inc. for the six months ended December 31, 2024 was \$1,709,386 as compared to \$3,362,305 for the six months ended December 31, 2023, representing a decrease in comprehensive loss of \$1,652,919. The decrease was due to the reasons discussed above, along with an increase in other comprehensive income of \$262,037 as a result of foreign currency translation adjustments resulting from the translation of RMB, the functional currency of our VIE in the PRC, to USD, the reporting currency of the Company.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

During the six months ended December 31, 2024, we primarily funded our operations with cash and cash equivalents generated from operations, as well as through borrowing under our credit facility from JPMorgan Chase Bank (“JPM”). Additionally, on June 18, 2024, we closed on a registered direct offering of 2,083,334 shares of common stock (the “Shares”) and a concurrent private placement of warrants to purchase up to 2,083,334 shares of common stock (the “Warrants”), which Shares and Warrants were sold for aggregate gross proceeds of \$5,000,002. As of December 31, 2024, we had cash and cash equivalents of \$2,877,457, representing a \$4,500,380 decrease from \$7,377,837 in cash as of June 30, 2024. The cash decrease was primarily due to the result of cash used in operating activities and financing activities resulting from our payments to pay down the short-term loans - related party and the JPM revolving line of credit.

Based on our current operating plans, we believe that our existing cash and cash equivalents and cash flows from operations will be sufficient to finance our operations during the next 12 months.

Our cash requirements consist primarily of day-to-day operating expenses and obligations with respect to warehouse leases. We lease all of our office and warehouse facilities. We expect to make future payments on existing leases from cash generated from operations. We have credit terms in place with our major suppliers, however as we bring on new suppliers, we are often required to prepay our inventory purchases from them. This is consistent with our historical operating model which allowed us to operate using only cash generated by the business. Beyond the next 12 months we believe that our cash flow from operations should improve as supply chain operations normalize and new suppliers we are bringing online transition to credit terms more favorable to us. In addition, we plan to increase the size of our in-house product catalog, which will have a net beneficial impact to our margin profile and ability to generate cash. Currently, we have approximately \$11.0 million in unused credit under the revolving line with JPM.

Given our current working capital position and available funding from our revolving credit line and proceeds from our June registered direct offering, we believe we will be able to work through the current challenges by managing payment terms with customers and vendors.

Working Capital

As of December 31, 2024 and June 30, 2024, our working capital was \$13.8 million and \$11.2 million, respectively. The historical seasonality in our business during the year can cause cash and cash equivalents, inventory and accounts payable to fluctuate, resulting in changes in our working capital. We anticipate that past historical trends to remain in place through the balance of the fiscal year with working capital remaining near this level for the foreseeable future.

Cash Flows

Operating Activities

Our largest source of cash provided by operations is from sales of products. Our primary uses of cash from operating activities include payments to suppliers for products, to employees for compensation, and other general expenses. Net cash (used in) provided by operating activities for the six months ended December 31, 2024 and 2023 was \$(1,387,926) and \$5,045,731, respectively. The decrease in cash provided by operating activities mainly resulted from a decrease in cash received from customers and an increase in cash paid for costs of revenues and operating expenses.

Investing Activities

Net cash used in investing activities for the six months ended December 31, 2024 and 2023 was \$(664,366) and \$0, respectively. The increase was due to the prepayments made for software developments during the six months ended December 31, 2024.

Financing Activities

Net cash used in financing activities was \$2,558,389 and \$7,175,000, respectively, for the six months ended December 31, 2024 and 2023. The decrease in net cash used in financing activities was primarily due to a decrease in payments on the revolving loan.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States, or GAAP, and pursuant to the rules and regulations of the SEC. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition and results of operations will be affected. We base our estimates on experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies, which we discuss further below. While our significant accounting policies are more fully described in Note 2 to our unaudited condensed consolidated financial statements, we believe that the following accounting policies are critical to the process of making significant judgments and estimates in the preparation of our unaudited condensed consolidated financial statements.

Revenue recognition

The Company recognizes revenues from service and product sales, net of promotional discounts and return allowances, when the following revenue recognition criteria are met: a contract has been identified, separate performance obligations are identified, the transaction price is determined, the transaction price is allocated to separate performance obligations and revenue is recognized upon satisfying each performance obligation. The Company transfers the risk of loss or damage upon shipment or completion of service, therefore, revenue from product sales is recognized when it is shipped to the customer and the revenue from services is recognized upon completion of services. Return allowances, which reduce product revenue by the Company's best estimate of expected product returns, are estimated using historical experience.

The Company evaluates the criteria of ASC 606 - Revenue Recognition Principal Agent Considerations in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when the Company is primarily responsible for fulfilling the promise to provide a specified good or service and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the delivery of goods to customers are recorded as customer deposits.

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers. Current discount offers, when accepted by the Company's customers, are treated as a reduction to the purchase price of the related transaction.

Sales discounts are recorded in the period in which the related sales are recorded. Sales return allowances are estimated based on historical amounts and are recorded upon recognizing the related sales. Shipping and handling costs are recorded as selling expenses.

Accounts receivable, net

During the ordinary course of business, the Company extends unsecured credit to its customers. Accounts receivable are stated at the amount the Company expects to collect from customers, which includes the amount withheld by sales channel partners and refundable to the Company. Based on historical an expected loss rate and status of negotiations with the sales channel partner, management reviews its accounts receivable balances each reporting period to determine if an allowance for credit loss is required.

The Company evaluates the creditworthiness of all of its customers individually before accepting them and continuously monitors the recoverability of accounts receivable. If there are any indicators that a customer may not make payment, the Company may consider making provision for non-collectability for that particular customer. At the same time, the Company may cease further sales or services to such customer. The following are some of the factors that the Company develops allowance for credit losses:

- the customer fails to comply with its payment schedule;
- the customer is in serious financial difficulty;
- a significant dispute with the customer has occurred regarding job progress or other matters;
- the customer breaches any of its contractual obligations;
- the customer appears to be financially distressed due to economic or legal factors;
- the business between the customer and the Company is not active; and
- other objective evidence indicates non-collectability of the accounts receivable.

Accounts receivable are recognized and carried at carrying amount less an allowance for credit losses, if any. The Company maintains an allowance for credit losses resulting from the inability of its customers to make required payments based on contractual terms. The Company reviews the collectability of its receivables on a regular and ongoing basis. The Company has also included in calculation of allowance for credit losses the potential impact of overall economic conditions on our customers' industry and businesses and their ability to pay our accounts receivable. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The Company also considers external factors to the specific customer, including current conditions and forecasts of economic conditions, including the potential impact of the COVID-19 pandemic. In the event we recover amounts previously written off, we will reduce the specific allowance for credit losses. In late October 2024, the Company determined that the collectability of certain refundable amount withheld by sales channel partners was remote so the Company recorded additional allowance for credit losses of \$41,346 and \$1,516,940 for the three and six months ended December 31, 2024.

Inventory, net

Inventory consists of finished goods ready for sale and is stated at the lower of cost or market. The Company values its inventory using the weighted average costing method. The Company's policy is to include as a part of inventory and costs of goods sold any freight incurred to ship the product from its vendors to warehouses. Outbound freight costs related to shipping costs to customers are considered period costs and reflected in selling and fulfillment expenses. The Company regularly reviews inventory and considers forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of the inventory is less than cost, the Company makes provisions in order to reduce its carrying value to its estimated market value. The Company also reviews inventory for slow moving and obsolescence and records allowance for obsolescence.

Variable interest entities

On February 15, 2022, the Company acquired 100% of the ordinary shares of Anivia and its subsidiaries, including Daheshou (Shenzhen) Information Technology Co., Ltd., a company organized under the Laws of the PRC ("DHS"). Pursuant to the terms of the agreements, the Company does not have direct ownership in DHS but is actively involved in DHS's operations as the sole manager to direct the activities and significantly impact DHS's economic performance. DHS's operational funding is provided by the Company after February 15, 2022. During the term of the agreements, which run for a term of 10 years from February 2022 to February 2032, the Company bears all the risk of loss and has the right to receive all of the benefits from DHS. As such, based on the determination that the Company is the primary beneficiary of DHS, in accordance with ASC 810-10-25-38A through 25-38J, DHS is considered a variable interest entity ("VIE") of the Company and the financial statements of DHS have been consolidated from the date such control existed, February 15, 2022.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company accounts for goodwill under *ASC Topic 350, Intangibles-Goodwill and Other*.

Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or if events or circumstances indicate a potential impairment, at the reporting unit level. The Company's review for impairment includes an assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill, a quantitative goodwill impairment test is performed, which compares the fair value of the reporting unit with its carrying amounts, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. However, if the carrying amount of the reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

During the six months ended December 31, 2024 and 2023, the Company performed a qualitative goodwill impairment analysis following the steps laid out in ASC 350-20-35-3C and noted no goodwill impairment. As of December 31, 2024 and June 30, 2024, the goodwill balance amounted to \$3,034,110.

Intangible Assets, net

Finite life intangible assets at December 31, 2024 include a covenant not to compete, supplier relationships and software recognized as part of the acquisition of Anivia. Intangible assets are recorded at the estimated fair value of these items at the date of acquisition, February 15, 2022. Intangible assets are amortized on a straight-line basis over their estimated useful life as follows:

	Useful Life
Covenant Not to Compete	10 years
Supplier relationship	6 years
Software	5 years

The Company reviews the recoverability of long-lived assets, including intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. As of December 31, 2024 and 2023, there were no indicators of impairment.

Stock-based Compensation

The Company applies ASC No. 718, "Compensation-Stock Compensation," which requires that share-based payment transactions with employees and nonemployees upon adoption of ASU 2018-07, be measured based on the grant date fair value of the equity instrument and recognized as compensation expense over the requisite service period, with a corresponding addition to equity. Under this method, compensation cost related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the period during which an employee is required to provide service in exchange for the award, which generally is the vesting period. In addition to the requisite service period, the Company also evaluates the performance condition and market condition under ASC 718-10-20. For an award that contains both a performance and a market condition, and where both conditions must be satisfied in order for the award to vest, the market condition is incorporated into the fair value of the award, and that fair value is recognized over the employee's requisite service period or nonemployee's vesting period if it is probable that the performance condition will be met. If the performance condition is ultimately not met, compensation cost related to the award should not be recognized (or should be reversed) because the vesting condition in the award has not been satisfied.

The Company will recognize forfeitures of such equity-based compensation as they occur.

Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their perspective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company has analyzed filing positions in each of the federal and state jurisdictions where the Company is required to file income tax returns, as well as open tax years in such jurisdictions. The Company has identified the U.S. federal jurisdiction, and the states of Nevada and California, as its “major” tax jurisdictions. However, the Company has certain tax attribute carryforwards which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

The Company believes that our income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740, Income Taxes. The Company’s policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

Recently issued accounting pronouncements

Other than as set forth under Note 2 to the unaudited condensed consolidated financial statements under “Recently issued accounting pronouncements,” the Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company,” we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosure.

As of December 31, 2024, our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our management concluded that our internal controls over financial reporting were not effective because, among other things, our controls related to the financial statements closing process were not adequately designed or appropriately implemented to identify material misstatements in our financial reporting on a timely basis. Management has evaluated remediation plans to address these deficiencies and is implementing changes to address the material weakness identified, including hiring additional accountants and consultants and implementing controls and procedures over the financial reporting process.

Changes in Internal Controls

There have been no changes in our internal controls over financial reporting that occurred during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

UHY LLP, our independent registered public accounting firm, is not required to and has not provided an assessment concerning the design or effectiveness of our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not presently party to any pending or threatened legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition, or operating results, although from time to time, we may become involved in legal proceedings in the ordinary course of business.

ITEM 1A. RISK FACTORS

We refer to Part I, Item 1A, Risk Factors, of our Annual Report for a detailed description of our significant risk factors. Other than the risk factor disclosed in this Item 1A below, there have been no significant changes to these risk factors during the quarter ended December 31, 2024.

If we fail to comply with the continued listing requirements of the Nasdaq Stock Market, it could result in our common stock being delisted, which could adversely affect the market price and liquidity of our securities and could have other adverse effects.

On January 2, 2025, the Company received a letter from the Nasdaq Listing Qualifications Staff of The Nasdaq Stock Market LLC (“Nasdaq”) stating that for the 30 consecutive business day period between November 15, 2024 to December 31, 2024, the Company’s common stock had failed to maintain a minimum closing bid price of \$1.00 per share, as required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Price Requirement”). Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company has an initial period of 180 calendar days, or until July 1, 2025 (the “Compliance Period”), to regain compliance with the Minimum Bid Price Requirement. To regain compliance, the closing bid price of the Company’s common stock must meet or exceed \$1.00 per share for a minimum of ten consecutive trading days, unless such period is extended by Nasdaq.

If the Company does not regain compliance with the Minimum Bid Price Requirement by July 1, 2025, the Company may be eligible for additional time. To qualify, the Company will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and will need to provide written notice of its intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

If the Company cannot regain compliance during the Compliance Period or any subsequently granted compliance period, Nasdaq will provide the Company with notice that its common stock will be subject to delisting. At that time, the Company may appeal the Nasdaq’s delisting determination to a Nasdaq Hearings Panel. While Nasdaq’s notice to the Company of noncompliance has no immediate effect on the listing of our common stock and our common stock will continue to be listed on The Nasdaq Capital Market under the symbol “IPW,” there can be no assurance that we will regain compliance with the Minimum Bid Price Requirement or maintain compliance with any of the other Nasdaq continued listing requirements. We will continue to monitor the closing bid price of our common stock and may, if appropriate, consider available options to regain compliance with the Minimum Bid Price Requirement.

If significant tariffs or other restrictions are placed on imports to the U.S., including tariffs and/or import restrictions from China, or if any retaliatory trade measures are taken by China or other countries, our business and results of operations could be materially and adversely affected.

All of our products are manufactured and supplied by unaffiliated third parties, most of which are located in China. This concentration exposes us to risks associated with doing business globally, including risks related to changes in tariffs or the imposition of other trade barriers. Any alteration of trade agreements and terms between China and the U.S., including limiting trade with China, imposing additional tariffs on imports from China and potentially imposing other restrictions on imports from other countries to the U.S., may result in further or higher tariffs, or retaliatory trade measures by China, all of which could have a material adverse effect on our business and operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

During our fiscal quarter ended December 31, 2024, none of our directors or officers informed us of the adoption or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” as those terms are defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

The following exhibits are filed or furnished with this report:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.1	Sixth Amended and Restated Articles of Incorporation of iPower Inc. (incorporated by reference to Exhibit 3.3 to Amendment No. 3 to the Registration Statement on Form S-1 filed May 5, 2021).
3.2	Second Amended and Restated Bylaws of iPower Inc. (incorporated by reference to Exhibit 3.3 to Amendment No. 2 the Registration Statement on Form S-1 filed April 27, 2021).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Data
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

iPower Inc.

February 14, 2025

By: _____
/s/ Chenlong Tan
Chenlong Tan
Chief Executive Officer

February 14, 2025

By: _____
/s/ Kevin Vassily
Kevin Vassily
Chief Financial Officer

CERTIFICATION

I, Chenlong Tan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q pursuant to Rule 15d-2 under the Securities Exchange Act of 1934 for the period ended December 31, 2024 of iPower Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 14, 2025

/s/ Chenlong Tan

Chenlong Tan

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Kevin Vassily, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q pursuant to Rule 15d-2 under the Securities Exchange Act of 1934 for the period ended December 31, 2024 of iPower Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 14, 2025

/s/ Kevin Vassily

Kevin Vassily

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of iPower Inc. (the "Company") on Form 10-Q pursuant to Rule 15d-2 Under the Securities Exchange Act of 1934 for the period ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chenlong Tan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2025

/s/ Chenlong Tan

Chenlong Tan
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of iPower Inc. (the "Company") on Form 10-Q pursuant to Rule 15d-2 Under the Securities Exchange Act of 1934 for the period ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin Vassily, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2025

/s/ Kevin Vassily

Kevin Vassily

Chief Financial Officer

(Principal Financial and Accounting Officer)