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 September 30, 2023

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	**82-5144171**
(State or other jurisdiction of incorporation or organization)	(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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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 November 14, 2023 was 29,764,374.

iPower Inc.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

iPower Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
As of September 30, 2023 and June 30, 2023

	September 30, 2023 (Unaudited)	June 30, 2023
ASSETS		
Current assets		
Cash and cash equivalent	$ 2,729,161	$ 3,735,642
Accounts receivable, net	13,237,282	14,071,543
Inventories, net	15,056,623	20,593,889
Prepayments and other current assets	1,811,499	2,858,196
Total current assets	32,834,565	41,259,270
Non-current assets		
Right of use - non-current	7,763,712	7,837,345
Property and equipment, net	496,901	536,418
Deferred tax assets	2,432,439	2,155,250
Non-current prepayments	461,034	531,456
Goodwill	3,034,110	3,034,110
Investment in joint venture	32,088	33,113
Intangible assets, net	4,117,728	4,280,071
Other non-current assets	417,639	427,254
Total non-current assets	18,755,651	18,835,017
Total assets	$ 51,590,216	$ 60,094,287
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	12,031,323	13,244,957
Credit cards payable	693,327	366,781
Customer deposit	362,826	350,595
Other payables and accrued liabilities	3,292,581	4,831,067
Advance from shareholders	84,718	85,200
Lease liability – current	2,169,603	2,159,173
Short-term loan payable - related party	1,006,060	–
Long-term promissory note payable – current portion	1,149,961	2,017,852
Income taxes payable	275,117	276,683
Total current liabilities	21,065,516	23,332,308
Non-current liabilities		
Long-term revolving loan payable, net	4,808,322	9,791,191
Lease liability - non-current	6,023,813	6,106,047
Total non-current liabilities	10,832,135	15,897,238
Total liabilities	31,897,651	39,229,546
Commitments and contingency	–	–
Stockholders' Equity		
Preferred stock, $0.001 par value; 20,000,000 shares authorized; 0 shares issued and outstanding at September 30, 2023 and June 30, 2023	–	–
Common stock, $0.001 par value; 180,000,000 shares authorized; 29,710,939 and 29,710,939 shares issued and outstanding at September 30, 2023 and June 30, 2023	29,712	29,712
Additional paid in capital	29,742,402	29,624,520
Accumulated deficits	(9,988,957)	(8,702,442)
Non-controlling interest	(27,751)	(24,915)
Accumulated other comprehensive loss	(62,841)	(62,134)
Total equity	19,692,565	20,864,741
Total liabilities and equity	$ 51,590,216	$ 60,094,287

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

iPower Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
For the Three Months Ended September 30, 2023 and 2022

	For the Three Months Ended September 30,	
	2023	2022
	(Unaudited)	(Unaudited)
REVENUES	$ 26,508,374	$ 26,022,673
TOTAL REVENUES	26,508,374	26,022,673
COST OF REVENUES	14,749,529	16,036,957
GROSS PROFIT	11,758,845	9,985,716
OPERATING EXPENSES:		
Selling and fulfillment	10,063,471	8,418,812
General and administrative	2,964,051	3,100,176
Impairment loss - goodwill	–	3,060,034
Total operating expenses	13,027,522	14,579,022
LOSS FROM OPERATIONS	(1,268,677)	(4,593,306)
OTHER INCOME (EXPENSE)		
Interest expenses	(228,365)	(248,041)
Loss on equity method investment	(1,025)	(3,390)
Other non-operating income	(67,166)	211,760
Total other expenses, net	(296,556)	(39,671)
LOSS BEFORE INCOME TAXES	(1,565,233)	(4,632,977)
PROVISION FOR INCOME TAX BENEFIT	(275,882)	(447,796)
NET LOSS	(1,289,351)	(4,185,181)
Non-controlling interest	(2,836)	(2,805)
NET LOSS ATTRIBUTABLE TO IPOWER INC.	$ (1,286,515)	$ (4,182,376)
OTHER COMPREHENSIVE LOSS		
Foreign currency translation adjustments	(707)	(111,475)
COMPREHENSIVE LOSS ATTRIBUTABLE TO IPOWER INC.	$ (1,287,222)	$ (4,293,851)
WEIGHTED AVERAGE NUMBER OF COMMON STOCK		
Basic	29,764,515	29,665,716
Diluted	29,764,515	29,665,716
LOSSES PER SHARE		
Basic	$ (0.04)	$ (0.14)
Diluted	$ (0.04)	$ (0.14)

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 Months Ended September 30, 2023 and 2022

	Common Stock		Additional Paid in	Retained Earnings (Accumulated	Non- controlling	Accumulated other Comprehensive	
	Shares	Amount	Capital	(Deficit)	interest	income (loss)	Total
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	29,710,939	$ 29,712	$ 29,742,402	$ (9,988,957)	$ (27,751)	$ (62,841)	$ 19,692,565
Balance, June 30, 2022	29,572,382	$ 29,573	$ 29,111,863	$ 3,262,948	$ (13,232)	$ 5,678	$ 32,396,830
Net loss	–	–	–	(4,182,376)	(2,805)	–	(4,185,181)
Stock-based compensation	–	–	137,882	–	–	–	137,882
Foreign currency translation adjustments	–	–	–	–	–	(111,475)	(111,475)
Balance, September 30, 2022, unaudited	29,572,382	$ 29,573	$ 29,249,745	$ (919,428)	$ (16,037)	$ (105,797)	$ 28,238,056

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 Three Months Ended September 30, 2023 and 2022

	For the Three Months Ended September 30, 2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,289,351)	$ (4,185,181)
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:		
Depreciation and amortization expense	201,705	191,934
Inventory reserve	105,192	74,998
Loss on equity method investment	1,025	3,390
Impairment loss - goodwill	–	3,060,034
Stock-based compensation expense	117,882	137,882
Non-cash operating lease expense	1,829	10,172
Amortization of debt premium / discount and non-cash financing costs	53,726	53,623
Change in operating assets and liabilities		
Accounts receivable	834,261	(1,557,682)
Inventories	5,432,074	45,084
Deferred tax assets/liabilities	(277,189)	(668,075)
Prepayments and other current assets	1,046,697	2,280,700
Non-current prepayments	70,422	107,917
Other non-current assets	9,615	(5,894)
Accounts payable	(1,213,634)	5,284,843
Credit cards payable	326,546	(656,562)
Customer deposit	12,231	75,491
Other payables and accrued liabilities	(1,379,124)	(3,856,115)
Income taxes payable	(1,566)	(17,534)
Net cash provided by operating activities	4,052,341	379,025
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	–	(57,989)
Net cash used in investing activities	–	(57,989)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related parties	–	(82,500)
Proceeds from short-term loans – related party	2,000,000	31,385
Payments on short-term loan – related party	(1,000,000)	–
Payments on short-term loans	(875,000)	–
Proceeds from long-term loans	–	2,811,729
Payments on long-term loans	(5,200,000)	–
Net cash (used in) provided by financing activities	(5,075,000)	2,760,614
EFFECT OF EXCHANGE RATE ON CASH	16,178	(61,451)
CHANGES IN CASH	(1,006,481)	3,020,199
CASH AND CASH EQUIVALENT, beginning of period	3,735,642	1,821,947
CASH AND CASH EQUIVALENT, end of period	$ 2,729,161	$ 4,842,146
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	$ –	$ 55,000
Cash paid for interest	$ –	$ –
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Right of use assets acquired under new operating leases	$ 613,980	$ –

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

Note 1 - Nature of business and organization

iPower Inc., formerly known as BZRTH 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, but does not own a majority equity interest in or otherwise control 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") and 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 VIE 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, 2024, 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 for the year ended June 30, 2023, which are included in Form 10-K filed with the SEC on September 14, 2023.

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.

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 September 30, 2023, were translated at 7.2948 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 three months ended September 30, 2023 was 7.2406 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 bank 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. 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 COVID-19 pandemic on our customers' businesses and their ability to pay their 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.

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.

Business Combination

On February 15, 2022, the Company acquired 100% of the ordinary shares of Anivia and its subsidiaries, including the VIE. The Company applies the acquisition method of accounting for business combinations. Under the acquisition method, the acquiring entity in a business combination recognizes 100% of the assets acquired and liabilities assumed at their acquisition date fair values. Management utilizes valuation techniques appropriate for the asset or liability being measured in determining these fair values. Any excess of the purchase price over amounts allocated to assets acquired, including identifiable intangible assets, and liabilities assumed is recorded as goodwill. Where amounts allocated to assets acquired and liabilities assumed is greater than the purchase price, a bargain purchase gain is recognized. Acquisition-related costs are expensed as incurred. See Note 4 for details regarding the acquisition.

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. See Note 4 and Note 5 for details regarding the acquisition.

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. The Company engaged an independent third-party valuation firm in August 2022 to conduct an evaluation of goodwill impairment for the Company as a whole at the consolidated reporting unit level as of June 30, 2022, which evaluation was conducted prior to the Company's filing of its Annual Report on Form 10-K for the period ended June 30, 2022. Due to the decrease in the Company's share price subsequent to the filing of the June 30, 2022 Form 10-K and the net loss incurred during the quarter ended September 30, 2022, the Company engaged the same valuation firm to review goodwill for impairment. Based on this review, the Company concluded an impairment loss of $3,060,034 as of September 30, 2022 was required. The impairment amount was determined based on the discounted cash flows with the revised projections reflecting the increase in freight and storage costs in the quarter ended September 30, 2022. The Company also considered the Market Capital Method, which is an alternative market approach, suggested the Company's goodwill is partially impaired.

During the period ended September 30, 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 September 30, 2023 and 2022, the goodwill balance amounted to $3,034,110 and $3,034,110, respectively.

Intangible Assets, net

Finite life intangible assets at September 30, 2023 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 followings:

	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 September 30, 2023 and 2022, there were no indicators of impairment.

Fair values 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.

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. On February 15, 2022, the Company evaluated the fair value of the Purchase Note to be $3.6 million using the following inputs:

Corporate bond yield	3.1%
Risk-free rate	1.6%
Liquidity premium	0.4%
Discount rate	3.5%

As of September 30, 2023, the outstanding balance of the Purchase Note was $1,149,961, including principal due of $875,000, a premium of $19,023, and $255,938 of accrued interest.

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. As a result of those measurements, we recognized an impairment charge of $3.1 million during the year ended June 30, 2023 as follows:

	Total Fair Value	Level 1	Level 2	Level 3	Total Impairment Loss
Goodwill	$ 3,034,110	$ –	$ –	$ 3,034,110	$ 3,060,034
Total	$ 3,034,110	$ –	$ –	$ 3,034,110	$ 3,060,034

Goodwill, with a total carrying value of $6.1 million, was written down to its fair value of $3.0 million, resulting in an impairment charge of $3,060,034, which was recorded in earnings for the year ended June 30, 2023. The fair value of goodwill was determined based on the discounted cash flow method, which is an income approach, which required the use of inputs that were unobservable in the marketplace (Level 3), including a discount rate that would be used by a market participant, projections of revenues and cash flows with the revised projections reflecting the increase in freight and storage costs in the current interim quarter, among others.

Revenue recognition

The Company recognizes revenue from product sales revenues, 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, therefore, revenue from product sales is recognized when it is shipped to the customer. 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, the Company is subject to inventory risk before the good or service has been transferred to a customer 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 sale is recognized. 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 months ended September 30, 2023 and 2022 were $1,570,742 and $1,166,349, respectively.

Cost of revenue

Cost of revenue mainly consists of costs for purchases of products 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.

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.

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 three months ended September 30, 2023 and 2022, sales through Amazon to Canada and other foreign countries were approximately 8.2% and 9.8% of the Company's total sales. During the three months ended September 30, 2023, 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 three months ended September 30, 2022, sales of hydroponic products, including ventilation and grow light systems, were approximately 53% of the Company's total sales and the remaining 47% consisted of general gardening, home goods and other products and accessories. As of September 30, 2023 and June 30, 2023, the Company had approximately $1.4 million and $1.6 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 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 do 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 are 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 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 September 2022, FASB issued ASU 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations. The amendments in this ASU require that a company that uses a supplier finance program in connection with the purchase of goods or services disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. ASU 2022-04 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2022, except for the rollforward of the supplier finance program obligations, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. An entity should apply ASU No. 2022-04 retrospectively to all periods in which a balance sheet is presented, except for the obligation rollforward, which should be applied prospectively. The adoption of this standard did not have a material impact on the Company's 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.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This ASU clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606) as if the entity had originated the contracts. The guidance is effective for fiscal years beginning after December 15, 2023, with early application permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In March 2020 and January 2021, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting and ASU No. 2021-01, Reference Rate Reform (Topic 848): Scope, respectively (collectively, "Topic 848"). Topic 848 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by Topic 848 are effective for all entities as of March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, Reference Rate reform (Topic 848): Deferral of the Sunset Date of Topic 848, which deferred the sunset date of Topic 848, Reference Rate Reform to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The Company does not expect the adoption of this standard to have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)." This ASU reduces the number of accounting models for convertible debt instruments and convertible preferred stock, as well as amend the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. In addition, this ASU improves and amends the related EPS guidance. This standard is effective for the Company on July 1, 2024, including interim periods within those fiscal years. Adoption is either a modified retrospective method or a fully retrospective method of transition. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. ASU 2017-04 became effective for accelerated filing companies for annual periods or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. All other entities, including not-for-profit entities, that are adopting the amendments in this Update should do so for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2022. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has adopted ASU 2017-04. See the disclosures above on Goodwill for further details.

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 three months ended September 30, 2023 and 2022, the impact of GSM's activities were immaterial to the Company's unaudited condensed consolidated financial statements.

Note 4 - Acquisition of Anivia Limited and Subsidiaries and Variable Interest Entity

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") and which is a wholly foreign-owned enterprise ("WFOE") of Fly Elephant Limited. The WFOE controls, through contractual arrangements summarized 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.

The contractual arrangements between the WFOE and DHS are established through a variable interest operating entity structure, which is reflected in (i) an exclusive business cooperation agreement, dated December 15, 2021, between the WFOE and DHS, (ii) an exclusive equity interest pledge agreement, dated December 15, 2021, between the WFOE and DHS in which the equity of DHS was pledged to the WFOE, (iii) an exclusive option agreement, dated December 15, 2021, between the WFOE, DHS and its equity holders, Li Zanyu and Xie Jing (the "Equity Holders), pursuant to which the Equity Holders give the WFOE the irrevocable and exclusive right to purchase the equity interests in DHS, and (iii) a power of attorney, dated December 15, 2021, pursuant to which Li Zanyu and Xie Jing, the holders of 100% of the equity interest of DHS, granted the WFOE all voting and other rights to their equity interest in DHS. According to the exclusive business cooperation agreement, in consideration for the services provided by the WFOE, DHS shall pay a service fee to the WFOE on annual basis (or at any time agreed by the Parties). The service fees for each year (or for any other period agreed to by the Parties) shall consist of a management fee and a fee for services provided, which shall be reasonably determined by the WFOE based on the nature, complexity, time, and other market and operation factors. The WFOE may provide a separate confirmation letter and/or invoice to DHS to indicate the amount of service fees due for each service period; or the amount of services fees may be as set forth in the relevant contracts separately executed by the Parties. DHS is principally engaged in selling a wide range of products and providing logistic services in the PRC.

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. 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.

Total fair value of the consideration for the transaction was $10,629,000, which was paid to White Cherry as follows: at closing, the Company (i) paid $3,500,000 in the form of a two-year unsecured 6% subordinated promissory note, payable in equal semi-annual installments commencing August 15, 2022 (the "Purchase Note"), (ii) issued 3,083,700 restricted shares (subject to a lock-up period of 180 days and insider trading rules) of the Company's common stock, and (iii) an additional $1,500,000 in cash was to be paid after closing.

JP Morgan Chase Bank, the Company's senior secured lender ("JPM"), consented to the transaction. In conjunction with obtaining JPM's consent, the Company delivered an amendment to the pledge and security agreement with JPM, pursuant to which the Company pledged to JPM 65% of the equity interest of Anivia Limited, Fly Elephant Limited and the WFOE.

On October 7, 2022, in conjunction with the Company's entry into the Second Amendment to the Credit Agreement, the Company's promissory note holder, White Cherry Limited, an exempted company incorporated under the laws of the British Virgin Islands ("White Cherry"), entered into an amendment (the "Amendment") to the subordination agreement, originally dated March 9, 2022 (the "Subordination Agreement"). The Amendment to the Subordination Agreement was amended solely for purposes of adjusting the definition of payment conditions under Section 2 of the Subordination Agreement such that "payment conditions" shall be deemed satisfied in connection with a permitted payment if (a) no event of default has occurred under the credit agreement and is continuing and (b) the Company shall have Excess Availability in the 30 days prior to the payment (as defined in the Second Amendment to the Credit Agreement) of no less than $7,500,000.

In addition, in conjunction with the closing of the transaction, the WFOE entered into an employment agreement with Li Zanyu, dated February 15, 2022 (the "Employment Agreement"), pursuant to which Mr. Li has been appointed to serve as general manager of the WFOE for a term of 10 years (through February 14, 2032), with annual base compensation of up to 500,000 RMB plus bonus as may be determined by the WFOE from time to time, in its sole discretion, based on Mr. Li's performance. During such employment, Mr. Li may not engage in other employment without the consent of the WFOE.

The acquisition of Anivia was accounted for as a business combination under ASC 805. As the acquirer for accounting purposes, the Company has estimated the fair value of Anivia and its subsidiaries' assets acquired and conformed the accounting policies of Anivia to its own accounting policies. The Company applied the income approach and cost approach in determining the fair value of the intangible assets, which intangible assets consisted of a covenant not to compete, supplier relationship and software. The fair value of the remaining assets acquired and liabilities assumed were not significantly different from their carrying values at the acquisition date. In addition, pursuant to the Transfer Agreement, the Sellers made certain representations and warranties, including that other than the items presented on the balance sheet on February 15, 2022, DHS, the operating VIE, was not subject to any loans, debts, liabilities, guarantees or other contingent liabilities at the Closing date. In the event of any breach of any of the representations and warranties, the sellers shall bear joint and several liability for any direct or indirect losses suffered by the Company as a result thereof. The Company recognized an approximately $6.1 million of goodwill in the transaction, which is primarily due to the subsumed assembled workforce intangible assets. Goodwill is not deductible for income tax purposes. The Company expensed with the acquisition, certain legal and accounting costs of $54,702, as general and administration expenses and $50,000 paid to JPM as financing fees.

The following information summarizes the purchase consideration and allocation of the fair values assigned to the assets at the purchase date, February 15, 2022:

Fair Value of Purchase Price:		
Cash	$	1,500,000
Promissory note issued		3,600,627
Common stock issued		5,528,373
Total purchase consideration	$	10,629,000
Purchase Price Allocation:		
Covenant not to compete	$	3,459,120
Supplier relationship		1,179,246
Software		534,591
Current assets		1,784,113
Property and equipment		46,548
Rent deposit		52,707
ROU asset		234,578
Goodwill		6,094,144
Deferred tax liabilities		(1,389,113)
Current liabilities		(1,143,076)
Lease liability		(223,858)
Total purchase consideration	$	10,629,000

In October 2022, the $1.5 million cash portion of the consideration, which was presented as investment payable, was fully paid off.

The results of operations of Anivia since February 16, 2022 have been included in the Company's consolidated financial statements.

Note 5 – 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. See Note 4 for details.

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 September 30, 2023 and 2022, 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:

	September 30, 2023	June 30, 2023
Cash in bank	$ 308,366	$ 341,774
Prepayments and other receivables	$ 421,006	$ 664,886
Rent deposit	$ 72,009	$ 81,624
Office equipment, net	$ 28,751	$ 33,774
Right of use – noncurrent	$ 573,259	$ 6,104
Deferred tax assets	$ –	$ 64,510
Advance from shareholders	$ 84,718	$ 85,200
Accounts payable	$ 5,494	$ 6,278
Lease liability	$ 576,827	$ 4,758
Income tax payable	$ 275,117	$ 276,683
Other payables and accrued liabilities	$ 411,018	$ 344,735

The operating results of the VIE were as follows for the three months ended September 30, 2023:

	September 30, 2023
Revenue	$ –
Net loss after elimination of intercompany transactions	$ 419,343

The operating results of the VIE were as follows for the three months ended September 30, 2022 :

	September 30, 2022
Revenue	$ –
Net loss after elimination of intercompany transactions	$ 733,617

For the three months ended September 30, 2023, the VIE contributed approximately $2.1 million of revenue and $0.05 million of net loss before elimination. For the three months ended September 30, 2022, the VIE contributed approximately $3.2 million of revenue and $0.6 million of net loss before elimination.

Note 6 – Accounts receivable, net

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

	September 30, 2023	June 30, 2023
Accounts receivable	$ 13,307,282	$ 14,141,543
Less: allowance for credit losses	(70,000)	(70,000)
Total accounts receivable	$ 13,237,282	$ 14,071,543

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

		Allowance for Credit Losses
Balance at June 30, 2022	$	70,000
Allowance recorded during the three months ended September 30, 2022		–
Balance at September 30, 2022	$	70,000
Balance at June 30, 2023	$	70,000
Allowance recorded during the three months ended September 30, 2023		–
Balance at September 30, 2023	$	70,000

Note 7 – Inventories, net

As of September 30, 2023 and June 30, 2023, inventories consisted of finished goods ready for sale, net of allowance for obsolescence, amounted to $15,056,623 and $20,593,889, respectively.

For the three months ended September 30, 2023 and 2022, the Company recorded inventory reserve expense of $105,192 and $74,998, respectively. As of September 30, 2023 and June 30, 2023, allowance for obsolescence was $664,092 and $558,899, respectively.

Note 8 – Prepayments and other current assets, net

As of September 30, 2023 and June 30, 2023, prepayments and other current assets consisted of the following:

		September 30, 2023		**June 30, 2023**
Advance to suppliers	$	1,036,012	$	1,668,173
Prepaid income taxes		41,987		45,718
Prepaid expenses and other receivables		982,628		1,393,433
Less: Allowance for credit losses		(249,128)		(249,128)
Total	$	1,811,499	$	2,858,196

Other receivables consisted of delivery fees of $58,954 and $165,962 and receivables from one and two unrelated parties for their use of the Company's courier accounts at September 30, 2023 and June 30, 2023.

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

	Allowance for Credit Losses
Balance at June 30, 2022	$ –
Allowance recorded during the three months ended September 30, 2022	–
Balance at September 30, 2022	–
Balance at June 30, 2023	249,128
Allowance recorded during the three months ended September 30, 2023	–
Balance at September 30, 2023	$ 249,128

Note 9 – Non-current prepayments

Non-current prepayments included $420,411 for product sourcing, marketing research and promotion, and other management advisory and consulting services to companies owned by an employee and minority shareholder and by relatives of a minority shareholder of the Company. The terms of these services are from two years to five years. In addition, there was a $40,623 down payment on a four-year car lease. As of September 30, 2023 and June 30, 2023, total non-current prepayments were $461,034 and $531,456, respectively. For the three months ended September 30, 2023 and 2022, the Company recorded amortization expenses of $70,422 and $107,917, respectively.

Note 10 – Intangible assets, net

As of September 30, 2023 and June 30, 2023, intangible assets, net, consisted of the following:

	September 30, 2023	June 30, 2023
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	(1,055,229)	(892,886)
Total	$ 4,117,728	$ 4,280,071

The intangible assets were acquired on February 15, 2022 through acquisition of Anivia. The weighted average remaining life for finite-lived intangible assets at September 30, 2023 was approximately 6.95 years. The amortization expense for the three months ended September 30, 2023 and 2022 was $162,343 and $162,343, respectively. At September 30, 2023, 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
2024	$ 487,028
2025	649,371
2026	649,371
2027	609,277
2028	468,750
Thereafter	1,253,931
	$ 4,117,728

Note 11 – Other payables and accrued liabilities

As of September 30, 2023 and June 30, 2023, other payables and accrued liabilities consisted of the following:

	September 30, 2023	June 30, 2023
Accrued payables for inventory in transit	$ 1,310,603	$ 2,948,551
Accrued Amazon fees	1,117,136	915,319
Sales taxes payable	388,968	448,433
Payroll liabilities	193,190	222,962
Other accrued liabilities and payables	282,684	295,802
Total	$ 3,292,581	$ 4,831,067

The Company's controlled VIE, DHS, facilitates the Company in the process of inventory procurement. During the three months ended September 30, 2023 and 2022, the Company purchased a total of $0 and $31,385, respectively, in inventories from a supplier which had a payment term of 90 days with a 2% premium on the purchase price, which was presented as financing cash flows from short term loans on the statement of cash flows. As of September 30, 2023 and June 30, 2023, the outstanding balance included in other payables to this supplier was $0 and $0.

Note 12 – Loans payable

Long-term loan

<u>Asset-based revolving loan</u>

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
  ØUp to 90% of eligible credit card receivables
  ØUp to 85% of eligible trade accounts receivable
  ØUp 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.

Below is a summary of the interest expense recorded for the three months ended September 30, 2023 and 2022:

	2023	2022
Accrued interest	$ 133,615	$ 156,255
Credit utilization fees	15,525	6,762
Amortization of debt discount	66,305	66,305
Total	$ 215,445	$ 229,322

As of September 30, 2023 and June 30, 2023, the outstanding amount of the revolving loan payable, net of debt discount and including interest payable was $4,808,322 and $9,791,191, respectively.

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 11, 2022, the Company and JPMorgan entered into a default waiver and consent agreement (the "Waiver Letter") pursuant to which the parties recognized that the Company was in default on its failure to satisfy the minimum Excess Availability requirement of $7,500,000, as defined in the Credit Agreement, and deliver a certificate to JPMorgan accurately reflecting the Excess Availability (together, the "Existing Defaults"). Under the terms of the Waiver Letter, JPMorgan agreed to waive the right to enforce an event of default based on the aforementioned Existing Defaults. As of September 30, 2023, 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. For the three months ended September 30, 2023, the Company recorded accrued interest of $19,688 and amortization of note premium of $12,579. For the three months ended September 30, 2022, the Company recorded accrued interest of $52,500 and amortization of note premium of $12,682. As of September 30, 2023, including $255,938 of accrued interest and $19,023 of unamortized premium, the total outstanding balance of the Purchase Note was $1,149,961, which is presented on the unaudited condensed consolidated balance sheet as a current portion of $1,149,961 and a non-current portion of $0. As of June 30, 2023, including $236,250 of accrued interest and $31,602 of unamortized premium, the total outstanding balance of the Purchase Note was $2,017,852, which is presented on the consolidated balance sheet as a current portion of $2,017,852 and a non-current portion of $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. For the three months ended September 30, 2023, the Company recorded accrued interest of $6,060. As of September 30, 2023, including the accrued interest, the outstanding balance of the On-demand Loan was $1,006,060.

Note 13 - Related party transactions

Starting from March 2022 to January 2023, the Company subleased 50,000 square feet of its warehouse space to Box Harmony, LLC, which is a 40% owned joint venture of the Company as disclosed in Note 1 and Note 2 above. For the three months ended September 30, 2023 and 2022, the Company received and recorded sublease fee of $0 and $247,500 as other non-operating income, respectively. As of September 30, 2023 and June 30, 2023, other receivables due from Box Harmony was $0 and 0, respectively.

On February 15, 2022, the Company assumed $92,246 of advance from shareholders of DHS through acquisition of Anivia. This amount was for capital injection pending capital inspection by the local government in accordance with the PRC rules. As of September 30, 2023 and June 30, 2023, the balance of advance from shareholders was $84,718 and $85,200, respectively.

On July 8, 2023, the Company entered into an agreement with White Cherry for an on demand loan. See Note 12 above for details.

Note 14 – 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. 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. The Company made an election to apply the GILTI high-tax exclusion for DHS under the Final Regulations (T.D. 9902). As the result of the election, no GILTI tax was recorded as of September 30, 2023 and 2022. In addition, as a result of the acquisition, the Company booked a $6,094,144 of goodwill. Since the acquisition was a stock acquisition, the Goodwill is not deductible for tax purposes.

The income tax provision for the three months ended September 30, 2023 and 2022 consisted of the following:

	September 30, 2023	September 30, 2022
Current:		
Federal	$ (1,705)	$ –
State	12,470	9,921
Foreign	–	–
Total current income tax provision	10,765	9,921
Deferred:		
Federal	(284,648)	(169,467)
State	(66,624)	(103,145)
Foreign	64,625	(185,105)
Total deferred taxes	(286,647)	(457,717)
Total provision for income taxes	$ (275,882)	$ (447,796)

The Company is subject to U.S. federal income tax as well as state income tax in certain jurisdictions. The tax years 2018 to 2021 remain open to examination by the major taxing jurisdictions to which the Company is subject. The following is a reconciliation of income tax expenses at the effective rate to income tax at the calculated statutory rates:

	September 30, 2023	September 30, 2022
Statutory tax rate		
Federal	21.00%	21.00%
State (net of federal benefit)	5.82%	5.85%
Foreign tax rate difference	(4.88%)	3.91%
Impairment loss on goodwill – permanent difference	–	(17.8%)
Net effect of state income tax deduction and other permanent differences	(4.31%)	(3.29%)
Effective tax rate	17.63%	9.67%

As of September 30, 2023, prepaid income taxes to US tax authorities and income tax payable to Chinese tax authorities was $41,987 and $275,117, respectively. As of June 30, 2023, prepaid income taxes to US tax authorities and income tax payable to Chinese tax authorities was $45,718 and $276,683, respectively.

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

	September 30, 2023	June 30, 2023
Deferred tax assets		
263A calculation	$ 174,841	$ 239,142
Inventory reserve	178,121	149,907
State taxes	2,619	2,435
Accrued expenses	330,325	273,589
ROU assets / liabilities	114,298	115,125
Net Operation loss	2,381,758	2,173,221
Disallowed interest expense	194,172	163,381
Stock-based compensation	239,344	207,726
Valuation allowance	(64,145)	–
Others	85,596	85,596
Total deferred tax assets	3,636,929	3,410,122
Deferred tax liabilities		
Depreciation	(98,484)	(105,323)
Intangible assets acquired	(1,106,006)	(1,149,549)
Total deferred tax liabilities	(1,204,490)	(1,254,872)
Net deferred tax assets	$ 2,432,439	$ 2,155,250

For the three months ended September 30, 2023, the Company recorded $64,145 of valuation allowance to reduce deferred tax assets for the losses incurred by DHS.

Note 15 – Earnings per share

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

	For the three months ended September 30,	
	2023	2022
Numerator:		
Net loss attributable to iPower Inc.	$ (1,286,515)	$ (4,182,376)
Denominator:		
Weighted-average shares used in computing basic and diluted earnings per share*	$ 29,764,515	$ 29,665,716
Losses per share of ordinary shares - basic and diluted	$ (0.04)	$ (0.14)

* Due to the ani-dilutive effect, the computation of basic and diluted EPS did not include the shares underlying the exercise of warrants and unvested RSUs as the Company had a net loss for the three months ended September 30, 2023 and 2022.

* The computation of diluted EPS did not include the shares underlying the exercise of options granted as none of the options were vested as September 30, 2023 and 2022.

* For the three months ended September 30, 2023 and 2022, 66,366 and 166,176 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 16 – Equity

Common Stock

As of September 30, 2023, 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 a 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, 2023, the Company issued 138,557 shares of restricted Common Stock for RSUs vested.

On February 15, 2022, as part of the consideration for the acquisition of Anivia and subsidiaries, as further described in Note 4, the Company issued 3,083,700 restricted shares of the Company’s common stock, valued at $2.27 per share, which was the closing price of the Company’s Common Stock as traded on Nasdaq on February 15, 2022. These shares had a lock-up period of 180 days and are subject to insider trading restrictions. The fair value of the shares was $5,528,373, calculated with a discount of lack of marketability of 21%, which was determined using the Black Scholes Model.

As of September 30, 2023 and June 30, 2023, there were 29,710,939 and 29,710,939 shares of Common Stock issued and outstanding, respectively.

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 September 30, 2023 and June 30, 2023, 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.

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 three months ended September 30, 2023, the Company granted an additional 49,600 shares of RSUs. For the three months ended September 30, 2023 and 2022, the Company recorded $7,500 and $27,500 of stock-based compensation expense. There was no forfeiture of RSUs occurred during the three months ended September 30, 2023 and 2022. As of September 30, 2023 and June 30, 2023, the unvested number of RSUs was 75,462 and 38,793 and the unamortized expense was $58,152 and $22,500, 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, 2023	38,793	
RSUs granted	49,600	$ 43,152
RSUs forfeited	–	
RSUs vested	(12,931)	
RSUs granted, but not vested, at September 30, 2023	75,462	

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

As of September 30, 2023, of the 244,942 vested RSUs, 178,576 shares of Common Stock were issued, and 66,366 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 September 30, 2023 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 September 30, 2023, $2.3 million is deemed probable of vesting. As of September 30, 2023, none of the options had vested. For the three months ended September 30, 2023 and 2022, the Company recorded $110,382 and $110,382 of stock-based compensation expense related to the Option Grants. As of September 30, 2023, unrecognized compensation cost related to tranches probable of vesting is approximately $1.6 million and will be recognized over two years to nine years, depending on the tranche.

Note 17 – Warrants

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 September 30, 2023, none of the private placement investors exercised any of their warrants. As such, as of September 30, 2023 and June 30, 2023, the number of shares issuable under the outstanding warrants was 685,715, with an average exercise price of $5.00 per share.

Note 18 - 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 September 30, 2023 and June 30, 2023, $2,729,161 and $3,735,642, 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 $1.1 million and $2.7 million, respectively, in excess of the FDIC insurance limit, as of September 30, 2023 and June 30, 2023.

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 three months ended September 30, 2023 and 2022, Amazon Vendor and Amazon Seller customers accounted for 91% and 91% of the Company's total revenues, respectively. As of September 30, 2023 and June 30, 2023, accounts receivable from Amazon Vendor and Amazon Seller accounted for 93% and 95% of the Company's total accounts receivable.

For the three months ended September 30, 2023 and 2022, one supplier accounted for 15% and 19% of the Company's total purchases, respectively. As of September 30, 2023 and June 30, 2023, accounts payable to one supplier accounted for 50% and 49% of the Company's total accounts payable.

Note 19 - 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 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 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.

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.

In addition, the Company will be responsible for its pro rata share of certain costs, including utility costs, insurance and common area costs, as further detailed in the Lease Agreement. Following the Rent Commencement Date, the first two months of the Base Rent will be abated.

The lease was not started 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.

The Company's total commitment for the full term of these leases is $12,649,053. The financial statements reflected $7,763,712 and $7,837,345, respectively, of operating lease right-of-use assets, and $8,193,416 and $8,265,220, respectively, of operating lease liabilities as of September 30, 2023 and June 30, 2023.

Three months Ended September 30, 2023 and 2022:

Lease cost	9/30/2023	9/30/2022
Operating lease cost (included in G&A in the Company's statement of operations)	$ 792,826	$ 779,233
Other information		
Cash paid for amounts included in the measurement of lease liabilities	$ 792,317	$ 769,061
Remaining term in years	0.08 – 4.67	0.83 – 5.67
Average discount rate - operating leases	5 - 8%	5 - 8%

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

Operating leases	9/30/2023	6/30/2023
Right of use asset - non-current	$ 7,763,712	$ 7,837,345
Lease Liability – current	2,169,603	2,159,173
Lease Liability - non-current	6,023,813	6,106,047
Total operating lease liabilities	$ 8,193,416	$ 8,265,220

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

		Operating Lease
For Year ending June 30:		
2024	$	1,926,465
2025		2,313,210
2026		1,766,797
2027		1,596,275
2028		1,459,407
Less: Imputed interest/present value discount		(868,738)
Present value of lease liabilities	$	8,193,416

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). This matter is presently scheduled to hold its evidentiary hearing before a FINRA arbitration panel during the first two weeks of March 2024. 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. The Company cannot reasonably estimate the amount of potential exposure as of the date of this report.

In an effort to contain or slow the COVID-19 outbreak, authorities across the world have implemented various measures, some of which have been subsequently rescinded or modified, including travel bans, stay-at-home orders and shutdowns of certain businesses. The Company anticipates that these actions and the global health crisis caused by the COVID-19 outbreak, including any resurgences, will continue to negatively impact global economic activity. While the COVID-19 outbreak has not had a material adverse impact on the Company’s operations to date, it is difficult to predict all of the positive or negative impacts the COVID-19 outbreak may have on the Company’s business in the future.

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. While we do not do business in those regions, the military conflict in Ukraine and in Israel has 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, they did not have a material effect on our results of operations, financial condition, or liquidity for the three months ended September 30, 2023 and 2022.

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 which the Company issued a promissory note 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 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 its consolidated financial statements.

Note 20 - 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 October 31, 2023, the lease agreement for a fulfillment center in City of Industry, California expired, and the Company did not renew the lease.

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 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 tech and data, iPower Inc. 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, our 99,000 square foot fulfillment center in Rancho Cucamonga, California, and our combined 98,360 square foot fulfillment centers in 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 and acquiring our in-house branded products, 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.

Acquisitions and Joint Ventures

On February 15, 2022, in exchange for total consideration with a fair value of $10.6 million, we acquired 100% of the ordinary shares of 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 PRC and which is a wholly foreign-owned enterprise ("WFOE") of Fly Elephant Limited. The WFOE controls, through a series of contractual arrangements summarized below, the business, revenues and profits of Daheshou (Shenzhen) Information Technology Co., Ltd., a company organized under the Laws of the PRC (the "Operating Company") and located in Shenzhen, China. The Operating Company is principally engaged in selling a wide range of products and providing logistic services in the PRC.

On February 10, 2022, we 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, content and services to assist businesses, including the Company and other businesses, in the marketing of 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.

Under the terms of the GSM limited liability operating agreement (the "GSM LLC Agreement"), the Company will contribute $100,000 to the capital of GSM and Bro Angel granted GSM, pursuant to the terms of an intellectual property licensing agreement, dated February 10, 2022 (the "IP License Agreement"), an exclusive worldwide paid up right and license to use all intellectual property of Bro Angel and its members for the purpose of furthering the proposed business of GSM. The LLC Agreement prohibits the issuance of additional GSM Equity Units and certain other actions unless approved in advance by the Company.

Pursuant to the GSM Joint Venture Agreement, the Company and GSM also intended to enter into an occupancy management agreement pursuant to which the Company would grant to GSM the right to have access to and use of up to approximately 4,000 square feet of office space along with internet access at the Company's facility located at 2399 Bateman Avenue, Irwindale, CA 91010. It was contemplated that only approximately 300-400 square feet would initially be used by GSM. However, since the space was never utilized by GSM, iPower resumed using the contemplated space during the fiscal year ended June 30, 2023.

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 on 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 conflict between Russia and Ukraine and the military conflict between Israel-Palestinian 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 disruption, 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, 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.

Ongoing COVID-19 Outbreak and Related Disruptions

While the worst of the COVID-19 pandemic has seemingly passed, we are continuing to closely monitor its impact on our business, results of operations and financial results. The situation surrounding the COVID-19 outbreak remains fluid and the full extent of the positive or negative impact of the COVID-19 outbreak on our business will depend on certain developments including the length of time any regional outbreaks, the impact on consumer activity and behaviors and the effect on our customers, employees, suppliers, and stockholders, all of which are uncertain and cannot be predicted. While the COVID-19 outbreak has not had a material adverse impact on our operations to date and we believe the long-term opportunity that we see for shopping online remains unchanged, it is difficult to predict all of the positive or negative impacts the COVID-19 outbreak will have on our business. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, local or foreign authorities, or that we determine are in the best interests of our customers, employees, suppliers, stockholders, and communities.

Regulatory Environment

In additional to general consumer goods, 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. For example, certain countries and a total of 46 U.S. states plus the District of Columbia have adopted frameworks that authorize, regulate and tax the cultivation, processing, sale and use of cannabis for medicinal and/or non-medicinal use, including legalization of hemp and CBD, while the U.S. Controlled Substances Act and the laws of U.S. states prohibit growing cannabis. 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 September 30, 2023 and 2022

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 September 30, 2023	Three Months Ended September 30, 2022	Variance
Revenues	$ 26,508,374	$ 26,022,673	1.9%
Cost of goods sold	14,749,529	16,036,957	(8.0%)
Gross profit	11,758,845	9,985,716	17.8%
Operating expenses	13,027,522	14,579,022	(10.6%)
Operating loss	(1,268,677)	(4,593,306)	(72.4%)
Other (expenses)	(296,556)	(39,671)	647.5%
Loss before income taxes	(1,565,233)	(4,632,977)	(66.2%)
Income tax benefit	(275,882)	(447,796)	(38.4%)
Net loss	(1,289,351)	(4,185,181)	(69.2%)
Non-controlling interest	(2,836)	(2,805)	1.1%
Net loss attributable to iPower Inc.	(1,286,515)	(4,182,376)	(69.2%)
Other comprehensive loss	(707)	(111,475)	(99.4%)
Comprehensive loss attributable to iPower Inc.	$ (1,287,222)	$ (4,293,851)	(70.0%)
Gross profit % of revenues	44.4%	38.4%	
Operating loss % of revenues	(4.8%)	(17.7%)	
Net loss % of revenues	(4.9%)	(16.1%)	

Revenues

Revenues for the three months ended September 30, 2023 increased 1.9% to $26,508,374 as compared to $26,022,673 for the three months ended September 30, 2022. While pricing remained stable, the slightly increased revenue mainly resulted from an increase in sales volume and expansion of sales to other regions, such as Canada, Europe and Asia. However, while the revenues for the current period improved over last year, we cannot be assured that this trend will continue.

Costs of Goods Sold

Costs of goods sold for the three months ended September 30, 2023 decreased 8.0% to $14,749,529 as compared to $16,036,957 for the three months ended September 30, 2022. The decrease was primarily due to a decrease in freight costs. See discussions on gross profit below.

Gross Profit

Gross profit was $11,758,845 for the three months ended September 30, 2023 as compared to $9,985,716 for the three months ended September 30, 2022. The gross profit ratio increased to 44.4% for the three months ended September 30, 2023 from 38.4% for the three months ended September 30, 2022. The increase in the gross profit ratio was mainly driven by the decrease in costs of goods sold as a result of decreased freight charges during the current period. However, we cannot be assured that this trend will continue.

Operating Expenses

Operating expenses for the three months ended September 30, 2023 decreased 10.6% to $13,027,522 as compared to $14,579,022 for the three months ended September 30, 2022. The decrease was mainly due to the combination of an increase in selling and fulfillment expenses of $1.6 million as a result of increased costs related to advertising, merchant fees, rental expenses, and delivery fees, and a decrease in general and administrative expenses of $0.1 million, which included payroll expenses, stock-based compensation expense, insurance expenses and other operating expenses, and a decrease of $3.06 million of impairment loss on goodwill triggered by a decrease in the Company’s share price of its common stock and the net loss incurred during the quarter ended September 30, 2022.

Loss from Operations

Loss from operations was $1,268,677 for the three months ended September 30, 2023 as compared to $4,593,306 for the three months ended September 30, 2022. The decrease in loss was resulted from the decrease in operating expenses and the increase in gross profit, as discussed above.

Other Expenses

Other expenses for the three months ended September 30, 2023 was $296,556 as compared to $39,671 for the three months ended September 30, 2022. The increase in other expenses was mainly due to a decrease in other non-operating income of $278,926 resulted from termination of sublease in January 2023.

Net Loss Attributable to iPower Inc.

Net loss attributable to iPower Inc. for the three months ended September 30, 2023 was $1,286,515 as compared to $4,182,376 for the three months ended September 30, 2022, representing a decrease of net loss of $2,895,861. The decrease was primarily due to the increase in gross profit and decrease in operating expenses as discussed above.

Comprehensive Loss Attributable to iPower Inc.

Comprehensive loss attributable to iPower Inc. for the three months ended September 30, 2023 was $1,287,222 as compared to $4,293,851 for the three months ended September 30, 2022, representing a decrease of comprehensive loss of $3,006,629. The decrease was due to the reasons discussed above, along with a decrease in other comprehensive loss of $110,768 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 three months ended September 30, 2023 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”). We had cash and cash equivalents of $2,729,161 as of September 30, 2023, representing a $1.0 million decrease from $3,735,642 of cash as of June 30, 2023. The cash decrease was primarily the combined result of the increased cash provided by operating activities and a decrease in net cash provided by financing activities resulting from our payments to pay down the note payable and the JPM revolving line.

Based on our current operating plan, and despite the current uncertainty resulting from the ongoing COVID-19 pandemic, 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 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 chains begin to return to normal 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 $20 million in unused credit under the revolving line with JPM. Given our current working capital position and available funding from our revolving credit line, we believe we will be able to manage through the current challenges by managing payment terms with customers and vendors.

Working Capital

As of September 30, 2023 and June 30, 2023, our working capital was $11.8 million and $17.9 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.

Cash Flows

Operating Activities

Net cash provided by operating activities for the three months ended September 30, 2023 and 2022 was $4,052,341 and $379,025, respectively. The increase in cash provided by operating activities mainly resulted from the decrease of accounts receivable, inventories, prepayments and other current assets, partially offset by a decrease of accounts payable.

Investing Activities

For the three months ended September 30, 2023 and 2022, net cash used in investing activities was $0 and $57,989, respectively. The decrease in cash used in investing activities was because the Company did not have additional purchase of equipment during the three months ended September 30, 2023.

Financing Activities

Net cash (used in) provided by financing activities was $(5,075,000) and $2,760,614, respectively, for the three months ended September 30, 2023 and 2022. The main reason the Company experienced an increase in net cash used in financing activities was primarily due to our payment of $7.1 million for: (1) $1.9 million to pay down the note payable to White Cherry; and (2) $5.2 million to pay down the outstanding balance of the asset-based revolving loan facility with JPM.

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 Securities Exchange Commission (“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 revenue from product sales revenues, 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, therefore, revenue from product sales is recognized when it is shipped to the customer. 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, the Company is subject to inventory risk before the good or service has been transferred to a customer and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the shipment 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 sale is recognized. 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.

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, fulfillment, general and administrative 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. See Note 4 and Note 5 for details on acquisition.

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 shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Company engaged an independent third-party valuation firm in August 2022 to conduct an evaluation of goodwill impairment for the Company as a whole at the consolidated reporting unit level as of June 30, 2022, which evaluation was conducted prior to the Company's filing of its Annual Report on Form 10-K for the period ended June 30, 2022. Due to the decrease in the Company's share price subsequent to the filing of the June 30, 2022 Form 10-K and the net loss incurred during the quarter ended September 30, 2022, the Company engaged the same valuation firm to review goodwill for impairment. Based on this review, the Company concluded an impairment loss of $3,060,034 as of September 30, 2022 was required. The impairment amount was determined based on the discounted cash flows with the revised projections reflecting the increase in freight and storage costs in the quarter ended September 30, 2022. The Company also considered the Market Capital Method, which is an alternative market approach, suggested the Company's goodwill is partially impaired.

During the three months ended September 30, 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 September 30, 2023 and 2022, the remaining goodwill balance amounted to $3,034,110.

Intangible Assets, net

Finite life intangible assets at September 30, 2023 include a 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 followings:

	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 September 30, 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. As of September 30, 2023, the Company expected that the deferred tax assets are fully realizable so did not record any valuation allowance.

As a result of the implementation of certain provisions of ASC 740, Income Taxes (“ASC 740”), which clarifies the accounting and disclosure for uncertainty in tax position, as defined, ASC 740 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company has adopted the provisions of ASC 740 since its inception on April 11, 2018, and has subsequently 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 do 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. 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 Securities and Exchange Commission'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 September 30, 2023, 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, (i) we lack effective communication and reconciliation procedures in our controlled subsidiaries, and (ii) 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 September 30, 2023 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

Our former placement agent, Boustead Securities LLC ("Boustead"), has brought a legal action against us following our communication to Boustead to unilaterally terminate an engagement agreement under which we and Boustead had originally intended for Boustead to be engaged to act as an exclusive underwriter in our initial public offering. To date, we have been unable to reach a settlement with Boustead. On April 30, 2021, Boustead filed a statement of claim with FINRA demanding to arbitrate the dispute, and is seeking, among other things, monetary damages against the Company and D.A. Davidson & Co. The matter is presently scheduled to hold its evidentiary hearing before a FINRA arbitration panel during the first two weeks of March 2024. The actual FINRA arbitration, however, has been postponed and, as a result, a date for the FINRA arbitration hearing has not yet been set. The Company and its special litigation counsel are in the process of preparing for the hearing. We believe that we have meritorious defenses to any claims that Boustead may assert, and we do not believe that such claims will have a material adverse effect on our business, financial condition, or operating results. However, we have agreed to indemnify D.A. Davidson & Co. and the other underwriters who participated in our initial public offering against any liability or expense they may incur or be subject to arising out of the Boustead dispute. In addition, Chenlong Tan, our Chairman, President, and Chief Executive Officer and a beneficial owner of more than 5% of our common stock, has agreed to reimburse us for any judgments, fines and amounts paid or actually incurred by us or an indemnitee in connection with such legal action or in connection with any settlement agreement entered into by us or an indemnitee up to a maximum of $3.5 million in the aggregate, with the sole source of funding for such reimbursement to come from sales of shares then owned by Mr. Tan.

Other than the above, we are not presently party to any pending or other 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

Unstable market and economic conditions and potential disruptions in the credit markets may adversely affect our business, including the availability and cost of short-term funds for liquidity requirements and our ability to meet long-term commitments, which could adversely affect our results of operations, cash flows and financial condition.

If internally generated funds are not available from operations, we may be required to rely on the banking and credit markets to meet our financial commitments and short-term liquidity needs. Our access to funds under our revolving credit facility or pursuant to arrangements with other financial institutions is dependent on the financial institution's ability to meet funding commitments. Financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience high volumes of borrowing requests from other borrowers within a short period of time.

In addition, the global credit and financial markets have recently experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, inflationary pressure and interest rate changes and uncertainty about economic stability. More recently, the closures of Silicon Valley Bank, Signature Bank and First Republic Bank and their placement into receivership with the Federal Deposit Insurance Corporation (FDIC) created bank-specific and broader financial institution liquidity risk and concerns. Although the Department of the Treasury, the Federal Reserve and the FDIC jointly released a statement that depositors at Silicon Valley Bank and Signature Bank would have access to their funds, even those in excess of the standard FDIC insurance limits, under a systemic risk exception, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages, impair the ability of companies to access near-term working capital needs, and create additional market and economic uncertainty. There can be no assurance that future credit and financial market instability and a deterioration in confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, liquidity shortages, volatile business environment or continued unpredictable and unstable market conditions. If the equity and credit markets deteriorate, or if adverse developments are experienced by financial institutions, it may cause short-term liquidity risk and also make any necessary debt or equity financing more difficult, more costly and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon clinical development plans. In addition, there is a risk that one or more of our current service providers, financial institutions, manufacturers and other partners may be adversely affected by the foregoing risks, which could directly affect our ability to attain our operating goals on schedule and on budget.

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 August 24, 2023, we 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 July 13, 2023 to August 23, 2023 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 February 20, 2024 (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 10 consecutive trading days, unless such period is extended by Nasdaq. If the Company does not regain compliance with the Minimum Bid Price Requirement by February 20, 2024, the Company may be eligible for an additional 180-day period to regain compliance. To qualify, the Company would 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 we would need to provide written notice of our intention to cure the bid price deficiency during the second compliance period, by effecting a reverse stock split, if necessary.

If the Company cannot regain compliance with the Minimum Bid Price Requirement during the Compliance Period or any subsequently granted compliance period, Nasdaq will provide the Company with notice that our common stock will be subject to delisting. At that time, the Company may appeal 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.

ITEM 2. RECENT SALES OF UNREGISTERED EQUITY SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed or furnished with this report:

Exhibit No.	Description of Exhibit
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.
November 14, 2023	By: /s/ Chenlong Tan Chenlong Tan Chief Executive Officer
November 14, 2023	By: /s/ Kevin Vassily Kevin Vassily Chief Financial Officer

Exhibit 31.1

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 September 30, 2023 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: November 14, 2023

/s/ Chenlong Tan
Chenlong Tan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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 September 30, 2023 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: November 14, 2023

/s/ Kevin Vassily
Kevin Vassily
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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 September 30, 2023, 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: November 14, 2023

/s/ Chenlong Tan
Chenlong Tan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 September 30, 2023, 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: November 14, 2023

/s/ Kevin Vassily
Kevin Vassily
Chief Financial Officer
(Principal Financial and Accounting Officer)