

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

FORM 10-K

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2024**

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **001-41957**

Wetouch Technology Inc.
(Exact Name of Registrant as Specified in Its Charter)

Nevada	20-4080330
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
No. 29, Third Main Avenue Shigao Town, Renshou County Meishan, Sichuan, China	620500
(Address of Principal Executive Offices)	(Zip Code)

(86) 28-37390666
(Registrant's telephone number, including area code)

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, par value \$0.001 per share	WETH	The Nasdaq Stock Market LLC

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file Reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 small Reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller Reporting company" or an "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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial Reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation

received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 28, 2024 (the last business date of the registrant’s most recently completed second fiscal quarter), based on the last sale price of the registrant’s common stock on such date, was \$31,379,934.

As of September 8, 2025, there were 11,931,534 shares of common stock of the registrant issued and outstanding.

WETOUGH TECHNOLOGY INC.
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2024

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COMMONLY USED DEFINED TERMS

Unless otherwise indicated or the context requires otherwise, references in this Annual Report on Form 10-K (the “Annual Report”) to:

- “China,” “Chinese,” or the “PRC” are to the People’s Republic of China, including the special administrative regions of Hong Kong and Macau, and, for the purposes of this annual report only, excluding Taiwan;
- “BVI” are to the British Virgin Islands;
- “BVI Wetouch” are to Wetouch Holding Group Limited, a limited company organized under the laws of British Virgin Islands and a wholly owned subsidiary of Wetouch;
- “Hong Kong Wetouch” are to Hong Kong Wetouch Electronics Technology Limited (香港偉易達電子科技有限公司), a limited company organized under the laws of Hong Kong and a wholly owned subsidiary of BVI Wetouch. On June 18, 2021, Hong Kong Wetouch submitted its application for dissolution and was dissolved on March 18, 2022.
- “HK Wetouch” are to Hong Kong Wetouch Technology Limited (香港偉易達科技有限公司), a limited company organized under the laws of Hong Kong and a wholly owned subsidiary of BVI Wetouch;
- “Mainland China” are to the mainland of the People’s Republic of China; excluding Taiwan and the special administrative regions of Hong Kong and Macau for the purposes of this prospectus only;
- “PRC laws and regulations” or “PRC laws” are to the laws and regulations of Mainland China;
- “Sichuan Wetouch” are to Sichuan Wetouch Technology Co., Ltd (四川伟易达科技有限公司), a limited liability company organized under the PRC laws and prior wholly foreign owned subsidiary of Hong Kong Wetouch. Sichuan Wetouch’s business and operations have been assumed by Sichuan Vtouch;
- “Sichuan Vtouch” are to Sichuan Vtouch Technology Co., Ltd (四川伟大奇科技有限公司), a limited liability company organized under the PRC laws and a wholly foreign owned subsidiary of HK Wetouch;
- “Shares,” “shares” or “shares of common stock” are to the shares of common stock of Wetouch Technology Inc., with par value of \$0.001 per share;
- “Renminbi,” “RMB” or “Chinese Yuan” are to the legal currency of Mainland China; and
- “U.S. dollars,” “dollars,” “USD” or “\$” are to the legal currency of the United States.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report, including, without limitation, statements under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” includes forward-looking statements within the meaning of Section 27A of the Securities Act (as defined below) and Section 21E of the Exchange Act (as defined below). Forward-looking statements generally relate to future events or our future financial or operating performance and may include statements concerning, among other things, financial results; business plans; future liabilities and other obligations; impairments and amortization; estimates of the financial impact of certain items, accounting treatment, events or circumstances; and capital allocation. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the reasons described in our “Business,” “Risk Factors,” and “Management Discussion and Analysis of Financial Condition and Result of Operations” sections, as well as those discussed elsewhere in this Annual Report. In some cases, you can identify these forward-looking statements by terms such as “anticipate,” “believe,” “continue,” “could,” “depends,” “estimate,” “expects,” “intend,” “may,” “ongoing,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would,” “assumption” or “judgment” or the negative of those terms or other similar expressions, although not all forward-looking statements contain those words.

These forward-looking statements present our estimates and assumptions only as of the date of this Annual Report and are subject to several known and unknown risks, uncertainties, and assumptions. Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. There can be no assurance that actual results will not materially differ from expectations. These statements are based on management’s current expectations, but actual results may differ materially due to various factors, including, but not limited to:

- Our reliance on our top customers is significant. Failure to attract new customers or retain existing ones cost-effectively could materially and adversely impact our business, financial condition, and results of operations.
- We hold a substantial amount of accounts receivable, which may become uncollectible.
- Our capacity to uphold the quality and safety standards of our products.
- Our ability to compete effectively within the touchscreen display industry.
- Without substantial additional financing, our ability to execute our business plan will be compromised.
- Failure to secure the certificate of land use right for a new parcel from the local PRC government, as well as acquiring and installing new production lines on the new parcel, could materially and adversely affect our business, financial condition, and results of operations.
- Revocation or unavailability of preferential tax treatments and government subsidies, or successful challenges to our tax liability calculation by PRC tax authorities, may necessitate payment of tax, interest, and penalties exceeding our tax provisions.
- Significant interruptions in the operations of our third-party suppliers could potentially disrupt our operations.

- Risks associated with fluctuations in the cost, availability, and quality of raw materials may adversely affect our results of operations.
- We are reliant on key executives and highly qualified managers, and retention cannot be assured.
- Absence of long-term contracts with our suppliers allows them to reduce order quantities or terminate sales to us at any time.
- Failure to adopt new technologies to evolving customer needs or emerging industry standards may materially and adversely affect our business.
- Lack of business liability or disruption insurance exposes us to significant costs and business disruption.
- Adverse regulatory developments in Mainland China may subject us to additional regulatory review, restrictions, disclosure requirements, and regulatory scrutiny by the SEC, increasing compliance costs and hindering future securities offerings.
- Our common stock may be prohibited from trading in the U.S. under the Holding Foreign Companies Accountable Act if PCAOB inspection of our auditor is incomplete, leading to delisting or prohibition and potential decline in stock value.
- Changes in China's economic, political, or social conditions or government policies may adversely affect our business and operations.
- Uncertainties regarding the PRC legal system, including enforcement and sudden changes in laws and regulations, could adversely affect us and limit legal protections.
- Fluctuations in exchange rates could materially and adversely affect our results of operations and your investment value.

The forward-looking statements contained in this Annual Report are based on our current expectations and beliefs concerning future developments and their potential effects on us. Future developments affecting us may not be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I

ITEM 1. BUSINESS

Overview

Through our wholly-owned subsidiaries, we are engaged in the research, development, manufacturing, sales and servicing of medium- to large-sized projected capacitive touchscreens. We specialize in large-format touchscreens, which are developed and designed for a wide variety of markets and used in the financial terminals, automotive, Point of Sales, gaming, lottery, medical, Human-Machine Interface (“HMI”), and other specialized industries.

Our product portfolio comprises medium- to large-sized projected capacitive touchscreens ranging from 7.0 inch to 42-inch screens. In terms of the structures of touch panels, we offer (i) Glass-Glass (“GG”), primarily used in GPS/car entertainment panels in mid-size and luxury cars, industrial HMI, financial and banking terminals, POS and lottery machines; (ii) Glass-Film-Film (“GFF”), mostly used in high-end GPS and entertainment panels, industrial HMI, financial and banking terminals, and the lottery and gaming industry; (iii) Plastic-Glass (“PG”), typically adopted by touchscreens in GPS/entertainment panels, motor vehicle GPS, smart home, robotics and charging stations; and (iv) Glass-Film (“GF”), mostly used in industrial HMI.

Maintaining the industry standards for product quality and sustainability is one of our core values. Touchscreens produced by us not only have long life span with low maintenance, but also have strong anti-interference and anti-corrosion solutions, coupled with multi-touch capability and high light-transmittance ratio and stability. As a technology company, Sichuan Vtouch Technology Co., Ltd., our subsidiary in Mainland China (“Sichuan Vtouch”) has received certifications from domestic and international institutions, such as ISO9001 Quality Management Systems (QMS) Certification of Registration, ISO 14001 Environmental Management System (EMS) Certification of Registration, and RoHS SGS Certification (Restriction of Hazardous Substance Testing Certification).

We generate revenues through sales of our various touchscreen products. For the years ended December 31, 2024 and 2023, we recognized approximately \$42.3 million and \$39.7 million, respectively, in revenues.

We sell our touchscreen products both domestically in China and internationally, covering major areas in Mainland China, including but not limited to the eastern, southern, northern and southwest regions of Mainland China, Taiwan, South Korea, Germany and other countries. We believe that we have established a strong and diversified client base. For the years ended December 31, 2024 and 2023, our domestic sales accounted for approximately 64.7% and 69.7%, respectively, of our revenues, and our international sales accounted for approximately 35.3% and 30.3%, respectively, of our revenues.

Corporate History and Structure

We were originally incorporated under the laws of the state of Nevada on August 31, 1992 as Gulf West Investment Properties, Inc, and were dormant and had no operations for many years.

On February 26, 2019, the Eighth Judicial District Court in and for Clark County, Nevada, Case No. A-19-787151-B, appointed Custodian Ventures LLC, an affiliate of David Lazar, as custodian of the Company (the “Custodian”). Mr. Lazar was appointed as the sole officer and director of the Company. On March 11, 2019, 85,715 shares of common stock of the Company were issued to the Custodian in consideration for the payment of cash and the issuance of a promissory note by the Custodian to the Company. Effective as of June 11, 2019, the court discharged the Custodian’s duties.

On June 18, 2020, we consummated the transactions contemplated by a Stock Purchase Agreement among the Company, the Custodian, Qixun Technology (Samoa) Limited (“Qixun Samoa”) and Qihong Technology (Samoa) Limited (“Qihong Samoa”, Qixun Samoa and Qixun Samoa are referred to as the “Buyers”). Pursuant to the Stock Purchase Agreement, the Buyers acquired all of the 85,715 shares of the Company owned by the Custodian, representing 50.47% of the issued and outstanding shares of the Company. The Custodian and the Company agreed to indemnify the Buyers from any liabilities of the Company occurring prior to June 18, 2020, and the promissory note issued by the Custodian to the Company was canceled. Immediately following the closing, David Lazar resigned as the sole officer and director of the Company and Jiaying Cai was appointed as president, secretary and treasurer of the Company and as the sole director.

Name Change

Effective September 30, 2020, we changed our name from Gulf West Investment Properties, Inc. to Wetouch Technology Inc. by filing an Amended and Restated Articles of Incorporation with the Nevada Secretary of State to give effect to a name change. As a result of the name change, we changed our trading symbol from “GLFW” to “WETH,” effective November 3, 2020.

Reverse Merger

On October 9, 2020, we entered into a share exchange agreement (the “Share Exchange Agreement”) with Wetouch Holding Group Limited, a British Virgin Islands company incorporated on August 14, 2020 under the laws of the British Virgin Islands (“BVI Wetouch”), and all the shareholders of BVI Wetouch (each a “BVI Wetouch Shareholder” and collectively the “BVI Wetouch Shareholders”), to acquire all the issued and outstanding capital stock of BVI Wetouch in exchange for the issuance to the BVI Wetouch Shareholders an aggregate of 28 million shares of our common stock (the “Reverse Merger”). The Reverse Merger closed on October 9, 2020.

BVI Wetouch was formed to acquire Hong Kong Wetouch Electronics Technology Limited (“Hong Kong Wetouch”), which it acquired on September 11, 2020. As a result, Hong Kong Wetouch became a wholly owned subsidiary of BVI Wetouch.

Hong Kong Wetouch was incorporated on May 5, 2016 and, on July 19, 2016, acquired all the shares of Sichuan Wetouch Technology Co., Ltd., a PRC company established on May 6, 2011 (“Sichuan Wetouch”). As a result, Sichuan Wetouch became a wholly owned subsidiary of Hong Kong Wetouch.

Through BVI Wetouch’s ownership of Hong Kong Wetouch (later dissolved) and Sichuan Wetouch, we indirectly owned the business of Sichuan Wetouch. Following the Reverse Merger, Sichuan Wetouch became our indirect wholly owned subsidiary.

Acquisition of HK Wetouch

Hong Kong Wetouch Technology Limited, a limited company organized under the laws of Hong Kong (“HK Wetouch”), was incorporated on December 3, 2020 to hold all the shares of Sichuan Vtouch Technology Co., Ltd., which was incorporated on December 30, 2020 in Chengdu, Sichuan, under the laws of The People’s Republic of China (“China,” or the “PRC”).

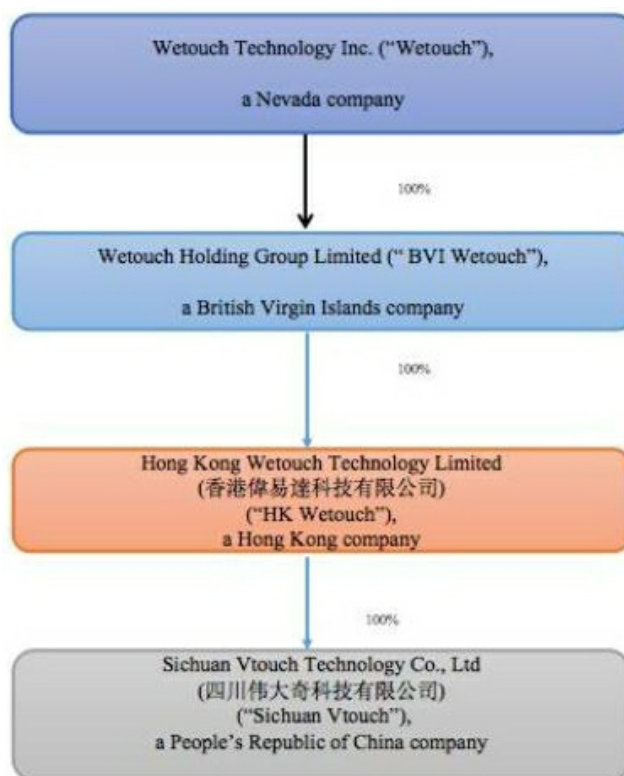
On March 12, 2021, BVI Wetouch, our wholly owned subsidiary, acquired all the shares of HK Wetouch from its sole shareholder, Guangde Cai (our former Chairman and Director). As a result, HK Wetouch became a wholly-owned subsidiary of BVI Wetouch. Immediately following the acquisition of HK Wetouch, BVI Wetouch owned (i) all the outstanding shares of Hong Kong Wetouch, which, in turn, owned all the outstanding shares of Sichuan Wetouch and (ii) all of the outstanding shares of HK Wetouch, which owned all the shares of Sichuan Vtouch.

On March 2, 2021, HK Wetouch acquired all shares of Hong Kong Wetouch. Hong Kong Wetouch was dissolved on March 18, 2022. In addition, as of March 31, 2021, Sichuan Wetouch’s business and operations were assumed by Sichuan Vtouch.

On March 30, 2023, an independent third party acquired all the shares of Sichuan Wetouch for a nominal amount.

Corporate Structure

The diagram below sets forth our corporate structure as of the date of this Annual Report.



Private Placement

On January 19, 2023, we entered into a securities purchase agreement with certain investors, pursuant to which we sold an aggregate of 160,000,000 shares of common stock of the Company for an aggregate purchase price of \$40,000,000, or \$0.25 per share. The net proceeds of the offering (after deducting legal and accounting fees and expenses) were used by the Company for working capital and general corporate purposes and the repayment of debt. The issuance of the shares in the private placement was exempted from registration pursuant to Section 4(a)(2) and/or Regulation S as promulgated by the U.S. Securities and Exchange Commission under the Securities Act. The securities are subject to transfer restrictions, and the certificates evidencing the shares will contain an appropriate legend stating that such securities have not been registered under the Securities Act and may not be offered or sold absent registration or pursuant to an exemption therefrom.

Private Placement Consent Agreement

On March 18, 2023, the Company entered into a private placement consent agreement with a third-party investment bank firm (see Note 10) on the agent fees of US\$1.2 million, payable only on the completion of a private placement. If the private placement is not completed by November 1, 2023, the representatives under the agreement reserve their rights to pursue any and all claims, actions or remedies available to them under the engagement between the Company and the private placement representatives. The Company made the full payment in February 2024.

Reverse Stock Splits

Since our incorporation, we have effected two reverse stock splits of our common stock.

2020 Reverse Stock Split:

Effective September 30, 2020, in connection with our name change from Gulf West Investment Properties, Inc. to Wetouch Technology Inc., we effected a 1-for-70 reverse stock split of our common stock. As a result, every 70 shares of outstanding common stock were exchanged for one share of new common stock. Our issued and outstanding shares decreased from 11,887,103 to 169,820, while the authorized common stock was adjusted to 300,000,000 shares and preferred stock to 10,000,000 shares, all with a par value of \$0.001 per share.

2023 Reverse Stock Split:

On February 17, 2023, our board of directors (the "Board") authorized a reverse stock split of our common stock at a ratio of not less than one to five (1:5) and not more than one to eighty (1:80), with the exact ratio and the timing of the reverse stock split to be determined by the Chairman of the Board. Upon effectiveness of such reverse stock split, the number of authorized shares of common stock of the Company will also be decreased in the same ratio.

On July 16, 2023, the Company's board of directors approved the reverse stock split of the Company's common stock at a ratio of 1-for-20. On July 16, 2023, the Company filed a certificate of change (with an effective date of July 16, 2023) with the Nevada Secretary of State pursuant to Section 78.209 of the Nevada Revised Statutes to effectuate a 1-for-20 reverse stock split of its common stock. On September 11, 2023, the reverse stock split was approved by the Financial Industry Regulatory Authority and took effect on September 12, 2023. All share information included in this annual report has been retroactively adjusted as if the reverse stock split had occurred as of the earliest period presented.

2024 Uplisting Offering

On February 20, 2024, we entered into an underwriting agreement with WestPark Capital, Inc. and Craft Capital Management LLC, as representatives (the “2024 Uplisting Offering Representatives”) of the underwriters listed in the underwriting agreement (the “Underwriters”), pursuant to which we agreed to sell to the Underwriters in a firm commitment underwritten public offering (the “2024 Uplisting Offering”) of an aggregate of 2,160,000 shares of our common stock, par value \$0.001 per share, at a public offering price of \$5.00 per share. The 2024 Uplisting Offering was conducted pursuant to a Registration Statement on Form S-1, as amended (SEC filed No. 333-270726), which was declared effective on February 14, 2024. In connection with the 2024 Uplisting Offering, our common stock began trading on the Nasdaq Capital Market under the symbol WETH on February 21, 2024. The 2024 Uplisting Offering closed on February 23, 2024 and generated gross proceeds of \$10.8 million. We paid a total of approximately \$0.8 million in underwriting discounts and commissions, and approximately \$0.8 million for other costs and expenses related to the 2024 Uplisting Offering. Our net proceeds from the 2024 Uplisting Offering, after deducting the underwriting discount, the Underwriters’ fees and expenses, and our 2024 Uplisting Offering expenses, was approximately \$9.2 million. We also issued the Representatives’ Warrants (the “2024 Uplisting Offering Representatives’ Warrants”) to the 2024 Uplisting Offering Representatives to purchase 43,200 shares of common stock at an exercise price equal to 125.0% of the public offering price.

Recent Development

Since December 31, 2024, the Company has reported several material events in Current Reports on Form 8-K, including changes to the management of the Company; correspondence from Nasdaq regarding late periodic filings and the acceptance of our plan to regain compliance; a notice of deficiency with the \$1.00 minimum bid price requirement; and a change in our independent registered public accounting firm. The Company submitted compliance plans to Nasdaq as requested and is working diligently to rectify the deficiencies as promptly as practicable to regain compliance with the Listing Rule.

The brief summaries that follow are qualified in their entirety by, and should be read together with, the Company’s Current Reports on Form 8-K filed since December 31, 2024.

Board changes. On April 29, 2025, Jing Chen resigned from the Board and its committees. Effective May 1, 2025, Jing Guo was appointed to the Board; committee roles were reconstituted as described in the Current Report on Form 8-K filed on May 2, 2025.

Nasdaq compliance - late filings. On May 27, 2025, Nasdaq notified the Company that it was not in compliance with Listing Rule 5250(c) (1) due to the delayed Form 10-K for the year ended December 31, 2024 and Form 10-Q for the quarter ended March 31, 2025. On June 26, 2025, Nasdaq accepted the Company’s plan of compliance and granted an exception through October 13, 2025 to file the outstanding Form 10-K (FY 2024) and Form 10-Qs for the quarters ended March 31 and June 30, 2025.

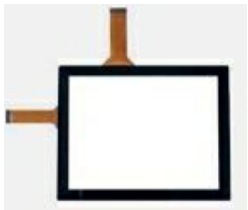
Auditor changes. On June 27, 2025, the Audit Committee dismissed Enrome LLP as the Company’s independent registered public accounting firm. The Company disclosed there were no disagreements or reportable events within the meaning of Item 304. On June 27, 2025, the Company appointed ST & Partners PLT as its independent registered public accounting firm.

Nasdaq compliance - bid-price notice. On July 15, 2025, Nasdaq notified the Company that it was not in compliance with the \$1.00 minimum bid price requirement and provided a 180-day compliance period ending January 12, 2026.

For additional details, see the Company’s Current Reports on Form 8-K filed May 2, 2025; May 30, 2025; June 26, 2025; June 30, 2025; and July 15, 2025.

Our Products

We offer medium- to large-sized projected capacitive touchscreens, which can be categorized as set forth below:

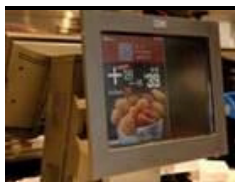
Product Type	Description	Application
Product type GG 	This is a double glass layer product, with a solid clear adhesive (SCA) between a layer of conductive glass and a layer of tempered glass. This type of touchscreen has the advantage of being able to be easily manufactured, with relatively low cost. However, products of this type in large sizes will require a greater degree of signal penetration and long distance transmission technology which will be more technically challenging to achieve.	Medium and high end GPS / car entertainment, finance, POS and lottery machines.
Product type GFF 	This product uses a double layer of conductive films, with an optically clear adhesive (OCA) between a layer of tempered glass. The product's functionality comes from the interaction between the multiple layers of conductive film and glass, which does not require extensive coating, lithography and etching. This type of product is anti- explosive and has relatively low manufacturing cost. However, products of this type in large sizes will require greater degree of signal penetration and long distance transmission technology which will be more technically challenging to achieve.	Financial, gaming and lottery, and medical industries
Product type PG 	This product uses a layer of conductive glass, with an optically clear adhesive (OCA) between a layer of surface intensify PMMA (Poly Methyl methacrylate acid). The product's functionality relies on the interaction between the layers of conductive glass. Like the GFF type, this product does not require extensive coating, lithography and etching and has relatively low manufacturing cost.	Motor vehicle GPS, smart home, robots and charging stations
Product type GF 	This product uses a layer of conductive film, with an optically clear adhesive (OCa) between a layer of tempered glass. The product's functionality relies on the interaction between the layers of conductive glass. Like the GFF type, this product does not require extensive coating, lithography and etching and has relatively low manufacturing cost.	Industrial HMI

As of December 31, 2024, product types GFF and GG constitute our main stream products, accounting for approximately an average of 38.5% and 52.7%, respectively, of our total revenues, with product types GF and PG accounting for 2.6%, 4.4% and 1.9%, respectively, of our total revenues. As of December 31, 2023, product types GFF and GG constitute our main stream products, accounting for approximately an average of 41.8% and 51.7%, respectively, of our total revenues, with product types GF and PG and other raw materials accounting for 2.0%, 2.4% and 2.1%, respectively, of our total revenues.

Applications of the Company's Products

Our products are used and applied in the production of a variety of products in a wide range of industries. Our products' areas of common application are set out below.

Point of Sale ("POS") Machines



POS machines are used in a variety of retailers, including in department stores, supermarkets, convenience stores, boutiques, restaurants, hotels, banks, logistics, telecommunication and other service industries. Due to the frequent use of touchscreens on POS machines, Wetouch has adopted the use of high-end materials which give its products' a competitive advantage through their anti-scratch, high temperature resistance and long use life qualities.

Car Navigators and Entertainment Systems



Touchscreen products for car navigation and entertainment systems take advantage of the popularity of touchscreen consoles in motor vehicles. Wetouch touchscreens are particularly suitable for motor vehicles GPS and entertainment systems, due to their resistance to temperature variation. These touchscreens may be used in both inbuilt and external car systems.

ATM Machines and Other Financial Machines



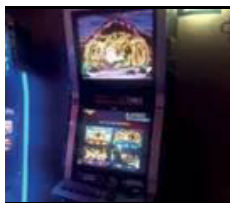
ATMs and other similar machines use touchscreens or have a touchscreen function. The touchscreens need to have high-endurance capacities as they are used by the general public and are often located outdoors, such that these screens must withstand weathering. Our products are particularly suited to use in these machines as they are highly durable.

Industrial Equipment



Touchscreens in the industrial sector have broad application, and play an important role in industrial HMI. Industrial HMI systems and equipment often require touchscreen functions. These touchscreens must be resistant to interference, stable and have good touch sensitivity. Our products fully meet these requirements, being temperature variation resistant, dustproof and waterproof.

Gaming Machines



The new generation of gambling machines are commonly adopting a touchscreen function. Gaming machines with a touchscreen function provide an enhanced experience for users via multi-touch sensory touch systems. Our products are therefore popular amongst gambling machine manufacturers.

Lottery Machines



The self-service lottery ticket vending machine is provided with an operator-oriented touch display device, an input device, a modem, a cash register, printer and security authentication function. The touchscreen display facilitates easy and user-friendly operation of the lottery machine.

Ticket Machines and Kiosks



Self-service ticket machines and kiosks contain touchscreen interfaces which are durable and have a long use life. These self-service machines are used in daily lives, and as such there is a continuous demand for high quality and effective touchscreens. Our products are widely used in these ticketing machines and kiosks.

For the year ended December 31, 2024, we had approximately \$11.5 million in revenues generated from the sales of automotive touchscreens, accounting for 27.2% of our total revenues, with industrial HMI touchscreens accounting for 19.4%, gaming touchscreens for 15.3%, medical touchscreens for 14.9%, POS touchscreens for 14.8%, and multi-functional printer touchscreens for 8.4%, respectively, of our total revenues.

For the year ended December 31, 2023, we had approximately \$9.8 million in revenues generated from the sales of automotive touchscreens, accounting for 24.6% of our total revenues, with industrial HMI touchscreens accounting for 19.9%, POS touchscreens for 16.7%, gaming touchscreens accounting for 14.1%, medical touchscreens for 14.6%, and multi-functional printer touchscreens for 10.1%, respectively, of our total revenues.

Our Customers

A sound customer base is critical to our success. We had five and six customers, each accounting for more than 10% of our revenues, for the years ended December 31, 2024 and 2023, respectively.

For the year ended December 31, 2024, each of our top five customers accounted for approximately 22.0%, 19.1%, 15.3%, 14.5% and 11.5% of our total revenues, representing 82.4% in the aggregate.

For the year ended December 31, 2023, each of our top six customers accounted for approximately 22.5%, 16.5%, 15.6%, 14.1%, 11.3% and 10.1% of our total revenues, representing 90.1% in the aggregate.

As Sichuan Wetouch's business and operations have been assumed by Sichuan Vtouch, Sichuan Vtouch entered into sales framework agreements, which were entered into by Sichuan Wetouch previously with our top customers on December 31, 2021. The material terms of the sales framework agreements with our top customers provide:

- The term of each sales framework agreement is four years, which may be renewed by a separate agreement upon expiration.
- The customer shall purchase an annual minimum purchase amount for period from January 1 to December 31 each year as specified in the agreement. If the customer fails to purchase the minimum purchase amount in the applicable agreement, the customer will be deprived of the most favorable price treatment for the following year and rebate rewards for the current year.
- We will send the price list to the customers at the beginning of each year. The specific execution price is subject to the order signed by the parties.
- We have the right to adjust the price due to the market or other factors. When there is any adjustment, we shall send a written notice of such adjustment with 30 days in advance. Upon receipt of this notice, the customer may choose to accept the price adjustment or terminate the sales frame agreement.
- For the first year, we grant the customers a credit limit of \$1.5 million and a credit term of 3 months. During supply, the portion of payment that exceeds the credit line shall be paid before goods are delivered. In the next year, the credit will be increased according to the sales of the previous year, which shall be subject to the negotiation of both parties.
- The customers shall make payment in full and on time according to the payment method and time of the purchase order and shall not delay or refuse to pay. If the customers fail to make payment within the agreed period of the purchase order and still fail to make payment after being urged by us, we may stop the supply and have the right to demand payment of a late fee of 0.3% of the contract amount per day from the customers; If the customers still refuse to make payment after 30 days of notice from us, we have the right to file a lawsuit with the court. The customers shall bear the litigation costs, lawyer's fees, and other debt recovery costs.
- We are required to provide products to customers pursuant to the delivery date and quantity, requirements included in the purchase orders and shall negotiate with customers if we are unable to so provide.
- The customers are entitled to compensation of losses due to our failure to provide after-sale services.
- Any violation of the terms of the agreements may result in the termination of the agreements and the breaching party shall be responsible for all business and economic losses and legal liabilities arising therefrom.

We do not typically enter into sales framework agreements with other customers but sell products to them through purchase orders.

The key terms of our purchase order typically include the following:

- The product name, specification, quantity, price, order amount and delivery date are specified in each order.
- Delivery method and packaging requirements are specified in each order
- Payment terms are specified in each order.
- Breach of order terms by customers in some orders.
- Guaranty terms in some orders.

Sichuan Vtouch is obligated to provide 1) products per the specific requirements of the orders, and 2) unconditional defect warranty for our products generally for a term of one year. Any violation of the order terms may result in termination of the orders or replacement of our products.

For the years ended December 31, 2024 and 2023, we did not provide any extended payment terms to any of our customers. Our customers are required to make full payment within three to six months from the delivery date.

Sales and Marketing

We source our customers through multiple channels: (i) our own research through Search Engine Optimization (“SEO”) and outreach, (ii) referrals from our existing customers, (iii) our websites, which provide product information for sale, as well as telephone and email contact information; and (iv) industry exhibitions/expos.

Our main target markets are economically developed countries and regions, including Eastern, Southern, Northern and Southwest Mainland China, Taiwan, South Korea, and Germany. We believe that we have established a strong client base, including globally well-known institutional customers. Overseas sales were approximately \$14.9 million in 2024 as compared to \$12.1 million in 2023.

We target these overseas customers mainly via our online marketing efforts. In order to market our products, increase our market share, and secure more quality customers, we frequently participate in, and promote our products at, specific touchscreen technology exhibitions held internationally.

Our products are produced to order and are marketed directly by our own sales personnel. We do not rely on distributors to sell our products.

For the year ended December 31, 2024, the revenue from our domestic customers accounted for approximately 64.7% of our total revenues, with overseas customers accounting for approximately 35.3% of our total revenues.

For the year ended December 31, 2023, the revenue generated from our domestic customers accounted for approximately 69.7% of our total revenues, with overseas customers accounting for approximately 30.3% of our total revenues.

Our Suppliers

Sichuan Vtouch does not typically enter into supply agreements with suppliers. We can utilize any supplier we choose, and there are no minimum purchase requirements for orders.

We place purchase orders with suppliers of raw materials for the production of our products. The general terms of the purchase order include specifications for product name, quantity, price, order amount, and delivery date, as well as delivery methods, packaging, inspection procedures, breach terms, and dispute resolution, all tailored to each order. Payment terms are also specified in each order. Additionally, all products must meet nationally or industry-prescribed quality standards, with each order requiring a supplier's quality certification. The supplier must unconditionally accept returns and either refund the purchase price in full or provide replacements if the products do not meet the required quality standards, are damaged, or significantly differ from what was ordered.

We do not consider any of our suppliers to be material to our business, and we can utilize any supplier we choose at our sole discretion. Although we can utilize any supplier, we believe that we have established healthy and stable relationships with our significant suppliers.

We purchase our raw materials through various suppliers. For the year ended December 31, 2024, our top three suppliers, the only suppliers from whom our purchases individually exceeded 10% of our total raw material purchases, accounted for approximately 15.5%, 12.2% and 11.5%, respectively. For the year ended December 31, 2023, our top one supplier, the only supplier from whom our purchases individually exceeded 10% of our total raw material purchases, accounted for approximately 13.3%.

The general terms of the purchase order include specifications for product name, quantity, price, order amount, and delivery date, as well as delivery methods, packaging, inspection procedures, breach terms, and dispute resolution, all tailored to each order. Payment terms are also specified in each order. Additionally, all products must meet nationally or industry-mandated quality standards, with each order requiring a supplier's quality certification. The supplier must unconditionally accept returns and either refund the purchase price in full or provide replacements if the products do not meet the required quality standards, are damaged, or significantly differ from what was ordered.

Production and Quality Control

The Company has adopted a made-to-order production model as follows:



This process is subject to continuous review and monitoring by the management team in consultation with engineers, electricians and other technical experts to ensure that finished products are of the highest quality and meet customer requirements and ISO9001 Quality Management Systems (QMS) standards.

In order to maintain product safety and a high standard of product quality, the Company implements a strict set of quality control policies and inspection protocols. These policies and protocols are enforced by the Company's senior management and officers through every stage of the production to post-production process. Their management guidelines along with key company quality policies are set out below:

The Company has strict production standards in place that govern what constitutes acceptable quality for its products. This ensures that the Company's products meet product certification standards. The production team adheres to the following criteria when assessing product standards:

Item	Industry Standards	Our Standards
Reaction time	Less than or equal to 5 milliseconds	Less than or equal to 5 milliseconds
Surface hardness	6H	7H-9H
Operational temperature	0~70 degrees Celsius	-30~80 degrees Celsius
EsD requirement	6~12KV	8~15KV
Transparency	86%	88%
Touch conditions	Normal touch and ordinary conditions	Waterproof and anti-saline solution and anti-corrosion and Anti interference

The products are inspected before they are delivered to our customers. All products must pass the following inspections:

- Cosmetic inspection: conducted under optimum temperatures (20-22 degrees Celsius) and white fluorescent lighting. The product is observed by the naked eye to detect any defects, scratches and cracks, panel discoloration, opacity, foreign fibers and spots. The Company maintains quantitative standards with respect to each of these areas to determine the level of cosmetic acceptability.
- Function tests: all products undergo functionality testing. Touchscreen products are connected electronically via standard cabling systems to computers, to measure functionality and identify abnormalities.
- Stress testing: all products undergo stress testing for humidity, temperature, and corrosion resistance. The products are tested for functionality in high- and low-humidity environments as well as extreme temperatures to determine whether exposure causes damage or physical change.
- Hazardous substances testing: internal teams conduct independent testing for hazardous substances and for corrosive resistance to saline solutions.

Seasonality

There is no significant seasonality in our business.

Research and Development (“R&D”)

We are committed to both internal R&D projects and collaborative initiatives to continuously upgrade our touchscreen technology. As of the date of this Annual Report, we have 11 employees in our R&D department, all of whom obtained at least a bachelor’s degree, with average R&D work experience of at least three years. For the years ended December 31, 2024 and 2023, our R&D expenses were approximately \$nil and \$84,551, respectively.

In the future, we expect R&D expenses to increase as we continue to accelerate the development of new products and functions, and to enhancing and upgrading existing products and functions.

Intellectual Property

Our business relies on a combination of trademarks, patents, domain names, trade names, trade secrets and other proprietary rights to protect our intellectual property. As of the date of this Annual Report, Sichuan Vtouch has one registered trademark in Mainland China and five pending patent applications.

Trademarks

Set forth below is a detailed description of our current trademark:

Country	Trademark	Application Date	Registration Number	Registration Date	Classes	Assignment Application Number	Owner	Status
China	WeTouch	09/28/2011	10019079	01/28/2013	9	20210000091399	Sichuan Vtouch	Registered

Patents

Sichuan Vtouch has applied for five patents with the Patent Office of China National Intellectual Property Administration. As of the date of this Annual Report, the five patent applications are still pending. Patents registered in Mainland China cannot be enforced in other jurisdictions to which the Company supplies its products.

Set forth below is a detailed description of our pending patent applications:

Patent Application No.	Patent Name	Patent Application Date	Patent Type	Patent Applicant	Status
202120500187.7	Low cost anti-rupture projected capacitive touchscreen	03/09/2021	Utility Model	Sichuan Vtouch	Pending
202120500188.1	High performance and anti-electromagnetic radiation projected capacitive touchscreen	03/09/2021	Utility Model	Sichuan Vtouch	Pending
202120500155.7	Full-lamination projected capacitive touchscreen	03/09/2021	Utility Model	Sichuan Vtouch	Pending
202110256476.1	Anti-scratch glass structure capacitive touchscreen	03/09/2021	Invention	Sichuan Vtouch	Pending
202111206650.8	An enhanced anti-static projection capacitive screen	10/17/2021	Invention	Sichuan Vtouch	Pending

Environmental Matters

Our business in Mainland China is subject to various pollution control regulations in Mainland China with respect to noise, water and air pollution and the disposal of waste. Specifically, the major environmental regulations applicable to us include the PRC Environmental Protection Law, the PRC Law on the Prevention and Control of Water Pollution, the PRC Law on the Prevention and Control of Air Pollution, the PRC Law on the Prevention and Control of Solid Waste Pollution, and the PRC Law on the Prevention and Control of Noise Pollution.

Pursuant to a Statement on Change of Pollutant Discharge Permit to Stationary Pollution Source Registration Form dated September 1, 2020, the environmental protection system in Renshou County, Sichuan, was changed from permission to registration due to local administrative division change. Sichuan Vtouch is currently registered under the new system and holds the Stationary Pollution Source Registration Form as of the date of this Annual Report.

The Company is not aware of any investigations, prosecutions, disputes, claims or other proceedings relating to environmental protection, nor has the Company been punished or foresees any punishment from any environmental administration authorities of the PRC.

Competition

The markets for touchscreen products are highly competitive and subject to rapid technological change. The Company believes that the principal competitive factors in its markets are product characteristics such as touch performance, durability, optical clarity and price, as well as supplier characteristics such as quality, service, delivery time and reputation. The Company believes that it competes favorably with respect to these factors, although there can be no assurance that the Company will be able to continue to compete successfully in the future.

Despite touchscreen products being highly competitive as a whole, we face fewer competitors, because we produce medium- to large-sized touchscreens specially tailored to certain industries, such as industrial HMI, gaming, financial services, lottery, automotive, medical, and POS, among others, and that require more stable supply and longer guaranty and life span, compared with small size touchscreens, which are characterized by shorter life cycles and guaranty but more demand in quantity.

We believe the following companies may be our competitors:

- Apex Material Technology Corp., founded in 1998, is committed to the development and innovation of resistive and projected capacitive (PCI or PCAP) total touch solutions. With its headquarters in Keelung, Taiwan and a subsidiary located in Milwaukee, Wisconsin, it designs and manufactures advanced high-performance touch products for industrial and medical applications. Compared with us, although it has a longer history and geographical advantages, it mainly focuses on resistive touch panels and recently started production of capacitive touchscreens primarily for the industrial HMI and medical industries, while our products are more widely used in a variety of industries.
- Elo Touch Systems Inc., based and headquartered in the United States, has a history of over 40 years in the production of touchscreens. Its product portfolio includes a broad selection of interactive touchscreen displays from 10-70 inches, all-in-one touchscreen computers, OEM touchscreens and touchscreen controllers and touchscreen monitors. Compared with us, although it has a longer history and geographical advantages in competing for U.S. customers and other international customers, it recently started the production of capacitive touchscreens primarily for POS and inquiry machines, while our products are more widely used in a variety of industries.
- AbonTouch System Inc, established in 2005, mainly focuses on manufacturing and sales of mid to large size (7"~86") "Projective Capacitive Sensors," (7"~21.5") "Five-Wire Resistive Zero-Bezel Touch Panels" and (5"~21.5") "Five-Wire Resistive Touch Panels." Compared with us, although it has a longer history and geographical advantages, it mainly focuses on resistive touch panels and recently started production of capacitive touchscreens primarily for POS, inquiry machines and industrial HMI, while our products are more widely used in a variety of industries.

Industry

Since inception, we have positioned ourselves in the professional touchscreen display industry. A touchscreen is an input and output device and layered on top of an electronic visual display of an information processing system, allowing individuals to access information and interact with the device simply by touching the device's screen with a finger or a specialized tool. Accordingly, the ease of use offered by touchscreen-based systems makes them well suited for both applications for the general public and for specialized applications for institutional users and trained computer users.

Although touchscreens have become mainstream only over the last decade, the concept of a touch-sensitive computer display was developed as early as 1965. Since the introduction of Apple's iPhone in 2007, touchscreen technology has made rapid inroads into various electronics markets, with a number of other significant companies also incorporating this technology into their products (as opposed to using a mouse, keyboard, keypad or trackball). Viewed today as the most important tool to facilitate interaction between individuals and machines, touchscreen technology is now an integral part of a wide range of computing products.

Regulations

Overview

We operate our business in Mainland China under a legal regime consisting of the National People's Congress, which is the country's highest legislative body, the State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the Ministry of Industry and Information Technology, the State Administration for Market Regulation ("SAMR") and their respective local offices.

This section sets forth a summary of the most significant rules and regulations that affect our business activities in Mainland China.

Regulations Relating to Foreign Investment in Mainland China

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which came into effect on January 1, 2020 and replaced three existing laws on foreign investments in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law, and the Wholly Foreign-Owned Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected Mainland China regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign- and domestic-invested enterprises in Mainland China. The Foreign Investment Law establishes the basic framework for the access to, and the promotion, protection, and administration of foreign investments in view of investment protection and fair competition.

Pursuant to the Foreign Investment Law, "foreign investment" refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or otherwise organizations of a foreign country within Mainland China, or foreign investors, and the investment activities include the following situations: (i) a foreign investor, individually or collectively with other investors, establishes an Foreign Investment Entity ("FIE") in Mainland China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other similar rights and interests of an enterprise within Mainland China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project in Mainland China; and (iv) investments in other means as provided by laws, administrative regulations, or the State Council.

Investment activities in Mainland China by foreign investors are principally governed by the *Guidance Catalogue of Industries for Foreign Investment*, or the Catalogue, which was promulgated and is amended from time to time by the Ministry of Commerce, or the MOFCOM, and the National Development and Reform Commission, or the NDRC. Restricted and prohibited industries are listed in the Catalogue. The Catalogue sets out a unified basis for the special administrative measures for foreign investment access. Fields not mentioned in the list for foreign investment access, including touchscreen manufacturing, are administered under the principle of equal treatment for domestic and foreign capital.

Industries not listed in the Catalogue are generally deemed as constituting a "permitted" category. According to the Catalogue, touchscreen manufacturing is classified as industry where foreign investments are permitted.

Furthermore, the Foreign Investment Law provides that FIEs established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law.

In addition, the Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in Mainland China, including, among others, that local governments must abide by their commitments to the foreign investors; FIEs are allowed to issue stocks and corporate bonds; expropriation or requisition of the investment of foreign investors is prohibited except for special circumstances, in which case statutory procedures must be followed and fair and reasonable compensation must be made in a timely manner; mandatory technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon settlement by foreign investors in Mainland China may be freely remitted inward and outward in Renminbi or foreign currencies. Also, foreign investors or FIEs should be imposed legal liabilities for failing to report investment information in accordance with the requirements.

On December 26, 2019, the PRC State Council approved the Implementation Rules of Foreign Investment Law, which came into effect on January 1, 2020. The Implementation Rules of Foreign Investment Law restates certain principles of the Foreign Investment Law and further provides that, among others, (i) if the legal form or the governing structure of an FIE established prior to the effective date of the Foreign Investment Law does not comply with the compulsory provisions of the PRC Company Law or the PRC Partnership Enterprises Law, such FIE should complete amendment registration accordingly no later than January 1, 2025; if it fails to do so, the enterprise registration authority will not process other registration matters of the FIE and may publicize such non-compliance; and (ii) the provisions regarding transfer of equity interests, distribution of profits and remaining assets as stipulated in the joint venture contracts of an existing FIE may survive the Foreign Investment Law during its joint venture term.

Regulations on Environmental Protection

Environmental Protection Law

The *Environmental Protection Law* of the PRC, or the Environmental Protection Law, was promulgated and effective on December 26, 1989, and most recently amended on April 24, 2014, which amendments became effective January 1, 2015. This Environmental Protection Law has been formulated for the purpose of protecting and improving both the living environment and the ecological environment, preventing and controlling pollution, other public hazards and safeguarding people's health.

According to the provisions of the *Environmental Protection Law*, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters. Pursuant to the *Environmental Protection Law*, the environmental impact statement on any construction project must assess the pollution that the project is likely to produce and its impact on the environment, and stipulate preventive and curative measures; the statement shall be submitted to the competent administrative department of environmental protection for approval. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project.

Permission to commence production at or utilize any construction project shall not be granted until its installations for the prevention and control of pollution have been examined and confirmed to meet applicable standards by the appropriate administrative department of environmental protection that examined and approved the environmental impact statement. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization. Where it is absolutely necessary to dismantle any such installation or leave it idle, prior approval shall be obtained from the competent local administrative department of environmental protection.

The *Environmental Protection Law* makes it clear that the legal liabilities of any violation of said law include warning, fine, rectification within a time limit, compulsory cease operation, compulsory reinstallation of dismantled installations of the prevention and control of pollution or compulsory reinstallation of those left idle, compulsory shutout or closedown, or even criminal punishment.

Order on Ecosystem by The Ministry of Ecology and Environment 2019 Classification-based Management on Fixed Pollutant Source

Pursuant to the Order on Ecosystem by The Ministry of Ecology and Environment, which was issued on July 28, 2017 and most recently amended on December 20, 2019, The Ministry of Ecology and Environment implements a classification-based management on the environmental impact assessment, or EIA, of pollutants according to pollutant amount and the impact of the pollutants on the environment as below

- For those pollutant discharge units with large amount of pollutants and significant environmental impacts, the key management on a pollutant discharge permit is required;
- For those pollutant discharge units with small amount of pollutants and small environmental impacts, the simplified management on a pollutant discharge permit is required; and
- For those pollutant discharge units with very small amount of pollutants and very small environmental impacts, the pollutant discharge registration form is required.

The touchscreen manufacturing is classified as to fill in a Registration Form. Pursuant to a Statement on Change of Pollutant Discharge Permit to Stationary Pollution Source Registration Form by the local government dated September 1, 2020, the environmental protection system in Renshou County, Sichuan, was changed from permission to registration due to local administrative division change. Therefore, upon submission of all required documentation, we are registered under the new system by filling in Stationary Pollution Source Registration Form.

Regulations on Consumer Rights Protection

Our business is subject to a variety of consumer protection laws, including the PRC Consumer Rights and Interests Protection Law, which was amended in 2013 and became effective on March 15, 2014. It imposes stringent requirements and obligations on business operators. Failure to comply with these consumer protection laws could subject us to administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of fines, an order to cease business operations, revocation of business licenses, and potential civil or criminal liabilities.

As of the date of this Annual Report, we are not aware of any warning, investigations, prosecutions, disputes, claims or other proceedings in respect of customer rights protection, nor have we been punished or can foresee any punishment to be made by any government authorities of the PRC.

Regulations on Intellectual Property Rights

Regulations on Trademark

Trademarks are protected by the PRC Trademark Law adopted in 1982 and subsequently amended as well as the Implementation Regulations for the Trademark Law of the PRC in 2002 and subsequently amended in 2014 and 2019. The Trademark Office of the SAMR is responsible for the registration and administration of trademarks and the Trademark Review and Adjudication Committee established by the SAMR is responsible for resolving trademark disputes in Mainland China. Registered trademarks are valid for ten years from the date the registration is approved. A registrant may apply to renew a registration within twelve months before the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for ten years. In April 2014, the State Council issued the revised Implementation of the Trademark Law, which specified the requirements of applying for trademark registration and review. As of the date of this Annual Report, we had 1 registered trademark in Mainland China.

Regulations on Patent Law

According to the PRC Patent Law, which was issued by the Standing Committee of the National People's Congress in 1984 and last amended on October 17, 2020, effective on June 1, 2021, and Implementation Rules of the Patent Law of the People's Republic of China, which were promulgated by the State Council in 2001 and last amended on January 9, 2010. Draft amendments to the Implementation Rules of the Patent Law are currently under review. The Patent Law and its implementation rules provide for three types of patents: "invention," "utility model" and "design." "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the whole or partial shape, pattern, color or the combination of any two of them, of a product, that creates an aesthetical feeling and is suitable for industrial application. Invention patents are valid for 20 years, while design patents and utility model patents are valid for 15 years and 10 years, respectively, each calculated from the date of application. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights. As of the date of this Annual Report, we had five pending patent applications.

Regulations on Foreign Exchange

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules promulgated on January 29, 1996 and most recently amended on August 5, 2008 and various regulations issued by the SAFE, and other relevant PRC government authorities, Renminbi is convertible into other currencies for current account items, such as trade-related receipts and payments and payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside Mainland China for capital account items, such as direct equity investments, loans, and repatriation of investment, requires the prior approval from the SAFE or its local office.

Payments for transactions that take place in Mainland China must be made in Renminbi. Unless otherwise approved, Mainland China companies may not repatriate foreign currency payments received from abroad or retain the same abroad. FIEs may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local branch. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaged in settlement and sale of foreign exchange pursuant to relevant SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from the SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

Pursuant to the Circular of the SAFE on Notice of State Administration of Foreign Exchange on Further Improvements and Adjustments to Foreign Exchange Control Policies for Direct Investment, which was promulgated on November 19, 2012, became effective on December 17, 2012, and was further amended on May 4, 2015, October 10, 2018, and December 30, 2019, approval of the SAFE is not required for opening a foreign exchange account and depositing foreign exchange into the accounts relating to the direct investments. This circular also simplifies foreign exchange-related registration required for foreign investors to acquire equity interests of PRC companies and further improve the administration on foreign exchange settlement for FIEs.

The Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, or SAFE Circular 13, which became effective on June 1, 2015 and was amended on December 30, 2019, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

The Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, which was promulgated on March 30, 2015, became effective on June 1, 2015, and was amended on December 30, 2019, provides that an FIE may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange administration has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the account). Pursuant to this circular, for the time being, FIEs are allowed to settle 100% of their foreign exchange capital on a discretionary basis; an FIE should truthfully use its capital for its own operational purposes within the scope of its business; where an ordinary FIE makes domestic equity investment with the amount of foreign exchanges settled, the FIE must first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange administration or the bank at the place where it is registered.

The Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account, which was promulgated and became effective on June 9, 2016, provides that enterprises registered in Mainland China may also convert their foreign debts from foreign currency into Renminbi on a self-discretionary basis. This circular also provides an integrated standard for conversion of foreign exchange under capital account items (including, but not limited to, foreign currency capital and foreign debts) on a self-discretionary basis, which applies to all enterprises registered in Mainland China.

On January 26, 2017, SAFE promulgated the Notice of State Administration of Foreign Exchange on Improving the Check of Authenticity and Compliance to further Promote Foreign Exchange Control, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

On October 25, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment, which, among other things, allows all FIEs to use Renminbi converted from foreign currency-denominated capital for equity investments in Mainland China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since this circular is newly promulgated, it is unclear how the SAFE and competent banks will carry it out in practice.

According to the Regulations of the PRC on Administration of Company Registration, which were promulgated by the State Council on June 24, 1994, became effective on July 1, 1994, and were amended on February 6, 2016, and other laws and regulations governing FIEs and company registrations, the establishment of an FIE and any capital increase and other major changes in an FIE should be registered with the State Administration for Market Regulation or its local counterparts and filed via the enterprise registration system.

Pursuant to SAFE Circular 13 and other laws and regulations relating to foreign exchange, when setting up a new FIE, the enterprise should register with the bank located at its registered place after obtaining the business license, and if there is any change in capital or other changes relating to the basic information of the FIE, including, without limitation, any increase in its registered capital or total investment, the FIE must register such changes with the bank located at its registered place after obtaining approval from or completing the filing with relevant authorities. Pursuant to the relevant foreign exchange laws and regulations, such foreign exchange registration with the banks will typically take less than four weeks upon the acceptance of the registration application.

Based on the foregoing, if we intend to provide funding to our wholly foreign-owned subsidiaries through capital injection at or after their establishment, we must register the establishment of and any follow-on capital increase in our wholly foreign-owned subsidiaries with the State Administration for Market Regulation or its local counterparts, file such via the enterprise registration system, and register such with the local banks for the foreign exchange related matters.

Regulations on Offshore Financing

Under the Circular of the SAFE on Issues Concerning the Foreign Exchange Administration over the Overseas Investment and Financing and Round-Trip Investment by Domestic Residents via Special Purpose Vehicles, or SAFE Circular 37, effective on July 4, 2014, Mainland China residents are required to register with the local SAFE branch prior to the establishment or control of an offshore special purpose vehicle, which is defined as an offshore enterprise directly established or indirectly controlled by Mainland China residents for investment and financing purposes, with the enterprise assets or interests Mainland China residents hold in Mainland China or overseas. The term "control" means to obtain the operation rights, right to proceeds, or decision-making power of a special purpose vehicle through acquisition, trust, holding shares on behalf of others, voting rights, repurchase, convertible bonds, or other means. At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-Trip Investment regarding the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014 as an attachment of SAFE Circular 37.

The Mainland China residents are also required to amend the registration or filing with the local SAFE branch any material change in the offshore company, such as any change of basic information (including change of such Mainland China residents, name and operation term), increase or decreases in investment amount, transfers or exchanges of shares, or merger or divisions. On February 28, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Pursuant to SAFE Notice 13, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE as required under current laws, entities and individuals will be required to apply for such foreign exchange registrations, including those required under the SAFE Circular 37, from qualified banks. The qualified banks, under the supervision of SAFE, will directly examine the applications and conduct the registration.

Failure to comply with the registration procedures set forth in the SAFE Circular 37, or making misrepresentation on or failure to disclose controllers of foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entities, and may also subject relevant Mainland China residents to penalties under Mainland China foreign exchange administration regulations. Mainland China residents who directly or indirectly hold any shares in our company from time to time are required to register with SAFE in connection with their investments in us. We have requested Mainland China residents holding direct or indirect interest in our company to our knowledge to make the necessary applications, filings and amendments as required under the SAFE Circular 37 and other related rules.

As of the date of this Annual Report, the Mainland China residents have either not completed, or have not applied for, foreign exchange registration under the SAFE Circular 37 and other related rules. Although they are either in the process of making foreign exchange registration or plan to make foreign exchange registrations, they may still be faced with the above possible fines in accordance with the PRC Laws.

Regulations on Dividend Distribution

The principal laws and regulations regulating the distribution of dividends by FIEs in Mainland China include the PRC Company Law, as amended in 2004, 2005, 2013, and 2018, and the 2019 PRC Foreign Investment Law and its Implementation Rules. Under the current regulatory regime in Mainland China, FIEs in Mainland China may pay dividends only out of their retained earnings, if any, determined in accordance with Mainland China accounting standards and regulations. A Mainland China company is required to set aside as statutory reserve funds at least 10% of its after-tax profit, until the cumulative amount of such reserve funds reaches 50% of its registered capital unless laws regarding foreign investment provide otherwise. A Mainland China company cannot distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our common stock as a source for any future dividend income.

Regulations on M&A and Overseas Listing

In August 2006, six PRC governmental agencies jointly promulgated the Provisions on Foreign-funded Mergers and Acquisitions of Domestic Enterprises, or the M&A Rule, as most recently amended in 2009. The M&A Rule requires offshore special purpose vehicles formed to pursue overseas listing of equity interests in Mainland China companies and controlled directly or indirectly by Mainland China companies or individuals to obtain the approval of the China Securities Regulatory Commission (“CSRC”) prior to the listing and trading of such special purpose vehicle’s securities on any stock exchange overseas.

The M&A Rule further requires that the Ministry of Commerce, or MOFCOM, be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a Mainland China domestic enterprise or a foreign company with substantial Mainland China operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council, are triggered. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the NPC requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds be cleared by the MOFCOM before they can be completed.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Administrative Measures, and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Administrative Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (ii) its major operational activities are carried out in Mainland China or its main places of business are located in Mainland China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in Mainland China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for initial public offering and listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted. According to the relevant provisions of the Trial Administrative Measures and its supporting guidelines, the Company is required to fulfill the filing procedures with the CSRC within three days of the closing of the 2024 Uplisting Offering. According to the Trial Administrative Measures, the Company has submitted the filing materials to the CSRC, but the materials were not complete due to lack of a commitment letter from the Company's lead underwriter for the 2024 Uplisting Offering, and the Company withdrew the filing from the CSRC. The Company will submit the filing materials again when the materials are ready. However, given that the Trial Administrative Measures were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and there is no guarantee that the relevant PRC government agencies, including the CSRC, would reach the same conclusion that we and our PRC counsel have reached. If the CSRC has determined that we have failed to comply with the post-offering filing obligations imposed by the Trial Administrative Measures or make a misrepresentation, misleading statement or material omission in the materials we submit to the CSRC, the CSRC would have the right to order rectification, issue a warning and impose a fine on us of between RMB 1 million and RMB 10 million and issuing a warning to the parties responsible for such failure, misrepresentation or material omission and impose a fine on each of such individuals ranging from RMB 500,000 to RMB 5 million.

On February 17, 2023, the CSRC held a press conference for the release of the Trial Administrative Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that (1) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Administrative Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges, such as completion of registration in the market of the United States, but have not completed the indirect overseas listing; and (2) domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges on or prior to the effective date of the Trial Administrative Measures, may reasonably arrange the timing for submitting their filing applications with the CSRC, and shall complete the filing before the completion of their overseas offering and listing.

Regulations on Taxation

Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the PRC Enterprise Income Tax Law, which was amended on February 24, 2017 and December 29, 2018. On December 6, 2007, the State Council enacted the Regulations for the Implementation of the Enterprise Income Tax Law, which became effective on January 1, 2008 and amended on April 23, 2019. Under the Enterprise Income Tax Law and the relevant implementation regulations, both resident enterprises and non-resident enterprises are subject to tax in Mainland China. Resident enterprises are defined as enterprises that are established in Mainland China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within Mainland China. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside Mainland China, but have established institutions or premises in Mainland China, or have no such established institutions or premises but have income generated from inside Mainland China. Under the Enterprise Income Tax Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in Mainland China, or if they have formed permanent establishment or premises in Mainland China but there is no actual relationship between the relevant income derived in Mainland China and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from inside Mainland China.

Value-Added Tax

The PRC Provisional Regulations on Value-Added Tax were promulgated by the State Council on December 13, 1993, which became effective on January 1, 1994 and were subsequently amended from time to time. The Detailed Rules for the Implementation of the PRC Provisional Regulations on Value-Added Tax (2011 Revision) was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011. On November 19, 2017, the State Council promulgated the Decisions on Abolishing the PRC Provisional Regulations on Business Tax and Amending the PRC Provisional Regulations on Value-Added Tax. Pursuant to these regulations, rules and decisions, all enterprises and individuals engaged in sale of goods, provision of processing, repair, and replacement services, sales of services, intangible assets, real property, and the importation of goods within Mainland China territory are VAT taxpayers. On March 21, 2019, the Ministry of Finance, the SAT, and the General Administration of Customs jointly issued the Announcement on Relevant Policies on Deepen the Reform of Value-Added Tax. Sales revenue represents the invoiced value of goods, net of VAT. The VAT is based on gross sales price and VAT rates range up to 17%, starting from May 1, 2018, VAT rate was lowered to 16%, and starting from April 1, 2019, VAT rate was further lowered to 13%.

Dividend Withholding Tax

The Enterprise Income Tax Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-Mainland China resident investors that do not have an establishment or place of business in Mainland China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within Mainland China.

Pursuant to the Arrangement Between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent Mainland China tax authority to have met the relevant conditions and requirements under this arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a Mainland China resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009, if the relevant Mainland China tax authorities determine, in their discretions, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such Mainland China tax authorities may adjust the preferential tax treatment. Pursuant to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties, which was issued on February 3, 2018 by the SAT and became effective on April 1, 2018, when determining the applicant’s status as the “beneficial owner” regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analyzed according to the actual circumstances of the specific cases. This circular further provides that an applicant who intends to prove his or her status as the “beneficial owner” must submit the relevant documents to the relevant tax bureau pursuant to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements.

Regulations on Employment Laws

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

On December 28, 2021, the Measures for Cybersecurity Review (2021 version) were promulgated and became effective on February 15, 2022 (the “Measures”), which iterates that any “online platform operators” controlling personal information of more than one million users that seeks to list on a foreign stock exchange shall also be subject to cybersecurity review. As we are neither an “operator of critical information infrastructure” nor a “data processor” carrying out data processing activities that affect or may affect national security, we believe that the Measures are not applicable to us even after they take effect in current form. The PRC government is increasingly focused on data security, recently launching cybersecurity review against a number of mobile apps operated by several US-listed Chinese companies and prohibiting these apps from registering new users during the review period. There are great uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations regarding data and privacy security. We may be required to change our data and other business practices and be subject to regulatory investigations, penalties, and increased cost of operations as a result of these laws and policies.

Employees

As of the date of this Annual Report, we had 131 employees. We have no part time employees or independent contractors.

As required by regulations in China, Sichuan Vtouch participates in various employee social security plans that are organized by local governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. Sichuan Vtouch is required under Chinese law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

Our employees are not represented by a labor organization or covered by a collective bargaining agreement. We believe that we maintain a good working relationship with our employees and to date, we have not experienced any significant labor disputes.

ITEM 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Annual Report, before deciding to invest in our securities. If any of the following risks materialize, our business, financial condition, results of operation and prospects will likely be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose all or part of your investment.

Summary of Risks Affecting Our Company

The following summarizes key risks and uncertainties that could materially adversely affect us. You should read this summary together with the more detailed description of each risk factor contained below.

Risks Related to Our Business and Industry

- Weaknesses identified in our financial reporting during audits could impair our ability to accurately report financial results.
- Dependency on major customers presents risks if we cannot retain or attract new customers effectively.
- Our operating history may not be indicative of our future growth or financial results and we may not be able to sustain our historical growth rates.
- Failure to secure the certificate of land use right for a new parcel from the local PRC government could severely impact our operations and financial health.
- We are subject to risks related to construction of our factory in Sichuan Province, China.
- Economic recessions could have a significant adverse impact on our business.
- Intellectual property infringement claims could be costly and disrupt business operations.
- A significant amount of accounts receivable could become uncollectible, affecting financial stability.
- Cyclical industry dynamics could lead to harmful price fluctuations.
- Failure to maintain product quality and safety could damage our reputation and financial standing.
- Intense competition in the touchscreen display industry could reduce market share and profitability.
- Inadequate financing could restrict our ability to execute our business plan.
- Adjustments in related party transaction pricing could lead to significant tax liabilities.
- Revocation of tax treatments or government subsidies could necessitate paying additional taxes.
- Interruptions from third-party suppliers could disrupt operations.
- Fluctuations in the cost and availability of raw materials could negatively affect results.
- Dependency on key executives and the lack of long-term supplier contracts pose risks.
- Failure to adopt new technologies might affect competitiveness.
- Liability claims or adverse publicity could impact customer confidence and business results.
- Losses on inventories and lack of business insurance could expose us to significant costs.

Risks Related to Doing Business in China

- Regulatory changes in China could increase compliance costs and complicate capital raising.
- The HFCAA could lead to delisting of our common stock if audits are not inspected properly.
- We may be subject to substantial fine if the CSRC has determined that we have failed to comply with the post-offering filing obligations.
- Changes in U.S.-China trade policies could adversely impact our business operations.
- PRC regulation of loans and currency conversion could delay or prevent capital usage, affecting liquidity.
- Labor laws in the PRC might negatively impact our operational flexibility and financial results.
- Liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption law could lead to penalties.
- Bankruptcy or liquidation of our PRC subsidiary could significantly disrupt operations.
- Economic and policy changes in China could limit our ability to offer securities.
- Uncertainties in the PRC legal system could limit legal protections.
- Difficulties in enforcing foreign judgments in China could undermine contractual protections.
- Government control of currency conversion and fluctuations in exchange rates could impact financial results and investments.
- The Chinese government's substantial influence over business operations could lead to significant operational changes.

Risks Related to Our Common Stock

- Volatility in the price of our common stock may not reflect our operating performance.
- By-laws limiting the judicial forum for disputes could restrict stockholder litigation options.
- Manipulative short selling could drive down our stock price.
- Direct exposure to negative publicity involving U.S.-listed Chinese companies could harm our business and reputation.
- Large volumes of our common stock being sold could negatively affect the market price.
- Non-payment of dividends means stockholders must rely on stock price appreciation for returns.
- Deteriorating U.S.-China relations could lower our stock price and complicate access to capital markets.
- We may be subject to delisting from Nasdaq if we fail to timely file periodic reports with the SEC or to maintain Nasdaq's minimum bid price, which could materially and adversely affect the liquidity and value of our common stock.

Risks Related to Our Business and Industry

COVID-19 as well as other epidemics, natural disasters, terrorist activities, political unrest, and other outbreaks could disrupt our delivery and operations, which could materially and adversely affect our business, financial condition, and results of operations .

The COVID-19 pandemic had a significant global impact on businesses and financial markets, and although its most severe effects have passed, future outbreaks of COVID-19 or other contagious diseases could again disrupt economic activity and our operations. Epidemics in Mainland China or elsewhere in the world, or the fear of such outbreaks, may disrupt our supply chain, reduce or restrict our ability to deliver products and services, increase costs to protect employees and facilities, or result in regional or global economic distress.

In addition, natural disasters such as hurricanes, earthquakes, tsunamis, floods, and typhoons, as well as actual or threatened war, terrorist activities, political unrest, civil strife, and other geopolitical events, could also materially disrupt our business operations. We are also vulnerable to other calamities, including fire, power loss, telecommunications failures, break-ins, riots, and system or internet failures. Any of these events may cause interruptions, damage to property, production delays, or loss of data, which could materially and adversely impact our business, financial condition, and results of operations.

In connection with the audits of our consolidated financial statements as of and for the years ended December 31, 2024 and 2023, we identified certain material weaknesses in our internal control over financial reporting. If we fail to develop and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud.

The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal controls over financial reporting, which contains management's assessment of the effectiveness of internal controls over financial reporting.

Our reporting obligations as a public company place a significant strain on our management and operational and financial resources and systems. Effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to prevent fraud. As a result, our failure to achieve and maintain effective internal controls over financial reporting may result in the loss of investor confidence in the reliability of our financial statements, which in turn may harm our business and negatively impact the trading price of our stock. Furthermore, we anticipate that we will continue to incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

In connection with the auditing of our consolidated financial statements as of and for the years ended December 31, 2024 and 2023, we identified the following material weaknesses in our internal control over financial reporting:

- Lack of competent financial reporting and accounting personnel with appropriate understanding of U.S. GAAP and financial reporting requirements to design and implement key controls over financial reporting process
- Lack of risk assessment procedures on internal controls to detect financial reporting risks on a timely manner.

As defined in the rules and regulations adopted by the SEC, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions planned include:

- Identify gaps in our skills base and the expertise of our staff required to meet the financial reporting requirements of a public company; and
- Continue to cooperate with operation teams to ensure control environment in place, and monitor the effectiveness of operations on existing controls and procedures.
- Establish assessment of Sarbanes-Oxley Act of 2002 (the “*Sarbanes-Oxley Act*”) compliance requirements and improvement of overall internal control.

We are committed to maintaining a strong internal control environment, and believe that these remediation efforts will deliver improvements in our control environment. Our management will continue to monitor and evaluate the relevance of our risk-based approach and the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

We are heavily dependent on our top customers. If we fail to acquire new customers or retain existing customers in a cost-effective manner, our business, financial condition and results of operations may be materially and adversely affected.

We are heavily dependent on our top customers, each of which accounted for 10% or more of our revenues. We currently sell our products primarily to customers in the PRC and to a lesser extent, to overseas customers in Europe and East Asia, including South Korea and Taiwan.

For the year ended December 31, 2024, our top five customers accounted for approximately 22.0%, 19.1%, 15.3%, 14.5% and 11.5%, respectively, of our total revenues. For the year ended December 31, 2023, our top six customers accounted for approximately 22.5%, 16.5%, 15.6%, 14.1%, 11.3% and 10.1%, respectively, of our total revenues.

Our ability to attract new customers and retain existing customers cost-effectively, especially our top customers, is crucial to driving net revenues growth and achieving profitability. We have invested significantly in branding, sales and marketing to acquire and retain customers since our inception. For example, we attend domestic and international expos and exhibitions to market our products and attract new customers. We also expect to continue to invest significantly to acquire new customers and retain existing ones, especially our top customers. There can be no assurance that new customers will stay with us, or that the net revenues from new customers we acquire will ultimately exceed the cost of acquiring those customers. In addition, if our existing customers, especially our top customers no longer find our products appealing, or if our competitors offer more attractive products, prices, discounts or better customer service, our existing customers may lose interest in us, decrease their orders or even stop ordering from us. If we are unable to retain our existing customers, especially our top customers or to acquire new customers in a cost-effective manner, our revenues may decrease and our results of operations may be adversely affected.

Our operating history may not be indicative of our future growth or financial results and we may not be able to sustain our historical growth rates.

Our operating history may not be indicative of our future growth or financial results. There is no assurance that we will be able to grow in future periods. Our growth rates may decline for any number of possible reasons and some of them are beyond our control, including decreasing customer demand, increasing competition, declining growth of the touchscreen display industry in general, emergence of alternative business models, or changes in government policies or general economic conditions. We will continue to expand our sales network and product offerings to bring greater convenience to our customers and to increase our customer base and number of transactions. However, the execution of our expansion plan is subject to uncertainty and the total number of items sold and number of transacting customers may not grow at the rate we expect for the reasons stated above. If our growth rates decline, investors’ perceptions of our business and prospects may be adversely affected and the market price of our common stock could decline.

Failure to secure the certificate of land use right for a new parcel from the local PRC government for the construction of our new buildings and facilities, and failure to acquire and install new production lines on the new parcel may materially and adversely affect our business, financial condition and results of operations.

On August 6, 2021, Sichuan Vtouch entered into a contract with the Chengdu Wenjiang District Planning and Natural Resources Bureau for the purchase of a land use right for a parcel of land spanning 131,010 square feet, for a consideration of approximately RMB3,925,233 (equivalent to \$537,755) for the Company's new facility. The Company paid the consideration in full on November 18, 2021. We are in the process of obtaining the certificate of land use right for the new parcel and expect to receive the certificate from the local government in the first quarter of 2026. However, there is no assurance that we will be able to obtain the required certificate of land use right in a timely manner, or at all. The failure of obtaining the certificate will adversely affect our business operations. Additionally, the development of this site is subject to various regulatory approvals, including construction land planning permit (received in January 2022), construction project planning permit (received in January 2022), and construction engineering license (received July 2022). Failure to obtain additional approvals from the local government, if required, will subject us to fines or suspension of the projects in accordance with relevant PRC laws and regulations.

In addition, our ability to install and operate new production lines on this parcel is contingent upon the successful acquisition and setup of equipment, compliance with applicable environmental, construction, and safety regulations, and the availability of sufficient financing and human resources. Any failure or significant delay in obtaining the land use rights, completing construction, or acquiring and installing production lines may materially and adversely affect our ability to expand our operations, meet growing customer demand, and achieve our strategic objectives. Such delays or failures could have a material adverse effect on our business, financial condition, and results of operations.

As of the date of this Annual Report, we estimate to complete the building construction by the end of 2025 and commence production in the first quarter of 2026, assuming we have obtained the land use right by then, but there is no assurance and we may need extended time to achieve our business plan. If we fail to complete such construction prior to estimated period and the extended period, if any, we will have to cease all or part of our operations, and as a result, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to risks related to construction of our factory in Sichuan Province, China.

We are constructing new facilities and office buildings on the new parcel located in Sichuan Province, China. As of the date of this Annual Report, we estimate receiving the certificate of land use right from the local government in the first quarter of 2026. We plan to complete the building construction by the end of 2025 and commence production in the first quarter of 2026.

The construction could experience delays or other difficulties, and will require significant capital. We may not generate sufficient cash flow to satisfy our capital expenditure commitments. We may need to raise additional capital to fund a portion of our capital expenditures, and such capital may not be available when needed or on terms favorable to our company. The construction may not be completed on schedule due to various reasons, such as supply chain issues and increased difficulty for workforce recruitment, which could result in increased expenses and construction costs, and may result in reduced profitability of the project. Any failure to complete the construction plan on schedule and within budget could adversely affect our financial condition and results of operations.

The construction may be subject to legal claims and proceedings instituted by contractors, workers and other parties involved in such project from time to time. Such claims and proceedings may include claims in respect of personal injuries and labor compensation in relation to the construction project. The construction of a factory is also subject to risks related to health and safety incidents and site accidents and any non-compliance with building codes and other local regulations. If any of the aforementioned incidents or accidents were to occur, it could have a substantial negative impact on our success and result in a material adverse effect on our financial condition or results of operations.

Economic recessions could have a significant, adverse impact on our business.

Our revenues are generated from sales of our capacitive touchscreen products both domestically and internationally and we anticipate that revenues from such sales will continue to represent the substantial portion of our total revenues in the near future. Our sales and earnings can also be affected by changes in the general economy.

The touchscreen display industry historically has experienced cyclical fluctuations in financial results due to economic recession, downturns in business cycles of our customers, interest rate fluctuations, and other economic factors beyond our control. Deterioration in the economic environment subjects our business to various risks, which may have a material and adverse impact on our operating results and cause us to not reach our long-term growth goals. For example, a downturn in the economy could directly affect the discretionary spending power of our customers and in turn, depress the number of orders for our products.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate intellectual property rights held by third parties. We have not but in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. There could also be existing intellectual property of which we are not aware that our products may inadvertently infringe. We cannot assure you that holders of intellectual property purportedly relating to some aspect of our technology or business, if any such holders exist, would not seek to enforce such intellectual property against us in China, or any other jurisdictions. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis.

We have a significant amount of accounts receivable, which could become uncollectible.

As of December 31, 2024, we had approximately \$7.5 million in accounts receivable. Our accounts receivable primarily include balance due from customers when our products are sold and delivered to customers. Our customers are required to make full payment within three to six months from delivery date, although our industry typical payment term is 180 days from delivery. For the years ended December 31, 2024 and 2023, we did not provide any extended payment terms to any of our customers. Deteriorating conditions in, bankruptcies, or financial difficulties of a customer or within their industries generally may impair the financial condition of our customers and hinder their ability to pay us on a timely basis or at all, and accounts receivable are written off against allowances only after exhaustive collection efforts. The failure or delay in payment by one or more of our customers could reduce our cash flows and adversely affect our liquidity and results of operations.

Our industry is cyclical, with recurring periods of capacity increases. As a result, price fluctuations in response to supply and demand imbalances could harm our results of operations.

The touchscreen display industry in general is characterized by cyclical market conditions. From time to time, the industry has been subject to imbalances between excess supply and a slowdown in demand, and in certain periods, resulting in declines in selling prices. In addition, capacity expansion anticipated in the touchscreen display industry may lead to excess capacity. Capacity expansion in the industry may be due to scheduled ramp-up of new manufacturing facilities, and any large increases in capacity as a result of such expansion could further drive down the selling prices of our products, which would affect our results of operations. We cannot assure you that any continuing or further decrease in selling prices or future downturns resulting from excess capacity or other factors affecting the industry will not be severe or that any such continuation, decrease or downturn would not seriously harm our business, financial condition and results of operations.

Our ability to maintain or increase our revenues will primarily depend upon our ability to maintain market share, increase unit sales of existing products and introduce and sell new products that offset the anticipated fluctuation and long-term declines in the selling prices of our existing products. We cannot assure you that we will be able to maintain or expand market share, increase unit sales, and introduce and sell new products, to the extent necessary to compensate for market oversupply.

Failure to maintain the quality and safety of our products could have a material and adverse effect on our reputation, financial condition and results of operations.

The quality and safety of our products are critical to our success. We pay close attention to quality control, monitoring each step in the process from procurement to production and from warehouse to delivery. Yet, maintaining consistent product quality depends significantly on the effectiveness of our quality control system, which in turn depends on a number of factors, including but not limited to, the design of our quality control system, employee training to ensure that our employees adhere to and implement our quality control policies and procedures and the effectiveness of monitoring any potential violation of our quality control policies and procedures. There can be no assurance that our quality control system will always prove to be effective.

In addition, the quality of the products or services provided by our suppliers or service providers is subject to factors beyond our control, including the effectiveness and the efficiency of their quality control system, among others. There can be no assurance that our suppliers or service providers may always be able to adopt appropriate quality control systems and meet our stringent quality control requirements in respect of the products or services they provide. Any failure of our suppliers or service providers to provide satisfactory products or services could harm our reputation and adversely impact our operations. In addition, we may be unable to receive sufficient compensation from suppliers and service providers for the losses caused by them.

We face intense competition in the touchscreen display industry in general. If we fail to compete effectively, we may lose market share and customers, and our business, financial condition and results of operations may be materially and adversely affected.

The touchscreen display industry is intensely competitive in general. We face less competition as we produce medium- to large-sized capacitive touchscreens which are specially tailored to certain industries, such as industrial HMI, gaming, financing, lottery, automotive, medical, and POS, and requires more stable supply, longer guaranty and life span, compared with small size touchscreens which are characteristic with shorter life cycle and guaranty but more demand in quantity. However, we still have some competitors competing in China and globally with us. Our competitors may have more financial, technical, geographical advantage, marketing and other resources than we do and may be more experienced and able to devote greater resources to the development, promotion and support of their business. Some competitors are well-established in China and globally and any defensive measures they take in response to our expansion could hinder our growth and adversely affect our sales and results of operations.

Furthermore, increased competition may reduce our market share and profitability and require us to increase our sales and marketing efforts and capital commitment in the future, which could negatively affect our results of operations or force us to incur further losses. Although we have accumulated some and continuously growing our customer base, there is no assurance that we will be able to continue to do so in the future against current or future competitors, and such competitive pressures may have a material adverse effect on our business, financial condition and results of operations.

If we do not obtain substantial additional financing, our ability to execute our business plan may be impaired.

Due to the withdrawal of the land use right to the Property and cancellation of our ownership certificates pertaining to the buildings on the Property by the local government pursuant to the Guidelines and the Compensation Agreement, on August 6, 2021, Sichuan Vtouch entered into a contract with the Chengdu Wenjiang District Planning and Natural Resources Bureau for the purchase of a land use right for a parcel of land spanning 131,010 square feet, for a consideration of approximately RMB3,925,233 (equivalent to \$537,755) for the Company's new facility. The Company paid the consideration in full on November 18, 2021. We are in the process of obtaining the certificate of land use right for the new parcel and expect to receive the certificate from the local government in the first quarter of 2026.

As of the date of this Annual Report, we estimate to finish the building construction by the end of 2025 and commence production in the first quarter of 2026, but there is no assurance and we may need extended time to achieve our business plan. If we fail to complete such acquisition and construction within the estimated period, if any, we will have to cease all or part of our operations, and as a result, our business, financial condition and results of operations may be materially and adversely affected.

In addition, our plans may call for significant new investments in research and development, marketing, expanded productions capacity, and working capital for raw materials and other items. Should our capital needs be higher than our estimation, we will be required to seek additional investments, loans or debt financing to fully pursue our business plans. Such additional investment may not be available to us on terms which are favorable or acceptable. Should we be unable to meet our full capital needs, our ability to fully implement our business plan will be impaired.

Any adjustment of related party transaction pricing could lead to additional taxes, and therefore substantially reduce our consolidated net income and the value of your investment.

The tax regime in China is rapidly evolving and there is significant uncertainty for taxpayers in China as PRC tax laws may be interpreted in significantly different ways. The PRC tax authorities may assert that we or our subsidiaries owe and/or are required to pay additional taxes on previous or future revenue or income. In particular, under applicable PRC laws, rules and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities determine that any contractual arrangements were not entered into on an arm's length basis and therefore constitute a favorable transfer pricing, the PRC tax liabilities of the relevant subsidiaries could be increased, which could increase our overall tax liabilities. In addition, the PRC tax authorities may impose late payment interest. Our net income may be materially reduced if our tax liabilities increase.

If our preferential tax treatments and government subsidies are revoked or become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions.

The Chinese government has provided tax incentives to our former subsidiary in Mainland China, Sichuan Wetouch, including reduced enterprise income tax rates. For example, under the PRC Enterprise Income Tax Law and its implementation rules, the statutory enterprise income tax rate is 25%. However, the income tax of an enterprise that has been determined to be a qualified enterprise located in western region of Mainland China can be reduced to a preferential rate of 15%. The qualification of preferential tax rate is effective for a renewable three-year permitted. As we have dissolved Sichuan Wetouch, and its business and operations have been assumed by Sichuan Vtouch, Sichuan Vtouch is planning to apply for the preferential rate of 15% as a qualified enterprise with the PRC tax authorities. As of the date of this Annual Report, we have not applied for the preferential rate of 15%. If Sichuan Vtouch later applies but its application for the qualification of preferential tax rate benefit is not approved, our PRC subsidiary will still be subject to the statutory enterprise income tax rate of 25%. Further, in the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest, and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

A significant interruption in the operations of our third-party suppliers could potentially disrupt our operations.

We have limited control over the operations of our third-party suppliers and other business partners and any significant interruption in their operations may have an adverse impact on our operations. For example, a significant interruption in the operations of our supplier's manufacturing facilities could cause delays or termination of shipments of the raw materials to us, which may cause delays or termination of shipments of our products to our customers, thus resulting in penalties or fines due to our breach of contract. If we could not solve the impact of the interruptions of operations of our third-party suppliers, our business operations and financial results may be materially and adversely affected.

We face the risk of fluctuations in the cost, availability and quality of our raw materials, which could adversely affect our results of operations.

The cost, availability and quality of the raw materials, such as indium tin oxide glasses and panels, are important to our operations. If the cost of raw materials increases due to large market price fluctuation or due to any other reason, our business and results of operations could be adversely affected. Lack of availability of these raw materials, whether due to shortages in supply, delays or interruptions in processing, failure of timely delivery or otherwise, could interrupt our operations and adversely affect our financial results.

We are dependent upon key executives and highly qualified managers and we cannot assure their retention.

Our success depends, in part, upon the continued services of key members of our management. Our executives' and managers' knowledge of the market, our business and our Company represents a key strength of our business, which cannot be easily replicated. The success of our business strategy and our future growth also depend on our ability to attract, train, retain and motivate skilled managerial, sales, administration, development and operating personnel.

There can be no assurance that our existing personnel will be adequate or qualified to carry out our strategy and operations, or that we will be able to hire or retain experienced, qualified employees to carry out our strategy and operations. The loss of one or more of our key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material adverse effect on our business, financial condition and results of operations.

We do not have long-term contracts with our suppliers and they can reduce order quantities or terminate their sales to us at any time.

Our PRC subsidiary does not have long term contracts with our suppliers. At any time, our suppliers can reduce the quantities of products they sell to us, or cease selling products to us altogether. Such reductions or terminations could have a material adverse impact on our revenues, profits and financial condition.

If we fail to adopt new technologies to evolving customer needs or emerging industry standards, our business may be materially and adversely affected.

To remain competitive, we must continue to stay abreast of the constantly evolving industry trends and to enhance and improve our technology accordingly. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business. There can be no assurance that we will be able to use new technologies effectively or meet customer's requirements. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or customer preferences, whether for technical, legal, financial or other reasons, our business may be materially and adversely affected.

We may experience significant liability claims or complaints from customers, or adverse publicity involving our products and our services.

We face an inherent risk of liability claims or complaints from our customers. We take our customers' complaints seriously and endeavor to reduce such complaints by implementing various remedial measures. Nevertheless, we cannot assure you that we can successfully prevent or address all customer complaints.

Any complaints or claims against us, even if meritless and unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Customers may lose confidence in us and our brand, which may adversely affect our business and results of operations. Furthermore, negative publicity including but not limited to negative online reviews on social media and crowd-sourced review platforms, industry findings or media reports related to safety and quality of our products, whether or not accurate, and whether or not concerning our products, can adversely affect our business, results of operations and reputation.

We may experience losses on inventories.

Frequent new product introductions in the technology industry can result in a decline in the selling prices of our products and the obsolescence of our existing inventory. This can result in a decrease in the stated value of our inventory, which we value at the lower of cost or net realizable value.

We manage our inventory based on our customers' and our own forecasts. Although we regularly make adjustments based on market conditions, we typically deliver our goods to our customers several weeks after a firm order is placed. While we maintain open channels of communication with our top customers to avoid unexpected decreases in firm orders or subsequent changes to placed orders, and try to minimize our inventory levels, such actions by our customers may have a material adverse effect on our inventory management and our results of operations.

We have no business liability or disruption insurance, which could expose us to significant costs and business disruption.

The insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. We do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured risks may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition.

We may incur liabilities that are not covered by insurance.

While we seek to maintain appropriate levels of insurance, not all claims are insurable and we may experience major incidents of a nature that are not covered by insurance. We do not have any insurance that cover, among other things, employee-related accidents and injuries, product or business liability and other property damage and liability deriving from our activities. Furthermore, insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies in more developed economies. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. We maintain an amount of insurance protection that we believe is adequate, but there can be no assurance that such insurance will continue to be available on acceptable terms or that our insurance coverage will be sufficient or effective under all circumstances and against all liabilities to which we may be subject. If we were to incur substantial losses or liabilities due to fire, explosions, floods, other natural disasters or accidents or business interruption, our results of operations could be materially and adversely affected. We could, for example, be subject to substantial claims for damages upon the occurrence of several events within one calendar year. In addition, our insurance costs may increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general.

We may not be able to adequately protect and maintain our intellectual property.

Our success will depend on our ability to continue to develop and market our products. We have five pending patent applications as of the date of this Annual Report. No assurance can be given that such patents will not be challenged, invalidated, infringed or circumvented, or that such intellectual property rights will provide a competitive advantage to us. Also, litigation may be necessary to enforce our intellectual property rights or determine the validity and scope of the proprietary rights of others. The outcome of such potential litigation may not be in our favor and any success in litigation may not be able to adequately protect our rights. Such litigation may be costly and divert management attention away from our business. An adverse determination in any such litigation would impair our intellectual property rights and may harm our business, prospects and reputation. Enforcement of judgments in China is uncertain and even if we are successful in such litigation it may not provide us with an effective remedy.

Our introduction of new technologies and products may increase the likelihood that third parties will assert claims that our products infringe upon their proprietary rights.

The rapid technological changes that characterize our industry require that we quickly implement new processes and components with respect to our products. Often with respect to recently developed processes and components, a degree of uncertainty exists as to who may rightfully claim ownership rights in such processes and components. Uncertainty of this type increases the risk that claims alleging that such components or processes infringe upon third party rights may be brought against us. Although we take and will continue to take steps to ensure that our new products do not infringe upon third party rights, if our products or manufacturing processes are found to infringe upon third party rights, we may be subject to significant liabilities and be required to change our manufacturing processes or be prohibited from manufacturing certain products, which could have a material adverse effect on our operations and financial condition.

We may be required to defend against charges of infringement of patent or other proprietary rights of third parties. Although patent and other intellectual property disputes in our industry have often been settled through licensing or similar arrangements, such defense could require us to incur substantial expense and to divert significant resources of our technical and management personnel, and could result in our loss of rights to develop or make certain products or require us to pay monetary damages or royalties to license proprietary rights from third parties. Furthermore, we cannot be certain that the necessary licenses would be available to us on acceptable terms, if at all. Accordingly, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing and selling certain of our products. Any such litigation, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources, either of which could adversely affect our business.

Risks Related to Doing Business in China

Adverse regulatory developments in China may subject us to additional regulatory review and expose us to government restrictions, and additional disclosure requirements and regulatory scrutiny to be adopted by the SEC in response to risks related to recent regulatory developments in China may impose additional compliance requirements for companies with significant China-based operations, all of which could increase our compliance costs, subject us to additional disclosure requirements, and/or suspend or terminate our future securities offerings, making capital-raising more difficult.

As substantially all of our operations are based in China, we are subject to a wide range of relevant PRC laws. The recent regulatory developments in China, in particular with respect to restrictions on China-based companies raising capital offshore and the government-led cybersecurity reviews of certain companies, may lead to additional regulatory review in China over our financing and capital raising activities in the United States. In addition, we may become subject to industry-wide regulations that may be adopted by the relevant PRC authorities, which may have the effect of limiting our product and service offerings, restricting the scope of our operations in China, or causing the suspension or termination of our business operations in China entirely, all of which will materially and adversely affect our business, financial condition and results of operations. We may have to adjust, modify, or completely change our business operations in response to adverse regulatory changes or policy developments, and we cannot assure you that any remedial action adopted by us can be completed in a timely, cost-efficient, or liability-free manner or at all.

On July 6, 2021, the relevant PRC government authorities published the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions call for strengthened regulation over illegal securities activities and supervision on overseas listings by China-based companies and propose to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. Pursuant to the Opinions, Chinese regulators are required to accelerate rulemaking related to the overseas issuance and listing of securities, and update the existing laws and regulations related to data security, cross-border data flow, and management of confidential information. Numerous regulations, guidelines and other measures are expected to be adopted under the umbrella of or in addition to the Cybersecurity Law, Data Security Law and Personal Information Protection Law. As of the date of this Report, no official guidance or related implementation rules have been issued yet and the interpretation of these opinions remains unclear at this stage. On February 17, 2023, the CSRC promulgated the Trial Administrative Measures, which took effect on March 31, 2023. The Trial Administrative Measures further stipulate the rules and requirements for overseas offering and listing conducted by PRC domestic companies.

On July 10, 2021, the Cyberspace Administration of China issued the Measures for Cybersecurity Review (Revision Draft for Comments), or the Measures, for public comments, which propose to authorize the relevant government authorities to conduct cybersecurity review on a range of activities that affect or may affect national security, including listings in foreign countries by companies that possess the personal data of more than one million users. On December 28, 2021, the Measures for Cybersecurity Review (2021 version) were promulgated and became effective on February 15, 2022 (the “Measures”), which iterates that any “online platform operators” controlling personal information of more than one million users that seeks to list on a foreign stock exchange shall also be subject to cybersecurity review. As we are neither an “operator of critical information infrastructure” nor a “data processor” carrying out data processing activities that affect or may affect national security, we believe that the Measures are not applicable to us even after they take effect in current form. The PRC government is increasingly focused on data security, recently launching cybersecurity review against a number of mobile apps operated by several US-listed Chinese companies and prohibiting these apps from registering new users during the review period. There are great uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations regarding data and privacy security. We may be required to change our data and other business practices and be subject to regulatory investigations, penalties, and increased cost of operations as a result of these laws and policies.

On July 30, 2021, in response to the recent regulatory developments in China and actions adopted by the PRC government, the Chairman of the SEC issued a statement asking the SEC staff to seek additional disclosures from offshore issuers associated with China-based operating companies before their registration statements will be declared effective, including whether the China-based operating company and the issuer, when applicable, received or were denied permission from Chinese authorities to list on U.S. exchanges and the risks that such approval could be denied or rescinded. On August 1, 2021, the China Securities Regulatory Commission stated in a statement that it had taken note of the new disclosure requirements announced by the SEC regarding the listings of Chinese companies and the recent regulatory development in China, and that both countries should strengthen communications on regulating China-related issuers. We are subject to a variety of PRC laws and may be subject to tightened regulatory review and exposed to government restrictions in China. In light of the recent regulatory and policy developments in China and government actions taken by the PRC government, including possible imposition of restrictions and/or approval requirements on China-based companies raising capital offshore, the offering of our securities may be subject to additional disclosure requirements and review that the SEC or other regulatory authorities in the United States may adopt for companies with China-based operations, all of which could increase our compliance costs, subject us to additional disclosure requirements, and/or suspend or terminate our future securities offerings, making capital-raising more difficult.

We are subject to the Trial Administrative Measures, as the Company has: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by PRC domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main places of business are located in mainland China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in mainland China; and, if required, we cannot assure you that we will be able to complete such process on time or at all.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Administrative Measures"), which took effect on March 31, 2023. Compared to the Draft Rules, the Trial Administrative Measures further clarified and emphasized several aspects, including: (i) comprehensive determination of the "indirect overseas offering and listing by Mainland China domestic companies" in compliance with the principle of "substance over form" and particularly, an issuer will be required to go through the filing procedures under the Trial Administrative Measures if the following criteria are met at the same time: a) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by Mainland China domestic companies, and b) the main parts of the issuer's business activities are conducted in Mainland China, or its main places of business are located in Mainland China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in Mainland China; (ii) exemptions from immediate filing requirements for issuers that a) have already been listed or registered but not yet listed in foreign securities markets, including U.S. markets, prior to the effective date of the Trial Administrative Measures, and b) are not required to re-perform the regulatory procedures with the relevant overseas regulatory authority or the overseas stock exchange, c) whose such overseas securities offering or listing shall be completed before September 30, 2023. However, such issuers shall carry out filing procedures as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC; (iii) a negative list of types of issuers banned from listing overseas, such as issuers under investigation for bribery and corruption; (iv) regulation of issuers in specific industries; (v) issuers' compliance with national security measures and the personal data protection laws; and (vi) certain other matters such as: an issuer must file with the CSRC within three business days after it submits an application for initial public offering to competent overseas regulators; and subsequent reports shall be filed with the CSRC on material events, including change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. Our PRC counsel has advised that because our common stock currently trades in the U.S., we were not required to submit filings to the CSRC before the Offering was completed and the Offering was not conditioned on CSRC approval. Rather, within three days of the closing of the Offering, we are required to submit filings to the CSRC in accordance with the Trial Administrative Measures. According to the relevant provisions of the Trial Administrative Measures and its supporting guidelines, the Company is required to fulfill the filing procedures with the CSRC within three days of the closing of the 2024 Uplisting Offering. According to the Trial Administrative Measures, the Company has submitted the filing materials to the CSRC, but the materials were not complete due to lack of a commitment letter from the lead underwriter for the Offering, and the Company withdrew the filing from the CSRC. The Company will submit the filing materials again when the materials are ready. However, given that the Trial Administrative Measures were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and there is no guarantee that the relevant PRC government agencies, including the CSRC, would reach the same conclusion that we and our PRC counsel have reached. If the CSRC has determined that we have failed to comply with the post-offering filing obligations imposed by the Trial Administrative Measures or make a misrepresentation, misleading statement or material omission in the materials we submit to the CSRC, the CSRC would have the right to order rectification, issue a warning and impose a fine on us of between RMB 1 million and RMB 10 million and issuing a warning to the parties responsible for such failure, misrepresentation or material omission and impose a fine on each of such individuals ranging from RMB 500,000 to RMB 5 million.

Our common stock will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, as amended, if it is later determined that the PCAOB is unable to inspect and investigate completely our auditor. The delisting of and prohibition from trading of our common stock, or the threat of their being delisted and prohibited from trading, may cause the value of our common stock to significantly decline or be worthless.

Pursuant to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 18, 2020, the HFCAA was signed into law. The HFCAA has since then been subject to amendments by the U.S. Congress and interpretations and rulemaking by the SEC. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act (the “AHFCAA”), which proposes to reduce the period of time for foreign companies to comply with PCAOB audits from three to two consecutive years, thus reducing the time period before the securities of such foreign companies may be prohibited from trading or delisted.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination relating to the PCAOB’s inability to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. The inability of the PCAOB to conduct inspections of auditors in China made it more difficult to evaluate the effectiveness of these accounting firms’ audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause existing and potential investors in issuers operating in China to lose confidence in such issuers’ procedures and reported financial information and the quality of financial statements.

On December 15, 2022, the PCAOB released a statement confirming it has secured complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong, and it issued the 2022 HFCAA Determination Report to vacate its previous determinations to the contrary. The PCAOB is continuing to demand complete access, and it will act immediately to reconsider such determinations should China obstruct, or otherwise fail to facilitate the PCAOB’s access, at any time.

Our auditor, ST & Partners PLT (“STP”), is headquartered in Malaysia, subject to PCAOB inspection. Our auditor was not subject to the determinations announced by the PCAOB on December 16, 2021, which were vacated on December 15, 2022. Our auditor, the independent registered public accounting firm that issues the audit report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States.

On December 29, 2022, the Consolidated Appropriations Act, 2023, was signed into law, which amended the HFCAA (i) to reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two, and (ii) so that any foreign jurisdiction could be the reason why the PCAOB does not have complete access to inspect or investigate a company’s auditor. As it was originally enacted, the HFCAA applied only if the PCAOB’s inability to inspect or investigate was due to a position taken by an authority in the foreign jurisdiction where the relevant public accounting firm is located. As a result of the Consolidated Appropriations Act, 2023, the HFCAA now also applies if the PCAOB’s inability to inspect or investigate the relevant accounting firm is due to a position taken by an authority in any foreign jurisdiction. The denying jurisdiction does not need to be where the accounting firm is located. If the PCAOB determines in the future that it is unable to completely inspect or investigate our auditor and we continue to use such auditor to issue an audit report on our financial statements filed with the SEC, our securities will be delisted from the stock exchange. The delisting of our common stock or the threat of their being delisted, may materially and adversely affect the value of your investment. These risks could result in a material adverse change in our operations and the value of our common stock, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause the value of such securities to significantly decline or become worthless.

Further developments related to the HFCAA could add uncertainties to our future offerings. We cannot assure you what further actions the SEC, the PCAOB or the stock exchanges will take to address these issues and what impact such actions will have on companies that have significant operations in the PRC and have securities listed on a U.S. stock exchange (including a national securities exchange or over-the-counter stock market). In addition, any additional actions, proceedings, or new rules resulting from these efforts to increase U.S. regulatory access to audit information could create uncertainty for investors, the market price of our common stock could be adversely affected, and we could be delisted if we and our auditor are unable to meet the PCAOB inspection requirement. Such a delisting would substantially impair your ability to sell or purchase our common stock when you wish to do so, and would have a negative impact on the price of our shares.

We may be subject to substantial fine if the CSRC has determined that we have failed to comply with the post-offering filing obligations imposed by the Trial Administrative Measure.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures that require issuers to carry out filing procedures as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC; (iii) a negative list of types of issuers banned from listing overseas, such as issuers under investigation for bribery and corruption; (iv) regulation of issuers in specific industries; (v) issuers' compliance with national security measures and the personal data protection laws; and (vi) certain other matters such as: an issuer must file with the CSRC within three business days after it submits an application for initial public offering to competent overseas regulators; and subsequent reports shall be filed with the CSRC on material events, including change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

Our PRC counsel has advised that because our common stock currently trades in the U.S., we were not required to submit filings to the CSRC before our 2024 Uplisting Offering was completed and the 2024 Uplisting Offering was not conditioned on CSRC approval. However, within three days of the closing of the 2024 Uplisting Offering, we are required to submit filings to the CSRC in accordance with the Trial Administrative Measures. We have submitted the filing materials to the CSRC, but the materials were not complete due to lack of a commitment letter from the lead underwriter for the 2024 Uplisting Offering, and we withdrew the filing from the CSRC. We will submit the filing materials again when the materials are ready. However, given that the Trial Administrative Measures were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and there is no guarantee that the relevant PRC government agencies, including the CSRC, would reach the same conclusion that we and our PRC counsel have reached. If the CSRC has determined that we have failed to comply with the post-offering filing obligations imposed by the Trial Administrative Measures or make a misrepresentation, misleading statement or material omission in the materials we submit to the CSRC, the CSRC would have the right to order rectification, issue a warning and impose a fine on us of between RMB 1 million and RMB 10 million and issuing a warning to the parties responsible for such failure, misrepresentation or material omission and impose a fine on each of such individuals ranging from RMB 500,000 to RMB 5 million. Our operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Changes in U.S. and international trade policies, particularly with regard to China, may adversely impact our business and operating results.

There have recently been significant changes to international trade policies and tariffs affecting imports and exports. Any significant increases in tariffs on goods or materials or other changes in trade policy could negatively affect our search for a target and/or our ability to complete our initial business combination.

Recently, the U.S. has implemented a range of new tariffs and increases to existing tariffs. In response to the tariffs announced by the U.S., other countries have imposed, are considering imposing, and may in the future impose new or increased tariffs on certain exports from the United States. There is currently significant uncertainty about the future relationship between the United States and other countries with respect to trade policies, taxes, government regulations and tariffs, and we cannot predict whether, and to what extent, current tariffs will continue or trade policies will change in the future.

Tariffs, or the threat of tariffs or increased tariffs, could have a significant negative impact on certain businesses (either due to domestic businesses' reliance on imported goods or dependence on access to foreign markets, or foreign businesses' reliance on sales into the United States). In addition, retaliatory tariffs could have a significant negative impact on foreign businesses that rely on imports from the United States, and domestic businesses that rely on exporting goods internationally. Among other things, historical financial performance of companies affected by trade policies and/or tariffs may not provide useful guidance as to the future performance of such companies, because future financial performance of those companies may be materially affected by new U.S. tariffs or foreign retaliatory tariffs, or other changes to trade policies.

Trade tensions between China and the United States may intensify in the future, resulting in the imposition of more tariffs or other trade restrictions. Although cross-border business is currently not an area of our focus, if we plan to sell products internationally in the future, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, such changes could have an adverse effect on our business, financial condition, or results of operations. In addition, future actions or escalations by either the United States or China that affect trade relations may cause global economic turmoil and potentially have a negative impact on our business.

In addition, recent economic and trade sanctions threatened and/or imposed by the U.S. government on a number of China-based companies have raised concerns as to whether, in the future, there may be additional regulatory challenges or enhanced restrictions involving other China-based companies in areas such as data security, information technology or other business activities. Similar or more expansive restrictions, including relating to export controls, that may be imposed by the United States or other jurisdictions in the future, may materially and adversely affect our ability to acquire technologies, systems or products that may be important to our technology infrastructure, product and service offerings and business operations.

Furthermore, we may also face export controls or sanctions-related or other trade-related restrictions on transactions with certain customers, business partners and other persons. The Entity List maintained by the U.S. Department of Commerce identifies foreign parties that are prohibited from acquiring - whether by export, reexport, or transfer in-country - some or all items subject to the U.S. Export Administration Regulations (“EAR”), unless the exporter secures a license. Licenses, and exceptions to the license requirement, are rarely granted to exporters. Exporting, reexporting or transferring items subject to the EAR in violation of licensing requirements could result in criminal and/or civil penalties. These restrictions, and similar or more expansive restrictions or sanctions that may be imposed by the United States or other jurisdictions in the future, may adversely affect our ability to work with certain future customers and business partners, which would harm our business. Furthermore, our association with customers or business partners that are or become subject to U.S. regulatory scrutiny or export controls- or sanctions-related restrictions could subject us to actual or perceived reputational harm among current or prospective investors, suppliers or customers, other parties doing business with us, or the general public. Any such reputational harm could result in the loss of investors, suppliers or customers, which could harm our business, financial conditions or prospects.

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

We conduct substantially all of our operations in China. We may make loans to our PRC subsidiary, subject to the approval, registration, and filing with governmental authorities and limitation of amount, or we may make additional capital contributions to our wholly foreign-owned subsidiary in China. Any loans to our wholly foreign-owned subsidiary in China, which is treated as a foreign-invested enterprise under PRC law, are subject to foreign exchange loan registrations. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or investments other than banks’ principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals or filings on a timely basis, if at all, with respect to future loans by us to our PRC subsidiary or with respect to future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds from any future offerings and to capitalize or otherwise fund our Chinese operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiary to liability or penalties, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37, to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles, or SAFE Circular 75, which ceased to be effective upon the promulgation of SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, will be required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of SAFE. If any PRC shareholder of such SPV fails to make the required registration or to update the previously filed registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiary in China. On February 13, 2015, the SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

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

Some of our shareholders that we are aware of are subject to SAFE regulations, and we expect all of these shareholders will have completed all necessary registrations with the local SAFE branch or qualified banks as required by SAFE Circular 37. We cannot assure you, however, that all of these shareholders may continue to make required filings or updates in a timely manner, or at all. We can provide no assurance that we are or will in the future continue to be informed of identities of all PRC residents holding direct or indirect interest in our company. Any failure or inability by such shareholders to comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiary's ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation have been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

As of the date of this Annual Report, the PRC residents have either not completed, or have not applied for, foreign exchange registration under the SAFE Circular 37 and other related rules. Although they are either in the process of making foreign exchange registration or plan to make foreign exchange registrations, they may still face with the above said possible fines in accordance with the PRC Laws.

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

The PRC National People's Congress promulgated the Labor Contract Law which became effective on January 1, 2008 and was amended on December 28, 2012 (the "Labor Contract Law"), and the State Council promulgated implementing regulations for the labor contract law on September 18, 2008. The Labor Contract Law and the implementing regulations impose requirements concerning, among others, the execution of written contracts between employers and employees, the time limits for probationary periods, and the length of employment contracts. The interpretation and implementation of these regulations are still evolving, our employment practices may violate the Labor Contract Law and related regulations and we could be subject to penalties, fines or legal fees as a result. If we are subject to severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

Further, the Labor Contract Law requires certain terminations be based upon seniority and not merit. In the event that we decide to significantly change or decrease our workforce, the Labor Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, thus materially and adversely affecting our financial condition and results of operations.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption law.

We are subject to the U.S. Foreign Corrupt Practices Act (the "FCPA") and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute for the purpose of obtaining or retaining business. We are also subject to Chinese anti-corruption laws, which strictly prohibit the payment of bribes to government officials. We have operations, agreements with third parties, and make sales in China, which may experience corruption. Our activities in China may create the risk of unauthorized payments or offers of payments by one or more of the employees of our company, because such employees might act against our policies, outside of our control. Violations of the FCPA or Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

Our business may be materially and adversely affected if our PRC subsidiary declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

The Enterprise Bankruptcy Law of the PRC, or the Bankruptcy Law, came into effect on June 1, 2007. The Bankruptcy Law provides that an enterprise will be liquidated if the enterprise fails to settle its debts as and when they fall due and if the enterprise's assets are, or are demonstrably, insufficient to clear such debts.

Our PRC subsidiary holds certain assets that are important to our business operations. If our PRC subsidiary undergoes a voluntary or involuntary liquidation proceeding, unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

According to the SAFE's Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment, effective on December 17, 2012, and the Provisions for Administration of Foreign Exchange Relating to Inbound Direct Investment by Foreign Investors, effective May 13, 2013, if our PRC subsidiary undergoes a voluntary or involuntary liquidation proceeding, prior approval from the SAFE for remittance of foreign exchange to our shareholders abroad is no longer required, but we still need to conduct a registration process with the SAFE local branch. It is not clear whether "registration" is a mere formality or involves the kind of substantive review process undertaken by SAFE and its relevant branches in the past.

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations. The PRC government has recently indicated an intent to exert more oversight and control over overseas securities offerings and other capital markets activities and foreign investment in China-based companies like us. Any such action, once taken by the PRC government, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or in extreme cases, become worthless.

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies.

The PRC government has significant authority to exert influence on the ability of a China-based company, such as us, to conduct its business, accept foreign investments or list on an U.S. or other foreign exchanges. For example, we face risks associated with regulatory approvals of offshore offerings, anti-monopoly regulatory actions, as well as oversight on cybersecurity and data privacy. Such risks or any actions by the PRC government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers could result in a material change in our operations and/or the value of our common stock or could significantly limit or completely hinder our ability to offer or continue to offer our common stock and/or other securities to investors and cause the value of such securities to significantly decline or be worthless. The PRC government has significant authority, oversight and discretion over the conduct of our business and may intervene with or influence our operations as the government deems appropriate to further regulatory, political and societal goals. The PRC government has recently published new policies that significantly affected certain industries such as the education and internet industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could adversely affect our business, financial condition and results of operations. Furthermore, the PRC government has recently indicated an intent to exert more oversight and control over overseas securities offerings and other capital markets activities and foreign investment in China-based companies like us. Any such action, once taken by the PRC government, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or in extreme cases, become worthless.

The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and operating results.

Uncertainties with respect to the PRC legal system, including uncertainties regarding the enforcement of laws and sudden and unexpected changes in laws and regulations in China, could adversely affect us and limit the legal protections available to you and us.

Our operations in China are governed by PRC laws and regulations. Our wholly foreign-owned PRC operating subsidiary Sichuan Vtouch is subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. In addition, any new or changes in PRC laws and regulations related to foreign investment in China could affect the business environment and our ability to operate our business in China.

Since the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Uncertainties due to evolving laws and regulations could also impede the ability of a China-based company, such as our company, to obtain or maintain permits or licenses required to conduct business in China. In the absence of required permits or licenses, governmental authorities could impose material sanctions or penalties on us. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other PRC government authorities (including local government authorities), thus making strict compliance with all regulatory requirements impractical, or in some circumstances impossible. From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations.

The PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations.

Furthermore, if China adopts more stringent standards with respect to environmental protection or corporate social responsibilities, we may incur increased compliance costs or become subject to additional restrictions in our operations. Intellectual property rights and confidentiality protections in China may also not be as effective as in the United States or other countries. In addition, we cannot predict the effects of future developments in the PRC legal system on our business operations, including the promulgation of new laws, or changes to existing laws or the interpretation or enforcement thereof. These uncertainties could limit the legal protections available to us and our investors, including you. Moreover, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management based on foreign laws.

We are a company incorporated under the laws of the United States and we conduct substantially all of our operations in China. In addition, our officers and directors reside within China and are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or those persons inside mainland China. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors as none of them currently resides in the United States or has substantial assets located in the United States. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

Government control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi, or “RMB,” into foreign currencies and, in certain cases, the remittance of currency out of China. We receive some revenue and incur some expenses in U.S. dollars but incur other expenses primarily in RMB. Although our main business is based in mainland China with our Chinese operating subsidiary, some of our business may require us to use U.S. dollars. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay in foreign currencies, and our business and operations may be adversely affected.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of IMF completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the Renminbi has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. This depreciation halted in 2017, and the RMB appreciated approximately 7% against the U.S. dollar during this one-year period. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

Significant revaluation of the Renminbi may have a material and adverse effect on our operations. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our shares of Common Stock or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiary in China may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiary to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In light of the flood of capital outflows of China, the PRC government may from time to time impose more restrictive foreign exchange policies and step up scrutiny of major outbound capital movement. More restrictions and substantial vetting process may be required by SAFE or other government authorities to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Common Stock.

The Chinese government exerts substantial influence over the manner in which we must conduct our business activities and may intervene or influence our operations at any time, which could result in a material change in our operations and/or the value of our common stock.

The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, property and other matters. The central or respective local governments may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. The Chinese government may intervene or influence our operations at any time, which could result in a material change in our operations and/or the value of our common stock.

If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders and the common stockholders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with its “*de facto* management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “*de facto* management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation, or SAT, issued a circular, known as SAT Circular 82, which provides certain specific criteria for determining whether the “*de facto* management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular applies only to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “*de facto* management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “*de facto* management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe our Company, excluding our PRC subsidiary, is not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “*de facto* management body.” If the PRC tax authorities determine that our company is a PRC resident enterprise for enterprise income tax purposes, we would be subject to PRC enterprise income on our worldwide income at the rate of 25%. Furthermore, we would be required to withhold a 10% tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders (including the common stockholders) may be subject to PRC tax on gains realized on the sale or other disposition of the common stock, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders (including the common stockholders) and any gain realized on the transfer of the common stock or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us). These rates may be reduced by an applicable tax treaty, but it is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our common stock.

Risks Related to Our Common Stock

The price of our common stock may be volatile or may decline regardless of our operating performance and you may not be able to resell your shares at or above the purchase price.

An active trading market for our common stock may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. An inactive market may also impair our ability to raise capital by selling shares of common stock and may impair our ability to acquire other businesses or technologies using our shares of common stock as consideration, which, in turn, could materially adversely affect our business. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets;
- our operating performance and the performance of other similar companies;
- the published opinions and third-party valuations by banking and market analysts;
- changes in our projected operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that elect to follow our common stock;
- regulatory or legal developments;
- the level of expenses related to operations;
- our failure to achieve its goals in the timeframe it announces;
- announcements of acquisitions, strategic alliances or significant agreements by us;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry;
- trading activity by a number of stockholders;
- the size of our market float;
- political uncertainty and/or instability; and
- any other factors discussed in this Annual Report.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

Since our By-laws provide that the courts in the State of Nevada are the sole and exclusive forum for substantially all disputes between us and our shareholders, this could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors or officers, or employees.

Our Amended and Restated By-laws provide that, unless we consent in writing to the selection of an alternative forum, the appropriate state and federal courts in the State of Nevada shall be the sole and exclusive forum for any derivative action or proceeding brought on behalf of the Company, any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's shareholders, any action asserting a claim arising pursuant to any provision of the Nevada Revised Statutes, or any action asserting a claim governed by the internal affairs doctrine. This exclusive forum provision would not apply to suits brought to enforce any liability or duty created by the Securities Act or the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. To the extent that any such claims may be based upon federal law claims, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring any interest in our Company shall be deemed to have notice of and consented to these provisions.

These exclusive-forum provisions may limit a shareholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees.

Moreover, if a court were to find the choice of forum provision contained in our Amended and Restated By-laws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management and other employees.

Short sellers of our stock may be manipulative and may drive down the market price of our common stock.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed or intends to borrow from a third party with the intention of buying identical securities at a later date to return to the lender. A short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is therefore in the short seller's interest for the price of the stock to decline, some short sellers publish, or arrange for the publication of, opinions or characterizations regarding the relevant issuer, its business prospects and similar matters calculated to or which may create negative market momentum, which may permit them to obtain profits for themselves as a result of selling the stock short. Issuers whose securities have historically had limited trading volumes and/or have been susceptible to relatively high volatility levels can be particularly vulnerable to such short seller attacks.

The publication of any such commentary regarding us by a short seller may bring about a temporary, or possibly long term, decline in the market price of our common stock. No assurances can be made that we will not become a target of such commentary and declines in the market price of our common stock will not occur in the future, in connection with such commentary by short sellers or otherwise.

If we become directly subject to the scrutiny, criticism and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business, operations and reputations, which could result in a loss of your investment in our common stock.

U.S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered around financial and accounting irregularities, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in some cases, allegations of fraud. As a result of the scrutiny, criticism and negative publicity, the publicly traded stock of many U.S. listed Chinese companies has sharply decreased in value and, in some cases, has become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. It is not clear what effect this sector-wide scrutiny, criticism and negative publicity will have on our business. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and/or defend the Company. This situation may be a major distraction to our management. If such allegations are not proven to be groundless, our company and business operations will be severely hampered and your investment in our shares could be rendered worthless.

The sale or availability for sale of substantial amounts of our common stock could adversely affect their market price.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the market price of our common stock and could materially impair our ability to raise capital through equity offerings in the future. Shares held by our existing shareholders may be sold in the public market in the future subject to the restrictions in Rule 144 and Rule 701 under the Securities Act. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our common stock.

Because we do not expect to pay dividends in the foreseeable future, you must rely on a price appreciation of our common stock for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our common stock as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our common stock will likely depend entirely upon any future price appreciation of our common stock. There is no guarantee that our common stock will appreciate in value, or even maintain the price at which you purchased the common stock. You may not realize a return on your investment in our common stock and you may even lose your entire investment in our common stock.

If relations between the United States and China worsen, our stock price may decrease and could lead to our loss of access or increased difficulty in accessing U.S. capital markets.

At various times during recent years, the United States and China have had disagreements over political and economic issues. Controversies may arise in the future between these two countries. Any political or trade conflicts between the United States and China could adversely affect the market price of our common stock and could potentially impede our access to, or increase the difficulty of accessing, U.S. capital markets.

We may be subject to delisting from Nasdaq if we fail to timely file periodic reports with the SEC or to maintain Nasdaq's minimum bid price, which could materially and adversely affect the liquidity and value of our common stock.

Nasdaq Listing Rule 5250(c)(1) requires timely filing of periodic reports with the SEC. Between April and August in 2025, we received Nasdaq notices for late filings of our Form 10-K for the year ended December 31, 2024 and our Forms 10-Q for the quarters ended March 31 and June 30, 2025. At Nasdaq's request, we submitted a compliance plan on June 18, 2025; Nasdaq accepted the plan on June 26, 2025 and granted us an extended compliance period through October 13, 2025 to file all outstanding reports. Following Nasdaq's delinquency notice relating to the June 30, 2025 Form 10-Q, we submitted an updated compliance plan on August 28, 2025, reaffirming the steps in our original plan. We are working diligently with our auditors, legal counsel, and finance team to complete the required filings as promptly as practicable and remain committed to regaining and maintaining compliance. If we do not complete the required filings within the compliance period, however, our common stock may be delisted, subject to our right to appeal to a Nasdaq Hearings Panel.

Separately, on July 15, 2025, we received a Nasdaq notice that our bid price had closed below \$1.00 for 30 consecutive business days, triggering noncompliance with Nasdaq's minimum bid price requirement. Nasdaq has provided us a 180-calendar-day period to regain compliance, which generally requires a closing bid price of at least \$1.00 for a minimum of ten consecutive business days during that period. We are monitoring the bid price closely and diligently considering available options, including potential corporate actions, to regain compliance within the allotted period. If we do not regain compliance (and are not granted additional time), our securities may be subject to delisting, also subject to appeal rights.

Although these notices had no immediate effect on the listing or trading of our common stock, there can be no assurance that we will regain or maintain compliance within the permitted time frames. Any delisting would likely reduce the liquidity of our common stock, impair our ability to raise capital, and negatively impact investor confidence and our business, financial condition, and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management

We face significant and persistent cybersecurity risks due to the need to protect our business, our confidential information and information concerning our personnel and others with whom we conduct business. As with other technology companies, we occasionally face threats from actors who seek to disrupt our business as well as others who are engaging in malicious activities for profit, to make a political point or for no particular reason other than creating disruption. Disclosure of certain information as a result of a cybersecurity breach may result in a breach of privacy laws. The substantial level of harm that could occur to us and our suppliers and customers were we to suffer impacts of a material cybersecurity incident; and our use of third-party products, services and components requires us to maintain robust governance and oversight of these risks and to implement mechanisms, technologies and processes designed to help us assess, identify, and eliminate these risks.

While we have not, as of the date of this Annual Report, experienced a cybersecurity threat or incident that resulted in a material adverse impact to our business or operations, we cannot assure you that we will not experience such an incident in the future. Any cybersecurity incidents, whether or not successful, could result in our incurring additional costs related to, for example, rebuilding our internal systems, implementing additional threat protection measures, responding to regulatory inquiries or actions, paying damages or making payments to obtain access to our computer systems, or taking other remedial steps with respect to third parties, as well as incurring significant reputational harm. We have seen an increase in cyberattack volume, frequency, and sophistication. We seek to detect and investigate unauthorized attempts and attacks against our network, products, and services, and to prevent their occurrence and recurrence where practicable through changes or updates to our internal processes and tools and changes or updates to our products and services; however, we remain potentially vulnerable to known or unknown threats. In some instances, we, our suppliers, our customers, and the users of our products and services can be unaware of a threat or incident or its magnitude and effects. Further, there are increasing regulation requirements regarding responses to cybersecurity incidents, including reporting to regulators, which could subject us to additional liability and reputational harm.

Governance

Following these risk assessments, we evaluate whether and how to re-design, implement, and maintain reasonable safeguards to mitigate identified risks and reasonably address any identified gaps in existing safeguards. Our IT leadership reports to our Chief Executive Officer (CEO) periodically and on an as-needed basis to manage our risk assessment and mitigation process. We monitor and test our safeguards and regularly conduct training for our employees on these safeguards, in collaboration with human resources, IT, and management. We are committed to promoting a company-wide culture of cybersecurity risk management.

We have not encountered cybersecurity risks, threats or incidents that have materially affected or are reasonably likely to materially affect the Company, our business strategy, results of operations, or financial condition during the financial year ended December 31, 2024.

ITEM 2. PROPERTIES AND FACILITIES

We operate our business in approximately nine separate leased buildings covering a total area of approximately 40,126.9 square feet at No. 29, Third Main Avenue, Shigao Town, Renshou County, Meishan City, Sichuan, China (previously known as 22 Xingan Ave., Section 2, Shigao Town, Sichuan, China) where we maintain our executive offices, research and development facilities, factories and other facilities.

Our principal physical properties are used in connection with our [manufacturing/administrative/R&D/distribution] operations. We believe that our facilities are generally suitable and adequate for their current and anticipated future uses. The following table summarizes our material properties:

Location (City, Country)	Segment(s) Using Property	General Character of Property (e.g., Office, Manufacturing, Warehouse)	Ownership/Lease Status	Approx. Size (sq. ft./sq. m.)	Lease Expiration (if leased)	Encumbrances (if any)
Shigao Town, Renshou County, Meishan City, Sichuan Province, China	Touchscreen business	Offices building	Leased	8,085.0 sq. m	31-Oct-25	None
same as above	Touchscreen business	Experimental building(testing and experimenting of samples and products	Leased	1,069.6 sq. m	31-Oct-25	None
same as above	Touchscreen business	Manufacturing/warehouse building No.	Leased	30,879.3 sq. m	31-Oct-25	None
same as above	Touchscreen business	Security gate	Leased	92.98 sq.m	31-Oct-25	None

As of the date of this Annual Report, we lease approximately 8,085.0 sq.m of office space for R&D, sales and other corporate functions in Shigao Town, Renshou County, Meishan City , Sichuan Province, China, which serves as our corporate headquarter. The lease expires on October 31, 2025 and we believe it can be renewed on commercially reasonable terms.

We also lease 30,879.3 sq.m facility with three manufacturing wards for principal manufacturing operations in Shigao Town, Renshou County, Meishan City, Sichuan Province, China, at which production of, assembly, packaging, warehousing of our touchscreen products. We believe these facilities are adequate to meet our current production requirements and provide room for moderate expansion.

In addition, space of 1069.6 sq. m in Shigao Town, Renshou County, Meishan City, Sichuan Province, China was used for testing and experimenting of samples and products by our engineering teams.

None of our properties are subject to material encumbrances that would adversely affect their use.

As of the date of this Annual Report, we do not own any real property. However, we are in the process of obtaining a certificate of land use right for a new parcel located at Tianfu Avenue, Youjiadu Community in Chengdu, Sichuan province, China, and expect to receive the certificate from the local government in the first quarter of 2026.

We believe the above properties are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate any such expansion of our operations.

Leaseback Agreement

Pursuant to local PRC government guidelines on local environmental issues and the national overall plan, Sichuan Wetouch is under the government-directed relocation order to relocate no later than December 31, 2021 and received compensation accordingly.

On March 16, 2021, Sichuan Wetouch entered into an Agreement of Compensation on Demolition (the “Compensation Agreement”) with Meishan Huantian Industrial Co., Ltd, formerly named Sichuan Renshou Shigao Tianfu Investment Co., Ltd, a limited company owned by the local government (“Sichuan Renshou”), for the withdrawal of our right to use of a parcel of state-owned land and the demolition of all buildings, facilities and equipment on such land where we maintain our executive offices, research and development facilities and factories at No.29, Third Main Avenue, Shigao Town, Renshou County, Meishan City, Sichuan, China (the “Property”). The Property, all buildings, facilities, equipment and all other appurtenances on the Property are collectively referred to as “Properties”. The Compensation Agreement was executed and delivered as a result of the guidelines (the “Guidelines”) published by the local government with respect to local environmental issues and a national plan on Tianfu New District, Meishan City, Sichuan, PRC. In accordance with the Guidelines, a project named “Chaisang River Ecological Wetland Park” is under construction in the areas where our manufacturing facilities and properties are located. In consideration for such relocation, as an owner of the buildings on the state-owned land, we will be compensated. On March 18, 2021, Sichuan Wetouch received a total amount of RMB115.2 million (approximately \$17.7 million) as the total amount of compensation from Sichuan Renshou, including RMB100.2 million (\$15.4 million) based upon the appraised value of the Properties plus an extra 15% relocation bonus of RMB15.0 million (\$2.3 million).

In order to minimize the interruption to our business, Sichuan Vtouch entered into a Leaseback Agreement with Sichuan Renshou on March 16, 2021. The Leaseback Agreement entitles us to lease back the Properties commencing from April 1, 2021 until December 31, 2021, at a monthly rent of RMB300,000 (approximately \$46,154), which period was extended to October 31, 2022. On October 16, 2022, October 30, 2023, Sichuan Vtouch twice entered an extension to the Leaseback Agreement with Sichuan Renshou to extend the period it granted Sichuan Vtouch to lease back the Properties until October 31, 2024, at a monthly rent of RMB 400,000 (\$56,339). On August 9, 2024, in order to incorporate the new facility construction schedule, the lease was renewed and extended till October 31, 2025, with a monthly rent of RMB 400,000 (\$54,800).

New Facilities

On August 6, 2021, Sichuan Vtouch entered into a contract with the Chengdu Wenjiang District Planning and Natural Resources Bureau for the purchase of a land use right for a parcel of land spanning 131,010 square feet, for a consideration of approximately RMB3,925,233 (equivalent to \$537,755) for the Company's new facility. The Company paid the consideration in full on November 18, 2021. We are in the process of obtaining the certificate of land use right for the new parcel and expect to receive the certificate from the local government in the first quarter of 2026.

On July 27, 2021, Sichuan Vtouch and Sichuan Chunqiu Development and Construction Group Co., Ltd. entered into a construction contract for a project to build the capacitive touchscreen and touch machine research and development production base. The project was initially scheduled to commence on August 15, 2021, and reach completion by August 15, 2022, with a provisional contract value of RMB76,000,000 (approximately \$11.9 million), subject to adjustment based on the final completion settlement. However, the construction project was subsequently suspended due to the outbreak of Covid-19 and government-ordered shutdowns in China. As a result, the parties have agreed to extend the term of the contract to December 31, 2024. On April 11, 2025, Sichuan Vtouch entered into a supplemental construction contract with Sichuan Chunqiu Development & Construction Group Co. Ltd. for an additional consideration of RMB 4,633,118 (equivalent to \$0.6 million) regarding the completion of the Company's facility construction project on the capacitive touchscreen and touch machine research and development, which extended the original contract term to December 31, 2025. As of the date of this Annual Report, we estimate that our capital needs for this acquisition and construction will be approximately RMB170.0 million (approximately \$26.2 million), but there is no assurance that the estimated amount is sufficient to achieve our goals. We may need additional financing for our new facilities. In addition, we expect that this the construction of buildings and affixtures will be completed by end of 2025 and our production at the new facilities will commence in the second half of 2026, but there is no assurance and we may need extended time to achieve our business plan.

ITEM 3. LEGAL PROCEEDINGS

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, can result in substantial cost and the diversion of our resources, including our management's time and attention.

As of the date of this Report, we are not aware of any material, active, pending or threatened to which the Company or any of its subsidiaries is a party, or to which any of their property is subject.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Trading Market

Our common stock is currently traded on the Nasdaq under the symbol "WETH."

Holders of Record

On September 8, 2025, the closing price per share of our common stock was \$1.1500. We had approximately 448 stockholders of record as of September 5, 2025. On September 5, 2025, there were 11,931,534 shares of our common stock issued and outstanding.

Dividend Policy

We do not anticipate declaring or paying, in the foreseeable future, any cash dividends on our capital stock. We intend to retain all available funds and future earnings, if any, to fund the development and expansion of our business. Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Securities Authorized for Issuance Under Equity Compensation Plan

The Company does not have any equity compensation plans.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Company and Affiliated Purchasers

None.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in Part II, Item 8 of this Annual Report. The following discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those we describe under Item 1A. Risk Factors" and elsewhere in this Annual Report. See "Special Note Regarding Forward-Looking Statements."

Overview

The Company is a Nevada holding company with no material operations of its own. We conduct substantially all of our operations through our subsidiary in mainland China, which we control through BVI Wetouch. See "Item 1. Business - Corporate History and Structure" for more details.

Because our operations are primarily in China, we are subject to complex and evolving PRC laws and regulations. These include restrictions on capital flows, dividend payments, currency conversion, cybersecurity and data privacy, and governmental discretion over overseas securities offerings. These risks could materially affect our ability to transfer funds, conduct offerings, or continue operations in their current form. See "Item 1A. Risk Factors-Risks Related to Doing Business in China."

As of March 31, 2025, the Company has contributed RMB 348.0 million (US\$47.7 million) to its PRC subsidiary through intermediate holding companies, which were accounted for as long-term investments. These funds have been used by our PRC subsidiary in its operations. To date, no dividends or other distributions have been made by our PRC subsidiary to the Company. We may rely on future distributions from our PRC subsidiary to fund our holding company obligations, subject to PRC law and restrictions. For more details, see "*Item 1A. Risk Factors-Risks Related to Doing Business in China-As a holding company, we conduct our operations primarily through our PRC subsidiary and face risks and uncertainties associated with this structure.*"

Under current PRC law, dividend payments by our PRC subsidiary are limited to accumulated profits determined in accordance with PRC accounting standards and are subject to statutory reserve requirements. Dividends to the Company are also subject to withholding tax, generally 10%, but reduced to 5% if treaty conditions are met. There is no assurance that the reduced rate will apply. For more details, see "*Item 1A. Risk Factors-Risks Related to Doing Business in China-Uncertainties with respect to the PRC legal system, including the enforcement of laws and changes in laws and regulations, could adversely affect us and limit the legal protections available.*"

We currently do not have cash management policies dictating how funds are transferred between the Company and its subsidiaries. Most of our cash is maintained in Renminbi in mainland China and may be subject to PRC restrictions on outbound transfers. For details, see "*Item 1A. Risk Factors - Risks Related to Doing Business in China - Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.*"

Through our wholly owned subsidiaries, BVI Wetouch, HK Wetouch, and Sichuan Vtouch, we are engaged in the research, development, manufacturing, sales and servicing of medium- to large-sized projected capacitive touchscreens. We are specialized in large-format touchscreens, which are developed and designed for a wide variety of markets and used in the financial terminals, automotive, POS, gaming, lottery, medical, HMI, and other specialized industries. Our product portfolio comprises medium- to large-sized projected capacitive touchscreens ranging from 7.0 inch to 42 inch screens.

We generate revenues through sales of our various touchscreen products. For the years ended December 31, 2024 and 2023, we recognized approximately \$42.3 million and \$39.7 million, respectively, in total revenues.

We sell our touchscreen products both domestically in China and internationally, covering major areas in Mainland China, including but not limited to the eastern, southern, northern and southwest regions of Mainland China, Taiwan, South Korea, and Germany. We believe that we have established a strong and diversified client base. For the years ended December 31, 2024 and 2023, our domestic sales accounted for approximately 64.7% and 69.6%, respectively, of our revenues, and our international sales accounted for approximately 35.3% and 30.3%, respectively, of our revenues.

Since our incorporation, we have effected two reverse stock splits of our common stock, including a 1-for-70 reverse split in 2020 and a 1-for-20 reverse split in 2023, and all share and per share information in this Annual Report has been retroactively adjusted to reflect these actions. For more details, see “*Item 1. Business - Corporate History and Structure - Reverse Stock Splits.*”

Highlights for the Year Ended December 31, 2024

- Revenues were \$42.3 million, an increase of 6.5% from \$39.7 million for the year ended December 31, 2023.
- Gross profit was \$13.6 million, a decrease of 20.9% from \$17.2 million for the year ended December 31, 2023.
- Gross profit margin was 32.2%, as compared to 43.3% for the year ended December 31, 2023.
- Net income was \$6.0 million, a decrease of 27.7% from \$8.3 million for the year ended December 31, 2023.
- Total volume of touchscreens shipped was 2,060,870 units, an increase of 4.8% from 1,967,316 units of touchscreens for the year ended December 31, 2023.

Results of Operations

The following table sets forth, for the periods indicated, statements of income data:

(in US Dollar millions, except percentage)	For the Years Ended December 31,		Change %
	2024	2023	
Revenues	\$ 42.3	\$ 39.7	6.5%
Cost of revenues	(28.7)	(22.5)	27.6%
Gross profit	13.6	17.2	(20.9)%
Total operating expenses	(4.3)	(4.5)	(4.4)%
Operating income	9.3	12.7	(26.8)%
Total other expense, net	(0.6)	(0.3)	100.0%
Income before income taxes	8.7	12.4	(29.8)%
Income tax expense	(2.7)	(4.1)	(34.1)%
Net income	<u>\$ 6.0</u>	<u>\$ 8.3</u>	<u>(27.7)%</u>

For the Years Ended December 31, 2024 and 2023

Revenues

Revenues were \$42.3 million for the year ended December 31, 2024, representing an increase of \$2.6 million, or 6.5%, compared with \$39.7 million for the same period in 2023. This was mainly due to the increase of 4.8% in sales volume, and an increase of 3.2% in the average selling price of our products in RMB, and 1.6% negative impact from exchange rate due to depreciation of RMB against US dollars, as compared with those of the same period in 2023.

	For the Years Ended December 31,					
	2024		2023		Change	Change
	Amount	%	Amount	%	Amount	%
(in US Dollar except percentage)						
Revenue from sales to customers in the PRC	\$ 27,340,555	64.7%	\$ 27,668,985	69.7%	\$ (328,430)	(1.2)%
Revenue from sales to customers overseas	14,939,818	35.3%	12,036,954	30.3%	2,902,864	24.1%
Total Revenues	\$ 42,280,373	100%	\$ 39,705,939	100%	\$ 2,574,434	6.5%

	For the Years Ended December 31,					
	2024		2023		Change	Change
	Unit	%	Unit	%	Unit	%
(in Unit, except percentage)						
Units sold to customers in the PRC	1,309,240	63.5%	1,330,013	67.6%	(20,773)	(1.6)%
Units sold to customers overseas	751,630	36.5%	637,303	32.4%	114,327	17.9%
Total Units Sold	2,060,870	100%	1,967,316	100%	93,554	4.8%

PRC Domestic Market

For the year ended December 31, 2024, revenue from the PRC domestic market decreased by \$0.3 million or 1.2%, as a combined result of (i) the decrease of 1.6% in sales volume, primarily attributable to weakened market demand, consistent with the overall macroeconomic conditions in China in 2024, and (ii) 1.6% negative impact from exchange rate due to depreciation of RMB against US dollars, partially offset by (iii) an increase of 2.0% in the average sales price of our products in RMB, and as compared with those of the same period in 2023.

The increase of 2.0% in sales price of our products in RMB was mainly due to the marketing initiatives to enhance sales of new models of higher-end products such as medical touchscreens, automotive touchscreen, and multi-functional printer touchscreens during the year ended December 31, 2024.

During the year ended December 31, 2024, the Company undertook proactive marketing initiatives for new models and sought to obtain new customers in order to reduce the impact the weakening macroeconomic conditions in China. Our sales increased by 6.0% in Southwest China, partially offset by a decrease of 2.4% in East China, and 0.8% in South China during the year ended December 31, 2024.

Overseas Market

For the year ended December 31, 2024, revenue from overseas markets was \$14.9 million as compared to \$12.1 million of the same period of 2023, representing an increase of \$2.8 million, or 24.1%, primarily due to i) an increase of 17.9% in sales volume, particularly driven by higher demand for the automotive touchscreens, gaming touchscreens, and industrial control touchscreens, (ii) 6.8% increase in average RMB selling price of the products, particularly in the product of industrial control touchscreens and automotive touchscreens, as the Company had greater pricing power due to the higher demand for the products during the year ended December 31, 2024, partially offset by (iii) the 1.6% negative impact from exchange rate due to depreciation of RMB against US dollars, compared with those of the same period in 2023.

The following table summarizes the breakdown of revenues by categories in US dollars:

	Revenues For the Years Ended December 31,					
	2024		2023		Change	Change
	Amount	%	Amount	%	Amount	Margin%
(in US Dollars, except percentage)						
Product categories by end applications						
Automotive Touchscreens	\$ 11,513,813	27.2%	\$ 9,780,713	24.6%	\$ 1,733,100	17.7%
Industrial Control Computer Touchscreens	8,212,232	19.4%	7,884,224	19.9%	328,008	4.2%
Gaming Touchscreens	6,462,723	15.3%	5,619,228	14.1%	843,495	15.0%
Medical Touchscreens	6,282,892	14.9%	5,799,489	14.6%	483,402	8.3%
POS Touchscreens	6,255,175	14.8%	6,613,501	16.7%	(358,325)	(5.4)%
Multi-Functional Printer Touchscreens	3,559,538	8.4%	4,008,784	10.1%	(455,246)	(11.4)%
Total Revenues	\$ 42,280,373	100.0%	\$ 39,705,939	100.0%	\$ 2,574,434	6.5%

* Others include applications in self-service kiosks, ticket vending machines and financial terminals.

The Company continued to shift production mix from traditional lower-end products to high-end touchscreens used in automotive touchscreens, gaming touchscreens, medical touchscreens, and industrial control computer touchscreens, primarily due to (i) greater growth potential of computer screen models in China and overseas, and (ii) stronger demand for higher-end touchscreens made with better materials and better quality.

Gross Profit and Gross Profit Margin

(in millions, except percentage)	Years Ended December 31,		Change	
	2024	2023	Amount	%
Gross Profit	\$ 13.6	\$ 17.2	\$ (3.6)	(20.9)%
Gross Profit Margin	32.2%	43.3%		(11.1)%

Gross profit was \$13.6 million during the year ended December 31, 2024, compared to \$17.2 million in the same period of 2023. Our gross profit margin decreased to 32.2% during the year ended December 31, 2024 as compared to 43.3% for the same period of 2023, primarily due to i) an increase of 29.9% in cost of goods sold, and ii) sales discount to certain long-term customers at year-end. During the year ended December 31, 2024, we had an increase of 31.8% in costs of raw materials, among which the chip cost accounted for 43%, and the increase of 24.3% of labor costs due to additional hiring of technicians. Chip costs increased starting in the first quarter of 2024 and stabilized by the third quarter of 2024.

Selling Expenses

(in millions, except percentage)	Years Ended December 31,		Change	
	2024	2023	Amount	%
Selling Expenses	\$ 0.8	\$ 0.6	\$ 0.2	33.3%
as a percentage of revenues	1.9%	1.5%		0.4%

Selling expenses were \$0.8 million for the year ended December 31, 2024, compared to \$0.6 million in the same period in 2023, representing an increase of \$0.2 million, or 133.3%, primarily due to an increase in traveling and transportation expenses of our selling and marketing team to visit customers and attend exhibitions in order to promote the increase of sales during the year ended December 31, 2024.

General and Administrative Expenses

(in millions, except percentage)	Years Ended December 31,		Change	
	2024	2023	Amount	%
General and Administrative Expenses	\$ 3.5	\$ 3.8	\$ (0.3)	(7.9)%
as a percentage of revenues	8.3%	9.6%		(1.3)%

General and administrative expenses were \$3.5 million for the year ended December 31, 2024, compared to \$3.8 million in the same period in 2023, representing a decrease of \$0.3 million, or 7.9%. The decrease was primarily due to i) accrued placement agent fees of \$1.2 million related to the private placement consent agreement with representatives of the private placement that took place on January 19, 2023, partially offset by only ii) increase of amortized consulting fees of \$0.6 million (see NOTE 4- PREPAID EXPENSES AND OTHER CURRENT ASSETS of the accompanying financial statements), and \$0.1 million of miscellaneous expenses including \$44,862 allowance for credit losses of advance to vendors and \$54,873 provision for obsolete inventory.

Research and Development Expenses

(in US dollars, except percentage)	Years Ended December 31,		Change	
	2024	2023	Amount	%
Research and development expenses	\$ -	\$ 84,551	\$ (84,551)	(100.0)%
as a percentage of revenues	0.0%	0.2%		(0.2)%

Research and development (“R&D”) expenses were nil and \$84,551 for the years ended December 31, 2024 and 2023, respectively. The Company did not incur any research and development expenses during the year ended December 31, 2024.

Operating Income

Total operating income was \$9.3 million for the year ended December 31, 2024 as compared to \$12.7 million for the same period in 2023, a decrease of \$3.4 million or 26.8%. The decrease was primarily due to lower gross profit, higher selling expenses, partially offset by lower general & administration expenses, and lower research and development expenses.

Gain (loss) on Changes in Fair Value of Common Stock Purchase Warrants

(in US dollars, except percentage)	Years Ended December 31,		Change	
	2024	2023	Amount	%
Gain (loss) on changes in fair value of common stock purchase warrants	\$ 378,371	\$ (121,413)	\$ 499,784	(411.6)%
as a percentage of revenues	0.9%	(0.3)%		1.2%

In connection with the issuance of convertible promissory notes in October, November and December, 2021, the Company also issued seven (7) three-year warrant (the “Note Warrants”) to purchase an aggregate of 1,800,000 shares of the Company’s common stock (the “Warrant Shares”) (see NOTE 10 - CONVERTIBLE PROMISSORY NOTES PAYABLE).

Gain on changes in fair value of common stock purchase warrants was \$378,371 for the year ended December 31, 2024, as compared to a loss of \$121,413 in the same period of 2023.

Income Taxes

(in millions, except percentage)	Years Ended December 31,		Change	
	2024	2023	Amount	%
Income before Income Taxes	\$ 8.7	\$ 12.4	\$ (3.7)	(29.8)%
Income Tax Expense	(2.7)	(4.1)	(1.4)	(34.1)%
Effective income tax rate	30.6%	33.1%		(2.5)%

The effective income tax rate for the years ended December 31, 2024 and 2023 was 30.6% and 33.1%, respectively.

Our PRC subsidiary had \$103.7 million of cash as of December 31, 2024, which is planned to be indefinitely reinvested in our business operations in the PRC. Distributions from our PRC subsidiary to our stockholders would be subject to the U.S. federal income tax at 21%, less any applicable foreign tax credits. Due to our policy of indefinitely reinvesting our earnings in our PRC business, we have not provided for deferred income tax liabilities related to PRC withholding income tax on undistributed earnings of our PRC subsidiary.

Net Income

As a result of the above factors, we had a net income of \$6.0 million in the year ended December 31, 2024 compared to a net income of \$8.3 million in the same period of 2023.

Liquidity and Capital Resources

Historically, our primary uses of cash have been to finance working capital needs. We expect that we will be able to meet our needs to fund operations, capital expenditures and other commitments in the next 12 months primarily with our cash and cash equivalents, operating cash flows and bank borrowings.

We may, however, require additional cash resources due to changes in business conditions or other future developments. If these sources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could result in additional dilution to stockholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financial covenants that would restrict operations. Financing may not be available in amounts or on terms acceptable to us, or at all.

As of December 31, 2024, we had current assets of \$114.1 million, consisting of \$103.7 million in cash, \$7.5 million in accounts receivable, \$0.1 million in inventories, and \$2.8 million in prepaid expenses and other current assets. Our current liabilities as of December 31, 2024 were \$3.0 million, which comprised of \$1.3 million in accounts payable, \$0.1 million due to related parties, \$1.0 million in accrued expenses and other current liabilities and \$0.6 million in operating lease liabilities, current portion. We also had \$0.5 million in operating lease liabilities, non-current as of December 31, 2024.

The following is a summary of our cash flows provided by (used in) operating, investing, and financing activities for the years ended December 31, 2024 and 2023:

(in US Dollar millions)	Years Ended December 31,	
	2024	2023
Net cash provided by operating activities	\$ 1.1	\$ 12.7
Net cash used in investing activities	(0.3)	(2.3)
Net cash provided by financing activities	7.6	40.0
Effect of foreign currency exchange rate changes on cash and cash equivalents	(2.7)	(3.6)
Net increase in cash and cash equivalents	5.7	46.8
Cash and cash equivalents at the beginning of period	98.0	51.2
Cash and cash equivalents at the end of period	\$ 103.7	\$ 98.0

Operating Activities

Net cash provided by operating activities was \$1.1 million for the year ended December 31, 2024, as compared to \$12.7 million provided by operating activities for the same period in 2023, representing a decrease of \$11.6 million, or 91.3%.

The positive cash flow for the year ended December 31, 2024 was primarily due to i) \$6.0 million net income during the year ended December 31, 2024, ii) the increase of \$0.6 million in accounts payable and \$0.1 million in amounts due to a related party, partially offset by iii) the increase of \$0.4 million gain on changes in fair value of common stock purchase warrants liability, \$0.2 million in accounts receivable and \$1.8 million in prepaid expenses and other current assets (mainly in prepaid \$0.9 million of consulting service fees and \$1.0 million in market research fees) , and iv) the decrease of \$3.3 million in accrued expenses and other current liabilities.

The positive cash flow for the year ended December 31, 2023 was primarily due to i) \$8.3 million net income during the year ended December 31, 2023; ii) the decrease of \$1.2 million in accounts receivable, \$0.2 in inventory and \$0.3 million in prepaid expenses and other current assets, iii) the increase of \$3.1 million in accrued expenses and other current liabilities, and partially offset by iv) the decrease of \$0.7 million in accounts payable.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2024 was \$0.3 million for the purchase of property, plant and equipment and construction in progress.

Net cash used in investing activities for the year ended December 31, 2023 was \$2.3 million for the purchase of property, plant and equipment.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2024 was \$7.6 million, including \$9.0 million in net proceeds from the 2024 Uplisting Offering, partially offset by \$1.4 million repayment of convertible promissory notes.

Net cash provided by financing activities was \$40.0 million for the year ended December 31, 2023, consisting of \$40.0 million proceeds from a private placement, partially offset by the repayment of \$55,000 in convertible promissory note payable.

Our Days Sales Outstanding (“DSO”) decreased to 64 days for the year ended December 31, 2024 from 75 days for the year ended December 31, 2023 due to our faster collection of accounts receivables.

The majority of the Company’s revenues and expenses were denominated primarily in RMB, the currency of the People’s Republic of China. There is no assurance that exchange rates between the RMB and the U.S. Dollar will remain stable. Inflation has not had a material impact on the Company’s business.

COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitment

As of December 31, 2024, the Company had commitment of RMB5.0 million (equivalent to \$0.7 million) for construction in progress.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of December 31, 2024.

Critical Accounting Policies

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and accompanying notes and other disclosures included in this registration statement. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Revenue recognition

The Company adopted Accounting Standards Codification ("ASC") 606 using the modified retrospective approach. The adoption of this standard did not have a material impact on the Company's consolidated financial statements. Therefore, no adjustments to opening retained earnings were necessary.

ASC 606, Revenue from Contracts with Customers, establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

ASC 606 requires the use of a five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation. The application of the five-step model to the revenue streams compared to the prior guidance did not result in significant changes in the way the Company records its revenue. The Company has assessed the impact of the guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences that would result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, the Company concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams.

In accordance with ASC 606, the Company recognizes revenue when it transfers its goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. The Company accounts for the revenue generated from sales of its products primarily to its customers in PRC and overseas, as the Company is acting as a principal in these transactions, is subject to inventory risk, has latitude in establishing prices, and is responsible for fulfilling the promise to provide customers the specified goods, because it has control of the goods and the ability to direct their use to obtain substantially all the benefits. All of the Company's contracts have one single performance obligation as the promise is to transfer the individual goods to customers, and there is no separately identifiable other promises in the contracts. The Company's revenue streams are recognized at a point in time when title and risk of loss passes and the customer accepts the goods, which generally occurs at delivery. The Company's products are sold with no right of return and the Company does not provide other credits or sales incentive to customers. The Company's sales are net of value added tax ("VAT") and business tax and surcharges collected on behalf of tax authorities in respect of product sales.

Contract Assets and Liabilities

Payment terms are established based on the Company's pre-established credit requirements after an evaluation of customers' credit quality. Contract assets are recognized as related accounts receivable. Contract liabilities are recognized for contracts where payment has been received in advance of delivery. The contract liability balance can vary significantly depending on the timing of when an order is placed and when shipment or delivery occurs. As of December 31, 2024 and 2023, other than accounts receivable and advances from customers, the Company had no other material contract assets, contract liabilities or deferred contract costs recorded on its consolidated balance sheet. Costs of fulfilling customers' purchase orders, such as shipping, handling and delivery, which occur prior to the transfer of control, are recognized in selling, general and administrative expense when incurred.

The Company generally warrants that its products will substantially conform to the agreed-upon specifications for three years from the date of shipment. The Company's liability is limited to either a credit equal to the purchase price or replacement of the defective part. Returns, after sales services and technical support under warranty have historically been immaterial. As such, the Company does not record a specific warranty reserve or consider activities related to such warranty, if any, to be a separate performance obligation.

Disaggregation of Revenues

The Company disaggregates its revenue from contracts by geography, as the Company believes it best depicts how the nature, amount, timing and uncertainty of the revenue and cash flows are affected by economic factors. The Company's disaggregation of revenues for the years ended December 31, 2024 and 2023 is disclosed in Note 16 to the financial statements.

Use of estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on information available at the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, the allowance for estimated uncollectible receivables, inventory valuations, useful lives of property, plant and equipment, intangible assets, operating leases, the recoverability of long-lived assets, provisions necessary for contingent liabilities, revenue recognition and realization of deferred tax assets. Actual results could differ from those estimates.

Inventories

Inventory consists of raw materials, work-in-process and finished goods and is stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. For work-in-process and manufactured inventories, cost consists of raw materials, direct labor and an allocated portion of the Company's production overhead. The Company writes down excess and obsolete inventory to its estimated net realizable value based upon assumptions about future demand and market conditions. For finished goods and work-in-process, if the estimated net realizable value for an inventory item, which is the estimated selling price in the ordinary course of business, less reasonably predictable costs to completion and disposal, is lower than its cost, the specific inventory item is written down to its estimated net realizable value. Net realizable value for raw materials is based on replacement cost. Provisions for inventory write-downs are included in the cost of revenues in the consolidated statements of operations. Inventories are carried at this lower cost basis until sold or scrapped.

\$54,873 and nil inventory write-off was recorded for the years ended December 31, 2024 and 2023, respectively.

Convertible Promissory Notes

The Company accounts for its convertible promissory notes in according with guidance of 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): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity", which simplifies the accounting for convertible instruments by eliminating the requirement to separate embedded conversion features from the host contract when the conversion features are not required to be accounted for as derivatives under Topic 815.

The Company analyzes the convertible notes for the existence of a beneficial conversion feature. The Company considered the three characteristics of a derivative instrument listed in ASC 815-10-15-83: (i) having one or more underlyings and one or more notional amounts or payment provisions or both; (ii) requiring no initial net investment; and (iii) permitting net settlement.

Since the Company's notes have a fixed interest rate, specified notional principal and settlement date, with no other events affecting settlement, and because the Company received net proceeds after issuance costs and discount (recorded as net proceeds or net settled investment), management assessed that the Notes do not meet the definition of derivative instruments and that any embedded feature would not be bifurcated. The discounts on the convertible notes, were amortized to interest expense, using the effective interest method, over the terms of the related convertible notes.

On February 23, 2024, immediately upon the closing of the 2024 Public Offering, the Company made a full payment on the remaining five outstanding promissory notes. (see details in NOTE 10 - CONVERTIBLE PROMISSORY NOTES PAYABLE-a) Convertible promissory notes). There were no convertible promissory notes as of December 31, 2024.

Common stock purchase warrants

The Company also analyzed the warrants in accordance with ASC 815, to determine whether the warrants meet the definition of a derivative and, if so, whether the warrants meet the scope exception of ASC 815-40, which provides that contracts issued or held by the reporting entity that are both (1) indexed to its own stock and (2) classified in stockholders' equity shall not be considered derivative instruments for purposes of ASC 815-40.

The Company concluded that the Note Warrants (as defined in NOTE 10 - CONVERTIBLE PROMISSORY NOTES PAYABLE - ii) Warrants) issued in October, November and December 2021 financings should be treated as a derivative liability because the Warrants are entitled to a price adjustment provision that allows the exercise price to be adjusted if the Company issues or sells any additional shares of common stock at a price per share more or less than the then-applicable exercise price or without consideration, which is typically referred to as a "down-round protection" or "anti-dilution" provision. According to ASC 815-40, the "down-round protection" provision is not considered an input to the fair value of a fixed-for-fixed option on equity shares which causes the Warrants to fail to qualify as indexed to the Company's own stock and therefore fail to meet the scope exceptions of ASC 815. Therefore, the Company accounted for the Warrants as derivative liabilities under ASC 815. Pursuant to ASC 815, derivatives are measured at fair value and remeasured at fair value with changes in fair value recorded in earnings for each reporting period.

The Company used a Black-Scholes pricing model to estimate the fair values of common stock purchase warrants at the balance sheet dates.

The Note Warrant (see details in NOTE 10 - CONVERTIBLE PROMISSORY NOTES PAYABLE-b) Note Warrant) was issued in 2021 and was valid for three years and expired during the year ended December 31, 2024.

As of December 31, 2024 and 2023, the Company recorded nil and \$378,371 of common stock purchase warrant liability, respectively, and a \$378,371 gain and a \$121,413 loss on changes in the fair value of common stock purchase warrant liability for the year ended December 31, 2024 and 2023, respectively.

Income taxes

The Company accounts for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those 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 established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

An uncertain tax position is recognized only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely to be realized upon examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes were incurred during the years ended December 31, 2024 and 2023. The Company believes that there were no uncertain tax positions as of December 31, 2024 and 2023.

The Company’s operating subsidiaries in China are subject to the income tax laws of the PRC. No significant income was generated outside the PRC for the fiscal years ended December 31, 2024 and 2023. As of December 31, 2024 and 2023, all of the Company’s tax returns for its PRC Subsidiaries remain open for statutory examination by PRC tax authorities.

Property, plant and equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment is provided using the straight-line method over their expected useful lives, as follows:

	Useful life
Buildings	20 years
Machinery and equipment	10 years
Vehicles	4 years

Expenditures for maintenance and repairs, which do not materially extend the useful lives of the assets, are charged to expense as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the consolidated statements of income and other comprehensive income (loss) as other income or expenses.

Construction in progress, funded by the Company’s working capital, represents manufacturing facilities and office buildings under construction. It is stated at cost and transferred to property, plant and equipment when it is substantially ready for its intended use. No depreciation is recorded for construction in progress. Management estimates that construction in progress for our new facilities will be completed by the end of the fourth quarter of 2025, at which time it will be transferred to property, plant and equipment and depreciation will begin.

Fair value measurement

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact as well as assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach, and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Company uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Company measures fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

Impairment of long-lived Assets

Long-lived assets, such as property, plant and equipment, and land use rights, are reviewed for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability of a long-lived asset or asset group to be held and used is measured by a comparison of the carrying amount of an asset or asset group to the estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying value of an asset or asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount that the carrying value exceeds the estimated fair value of the asset or asset group. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third party independent appraisals, as considered necessary. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell, and are no longer depreciated. No impairment of long-lived assets was recognized for the years ended December 31, 2024 and 2023.

Lease

The Company adopted ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") for all periods presented. The Company elected the short-term lease exemption for all contracts with lease terms of 12 months or less.

Under the guidance of ASU 2016-02, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements.

The Company's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option. The Company determines if a contract contains a lease based on whether it has the right to obtain substantially all of the economic benefits from the use of an identified asset that the Company does not own and whether it has the right to direct the use of an identified asset in exchange for consideration. Right of use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are recognized as the amount of the lease liability, adjusted for lease incentives received. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate ("IBR"), because the interest rate implicit in most of the Company's leases is not readily determinable. The IBR is a hypothetical rate based on the Company's understanding of what its credit rating would be and the resulting interest it would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis. Lease payments may be fixed or variable, however, only fixed payments or in-substance fixed payments are included in the Company's lease liability calculation. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments is incurred.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use-asset. Lease expense for minimum lease payments exclusive of value-added tax is recognized on a straight-line basis over the lease term. The new standard provides a number of optional practical expedients at transition. The Company elected certain practical expedients that must be elected as a package, which permit the Company to not reassess, under the new standard, prior conclusions about (1) lease identification, (2) lease classification and (3) initial direct costs. Additionally, the Company elected a short-term lease exception policy, which allows entities to not apply Topic 842 to short-term leases (i.e. leases with terms of 12 months or less) and a hindsight policy, which allows an entity to include current considerations for existing leases when determining initial lease terms. The Company has also elected to account for lease and non-lease components as a single component for all leases and elected to utilize an IBR (incremental borrowing rate) that equals the risk free rate plus premium for all leases when calculating the lease liability.

Comprehensive income

Comprehensive income (loss) consists of two components, net income and other comprehensive income (loss). The foreign currency translation gain or loss resulting from translating the financial statements expressed in RMB to US\$ is reported in other comprehensive income (loss) in the consolidated statements of income and comprehensive income.

Recently issued accounting guidance

The Company considers the applicability and impact of all accounting standards updates (“ASUs”). Management periodically reviews new accounting standards issued.

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”, which provides optional expedients and exceptions for applying U.S. GAAP on contract modifications and hedge accounting to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. These optional expedients and exceptions provided in ASU No. 2020-04 are effective for the Company 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 (“ASU 2022-06”), which deferred the application dates of Topic 848 to December 31, 2024. The Company currently does not have any financial instrument that reference to LIBOR and does not anticipate the adoption will have a material impact to the Company’s combined and consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (Topic 740). The ASU requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is evaluating this ASU and expects to add additional disclosures to our combined and consolidated financial statements, once adopted.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Please see the financial statements beginning on page F-1 following the signature pages in this Annual Report on Form 10-K and incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined by Exchange Act Rules 13a-15(e) or 15d-15(e)) as of December 31, 2024, pursuant to Exchange Act Rule 13a-15(b). We concluded that our disclosure controls and procedures were not effective as of such date to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act were recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that our disclosure controls are not effectively designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed under the supervision of our principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its consolidated financial statements for external reporting purposes in accordance with GAAP.

Material Weaknesses in Internal Control over Financial Reporting

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024 based on the framework established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management determined that the Company's internal control over financial reporting as of December 31, 2024 was not effective.

A material weakness, as defined in the standards established by the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The ineffectiveness of the Company's internal control over financial reporting was due to the following material weaknesses:

- Lack of competent financial reporting and accounting personnel with appropriate understanding of U.S. GAAP and financial reporting requirements to design and implement key controls over financial reporting process;
- Lack of risk assessment procedures on internal controls to detect financial reporting risks in a timely manner.

Management believes that the material weaknesses that were identified did not have an effect on our financial results. However, management believes that these weaknesses, if not properly remediated, could result in a material misstatement in our financial statements in future periods.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management's Plan to Remediate the Material Weakness

Management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions planned include:

- Identify gaps in the Company's skills base and the expertise of its staff required to meet the financial reporting requirements of a public company; and
- Continue to cooperate with operation teams to ensure a control environment in place, and monitor the effectiveness of operations on existing controls and procedures.
- Establish procedures to assess compliance requirements under the Sarbanes-Oxley Act of 2002 (the "*Sarbanes-Oxley Act*") and improve overall internal control.

We are committed to maintaining a strong internal control environment, and believe that these remediation efforts will deliver improvements in our control environment. Our management will continue to monitor and evaluate the relevance of our risk-based approach and the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

This Annual Report does not include an attestation report of our registered public accounting firm regarding our internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that exempt smaller reporting companies from this requirement.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our fourth quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

We have adopted an insider trading policy and clawback policy. Our insider trading policy clawback policy are available on our website and are filed as exhibits to this Annual Report.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Listed below are the names of the directors and executive officers of the Company, their ages as of the date of this Annual Report, and their positions with the Company.

Name	Age	Position(s) Held
Guangrong Cai	62	Chairman, Director
Zongyi Lian	60	President and Chief Executive Officer
Xing Tang	58	Chief Financial Officer
Jian Feng	30	Secretary, Director
Jing Chen*	59	Director
Jiaying Huang	25	Director
Guijun Gan	56	Director
Jing Guo**	35	Director

* Jing Chen served from November 12, 2021 until April 29, 2025

** Jing Guo served from May 1, 2025

Guangrong Cai - Chairman and Director

Mr. Guangrong Cai has served as our Chairman and Director since June 2024. Mr. Cai has served as a legal representative and director of the strategic planning department of Sichuan Vtouch Technology Co., Ltd since 2020. Mr. Cai has served as a legal representative and general manager of Frejoo Enterprise Management (Chengdu) Co., Ltd. since January 2019, a company specializing in helping Chinese enterprises go public on Nasdaq. From January 2013 to December 2016, Mr. Cai served as the founder and established a project center for the research and development of industrial capacitive screens. In 2020, he transformed the project center into Sichuan Vtouch Technology Co., Ltd. From January 2003 to December 2012, he served as the Chief Financial Officer at Hong Kong Zhentai Toy Group. Mr. Cai received a master's degree in Economics from Sun Yat-sen University in 1992 and a bachelor's degree in Economics from Sun Yat sen University in 1989. He received an EMBA degree from Tsinghua University in 2002. We believe that Mr. Cai is qualified to serve as our Chairman and Director due to his extensive knowledge and background in economics and management.

Zongyi Lian - Chief Executive Officer and President

Mr. Lian has served as our Chief Executive Officer and President since October 12, 2020. He has also served as Chief Executive Officer of Sichuan Wetouch since November 21, 2017. In 2006, he co-founded Chongqing Damai Touchscreen Computer Co., Ltd ("Damai") (later renamed Chengdu Wetouch) and served as Vice Technique General Manager, where he was responsible for overseeing the product technology department. In 2011, he co-founded Sichuan Wetouch and served as Vice Technique General Manager. Mr. Lian holds a master's degree in Automatic Control from National Yang Ming Chiao Tung University in 1982.

Xing Tang - Chief Financial Officer

Ms. Xing Tang has served as our Chief Financial Officer since July 2024. From August 2013 to June 2024, Ms. Tang served as Chief Financial Officer of Elong Power Holdings Ltd. (Nasdaq: ELPW), a company focusing on high-power lithium-ion batteries for energy storage systems. From August 2010 to May 2023, Ms. Tang served as Finance Director of China XD Plastics Co., Ltd. From March 2010 to August 2010, she served as a director of Audit Coordination Department of Ashir Capital, Inc. Mrs. Tang obtained the Association of Chartered Certified Accountants certificate in June 1998. Ms. Tang received a bachelor's degree in arts from Sichuan University in 1988 and a bachelor's degree in law from Foreign Affairs College in 1990. She received an MBA with a concentration in Accounting from Seton Hall University in 2003. She has extensive experience in financial reporting in US GAAP and internal controls.

Jing Chen - Director

Ms. Chen has served as our director since November 12, 2021. Since November 2024, Ms. Chen has served as the Chief Financial Officer of Shanxi Yansen New Energy Co., Ltd. Ms. Chen also has served as an independent director and the chairperson of the audit committee of Erayak Power Solution Group Inc. (Nasdaq: RAYA) since November 2021, and Bon Natural Lift Limited (Nasdaq: BON) since October 2023. Ms. Chen served as an independent director and the chairperson of the audit committee of Jin Medical International Ltd. (Nasdaq: ZJYL) from August 2021 to December 2023. She also served as the Vice President of Future Fintech Group Inc. (Nasdaq: FTFT), a FinTech company, where she was responsible for the company's internal control and merger and acquisition from December 2020 to April 2023. From May 2019 to November 2020, Ms. Chen served as the CFO of Future Fintech Group Inc. She served as the CFO of AnZhiXinCheng (Beijing) Technology Co., Ltd. from August 2018 to May 2019. Ms. Chen also served as an independent director of Hello iPayNow (Beijing) Company Ltd. from April 2019 to March 2021. From August 2017 to July 2018, she served as CFO of Beijing Logis Technology Development Co., Ltd., a company listed on The National Equities Exchange and Quotations Co., Ltd. of China, which is a Chinese over-the-counter stock trading system. From June 2016 to July 2017, Ms. Chen served as Group Chief Financial Officer of Beijing AnWuYou Food Co., Ltd. Ms. Chen also served as Chief Financial Officer of Beijing DKI Investment Management Co., Ltd. from August 2012 to May 2016. Ms. Chen received a Doctorate of Business Administration from Victoria University, Neuchatel, Switzerland and an MBA degree from City University of Seattle in Washington, U.S. Ms. Chen holds Fellow Membership of CPA Australia (FCPA) and is a Member of the Chartered Institute of Management Accountants (CIMA). She is also a Senior Member of the International Financial Management (SIFM) accredited by the Ministry of Human Resources and Social Security of the PRC. We believe Ms. Chen is qualified to serve as our director due to her extensive knowledge and background in accounting and management.

On April 29, 2025, Ms. Chen resigned as a Board director and no longer served as a member of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee of the Board, including as the Chairperson of the Audit Committee.

Jiaxing Huang - Director

Mr. Jiaxing Huang has served as our director since June 2024. Mr. Huang has served as an administrative personnel specialist and manager of Chengdu Tianfu Investment Co., Ltd since July 2021. Since November 2022, he has also served as an independent director of Shenzhen Fushiyuan Intelligent Fire Protection Co., Ltd, responsible for supervising the formulation and implementation of personnel recruitment, assessment, reward and other systems in the company. Mr. Huang received a bachelor's degree in administration management from University of Electronic Science and Technology of China in 2021. We believe Mr. Huang is qualified to serve as our director due to his knowledge and background in the management field.

Guijun Gan - Director

Mr. Gan has served as our director since June 2024. Mr. Gan has also served as a director of Chengdu Qili Water Treatment Technology Co. since 2019. From July 1998 to October 2018, he served as the Chief Financial Officer of Zhongtu Chemical (Guangdong) Co., Ltd., a wholly-owned company of China Coatings Co., Ltd., a Japanese listed company. Mr. Gan received a master's degree in Statistics from Sun Yat-sen University in 1992 and a bachelor's degree in Statistics from Sun Yat-sen University in 1989. We believe Mr. Gan is qualified to serve as our director due to his extensive knowledge and background in accounting and management.

Jing Guo - Director

Ms. Jing Guo, age 35, has served as the Human Resources Director (Vice President level) of All Home Furnishings Limited since December 2020. Ms. Guo received a bachelor's degree in Electronic Information Engineering from the University of Electronic Science and Technology of China in 2012. The Board believes Ms. Guo's extensive knowledge and background in the fields of human resources management and corporate administration will make her a valuable addition to the Board.

Family Relationships

There are no other family relationships between any of our directors or executive officers, except that former director Ms. Jiaying Cai is the niece of Mr. Guangrong Cai. There are no arrangements or understandings between our directors and any other person pursuant to which they were appointed as an officer or director of the Company.

Board Committees

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Jing Chen, Jiaxing Huang and Guijun Gan. Ms. Chen is the chairperson of the audit committee. We have determined that Ms. Chen, Mr. Huang and Mr. Gan each satisfy the "independence" requirements of Nasdaq Listing Rule 5605(a)(2) and meet the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Ms. Chen qualifies as an "audit committee financial expert."

We have adopted an audit committee charter, which details the principal responsibilities of the audit committee, including:

- To assist board oversight of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) our independent auditor's qualifications and independence, and (iv) the performance of our internal audit function and independent auditors; and the appointment, compensation, retention, replacement, and oversight of the work of the independent auditors and any other independent registered public accounting firm engaged by us;
- To (i) approve all audit engagement fees and terms and (ii) pre-approve all audit and permitted non-audit and tax services that may be provided by the Company's independent auditors or other registered public accounting firms.
- At least annually, to evaluate the qualifications, performance and independence of the Company's independent auditors, including an evaluation of the lead audit partner; and to assure the regular rotation of the lead audit partner at the Company's independent auditors and consider regular rotation of the accounting firm serving as the Company's independent auditors.
- To review and discuss with the Company's independent auditors and management the Company's quarterly financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Quarterly Report on Form 10-Q before such Form 10-Q is filed; and to review and discuss the Form 10-Q for filing with the SEC.
- To review, approve and oversee any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K promulgated by the SEC) and any other potential conflict of interest situations on an ongoing basis, in accordance with Company policies and procedures, and to develop policies and procedures for the Committee's approval of related party transactions.
- To review with management and the Company's independent auditors: (i) any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles; (ii) any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods; and (iii) the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements.
- To assist and advise the Board and the Compensation Committee in enforcing the Company's executive compensation clawback policy and related laws, rules and regulations.

The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things: (a) representing and assisting the Board in its oversight responsibilities regarding the Company's accounting and financial reporting processes, the audits of the Company's financial statements, including the integrity of the financial statements, and the independent auditors' qualifications and independence; (b) overseeing the preparation of the report required by SEC rules for inclusion in the Company's annual proxy statement; (c) retaining and terminating the Company's independent auditors; (d) approving in advance all audit and permissible non-audit services to be performed by the independent auditors; and (e) approving related person transactions.

Compensation Committee. Our compensation committee consists of Jing Chen, Jiaying Huang and Guijun Gan. Mr. Huang is the chairperson of our compensation committee. We have determined that Ms. Chen, Mr. Huang and Mr. Gan each are "independent," as such term is defined for directors and compensation committee members in the listing standards of the NASDAQ Stock Market LLC. Additionally, each qualifies as "non-employee directors" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934 and as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code.

We have adopted a compensation committee charter, which details the principal responsibilities of the compensation committee, including:

- To review and approve the Company's compensation programs and arrangements applicable to its executive officers, including without limitation salary, incentive compensation, equity compensation and perquisite programs, and amounts to be awarded or paid to individual officers under those programs and arrangements, or make recommendations to the Board regarding approval of the same.

- To determine the objectives of the Company's executive officer compensation programs, identify what the programs are designed to reward, and modify (or recommend that the Board modify) the programs as necessary and consistent with such objectives and intended rewards.
- To ensure appropriate corporate performance measures and goals regarding executive officer compensation are set and determine the extent to which they are achieved and any related compensation earned.
- To at least annually review and approve the Company's goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of such goals and objectives, and determine and approve the CEO's compensation level based on this evaluation.
- To review and approve any new equity compensation plan or any material change to an existing plan where stockholder approval has not been obtained.
- To assist management in complying with our proxy statement and annual report disclosure requirements;
- To implement and enforce the Company's executive compensation clawback policy and related laws, rules and regulations, including determining what constitutes "incentive-based compensation" and, if a clawback is triggered due to a financial statement restatement, the amount of any clawback.

The charter also provides that the compensation committee may select, retain and terminate independent legal counsel and other experts or consultants, as it deems appropriate, without seeking approval of the Board or management, including the authority to approve the fees payable to such counsel, experts or consultants and any other term of retention. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the compensation committee will consider the independence of each such adviser, including the factors required by Nasdaq and the SEC.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Jing Chen, Jiaxing Huang and Guijun Gan. Mr. Gan is the chairperson of our nominating and corporate governance committee. We have determined that each of Ms. Chen, Mr. Huang and Mr. Gan qualifies as "independent" as that term is defined by Nasdaq Listing Rule 5605(a)(2).

We have adopted a nominating and corporate governance committee charter, which details the principal responsibilities of the nominating and corporate governance committee, including:

- The identification, evaluation and recommendation of qualified candidates to become Board members.
- The oversight of the implementation of and monitoring compliance with the Company's Code of Ethics (other than with respect to complaints regarding accounting or auditing issues).
- Coordinating and overseeing Board, committee, and director evaluations.
- Periodic review of the Company's governance documents as appropriate.

The charter also provides that the nominating and corporate governance committee may, in its sole discretion, retain or obtain the advice of, and terminate, any search firm to be used to identify director candidates, and will be directly responsible for approving the search firm's fees and other retention terms.

Code of Ethics

We have adopted a written code of ethics and business conduct that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code of ethics and business conduct will be provided to any person, without charge, upon written request sent to Wetouch Technology Inc., No. 29, Third Main Avenue, Shigao Town, Renshou County, Meishan, Sichuan, China; Attention: Corporate Secretary. Any amendments to or waivers of the code of ethics and business conduct will be promptly reported in a Current Report on Form 8-K, as required by applicable laws.

Trading Policies

On April 16, 2024, we adopted insider trading policies and procedures governing the purchase, sale, and/or other disposition of our securities by directors, officers and employees, which are reasonably designed to promote compliance with insider trading laws, rules and regulations, and applicable Nasdaq listing standards (the “Insider Trading Policy”).

The foregoing description of the Insider Trading Policy does not purport to be complete and is qualified in its entirety by the terms and conditions of the Insider Trading Policy, a copy of which is attached hereto as Exhibit 19 and is incorporated herein by reference.

Involvement in Certain Legal Proceedings

To our knowledge, during the last ten years, none of our directors and executive officers (including those of our subsidiaries) has:

- Had a bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
- Been convicted in a criminal proceeding or been subject to a pending criminal proceeding, excluding traffic violations and other minor offenses.
- Been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities.
- Been found by a court of competent jurisdiction (in a civil action), the SEC, or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.
- Been subject to, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who beneficially own more than 10% of our equity securities (“Reporting Persons”) to file reports of ownership and changes in ownership with the SEC. Based solely on our review of copies of such reports and representations from the Reporting Persons, we believe that during the fiscal year ended December 31, 2024, the Reporting Persons timely filed all such reports, except that Ms. Xing Tang, our CFO, Mr. Guangrong Cai, our Chairman, and Mr. Jiaxing Huang and Mr. Guijun Gan, our directors, failed to timely file Forms 3 as officers and directors of the Company. No securities of the Company are beneficially owned by Ms. Xing Tang, Mr. Jiaxing Huang and Mr. Guijun Gan.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth total compensation paid to our named executive officers for the years ended December 31, 2024 and 2023.

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock awards (\$)	Option awards (\$)	All other compensation (\$)	Total (\$)
Zongyi Lian, President, Chief Executive Officer	2023	\$ 20,336	-	-	-	-	\$ 20,336
	2024	\$ 12,857	-	-	-	-	\$ 12,857
Yuhua Huang, Chief Financial Officer (1)	2023	\$ 18,642	-	-	-	-	\$ 18,642
	2024	\$ 7,500	-	-	-	-	\$ 7,500
Xing Tang, Chief Financial Officer (2)	2023	\$ -	-	-	-	-	\$ -
	2024	\$ 28,150	-	-	-	-	\$ 28,150

(1) Yuhua Huang resigned as Chief Financial Officer of the Company on July 8, 2024.

(2) Xing Tang was appointed as Chief Financial Officer of the Company on July 8, 2024.

Employment Agreements

Zongyi Lian

On November 21, 2017, Sichuan Wetouch entered into an employment agreement with its Chief Executive Officer, Zongyi Lian, pursuant to which he receives an annual base salary of approximately \$23,890 (equivalent to RMB168,000) plus other annual remuneration, including but not limited to position salary of approximately \$17,070 (equivalent to RMB120,000), confidentiality fee of approximately \$6,828 (equivalent to RMB48,000) and subsidies of approximately \$9,104 (equivalent to RMB64,000). Mr. Lian's employment is for an initial term of three (3) years and may be renewed by the parties within 30 days prior to the expiration of the employment agreement. On November 13, 2020, the employment agreement with Mr. Lian was renewed for another three (3) years until November 20, 2023, with similar terms and conditions. Amount reflects salary paid to Mr. Lian for services rendered to our former operating subsidiary, Sichuan Wetouch. Such employment agreement has been assigned to our PRC subsidiary, Sichuan Vtouch. On April 16, 2024, our board of directors ratified and approved the extension of the term of employment of Mr. Lian as our CEO for another three years from November 21, 2023 under the same terms and conditions. We expect to enter into a new agreement with Mr. Lian to memorialize the terms and conditions and expect to file with the SEC upon execution.

Under these agreements with Zongyi Lian, he is employed for a specified time period and is entitled to receive annual salary plus other remuneration, pension insurance, medical insurance, maternity insurance, unemployment insurance, work-related injury insurance, housing provident funds and other benefits pursuant to PRC law. We and the individual may terminate the employment upon mutual agreement. Provided that the individual proposes earlier termination and the agreement is terminated upon mutual agreement. The individual is not entitled to compensation. The individual may terminate the employment by giving thirty days' advance written notice. We may terminate his employment for cause, at any time, without notice or remuneration, for certain acts by the individual, such as serious violation of Sichuan Vtouch's rules and regulations, and gross neglect of duty and misconduct resulting in large economic losses to Sichuan Vtouch. We may also terminate the employment for cause, with thirty days advance written notice and one month's salary, for certain acts of the executive officer, such as illness or non-work related injury resulting in inability to work in the previous position or newly assigned position after recovery, inability to perform the assigned work and after training or adjustment of position, still failure to perform the assigned work. The employment agreements will be terminated upon (1) expiry of the employment, (2) the entitlement of the named executive officers to the pension insurance, (3) the death of the named executive officers, (4) the bankruptcy of Sichuan Vtouch, and (5) other circumstances regulated by laws and regulations.

Zongyi Lian is not permitted to (1) hold any side job during the employment, and (2) operate on his own or on behalf of other individuals or enterprises any business providing same or similar competitive products or services.

Yuhua Huang

On November 1, 2017, Sichuan Wetouch entered into an employment agreement with our former Chief Financial Officer, Yuhua Huang, pursuant to which he received an annual base salary of approximately \$11,945 (equivalent to RMB84,000) plus other annual remuneration, including but not limited to position salary of approximately \$8,535 (equivalent to RMB60,000), confidentiality fee of approximately \$3,414 (equivalent to RMB24,000) and subsidies of approximately \$4,552 (equivalent to RMB32,000). Mr. Huang's initial employment was for an initial term of three (3) years, which was renewed by the parties for another three (3) years until October 31, 2023, with similar terms and conditions. On April 16, 2024, our board of directors ratified and approved the extension of the term of employment of Mr. Huang as our Chief Financial Officer for another three years starting from November 1, 2023 under the same terms and conditions. On July 8, 2024, Yuhua Huang resigned as Chief Financial Officer of the Company and ceased to be employed by us.

Xing Tang

On July 8, 2024, the Company and Xing Tang entered into an executive officer agreement. The term of the agreement is three years, effective as of July 8, 2024. Pursuant to this agreement, Xing Tang serves as our Chief Financial Officer and is entitled to receive \$5,630 per month (which shall accrue on a daily basis). The agreement contains customary restrictive covenants related to non-conflict and non-competition, confidentiality covenants restricting disclosures of trade secrets and other confidential information. The agreement may be terminated by the Company at any time, without notice or remuneration (unless notice or remuneration is specifically required by applicable law, in which case notice or remuneration will be provided in accordance with applicable law) for cause (including but not limited to gross negligence, willful misconduct or failure to perform duties), or due to death or disability, or without cause by providing one-month prior written notice. Xing Tang may terminate the employment at any time with a one-month prior written notice to the Company if (1) there is a material reduction in her authority, duties and responsibilities, or (2) there is a material reduction in her annual salary.

Confidentiality and Non-Competition

We entered into confidentiality and non-competition agreements with Mr. Lian in November 2017, which were renewed in November 2020. Such agreements have been assigned to our PRC subsidiary, Sichuan Vtouch. Each individual has agreed (1) to keep all confidential information confidential and return it, together with any copies, to Sichuan Vtouch upon termination of employment; (2) not to disclose the confidential information of Sichuan Vtouch to any third party; (3) not to allow any third party to use or acquire the confidential information of Sichuan Vtouch, except as required in the performance of his or her duties in connection with the employment or pursuant to the instruction of the Company; (4) not to use the confidential information of Sichuan Vtouch for his own benefit; and (4) to keep other confidential obligations. As compensation, each individual is entitled to receive a monthly confidentiality fee at a different rate. Each individual has also agreed to hold, after the termination or expiry of his employment agreement, in strict confidence, any of our confidential information without any extra compensation.

Each officer has agreed to be bound by non-competition restrictions during the term of his employment and for two years following termination of the employment. The executive officers may not (1) directly or indirectly invest, establish, or be hired by, any individual or enterprises engaging in the same or similar business, or competitive business, (2) directly or indirectly persuade, induce, encourage, or cause any employee of the Company to terminate employment with Sichuan Vtouch or its subsidiaries; and (3) directly or indirectly persuade, induce, encourage, or cause any customers of Sichuan Vtouch to terminate the business relationship with Sichuan Vtouch or its subsidiaries.

Each officer is obligated to pay \$7,110 to \$14,220 (equivalent to RMB50,000 to RMB100,000) as a penalty, together with any earnings generated from the use or disclosure of the confidential information, to Sichuan Vtouch for violation of the confidentiality and non-competition agreements.

Clawback Policy

Our board of directors adopted a clawback policy covering our executive officers. An executive officer is our chief executive officer, president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president in charge of a significant principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for us. As of the date of this Annual Report, our only executive officers are our chief executive officer and our chief financial officer. The clawback policy relates to incentive-based compensation, which is any compensation that is granted, earned or vested based wholly or in part upon the attainment of a financial reporting measure. The clawback policy covers the recovery of incentive-based compensation from an executive officer only in the event that we are required to prepare an accounting restatement due to the material noncompliance of our financial reporting requirements under the United States securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. Questions as to “materiality” will be determined by the Compensation Committee in coordination with the Audit Committee.

The incentive-based compensation subject to recovery is the incentive-based compensation received during the three completed fiscal years immediately preceding the date that we are required to prepare an accounting restatement as described above, provided that the person served as an executive officer at any time during the performance period applicable to the incentive-based compensation in question provided that the clawback policy shall only apply if the incentive-based compensation is received while we have a class of securities listed on Nasdaq and on or after October 2, 2023. None of our officers’ employment agreements provide incentive-based compensation during the year ended December 31, 2024.

Outstanding Equity Awards at Fiscal Year-End

There are no outstanding equity awards to our executive officers as of December 31, 2024.

Long-Term Incentive Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers as of December 31, 2024.

Director Compensation

The table below shows the compensation paid to our non-employee directors during 2024.

Name	Year	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All other Compensation	Total
Fei Bai (1)	2024	\$ 17,143	-	-	-	-	-	17,143
Xiaojin Tang(2)	2024	\$ 8,571	-	-	-	-	-	8,571
Congjin Wang(3)	2024	\$ 8,571	-	-	-	-	-	8,571
Jiaxing Huang (4)	2024	\$ 6,429*	-	-	-	-	-	6,429*
Jing Chen	2024	\$ 20,571*	-	-	-	-	-	20,571*
Guijun Gan (5)	2024	\$ 6,429*	-	-	-	-	-	6,429

* Accrued and not paid, except Jing Chen's.

(1) Fei Bai resigned as Chairman and a director of the Company on June 3, 2024.

(2) Xiaojin Tang resigned as a director of the Company on June 3, 2024.

(3) Congjin Wang resigned as a director of the Company on June 3, 2024.

(4) Jiaxing Huang was appointed as a director of the Company on June 28, 2024, effective July 1, 2024.

(5) Guijun Gan was appointed as a director of the Company on June 28, 2024, effective July 1, 2024.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table lists, as of September 8, 2025, the number of shares of common stock beneficially owned by (i) each person, entity or group (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) known to the Company to be the beneficial owner of more than 5% of the outstanding common stock; (ii) each of our directors (iii) each of our Named Executive Officers and (iv) all executive officers and directors as a group.

All information with respect to beneficial ownership has been furnished by the respective 5% or more stockholders, directors or executive officers, as the case may be. Unless otherwise noted, the mailing address of each listed beneficial owner is No. 29, Third Main Avenue, Shigao Town, Renshou County, Meishan, Sichuan, China.

The percentages below were calculated based on 11,931,534 shares of common stock issued and outstanding as of September 8, 2025.

Name of Beneficial Owner	Shares Beneficially Owned	
	Shares	Percentage
Executive Officers and Directors:		
Guangrong Cai (1)	9,576	*
Zongyi Lian (2)	5,657	*
Jian Feng	-	-
Guijun Gan	-	-
Jiaying Huang	-	-
Jing Guo	-	-
Xing Tang	-	-
All officers and directors as a group (7 persons)	15,233	*

5% or Greater Holders:

* Less than 1%

(1) Represents 9,576 shares of common stock held of record by Guangrong Cai, Chairman of the Company.

(2) Represents 5,657 shares of common stock held of record by Zongyi Lian, Chief Executive Officer of the Company.

Changes in Control Agreements

As of the date of this Annual Report, we are not aware of any arrangements that may result in “changes in control,” as that term is defined by Item 403(c) of Regulation S-K.

On September 4, 2025, Jiaying Cai resigned as a member of the Board of Directors (the “Board”). Ms. Jiaying Cai’s decision to resign was not the result of any disagreement with the Company, the Board, management, or any matter relating to the Company’s operations, policies or practices.

On April 29, 2025, Jing Chen resigned as a member of the Board of Directors (the “Board”). Ms. Jing Chen’s decision to resign was not the result of any disagreement with the Company, the Board, management, or any matter relating to the Company’s operations, policies or practices.

On July 8, 2024, Mr. Yuhua Huang resigned as a Chief Financial Officer of Wetouch Technology Inc. (the “Company”). Mr. Huang’s decision to resign was not the result of any disagreement with the Company, the Board of Directors (the “Board”), management, or any matter relating to the Company’s operations, policies or practices.

On June 3, 2024, Mr. Fei Bai resigned as a member of the Board of Directors (the “Board”) and as the Chairman of the Board. Mr. Bai’s decision to resign was not the result of any disagreement with the Company, the Board, management, or any matter relating to the Company’s operations, policies or practices.

On June 3, 2024, Mr. Xiaojin Tang resigned as a member of the Board and the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee of the Board, including as chairperson of the Compensation Committee. Mr. Tang’s decision to resign was not the result of any disagreement with the Company, the Board, management, or any matter relating to the Company’s operations, policies or practices.

On June 3, 2024, Mr. Congjin Wang resigned as a member of the Board and the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee of the Board, including as chairperson of the Nominating and Corporate Governance Committee. Mr. Wang’s decision to resign was not the result of any disagreement with the Company, the Board, management, or any matter relating to the Company’s operations, policies or practices.

On September 5, 2025, the Board appointed Jian Feng to serve as a member of the Board.

On May 1, 2025, the Board appointed Jing Guo to serve as a member of the Board, the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee of the Board, including as the Chairperson of the Nominating and Corporate Governance Committee.

On May 1, 2025, the Board appointed Guijun Gan to serve as the Chairperson of the Audit Committee of the Board and removed him from his position as the Chairperson of the Nominating and Corporate Governance Committee of the Board.

On July 8, 2024, the Board of Company appointed Xing Tang to serve as the Chief Financial Officer of the Company.

On June 28, 2024, the Board of Directors (the “Board”) appointed Guangrong Cai to serve as a member of the Board and Chairman of the Board.

On June 28, 2024, the Board of Directors (the “Board”) appointed Jiaying Huang to serve as a member of the Board, the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee of the Board, including as chairperson of the Compensation Committee.

On June 28, 2024, the Board of Directors (the “Board”) appointed Guijun Gan to serve as a member of the Board, the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee of the Board, including as chairperson of the Nominating and Corporate Governance Committee.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transactions

Since January 1, 2024, the Company has engaged in the following related person transaction in which the amount involved exceeded the lesser of \$120,000 or one percent of the Company's average total assets at year-end for the last two completed fiscal years, and in which a related person had a material interest:

As of December 31, 2024, the Company had an outstanding payable of approximately \$149,211 due to Chengdu Wetouch Intelligent Optoelectronics Co., Ltd., an affiliate of Ms. Jiaying Cai, a former director and secretary of the Company. The balance was nil as of December 31, 2023. These advances were unsecured, non-interest bearing, and due on demand.

The Company's Audit Committee is responsible for reviewing and approving related party transactions. Any such transaction is evaluated to ensure it is on terms comparable to those available with unrelated third parties and in the best interests of the Company and its shareholders. Other than the transaction described above, the Company is not aware of any related person transactions since January 1, 2024, requiring disclosure under Item 404.

Family Relationships

The only family relationship among the Company's directors and executive officers was that Ms. Jiaying Cai, a former Director and secretary of the Company, is the niece of Mr. Guangrong Cai, Chairman of the Company.

Director Independence

The Board of Directors has reviewed the independence of its members under the independence standards of the Nasdaq Stock Market (the "Nasdaq Rules"), which the Company has adopted as its definition of independence for purposes of determining director independence generally and committee independence specifically. The Nasdaq Rules require that a majority of the board be independent and that members of the audit, compensation, and nominating committees meet additional independence requirements.

Based on this review, the Board has determined that each of Jing Chen, Jiaxing Huang, and Guijun Gan qualifies as an independent director under Nasdaq Listing Rule 5605(a)(2). In addition, the Board determined that these directors meet the heightened independence standards applicable to audit committee members under Rule 10A-3 of the Exchange Act and Nasdaq rules, and to compensation and nominating committee members under Nasdaq rules. Ms. Chen also qualifies as an "audit committee financial expert" as defined by SEC rules.

The remaining directors, Guangrong Cai, Zongyi Lian, Jian Feng, and Jing Guo, are not considered independent because of their current roles as executive officers of the Company or family relationship, as described above.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Audit Fees

For fiscal year 2024, we incurred aggregate fees and expenses of \$250,000 from Enrome LLP for work completed related to our annual audit and quarterly reviews.

For fiscal year 2023, we incurred aggregate fees and expenses of \$275,000 from B F Borgers CPA PC for work completed related to our annual audits and quarterly reviews.

Audit-Related Expenses

Audit-related expenses for 2024 and 2023 were \$0 and \$0, respectively.

Tax Fees

We incurred aggregate fees and expenses of \$0 and \$0 for each fiscal year 2024 and 2023, respectively.

All Other Fees

We incurred other fees of \$0 and \$0 for each fiscal year 2024 and 2023.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Consolidated Financial Statements

Our financial statements and the notes thereto, together with the report of our independent registered public accounting firm on those financial statements, are hereby filed as part of this Annual Report beginning on page F-1.

2. Financial Statement Schedules

All financial statement schedules have been omitted since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

3. Exhibits

The following is a complete list of exhibits filed as part of this Form 10-K. Exhibit numbers correspond to the numbers in the Exhibit Table of Item 601 of Regulation S-K.

Exhibit Number	Description of Document
2.1 ⁽¹⁾	<u>Share Exchange Agreement dated October 9, 2020 among Wetouch Technology Inc. f/k/a Gulf West Investment Properties, Inc., Wetouch Holding Group Limited, the shareholders of Wetouch Holding Group Limited, Hong Kong Wetouch Electronics Technology Limited and Fengfei Zhang, as administrative agent for the sellers.</u>
3.1 ⁽¹⁾	<u>Amended and Restated Articles of Incorporation of the Company, dated September 30, 2020.</u>
3.2 ⁽¹⁾	<u>Bylaws of the Company.</u>
4.1 ⁽¹⁾	<u>Specimen Common Stock Certificate.</u>
4.2*	<u>Description of Registrant's Securities.</u>

4.3(1)	<u>Form of Underwriter's Warrants.</u>
4.4(1)	<u>Common Stock Purchase Warrant dated October 27, 2021 issued by Wetouch Technology Inc.</u>
4.5(1)	<u>Common Stock Purchase Warrant dated November 5, 2021 issued by Wetouch Technology Inc.</u>
4.6(1)	<u>Common Stock Purchase Warrant dated November 16, 2021 issued by Wetouch Technology Inc.</u>
4.7(1)	<u>Common Stock Purchase Warrant dated November 24, 2021 issued by Wetouch Technology Inc.</u>
4.8(1)	<u>Common Stock Purchase Warrant dated November 29, 2021 issued by Wetouch Technology Inc.</u>
4.9 (1)	<u>Common Stock Purchase Warrant dated December 2, 2021 issued by Wetouch Technology Inc.</u>
4.10(1)	<u>Common Stock Purchase Warrant dated December 2, 2021 issued by Wetouch Technology Inc.</u>
10.1.1(1)	<u>English Translation of Employment Agreement between Sichuan Wetouch Technology Co., Ltd and Zongyi Lian.</u>
10.1.2(1)	<u>English Translation of Confidentiality and Non-Competition Agreement between Sichuan Wetouch Technology Co., Ltd and Zongyi Lian.</u>
10.2.1(2)	<u>Executive Officer Agreement between Wetouch Technology Inc. and Xing Tang.</u>
10.3.1(1)	<u>English Translation of Form of Sichuan Vtouch Technology Co., Ltd. Sales Framework Agreement.</u>
10.4(1)	<u>English Translation of Form of Sichuan Vtouch Technology Co., Ltd. Purchase Order with Suppliers.</u>
10.5(1)	<u>English Translation of Form of Loan Agreement between Sichuan Wetouch Technology Co., Ltd and Shareholder of Australia Vtouch Technology Co., Ltd.</u>
10.6(1)	<u>English Translation of Form of Supplemental Agreement to Loan Agreement between Sichuan Wetouch Technology Co., Ltd and Shareholder of Australia Vtouch Technology Co., Ltd.</u>
10.7(1)	<u>English Translation of Renewed Employment Agreement between Sichuan Wetouch Technology Co., Ltd and Zongyi Lian dated November 13, 2020.</u>
10.8(1)	<u>English Translation of Renewed Confidentiality and Non-Competition Agreement between Sichuan Wetouch Technology Co., Ltd and Zongyi Lian dated November 13, 2020.</u>
10.9(1)	<u>English Translation of Form of Sichuan Wetouch Technology Co., Ltd. Supplemental Agreement to Sales Framework Agreement dated April 2024.</u>
10.10(1)	<u>English Translation of Leaseback Agreement between Sichuan Vtouch Technology Co., Ltd and Sichuan Renshou Shigao Tianfu Investment Co., Ltd dated March 16, 2021.</u>
10.11(4)	<u>English Translation of Leaseback Agreement between Sichuan Vtouch Technology Co., Ltd and Meishan Huantian Industrial Co., Ltd. (formerly known as Sichuan Renshou Shigao Tianfu Investment Co., Ltd) dated October 30, 2023.</u>
10.12(1)	<u>Securities Purchase Agreement, dated as of October 27, 2021, between Wetouch Technology Inc. and Talos Victory Fund, LLC</u>
10.13(1)	<u>Registration Rights Agreement dated as of October 27, 2021, between Wetouch Technology Inc. and Talos Victory Fund, LLC</u>
10.14(1)	<u>Securities Purchase Agreement, dated as of November 5, 2021, between Wetouch Technology Inc. and Mast Hill Fund, L.P.</u>

10.15(1)	<u>Registration Rights Agreement dated as of November 5, 2021, between Wetouch Technology Inc. and Mast Hill Fund, L.P.</u>
10.16(1)	<u>Securities Purchase Agreement, dated as of November 16, 2021, between Wetouch Technology Inc. and FirstFire Global Opportunities Fund, LLC.</u>
10.17(1)	<u>Registration Rights Agreement dated as of November 16, 2021, between Wetouch Technology Inc. and FirstFire Global Opportunities Fund, LLC.</u>
10.18(1)	<u>Securities Purchase Agreement, dated as of November 24, 2021, between Wetouch Technology Inc. and LGH Investments, LLC.</u>
10.19(1)	<u>Registration Rights Agreement dated as of November 24, 2021, between Wetouch Technology Inc. and LGH Investments, LLC.</u>
10.20(1)	<u>Securities Purchase Agreement, dated as of November 29, 2021, between Wetouch Technology Inc. and Fourth Man, LLC.</u>
10.21(1)	<u>Registration Rights Agreement dated as of November 29, 2021, between Wetouch Technology Inc. and Fourth Man, LLC.</u>
10.22(1)	<u>Securities Purchase Agreement, dated as of December 2, 2021, between Wetouch Technology Inc. and Jefferson Street Capital LLC.</u>
10.23(1)	<u>Registration Rights Agreement dated as of December 2, 2021, between Wetouch Technology Inc. and Jefferson Street Capital LLC.</u>
10.24(1)	<u>Securities Purchase Agreement, dated as of December 2, 2021, between Wetouch Technology Inc. and Blue Lake Partners, LLC.</u>
10.25(1)	<u>Registration Rights Agreement dated as of December 2, 2021, between Wetouch Technology Inc. and Blue Lake Partners LLC.</u>
10.26(1)	<u>Form of Securities Purchase Agreement.</u>
10.27(4)	<u>English Translation of State-owned Construction Land Use Rights Transfer Contract, dated as of August 6, 2021, between Sichuan Vtouch Technology Co., Ltd and Wenjiang District, Chengdu City Co., Ltd.</u>
10.28(4)	<u>English Translation of Construction Contract, dated as of July 27, 2021, between Sichuan Vtouch Technology Co., Ltd and Sichuan Chunqiu Development and Construction Group Co. Ltd.</u>
10.29(3)	<u>Form of Director Offer Letter</u>
10.30**	<u>English Translation of Lease Agreement, dated August 9, 2024, between Sichuan Vtouch Technology Co., Ltd and Sichuan Renshou Shigao Tianfu Investment Co., Ltd.</u>
14	<u>Code of Ethics (incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2022)</u>
19(4)	<u>Insider Trading Policy.</u>
21.1(1)	<u>List of subsidiaries of the Company.</u>

31.1*	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31.2*	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Sarbanes-Oxley Act.
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97(4)	Executive Compensation Recovery Policy
99.1(4)	Audit Committee Charter
99.2(4)	Compensation Committee Charter
99.3(4)	Nominating and Corporate Governance Committee Charter
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* filed herewith

** Furnished herewith

- (1) Filed as an exhibit to the registrant's registration statement on Form S-1, File No. 333-270726 and incorporated herein by reference.
- (2) Filed as an exhibit to the registrant's current report on Form 8-K, filed with the SEC on July 12, 2024.
- (3) Filed as an exhibit to the registrant's current report on Form 8-K, filed with the SEC on July 1, 2024.
- (4) Filed as an exhibit to the registrant's annual report on Form 10-K, filed with the SEC on April 16, 2024.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 10, 2025

WETOUGH TECHNOLOGY INC.

By: /s/ Zongyi Lian

Zongyi Lian
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Xing Tang

Xing Tang
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/s/ Zongyi Lian</u> Zongyi Lian	President Chief Executive Officer and Chairman(Principal Executive Officer)	September 10, 2025
<u>/s/ Xing Tang</u> Xing Tang	Chief Financial Officer (Principal Financial and Accounting Officer)	September 10, 2025
<u>/s/ Guangrong Cai</u> Guangrong Cai	Chairman and Director	September 10, 2025
<u>/s/ Jian Feng</u> Jian Feng	Director	September 10, 2025
<u>/s/ Jing Guo</u> Jing Guo	Director	September 10, 2025
<u>/s/ Jiaxing Huang</u> Jiaxing Huang	Director	September 10, 2025
<u>/s/ Guijun Gan</u> Guijun Gan	Director	September 10, 2025

WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Wetouch Technology Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Wetouch Technology Inc. and its subsidiaries (collectively, the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of income and comprehensive income, changes in shareholders’ equity (deficit), and cash flows for each of the two years in the period ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis for Opinion

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

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

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

/s/ **ST & PARTNERS PLT (PCAOB ID 7261)**

We have served as the Company’s auditor since 2025.

Petaling Jaya, Malaysia
September 10, 2025

WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Currency expressed in United States Dollars("US"), except for number of shares)

	As of December 31,	
	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 103,760,324	\$ 98,040,554
Accounts receivable, net	7,504,630	7,455,252
Inventories	112,327	222,102
Prepaid expenses and other current assets	2,762,580	1,063,627
TOTAL CURRENT ASSETS	114,139,861	106,781,535
Property, plant and equipment, net	12,782,997	12,859,863
Operating right-of-use assets	1,055,208	-
Deferred tax assets	41,397	-
TOTAL ASSETS	\$ 128,019,463	\$ 119,641,398
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,263,981	\$ 640,795
Due to related parties	-	469,591
Due to a related party	149,211	-
Accrued expenses and other current liabilities	966,461	3992,905
Convertible promissory notes payable	-	1,239,126
Operating lease liabilities- current	571,539	-
TOTAL CURRENT LIABILITIES	2,951,192	6,342,417
Common stock purchase warrants liability	-	378,371
Operating lease liabilities- non current	482,606	-
TOTAL LIABILITIES	\$ 3,433,798	\$ 6,720,788
COMMITMENTS AND CONTINGENCIES (Note 13)		
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value, 15,000,000 shares authorized, 11,931,534 and 9,732,948 issued and outstanding as of December 31, 2024 and 2023, respectively*	\$ 11,932	\$ 9,733
Additional paid in capital*	52,501,680	43,514,125
Statutory reserve	8,073,968	7,195,092
Retained earnings	74,629,374	69,477,092
Accumulated other comprehensive loss	(10,631,289)	(7,275,432)
TOTAL STOCKHOLDERS' EQUITY	124,585,665	112,920,610
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 128,019,463	\$ 119,641,398

* Retrospectively restated for effect of reverse stock split (1-for-20), see Note 10 (2)

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

WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT

OF INCOME AND COMPREHENSIVE INCOME

(Currency expressed in United States Dollars("US"), except for number of shares)

	The Years Ended December 31,	
	2024	2023
REVENUES	\$ 42,280,373	\$ 39,705,939
COST OF REVENUES	(28,673,574)	(22,515,219)
GROSS PROFIT	<u>13,606,799</u>	<u>17,190,720</u>
OPERATING EXPENSES		
Selling expenses	(752,795)	(608,524)
General and administrative expenses	(3,536,597)	(3,847,361)
Research and development expenses	-	(84,551)
OPERATING EXPENSES	<u>(4,289,392)</u>	<u>(4,540,436)</u>
INCOME FROM OPERATIONS	<u>9,317,407</u>	<u>12,650,284</u>
Interest income	152,336	117,719
Interest expense	(1,169,974)	(252,325)
Other income (expense)	10,708	(47,328)
Gain (loss) on changes in fair value of common stock purchase warrants liability	378,371	(121,413)
TOTAL OTHER EXPENSE, NET	<u>(628,559)</u>	<u>(303,347)</u>
INCOME BEFORE INCOME TAX EXPENSE	<u>8,688,848</u>	<u>12,346,937</u>
INCOME TAX EXPENSE	<u>(2,657,690)</u>	<u>(4,082,606)</u>
NET INCOME	<u>\$ 6,031,158</u>	<u>\$ 8,264,331</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	(3,355,857)	(4,297,908)
COMPREHENSIVE INCOME	<u>\$ 2,675,301</u>	<u>\$ 3,966,423</u>
EARNINGS PER COMMON SHARE*		
Basic	\$ 0.52	\$ 0.89
Diluted	\$ 0.52	\$ 0.89
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING*		
Basic	11,630,358	9,285,815
Diluted	11,681,063	9,375,105

* Retrospectively restated for effect of reverse stock split (1-for-20), see Note 10 (2)

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

WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Currency expressed in United States Dollars("US"),except for number of shares)

	Common stock at Par value \$0.001		Additional paid-in	Statutory	Retained	Accumulated other comprehensive	Total
	Shares	Amount	capital	reserve	Earnings	loss	stockholders' equity
Balance at December 31 2022*	1,680,248	\$ 1,680	\$ 3,402,178	\$6,040,961	\$62,366,892	\$ (2,977,524)	\$ 68,834,187
Appropriation to statutory reserve	-	-	-	1,154,131	(1,154,131)	-	-
Shares issued to private placement	8,000,000	8,000	39,992,000	-	-	-	40,000,000
Fraction shares issued due to reverse stock split	5,362	6	(6)	-	-	-	-
Exercise of warrants issued to third parties in conjunction with debt issuance in 2021	22,338	22	(22)	-	-	-	-
Stock issuance for convertible promissory notes payable	25,000	25	119,975	-	-	-	120,000
Net income	-	-	-	-	8,264,331	-	8,264,331
Foreign currency translation adjustment	-	-	-	-	-	(4,297,908)	(4,297,908)
Balance at December 31, 2023	<u>9,732,948</u>	<u>\$ 9,733</u>	<u>\$43,514,125</u>	<u>\$7,195,092</u>	<u>\$69,477,092</u>	<u>\$ (7,275,432)</u>	<u>\$112,920,610</u>
	Common stock at Par value \$0.001		Additional paid-in	Statutory	Retained	Accumulated other comprehensive	Total
	Shares	Amount	capital	reserve	Earnings	loss	stockholders' equity
Balance as of December 31 2023*	9,732,948	\$ 9,733	\$43,514,125	\$7,195,092	\$69,477,092	\$ (7,275,432)	\$112,920,610
Issuance of common stock from the 2024 Public Offering, net of issuance costs	2,160,000	2,160	8,987,594	-	-	-	8,989,754
Exercise of warrants issued in conjunction with legal/consultant services in 2020 and 2021	35,861	36	(36)	-	-	-	-
Exercise of warrants issued to third parties in conjunction with debt issuance in 2021	2,725	3	(3)	-	-	-	-
Appropriation to statutory reserve	-	-	-	878,876	(878,876)	-	-
Net income	-	-	-	-	6,031,158	-	6,031,158
Foreign currency translation adjustment	-	-	-	-	-	(3,355,857)	(3,355,857)
Balance as of December 31, 2024	<u>11,931,534</u>	<u>\$ 11,932</u>	<u>\$52,501,680</u>	<u>\$8,073,968</u>	<u>\$74,629,374</u>	<u>\$ (10,631,289)</u>	<u>\$124,585,665</u>

* Retrospectively restated for effect of reverse stock split (1-for-20), see Note 10 (2)

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

WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Currency expressed in United States Dollars("US"),except for number of shares)

	For the Years Ended December 31,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 6,031,158	\$ 8,264,331
Adjustments to reconcile net income to cash provided by operating activities		
Allowance for credit losses	44,862	-
Provision for obsolete inventory	54,873	-
Depreciation	9,805	9,403
Amortization of discounts and issuance cost of the notes	5,715	33,655
(Gain) loss on changes in fair value of common stock purchase warrants liability	(378,371)	121,413
Amortization of operating Right-of-use assets	98,387	-
Changes in operating assets and liabilities:		
Accounts receivable	(256,681)	1,347,497
Inventories	50,328	187,532
Due from a related party	-	(51)
Prepaid expenses and other current assets	(1,771,602)	333,415
Deferred tax assets	(41,993)	-
Accounts payable	649,915	(704,696)
Loans from a third party	(135,000)	84,025
Amounts due to related parties	149,211	(1,665)
Income tax payable	-	(21,578)
Accrued expenses and other current liabilities	(3,343,142)	3,071,108
Operating lease liabilities	(98,387)	-
Net cash provided by operating activities	<u>1,069,078</u>	<u>12,724,389</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(271,830)	(2,263,549)
Net cash used in investing activities	<u>(271,830)</u>	<u>(2,263,549)</u>
Cash flows from financing activities		
Proceeds from issuance of public offerings, net of expenses	8,989,754	-
Proceeds from stock issuance of private placement	-	40,000,000
Repayments of convertible promissory notes payable	(1,400,750)	(55,000)
Net cash provided by (used in) financing activities	<u>7,589,004</u>	<u>39,945,000</u>
Effect of changes of foreign exchange rates on cash	<u>(2,666,482)</u>	<u>(3,615,791)</u>
Net increase in cash	<u>5,719,770</u>	<u>46,790,049</u>
Cash, beginning of year	<u>98,040,554</u>	<u>51,250,505</u>
Cash, end of year	<u>\$ 103,760,324</u>	<u>\$ 98,040,554</u>
Supplemental disclosures of cash flow information		
Interest paid	\$ 1,186,210	\$ -
Income taxes paid	<u>\$ 2,890,222</u>	<u>\$ 4,104,184</u>
Supplemental disclosures of non-cash flow information		
Cashless stock issuance for convertible promissory notes payable	\$ -	\$ 22,338
Issue costs charged to additional paid-in capital	<u>\$ 1,810,246</u>	<u>\$ -</u>
Exercise of warrant shares	<u>\$ 38,586</u>	<u>\$ -</u>
Lease liabilities arising from obtaining right-of-use assets	<u>\$ 1,168,788</u>	<u>\$ -</u>

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

WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BUSINESS

Wetouch Technology Inc. (“Wetouch”, or the “Company”), formerly known as Gulf West Investment Properties, Inc., was originally incorporated in August 1992, under the laws of the state of Nevada.

On October 9, 2020, the Company entered into a share exchange agreement (the “Share Exchange Agreement”) with Wetouch Holding Group Limited (“BVI Wetouch”) and all the shareholders of BVI Wetouch (each, a “BVI Shareholder” and collectively, the “BVI Shareholders”), to acquire all the issued and outstanding capital stock of BVI Wetouch in exchange for the issuance to the BVI Shareholders an aggregate of 28,000,000 shares (1,400,000 shares post-Reverse Stock Split) of the Company’s common stock (the “Reverse Merger”). In the Reverse Merger, each ordinary share of BVI Wetouch was exchanged for 2,800 shares (140 shares post-Reverse Stock Split) of common stock of Wetouch. Immediately after the closing of the Reverse Merger on October 9, 2020, the Company had a total of 31,396,394 (1,569,820 shares post-Reverse Stock Split) issued and outstanding shares of common stock. As a result of the Reverse Merger, BVI Wetouch became a wholly-owned subsidiary of the Company.

BVI Wetouch is a holding company whose only asset, held through a subsidiary, is 100% of the registered capital of Sichuan Wetouch Technology Co., Ltd. (“Sichuan Wetouch”), a limited liability company organized under the laws of the People’s Republic of China (“China” or the “PRC”). Sichuan Wetouch is primarily engaged in the business of research and development, manufacture, and distribution of touchscreen displays to customers both in the PRC and overseas. The touchscreen products, which are manufactured by the Company, are primarily for use financial terminals, automotive, Point of Sales, gaming, lottery, medical, Human-Machine Interface (HMI) , and other specialized industries

The Reverse Merger was accounted for as a recapitalization effected by a share exchange, wherein BVI Wetouch is considered the acquirer for accounting and financial reporting purposes. The assets and liabilities of BVI Wetouch have been brought forward at their book value and no goodwill has been recognized. The number of shares, par value amount, and additional paid-in capital in the prior years are retrospectively adjusted accordingly.

Through its wholly-owned subsidiaries, the Company is engaged in the research, development, manufacturing, sales and servicing of medium to large sized projected capacitive touchscreens. The Company specializes in large-format touchscreens, which are developed and designed for a wide variety of markets and used in the financial terminals, automotive, Point of Sales, gaming, lottery, medical, Human-Machine Interface (“HMI”), and other specialized industries.

Corporate History of BVI Wetouch

BVI Wetouch was incorporated under the laws of British Virgin Islands on August 14, 2020. It became the holding company of Hong Kong Wetouch Electronics Technology Limited (“Hong Kong Wetouch”) on September 11, 2020.

Hong Kong Wetouch Technology Limited (“HK Wetouch”), was incorporated as a holding company under the laws of Hong Kong Special Administrative Region (the “SAR”) on December 3, 2020. On March 2, 2021, HK Wetouch acquired all shares of Hong Kong Wetouch. Due to the fact that Hong Kong Wetouch and HK Wetouch are both under the same sole stockholder, the acquisition is accounted for under common control.

In June 2021, Hong Kong Wetouch completed its dissolution process pursuant to the minutes of its special shareholder meeting.

Sichuan Wetouch was formed on May 6, 2011 in the PRC and became a Wholly Foreign-Owned Enterprise (WFOE”) in PRC on February 23, 2017. On July 19, 2016, Sichuan Wetouch was 100% held by HK Wetouch.

On December 30, 2020, Sichuan Vtouch was incorporated in Chengdu, Sichuan, under the PRC laws.

In March 2021, pursuant to local PRC government guidelines on local environmental issues and the national plan, Sichuan Wetouch was under the government directed relocation order. Sichuan Vtouch took over the operating business of Sichuan Wetouch.

On March 30, 2023, an independent third party acquired all shares of Sichuan Wetouch for a nominal amount.

As a result of the above restructuring, HK Wetouch became the sole shareholder of Sichuan Vtouch.

The following diagram illustrates the Company's current corporate structure:



Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The accompanying consolidated financial statements include the financial statements of Wetouch and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated upon consolidation.

Deconsolidation of Sichuan Wetouch

On March 30, 2023, upon transferring Sichuan Wetouch to a third-party individual for a nominal value, the Company was no longer able to operate and exert control over this subsidiary whose operation has been taken over by Sichuan Vtouch since the first quarter of 2021. As a result, Sichuan Wetouch was deconsolidated accordingly since the disposal date.

The deconsolidated Sichuan Wetouch had assets, liabilities and the non-controlling interest on disposal date as the following:

	March 30, 2023
Total assets as of deconsolidated date	\$ -
Total liabilities as of deconsolidated date	-
Total gain or loss from deconsolidation	\$ -

Upon the deconsolidation, the Company was no longer entitled to the assets and also legally released from the liabilities previously held by the deconsolidated Sichuan Wetouch, derived nil gain or loss from the deconsolidation in the consolidated statements of operations and comprehensive income for the year ended December 31, 2023. The disposal of Sichuan Wetouch did not represent a strategic shift and did not have a major effect on the Company's operation. There was no cash outflow for the disposal for the year ended December 31, 2023.

(b) Uses of estimates

In preparing the consolidated financial statements in conformity with US GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on information as of the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, the allowance for estimated uncollectible receivables, fair values of financial instruments, inventory valuations, useful lives of property, plant and equipment, intangible assets, operating lease, the recoverability of long-lived assets, provision necessary for contingent liabilities, revenue recognition and realization of deferred tax assets.

. Actual results could differ from those estimates.

(c) Cash and cash equivalents

Cash include

s currency on hand and deposits held by banks that can be added or withdrawn without limitation.

(d) Accounts receivables, net

Accounts receivable primarily consists of receivables from customers, which are recognized and carried at the original invoice amount less an allowance for credit losses.

The Company adopted ASC 326, *Financial Instruments - Credit Loss* on January 1, 2023 using the modified retrospective approach. Upon adoption of ASC 326 starting from January 1, 2023, the provision of credit losses for accounts receivable is based upon the current expected credit losses ("CECL") model. The CECL model requires an estimate of the credit losses expected over the life of accounts receivable since initial recognition, and accounts receivable with similar risk characteristics are grouped together when estimating CECL. In assessing the CECL, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical credit loss experience, adjusted for relevant factors impacting collectability and forward-looking information indicative of external market conditions. While the Company uses the best information available in making determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond the Company's control. Accounts receivable which are deemed to be uncollectible are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. There is a time lag between when the Company estimates a portion of or the entire account balances to be uncollectible and when a write off of the account balances is taken. The Company does not have any off-balance sheet credit exposure related to its customers.

(e) Inventory

Inventory consists of raw materials, work-in-process and finished goods and is stated at the lower of cost or net realizable value. Cost is determined using a weighted average. For work-in-process and manufactured inventories, cost consists of raw materials, direct labor and an allocated portion of the Company's production overhead. The Company writes down excess and obsolete inventory to its estimated net realizable value based upon assumptions about future demand and market conditions. For finished goods and work-in-process, if the estimated net realizable value for an inventory item, which is the estimated selling price in the ordinary course of business, less reasonably predictable costs to completion and disposal, is lower than its cost, the specific inventory item is written down to its estimated net realizable value. Net realizable value for raw materials is based on replacement cost. Provisions for inventory write-downs are included in the cost of revenues in the consolidated statements of operations. Inventories are carried at this lower cost basis until sold or scrapped. \$54,873 and nil inventory write-off were recorded for the years ended December 31, 2024 and 2023, respectively.

(f) Property, plant and equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment is provided using the straight-line method over their expected useful lives, as follows:

	Useful life
Buildings	20 years
Machinery and equipment	10 years
Vehicles	4 years

Expenditures for maintenance and repairs, which do not materially extend the useful lives of the assets, are charged to expense as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the consolidated statements of income and other comprehensive income in other income or expenses.

Construction in progress, funded by Company's working capital, represents manufacturing facilities and office building under construction, is stated at cost and transferred to property, plant and equipment when it is substantially ready for its intended use. No depreciation is recorded for construction in progress. The management estimate that construction in progress for our new facilities will be completed by the end of fourth quarter of 2026 and will transfer construction in progress to property, plant and equipment to start depreciation.

(g) Convertible Promissory Notes

The Company accounts for its convertible promissory notes according to guidance of 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): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity", which simplifies the accounting for convertible instruments by eliminating the requirement to separate embedded conversion features from the host contract when the conversion features are not required to be accounted for as derivatives under Topic 815.

We analyze the convertible notes for the existence of a beneficial conversion feature. the Company considered the three characteristics of a derivative instrument listed in ASC 815-10-15-83: (i) having one or more underlyings and one or more notional amounts or payment provisions or both; (ii) requiring no initial net investment; (iii) permitting net settlement;

Since the Company's notes have fixed interest rate, specified notional principal and settlement date, which no other events would affect specified settlement, and the Company received net proceeds after issuance costs and discount, which the Company recorded as the net proceeds or net settled investment, the management assessed that the Notes did not meet the definition of a derivative instruments and an embedded feature would not be bifurcated. The discounts on the convertible notes, are amortized to interest expense, using the effective interest method, over the terms of the related convertible notes.

On February 23, 2024, immediately upon the closing of the 2024 Public Offering, the Company made a full payment to the remaining five outstanding promissory notes. (see details in NOTE 10 - CONVERTIBLE PROMISSORY NOTES PAYABLE-a) Convertible promissory notes). There were no convertible promissory notes as of December 31, 2024.

(h) Common stock purchase warrants

The Company also analyzed the Warrants in accordance with ASC 815, to determine whether the Warrants meet the definition of a derivative and, if so, whether the Warrants meet the scope exception of ASC 815-40, which is that contracts issued or held by the reporting entity that are both (1) indexed to its own stock and (2) classified in stockholders' equity shall not be considered to be derivative instruments for purposes of ASC 815-40.

The Company concluded that the warrants issued in the financings in November and December 2021 should be treated as a derivative liability because these warrants are entitled to a price adjustment to allow the exercise price to be increased or reduced in the event the Company issues or sells any additional shares of common stock at a price per share other than the then-applicable exercise price or without consideration, which is typically referred to as a "Down-round protection" or "anti-dilution" provision. According to ASC 815-40, the "Down-round protection" provision is not considered to be an input to the fair value of a fixed-for-fixed option on equity shares which leads the warrants to fail to be qualified as indexed to the Company's own stock and then to fail to meet the scope exceptions of ASC 815. Therefore, the Company accounted for the warrants as derivative liabilities under ASC 815. Pursuant to ASC 815, derivatives are measured at fair value and re-measured at fair value with changes in fair value recorded in earnings at each reporting period.

The Company used a black-scholes-pricing model to estimate the fair values of common stock purchase warrants at the balance sheet dates.

The Note Warrant (see details in NOTE 10 - CONVERTIBLE PROMISSORY NOTES PAYABLE-b) Note Warrant) was issued in 2021 which was valid for three years and expired during the year ended December 31, 2024.

As of December 31, 2024 and 2023, the Company recorded nil and \$378,371 common stock purchase warrant liability, respectively, and \$378,371 gain and \$121,413 loss on changes of fair value of common stock purchase warrant liability for the year ended December 31, 2024 and 2023, respectively.

(i) Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted market prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable and inputs derived from or corroborated by observable market data.
- Level 3 - inputs to the valuation methodology are unobservable.

Unless otherwise disclosed, the fair value of the Company's financial instruments, including cash, accounts receivable, prepaid expenses and other current assets, accounts payable, short-term bank loans, accrued expenses and other current liabilities, taxes payable and due to related parties, common stock purchase warrants liability, approximate the fair value of the respective assets and liabilities as of December 31, 2023 and 2022 based upon the nature of the assets and liabilities.

(j) Fair value measurement

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Company uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Company will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

(k) Impairment of long-lived Assets

Long-lived assets, such as property, plant and equipment, land use rights, are reviewed for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability of a long-lived asset or asset group to be held and used is measured by a comparison of the carrying amount of an asset or asset group to the estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying value of an asset or asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount that the carrying value exceeds the estimated fair value of the asset or asset group. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. Assets to be disposed are reported at the lower of carrying amount or fair value less costs to sell, and are no longer depreciated. There was nil impairment of intangible assets recognized for the years ended December 31, 2024 and 2023.

(l) Foreign Currency Translation

The Company uses US dollars as the reporting currency. The Company's subsidiary HK Wetouch's functional currency for HK Wetouch is Hong Kong dollar. The functional currency of Sichuan Vtouch is the Chinese Yuan ("RMB"). The Company's consolidated financial statements have been translated into US\$. Assets and liabilities accounts are translated using the exchange rate at each reporting period end date. Equity accounts are translated at historical rates. Income and expense accounts are translated at the average rate of exchange during the reporting period. The resulting translation adjustments are reported under other comprehensive income (loss). Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the results of operations. During the years ended December 31, 2024 and 2023, the Company recorded gains of \$52,211 and \$230,844 on foreign currency transactions in the line of general & administration expenses, respectively.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at the rates used in translation.

The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	December 31, 2024	December 31, 2023
Year-end spot rate	US\$1=RMB 7.2993	US\$1=RMB 7.0999
Average rate	US\$1=RMB 7.1957	US\$1=RMB 7.0809

(m) Revenue Recognition

The Company adopted Accounting Standards Codification ("ASC") 606 using the modified retrospective approach. The adoption of this standard did not have a material impact on the Company's consolidated financial statements. Therefore, no adjustments to opening retained earnings were necessary.

ASC 606, Revenue from Contracts with customers, establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

ASC 606 requires the use of a five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation. The application of the five-step model to the revenue streams compared to the prior guidance did not result in significant changes in the way the Company records its revenue. The Company has assessed the impact of the guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences that would result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, the Company concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams.

In accordance with ASC 606, the Company recognizes revenue when it transfers its goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. The Company accounts for the revenue generated from sales of its products primarily to its customers in PRC and overseas, as the Company is acting as a principal in these transactions, is subject to inventory risk, has latitude in establishing prices, and is responsible for fulfilling the promise to provide customers the specified goods, which the Company has control of the goods and has the ability to direct the use of goods to obtain substantially all the benefits. All of the Company's contracts have one single performance obligation as the promise is to transfer the individual goods to customers, and there is no separately identifiable other promises in the contracts. The Company's revenue streams are recognized at a point in time when title and risk of loss passes and the customer accepts the goods, which generally occurs at delivery. The Company's products are sold with no right of return and the Company does not provide other credits or sales incentive to customers. The Company's sales are net of value added tax ("VAT") and business tax and surcharges collected on behalf of tax authorities in respect of product sales.

Contract Assets and Liabilities

Payment terms are established on the Company's pre-established credit requirements based upon an evaluation of customers' credit quality. Contract assets are recognized for in related accounts receivable. Contract liabilities are recognized for contracts where payment has been received in advance of delivery. The contract liability balance can vary significantly depending on the timing when an order is placed and when shipment or delivery occurs. As of December 31, 2024 and 2023, other than accounts receivable and advances from customers, the Company had no other material contract assets, contract liabilities or deferred contract costs recorded on its consolidated balance sheet. Costs of fulfilling customers' purchase orders, such as shipping, handling and delivery, which occur prior to the transfer of control, are recognized in selling, general and administrative expense when incurred.

Disaggregation of Revenues

The Company disaggregates its revenue from contracts by geography, as the Company believes it best depicts how the nature, amount, timing and uncertainty of the revenue and cash flows are affected by economic factors. The Company's disaggregation of revenues for the years ended December 31, 2024 and 2023 are disclosed in Note 14 to the financial statements.

(n) Selling, General and Administrative Expenses

Selling expenses represents primarily costs of payroll, benefits, commissions for sales representatives and advertising expenses. General and administrative expenses represent primarily payroll and benefits costs for administrative employees, rent and operating costs of office premises, depreciation and amortization of office facilities, professional fees and other administrative expenses.

(o) Lease

The Company adopts ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") for all periods presented. The Company elects the short-term lease exemption for all contracts with lease terms of 12 months or less.

Under the guidance of AUS 2016-02, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements.

The Company's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option. The Company determines if a contract contains a lease based on whether it has the right to obtain substantially all of the economic benefits from the use of an identified asset which the Company does not own and whether it has the right to direct the use of an identified asset in exchange for consideration. Right of use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are recognized as the amount of the lease liability, adjusted for lease incentives received. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate ("IBR"), because the interest rate implicit in most of the Company's leases is not readily determinable. The IBR is a hypothetical rate based on the Company's understanding of what its credit rating would be to borrow and resulting interest the Company would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis. Lease payments may be fixed or variable, however, only fixed payments or in-substance fixed payments are included in the Company's lease liability calculation. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments is incurred.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use-asset. Lease expense for minimum lease payments exclusive of the value-added tax are recognized on straight-line basis over the lease term. The new standard provides a number of optional practical expedients at transition. The Company elected certain practical expedients that must be elected as a package, which permit the Company to not reassess, under the new standard, prior conclusions about (1) lease identification, (2) lease classification and (3) initial direct costs. Additionally, the Company elected a short-term lease exception policy, which allows entities to not apply Topic 842 to short-term leases (i.e. leases with terms of 12 months or less) and a hindsight policy, which allows an entity to include current considerations for existing leases when determining initial lease terms. The Company has also elected to account for lease and non-lease components as a single component for all leases, and elected to utilize an IBR (incremental borrowing rate) that is risk free rate plus premium for all leases when calculating the lease liability.

(p) Share-Based Compensation

The Company awards share options and other equity-based instruments to its employees, directors and third party service providers (collectively "share-based payments"). Compensation cost related to such awards is measured based on the fair value of the instrument on the grant date. The Company recognizes the compensation cost over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. The amount of cost recognized is adjusted to reflect the expected forfeiture prior to vesting. When no future services are required to be performed by the employee in exchange for an award of equity instruments, and if such award does not contain a performance or market condition, the cost of the award is expensed on the grant date. The Company recognizes compensation cost for an award with only service conditions that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant-date value of such award that is vested at that date.

(q) Income taxes

The Company accounts for income taxes in accordance with the asset and liability method. Deferred taxes are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and income tax purposes using enacted rates expected to be in effect when such amounts are realized or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established, as needed, to reduce the amount of deferred tax assets if it is considered more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes the effect of uncertain income tax positions only if those positions are more-likely-than-not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company's policy is to record interest and penalties related to uncertain tax positions as a component of income tax expense. There were no such interest or penalty for the years ended December 31, 2024 and 2023.

On December 22, 2017, the Tax Cut and Jobs Act of 2017 ("the Tax Act") was signed into law, which among other effects, reduces the U.S. federal corporate income tax rate to 21% from 34% (or 35% in certain cases) beginning in 2018, and requires companies to pay a one-time transition tax on certain unrepatriated earnings from non-U.S. subsidiaries that is payable over eight years. No tax was due under this provision. The Tax Act also makes the receipt of future non-U.S. sourced income of non-U.S. subsidiaries tax-free to U.S. companies and creates a new minimum tax on the earnings of non-U.S. subsidiaries relating to the parent's deductions for payments to the subsidiaries.

On July 4, 2025, the One Big Beautiful Bill Act ("the Act") was signed into law. The Act makes permanent key elements of the Tax Cuts and Jobs Act, including 100% bonus depreciation and domestic research cost expensing, increases the Advanced Manufacturing Investment Credit to 35 percent from 25 percent, and makes modifications to the international tax framework. We are currently evaluating the impact of the Act upon our future effective tax rate, tax liabilities, and cash taxes.

(r) Value added tax (“VAT”)

Sales revenue represents the invoiced value of goods, net of VAT. The VAT is based on gross sales price. Since April 1, 2019, VAT rate was lowered from 16% to 13%. The VAT may be offset by VAT paid by the Company on raw materials and other materials included in the cost of producing or acquiring its finished products. The Company recorded a VAT payable or recoverable net of VAT payments in the accompanying consolidated financial statements.

For export sales, VAT is not imposed on gross sales price, but the VAT related to purchasing raw materials is refunded after the export is completed.

(s) Earnings per Share

The Company computes earnings per share (“EPS”) in accordance with ASC 260, “Earnings per Share” (“ASC 260”). ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. As of December

31, 2024 and 2023, warrants were included for the dilutive EPS calculation, respectively.

(t) Comprehensive income (loss)

Comprehensive income (loss) consists of two components, net income and other comprehensive income (loss). The foreign currency translation gain or loss resulting from translation of the financial statements expressed in RMB to US\$ is reported in other comprehensive income (loss) in the consolidated statements of income and comprehensive income.

(u) Recent Accounting Pronouncements

The Company considers the applicability and impact of all accounting standards updates (“ASUs”). Management periodically reviews new accounting standards that are issued.

Recently issued accounting pronouncements not yet adopted

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”, which provides optional expedients and exceptions for applying U.S. GAAP on contract modifications and hedge accounting to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. These optional expedients and exceptions provided in ASU No. 2020-04 are effective for the Company 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 (“ASU 2022-06”), which deferred the application dates of Topic 848 to December 31, 2024. The Company currently does not have any financial instrument that reference to LIBOR and does not anticipate the adoption will have a material impact to the Company’s combined and consolidated financial statements.

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07 (ASC Topic 280), Improvements to Reportable Segment Disclosures. This ASU expands on existing reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. This ASU is effective for our annual reporting for 2025 on a retrospective basis. This standard will impact our disclosures and will not impact our financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (Topic 740). The ASU requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is evaluating this ASU and expects to add additional disclosures to our combined and consolidated financial statements, once adopted.

NOTE-3 - ACCOUNTS RECEIVABLE

Accounts receivable and credit losses consists of the following:

	December 31, 2024	December 31, 2023
Accounts receivable	\$ 7,504,630	\$ 7,455,252
Allowance for credit losses	-	-
Accounts receivable, net	\$ 7,504,630	\$ 7,455,252

The Company's accounts receivable primarily includes balance due from customers when the Company's products are sold and delivered to customers.

The following table provides an analysis of the aging of accounts receivable as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Current	\$ 3,726,124	\$ 3,740,488
1-3 months past due	2,536,815	2,635,045
4-6 months past due	1,241,691	1,079,719
Total accounts receivable	\$ 7,504,630	\$ 7,455,252

NOTE-4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2024	December 31, 2023
Advance to suppliers	\$ 252,618	\$ 334,852
Issuance cost related to convertible promissory notes	-	64,802
Prepayment for land use right (i)	537,755	537,998
Security deposit (ii)	53,840	53,865
Prepaid consulting service fees (iii)	884,687	-
Prepaid market research fees (iv)	955,000	-
Others receivable (v)	78,680	72,110
Prepaid expenses and other current assets	\$ 2,762,580	\$ 1,063,627

- (i) On July 23, 2021, Sichuan Vtouch entered into a contract with Chengdu Wenjiang District Planning and Natural Resources Bureau for the purchase of a land use right of a parcel of land of 131,010 square feet for a consideration of RMB3,925,233 (equivalent to \$537,755) for the Company's new facility. The Company paid the consideration in full by November 18, 2021. Upon issuance of a certificate of land use right by the local government, which is estimated to be obtained by the second half of 2026, the Company will reclassify this prepayment to intangible assets accordingly.
- (ii) On July 28, 2021, Sichuan Vtouch made a security deposit of RMB393,000 (equivalent to \$53,840) to Chengdu Cross-Strait Science and Technology Industry Development Park Management Committee to obtain a construction license for its new facility. This deposit will be refunded upon the issuance of the construction license, which is expected to be by the second half of 2025.
- (iii) In May 2023, the Company entered into two third-party consulting service agreements for a fee of \$1.35 million and \$3.1 million, respectively, for the three-year consulting services. The total fee would be amortized over the three-year services and reclassified to stock issuance costs accordingly. As of December 31, 2024, \$884,687 was recognized as prepaid consulting service fees within one year.
- (iv) On February 29, 2024, the Company advanced market research fees \$70,000 and \$855,000, respectively, to two unrelated individuals, Mr. Chien Hui Chueh and Mr. Cheung Ming Lin, in relation to the Company's market research service overseas. The two individuals signed borrowing contracts with a principal amount of \$70,000 and \$855,000, respectively, on February 29, 2024. Those contracts were issued to the Company to evidence the advances, bearing 3.45% interest per annum, and payable on February 28, 2025, and extended till August 29, 2026.
- (v) Other receivables are mainly employee advances, and prepaid expenses.

NOTE 5- PROPERTY, PLANT AND EQUIPMENT, NET

	December 31, 2024	December 31, 2023
Buildings	\$ 11,798	\$ 12,130
Machinery and equipment	7,672	3,944
Vehicles	40,114	41,241
Construction in progress	12,755,791	12,825,896
Subtotal	12,815,375	12,883,211
Less: accumulated depreciation	(32,378)	(23,348)
Property, plant and equipment, net	\$ 12,782,997	\$ 12,859,863

Depreciation expense was \$9,805 and \$9,403 for the year ended December 31, 2024 and 2023, respectively.

As of December 31, 2024, the Company had commitment of RMB5.0 million (equivalent to \$ 0.7 million) for construction in progress of our new facility.

NOTE 6- OPERATING LEASE

In March 2021, pursuant to the local PRC government guidelines on local environmental issues and the national plan, the Company was under the government directed relocation order to relocate from a parcel of state-owned land where we maintained our executive offices, research and development facilities and factories. The Company received a total amount of RMB115.2 million (approximately \$17.7 million) from the local government (see ITEM 2. PROPERTIES AND FACILITIES) to start the construction of the new facility in a neighboring Chengdu Wenjiang District.

On March 16, 2021, in order to minimize interruption of the Company's business, Sichuan Vtouch entered into a leasing agreement with Sichuan Renshou Shigao Tianfu Investment Co., Ltd. (later renamed as Meishan Huantian Industrial Co., Ltd.), a limited liability company owned by the local government, to lease the property, and all buildings, facilities and equipment thereon (the "Demised Properties") of Sichuan Wetouch, commencing from April 1, 2021 until December 31, 2021 at a monthly rent of RMB300,000 (\$41,100), which period was extended to October 31, 2022. The lease was renewed on October 30, 2022, October 30, 2023 and August 9, 2024, respectively, with a monthly rent of RMB 400,000 (\$54,800), the term of which has been extended to October 31, 2025 for the use of the Demised Properties.

The Company's new facility started in August 2021 yet was delayed and suspended due to the outbreak of Covid-19 and government-ordered shutdowns in China. The Company has rescheduled and extended the completion by end of December 31, 2025 with the production at the new facilities will commencing in the second quarter of 2026. For the year ended December 31, 2024, management makes estimates and assumptions to use the leasing property till the end of October 2026, and applies ASU 2016-02 "Leases (Topic 842) as practical expedients during the year ended December 31, 2024.

Both operating lease expense and short-term lease expense are recognized in cost of revenues and general and administrative expenses.

The components of lease expense for the years ended December 31, 2024 and 2023 were as follows:

	For the Years Ended December 31,	
	2024	2023
Lease expense		
Operating lease expense	\$ 667,065	\$ -
Short-term lease expense	-	677,870
Total lease expense	\$ 667,065	\$ 677,870

The balances for the operating leases where the Company is the lessee are presented as follows:

	As of December 31,	
	2024	2023
Operating lease right-of-use assets	\$ 1,055,208	\$ -
Lease liabilities - current	571,539	-
Lease liabilities - non-current	482,606	-
Total operating lease liabilities	\$ 1,054,145	\$ -

The following is a schedule, by years, of maturities of lease liabilities as of December 31, 2024:

	Operating leases
2025 lease payment	\$ 482,606
Less: imputed interest	-
Present value of lease liabilities	\$ 482,606

Lease term and discount rate:

	For the Years ended December 31,	
	2024	2023
Weighted-average remaining lease term (years)		
Operating lease	1.8	-
Weighted-average discount rate		
Operating lease	1.06%	-

Supplemental cash flow information related to leases where the Company was the lessee for the year ended December 31, 2024 was as follows:

	For the Years ended December 31,	
	2024	2023
Cash payments for operating leases	\$ 98,387	\$ -
Lease liabilities arising from obtaining right-of-use assets	1,168,788	-

NOTE 7 - RELATED PARTY TRANSACTIONS

Amounts due to a related party are as follows:

	Relationship	December 31, 2024	December 31, 2023	Note
Chengdu Wetouch Intelligent Optoelectronics Co., Ltd.	Affiliate of Ms. Jiaying Cai, director of the Company	\$ 149,211	\$ -	Payable to affiliate for expenses paid on behalf of the Company
Total		\$ 149,211	\$ -	

NOTE 8 - INCOME TAXES

Wetouch

Wetouch is subject to a tax rate of 21% per beginning 2018, and files a U.S. federal income tax return.

BVI Wetouch

Under

the current laws of the British Virgin Islands, BVI Wetouch, a wholly owned subsidiary of Wetouch, is not subject to tax on its income or capital gains. In addition, no British Virgin Islands withholding tax will be imposed upon the payment of dividends by the Company to its shareholders.

Hong Kong

HK Wetouch is subject to profit taxes in Hong Kong at a progressive rate of 16.5%.

PRC

Sichuan Wetouch and Sichuan Vtouch files income tax returns in the PRC. Effective from January 1, 2008, the PRC statutory income tax rate is 25% according to the Corporate Income Tax ("CIT") Law which was passed by the National People's Congress on March 16, 2007.

Under PRC CIT Law, domestic enterprises and foreign investment enterprises (the "FIEs") are usually subject to a unified 25% enterprise income tax rate while preferential tax rates, tax holidays and even tax exemption may be granted on a case-by-case basis by local government as preferential tax treatment to High and New Technology Enterprises (the "HNTEs"). Under this preferential tax treatment, HNTEs are entitled to an income tax rate of 15%, subject to a requirement that they re-apply for their HNTE status every three years. Pursuant to an approval from the local tax authority in October 2017, Sichuan Wetouch became a qualified enterprise located in the western region of the PRC, entitled it to a preferential income tax rate of 15% from October 11, 2017 to October 11, 2020.

On October 21, 2020, Sichuan Wetouch was granted on a case-by-case basis by Sichuan Provincial government as an HNTE , entitled to a reduced income tax rate of 15% from October 21, 2020 until October 20, 2023.

Sichuan Vtouch is subject to a 25% income tax rate.

The CIT Law and its implementation rules impose a withholding income tax at 10%, unless reduced by a tax treaty or arrangement, on the amount of dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC that are related to earnings accumulated beginning on January 1, 2008. Dividends relating to undistributed earnings generated prior to January 1, 2008 are exempt from such withholding income tax.

The Company's provision for income taxes credit (expenses) consisted of:

	For the Years Ended December 31,	
	2024	2023
PRC income tax		
Income tax provision	\$ 2,699,683	\$ 4,082,606
Deferred income tax expenses (credit)	(41,993)	-
Total	\$ 2,657,690	\$ 4,082,606
BVI	-	-
Hong Kong	-	-
China	-	-
	-	-
Income tax provision	\$ 2,657,690	\$ 4,082,606

The following table reconciles the PRC statutory rates to the Company's effective tax rate for the years ended December 31, 2024 and 2023:

	For the Years Ended December 31,	
	2024	2023
PRC statutory income tax rate	25.0%	25.0%
Income tax computed at PRC statutory corporate income tax rate of 25%	32.9%	31.6%
Tax rate differential on entities not subject to PRC income	(1.3)%	(1.1)%
R&D additional deduction	-	(0.2)%
Change in valuation allowance	(1.1)%	0.2%
Temporary differences	(0.5)%	0.1%
Non-deductible expenses	0.5%	2.5%
Effective tax rate	30.6%	33.1%

A reconciliation of the provision for income taxes determined at the statutory income tax rate to the Company's income taxes is as follows:

	For the Years Ended December 31,	
	2024	2023
Income before income taxes	\$ 8,688,848	\$ 12,346,937
Income tax computed at PRC statutory corporate income tax rate of 25%	2,861,613	3,905,978
Reconciling items:		
Tax rate differential on entities not subject to PRC income tax	(110,304)	(131,079)
R&D additional deduction	-	(21,138)
Change in valuation allowance	(94,593)	30,353
Temporary differences	(41,993)	17,610
Non-deductible expenses	42,967	280,882
Income tax provision	\$ 2,657,690	\$ 4,082,606

The Company follows ASC 740, "Income Taxes", which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company's deferred tax assets consisted of the following components:

	December 31,	
	2024	2023
Deferred tax assets:		
Credit loss on advance to vendors	\$ 11,056	\$ -
Provision of obsolete inventory	30,607	-
Leasing liabilities	263,536	-
Total gross deferred tax assets	305,199	-
Less valuation allowance	-	-
Deferred tax assets net of valuation allowance	305,199	-
Deferred tax liabilities:		
Right-of-use assets	(263,802)	-
Deferred tax liabilities	(263,802)	-
Deferred tax assets, net	\$ 41,397	\$ -

The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. As of December 31, 2024 and 2023, taxes for Sichuan Vtouch remained open for statutory examination by PRC tax authorities.

NOTE 9- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	December 31, 2024	December 31, 2023
Advance from customers	\$ 166,535	\$ 182,277
Accrued payroll and employee benefits	81,837	84,280
Accrued interest expenses	-	240,805
Accrued private placement agent fees (i)	-	1,200,000
Accrued consulting fees (ii)	-	1,370,972
Accrued legal compensation charges (iii)	35,356	45,828
Accrued professional fees	57,173	330,180
Accrued director fees	66,734	106,824
Other payable	147,102	143,035
Other tax payables (iv)	162,888	-
Others (v)	248,836	288,704
Accrued expenses and other current liabilities	\$ 966,461	\$ 3,992,905

- (i) On March 18, 2023, the Company entered into a private placement consent agreement with a third-party investment bank firm on the agent fees of \$1.2 million, payable only on the completion of the private placement. The Company made the full payment in February 2024.
- (ii) In May 2023, the Company entered into two third-party consulting service agreements for a fee of \$1.35 million and \$3.1 million, respectively. The Company made the full payment in February 2024. Due to the service of three-year term, Upon the closing of *the 2024 Public Offering* (as defined in Note 1), \$316,378 was charged to additional paid-in capital as the closing cost of the 2024 Public Offering, and the remaining was recognized as consulting service fee over the service period. the Company recorded \$1,370,972 as consulting service fee for the year ended December 31, 2024.
- (iii) As of December 31, 2024, the Company accrued litigation compensation charges of RMB258,075 (\$35,356).
- (iv) Other tax payable mainly represent value added tax payable.
- (v) Others mainly represent accrued employee reimbursement payable and other accrued miscellaneous operating expenses.

NOTE 10 - CONVERTIBLE PROMISSORY NOTES PAYABLE

a) Convertible promissory notes

In October, November, and December 2021, the Company, issued seven (7) convertible promissory notes (the “Notes”) of an aggregate principal amount of \$2,250,000, due in one year with discounted issuance price at 90.0%. The Notes bore interest at a rate of 8.0% per annum, payable in one year and matured on October 27, November 5, November 16, November 29, and December 2, 2022, respectively. Net proceeds after debt issuance costs and debt discounts were approximately \$1,793,000. Debt issuance costs in the amount of \$162,000 are recorded as deferred charges and included in the other current assets on the consolidated balance sheet. The debt discount and debt issuance costs are amortized into interest expense using the effective interest method over the terms of the Notes.

Unless the Notes are converted, the principal amounts of the Notes, and accrued interest at the rate of 8% per annum, are payable on the one-year anniversary of the issuance of the Notes (the “Maturity Date”). If the Company fails to satisfy its loan obligation by the Maturity Date, the default interest rate will be 16%.

The Lenders have the right to convert any or all of the principal and accrued interest on the Notes into shares of common stock of the Company on the earlier of (i) 180 calendar days after the issuance date of the Notes or (ii) the closing of a listing for trading of the common stock of the Company on a national securities exchange offering resulting in gross proceeds to the Company of \$15,000,000 or more (an “Uplist Offering”). If the Company closes an Uplist Offering on or before the 180th calendar date after the issuance date of the Notes, the conversion price shall be 70% of the per share offering price in the Uplist Offering; otherwise, the conversion price is \$15.0 per share.

Subject to customary exceptions, if the Company issues shares or any securities convertible into shares of common stock at an effective price per share lower than the conversion price of the Notes, the conversion rate of the Notes shall be reduced to such lower price.

Until the Notes are either paid or converted in their entirety, the Company agreed with the Lenders not to sell any securities convertible into shares of common stock of the Company (i) at a conversion price that is based on the trading price of the stock or (ii) with a conversion price that is subject to being reset at a future date or upon an event directly or indirectly related to the business of the Company or the market for the common stock. The Company also agreed to not issue securities at a future determined price.

The Lenders have the right to require the Company to repay the Notes if the Company receives cash proceeds, including proceeds from customers and the issuance of equity (including in the Uplist Offering). If the Company prepays the Notes prior to the Maturity Date, the Company shall pay a 10% prepayment penalty.

From December 28, 2022 to April 6, 2023, the lenders of five outstanding Notes and the Company entered into an amendment to the Notes (“Amendment No. 1 to Promissory Note”) extending the term of the Notes for an additional 6 months.

From August 29 to September 9, 2023, the lenders of the outstanding Notes and the Company entered into an amendment to the Notes (“Amendment No. 2 to Promissory Note”) that upon the listing of the Company’s common stock on the Nasdaq Capital Market (the “Uplist”), the Company shall within three (3) business days after the Uplist, pay to the Holders amounts equal to 105% of the total outstanding balance of the Convertible Debenture.

During the year ended December 31, 2023, principal and default charges totaling \$1,200,000 were converted into 25,000 shares of common stock of the Company.

During the year ended December 31, 2023, principal, accrued and unpaid interest and default charges totaling \$1,038,426 were converted into 69,228 shares of common stock of the Company. Two notes were fully converted.

On February 23, 2024, immediately upon the closing of the 2024 Public Offering, the Company made a full payment of \$2,586,960 under the remaining five outstanding promissory notes, including the principal of \$1,400,750 and the related accrued interests and default charges of \$1,186,210.

During the years ended December 31, 2024 and 2023, amortization of discounts and issuance cost of the notes were \$5,715 and \$33,655, respectively.

For the years ended December 31, 2024 and 2023, the Company recognized interest expenses of the Notes in the amount of \$1,169,974 and \$ 252,325, respectively.

b) Warrants

Accounting for Warrants

In connection with the issuance of the Notes, the Company also issued to the lenders seven (7) three-year warrants (the “Note Warrants”) to purchase an aggregate of 90,000 shares of the Company’s common stock (the “Warrant Shares”).

The Note Warrants issued to the lenders granted the holders the rights to purchase up to 10,000 shares of common stock of the Company at an exercise price of \$25 per share. However, if the Company closes an Uplist Offering on or before the 180th calendar date after the issuance date of the Note Warrants, then the exercise price shall be 125% of the offering price of a share in the Uplist Offering. If the adjusted exercise price as a result of the Uplist Offering is less than \$25 per share, then the number of shares for which the Warrants are exercisable shall be increased such that the total exercise price, after taking into account the decrease in the per share exercise price, shall be equal to the total exercise price prior to such adjustment.

The lenders have the right to exercise the Note Warrants on a cashless basis if the highest traded price of a share of common stock of the Company during the 150 trading days prior to exercise of the Note Warrants exceeds the exercise price, unless there is an effective registration statement of the Company which covers the resale of the Lenders.

If the Company issues shares or any securities convertible into shares at an effective price per share lower than the exercise price of the Note Warrants, the exercise price of the Note Warrants shall be reduced to such lower price, subject to customary exceptions.

The lenders may not convert the Notes or exercise the Note Warrants if such conversion or exercise will result in each of the lenders, together with any affiliates, beneficially owning in excess of 4.9% of the Company’s outstanding shares of common stock immediately after giving effect to such exercise unless such lender notifies the Company at least 61 days prior to such exercise.

During the year ended December 31, 2023, two lenders exercised the Note Warrants cashlessly for 22,338 shares of common stock of the Company.

During the year ended December 31, 2024, one lender exercised the Note Warrants cashlessly for 2,725 shares of common stock of the Company.

As of December 31, 2024, the remaining Note Warrants of 34,028 were expired and the Company recorded \$378,371 gain on changes in the fair value of common stock purchase warrants liability using the Black-Scholes option-pricing model.

(c) Registration Rights Agreements

Pursuant to the terms of the Registration Rights Agreements between the Company and lenders of the Notes, the Company agreed to file a registration statement with the Securities and Exchange Commission to register the shares of common stock underlying the Notes and the shares issuable upon exercise of the Note Warrants within sixty days from the date of each Registration Rights Agreement. The Company also granted the lenders piggyback registration rights on such securities pursuant to the Purchase Agreements.

NOTE 11- STOCKHOLDERS' EQUITY

1) Common Stock

The Company's authorized shares of common stock was 15,000,000 shares with par value of \$0.001 as of the date of this annual report.

On December 22, 2020, the Company issued 5,181 shares of common stock to The Crone Law Group, P.C. or its designees for legal services (see Note 11).

On January 1, 2021, the Company issued an aggregate of 15,541 shares to a third party service provider for consulting services that had been rendered.

On April 14, April 27 and September 1, 2022, the Company issued 5,777, 5,599 and 2,857 shares of common stock upon cashless exercise of the Note Warrants to three lenders, respectively. (see Note 9 (b)).

During the year ended December 31, 2022, the Company issued 6,211 shares of common stock to a third party upon exercise of warrants (see Note 11).

During the year ended December 31, 2022, the Company issued 69,228 shares of common upon conversion of convertible promissory note payable (see note 9 (a)).

On January 19, 2023, the Company sold an aggregate of 8,000,000 shares of common stock to purchasers in a private placement for an aggregate purchase price of \$40,000,000, or \$5.00 per share. On January 20, 2023, the Company received net proceeds of \$40 million accordingly.

During the year ended December 31, 2023, the Company issued 25,000 shares of common stock upon conversion of convertible promissory note payable (see note 9 (a)). During the year ended December 31, 2023, the Company issued 22,338 shares of common stock to two third parties upon exercise of warrants (see Note 9(b)).

On February 20, 2024, the Company issued 2,160,000 shares of common stock at a public offering price of \$5.00 per share. The Company's common stock began trading on the Nasdaq Capital Market under the ticker symbol "WETH" on February 21, 2024.

As of the date of this Annual Report, there were 11,931,534 shares of common stock issued and outstanding.

2) Reverse Stock Split

On February 17, 2023, the Company's board of directors authorized a reverse stock split of common stock with a ratio of not less than one to five (1:5) and not more than one to eighty (1:80), with the exact amount and the timing of the reverse stock split to be determined by the Chairman of the Board. Upon effectiveness of such reverse stock split, the number of authorized shares of the common stock of the Company will also be decreased in the same ratio. Pursuant to Section 78.209 of the Nevada Revised Statutes, the reverse stock split does not have to be approved by the stockholders of the Company.

On July 16, 2023, the Company's board of directors approved the reverse stock split of the Company's common stock at a ratio of 1-for-20. On July 16, 2023, the Company filed a certificate of change (with an effective date of July 16, 2023) with the Nevada Secretary of State pursuant to Section 78.209 of the Nevada Revised Statutes to effectuate a 1-for-20 reverse stock split of its common stock. On September 11, 2023, the reverse stock split was approved by the Financial Industry Regulatory Authority and took effect on September 12, 2023. All share information included in this report has been adjusted as if the reverse stock split occurred as of the earliest period presented.

3) Closing of the 2024 Public Offering

On February 23, 2024, the Company closed its offering of 2,160,000 shares of common stock at a public offering price of \$5.00 per share, for aggregate gross proceeds of \$10.8 million before deducting underwriting discounts, and other offering expenses.

The Company complies with the requirements of FASB ASC Topic 340-10-S99-1, “Other Assets and Deferred Costs - SEC Materials” (“ASC 340-10-S99”) and SEC Staff Accounting Bulletin Topic 5A, “Expenses of Offering”, and charged issuance costs of \$1,810,246 to additional paid-in capital during the year ended December 31, 2024.

3) Statutory Reserve and Restricted Net Assets

Under PRC rules and regulations, all companies in the PRC are required to appropriate 10% of their net income to a statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The appropriation to this statutory surplus reserve must be made before distribution of dividends can be made. The statutory reserve is non-distributable, other than during liquidation, and can be used to fund previous years losses, if any, and may be converted into share capital by issuing new shares to existing shareholders in proportion to their shareholders or by increasing the par value of the shares currently outstanding, provided that the remaining balance of the statutory reserve after such issue is not less than 25% of the registered capital.

Appropriations to the discretionary surplus reserve are made at the discretion of the board of directors. The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production or increase in registered capital, but are not distributable as cash dividends.

For the years ended December 31, 2024 and 2023, the Company made appropriations to the reserve fund of RMB6,324,130 (equivalent to US\$878,876) and RMB 8,172,303 (equivalent to US\$ 1,154,131), respectively.

NOTE 12- SHARE BASED COMPENSATION

The Company applied ASC 718 and related interpretations in accounting for measuring the cost of share-based compensation over the period during which the consultants are required to provide services in exchange for the issued shares. The fair value of above award was estimated at the grant date using the Black-Scholes model for pricing the share compensation expenses.

On December 22, 2020, the board of directors of the Company authorized the issuance of an aggregate of 5,181 shares and warrants to purchase an aggregate of 10,518 shares of common stock to The Crone Law Group, P.C. or its designees for legal services that had been rendered. The five-year warrants are exercisable at one cent per share.

5,181 shares of common stock underlying such warrants were vested on December 22, 2020 and 6,211 shares were issued upon exercise of these warrants on September 21, 2022 and warrant to purchase 4,307 shares remained outstanding for The Crone law Group, P.C. or its designees for legal services. The fair value of above award was estimated at the grant date using Black-Scholes model for pricing the share compensation expenses. The fair value of the Black-Scholes model includes the following assumptions: expected life of 2.5 years, expected dividend rate of 0%, volatility of 43.5% and an average interest rate of 0.11%.

On January 1, 2021, the board of directors of the Company authorized the issuance of an aggregate of 15,541 shares and warrants to purchase 31,554 shares of common stock to a third party service provider for consulting services that had been rendered. These warrants have a five-year term and are exercisable at one cent per share.

The 15,541 shares of common stock and warrants to purchase 31,554 shares of commons stock vested on January 1, 2021.

The fair value of the above warrants was estimated at the grant date using Black-Scholes model for pricing the share compensation expenses. The fair value of the Black-Scholes model includes the following assumptions: expected life of 2.5 years, expected dividend rate of 0%, volatility of 51.3% and an average interest rate of 0.12%.

During the year ended December 31, 2024, warrants for 35,861 shares of common stock related to above mentioned services were exercised. There were no warrants related to services remaining as of December 31, 2024.

As of December 31, 2024 and 2023, the Company recognized relevant share-based compensation expense of nil and nil for the vested shares, and nil and nil for the warrants, respectively.

NOTE 13. WEIGHTED AVERAGE NUMBER OF SHARES

In October 2020, the Company entered into a reverse merger transaction. The Company computes the weighted-average number of shares of common stock outstanding in accordance with ASC 260 states that in calculating the weighted average shares when a reverse merger takes place in the middle of the year, the number of common shares outstanding from the beginning of that period to the acquisition date shall be computed on the basis of the weighted-average number of shares of common stock of the legal acquiree (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the merger agreement. The number of shares of common stock outstanding from the acquisition date to the end of that period shall be the actual number of shares of common stock of the legal acquirer (the accounting acquiree) outstanding during that period.

NOTE 14 - RISKS AND UNCERTAINTIES

Credit Risk - The carrying amount of accounts receivable included in the balance sheet represents the Company's exposure to credit risk in relation to its financial assets. No other financial asset carries a significant exposure to credit risk. The Company performs ongoing credit evaluations of each customer's financial condition. The Company maintains allowances for doubtful accounts and such allowances in the aggregate have not exceeded management's estimates.

The Company has its cash in bank deposits primarily at state owned banks located in the PRC. Historically, deposits in PRC banks have been secured due to the state policy of protecting depositors' interests. The PRC promulgated a Bankruptcy Law in August 2006, effective June 1, 2007, which contains provisions for the implementation of measures for the bankruptcy of PRC banks. The bank deposits with financial institutions in the PRC are insured by the government authority for up to RMB500,000.

Interest Rate Risk - The Company is exposed to the risk arising from changing interest rates, which may affect the ability of repayment of existing debts and viability of securing future debt instruments within the PRC.

Currency Risk - A majority of the Company's revenue and expense transactions are denominated in RMB and a significant portion of the Company's assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China ("PBOC"). Remittances in currencies other than RMB by the Company in China must be processed through the PBOC or other China foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance.

Concentrations - The Company sells its products primarily through direct customers in the PRC and to some extent, the overseas customers in European countries and East Asia such as South Korea and Taiwan. For the year ended December 31, 2024, five customers accounted for 22.0%, 19.1%, 15.3%, 14.5%, and 11.5%, respectively, of the Company's revenue. For the year ended December 31, 2023, six customers accounted for 22.5%, 16.5%, 15.6%, 14.1%, 11.3% and 10.1%, respectively, of the Company's revenue.

And the Company's top 10 customers aggregately accounted for 99.3% and 99.7% of the total revenue for the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024, five customers accounted for 26.6%, 24.5%, 12.0%, 11.4% and 10.8% of the total accounts receivable balance, respectively.

As of December 31, 2023, four customers accounted for 31.7%, 16.2%, 15.8% and 11.5% of the total accounts receivable balance, respectively.

The Company purchases its raw materials through various suppliers. Raw material purchases from these suppliers which individually exceeded 10% of the Company's total raw material purchases, accounted for approximately 15.5%, 12.2% and 11.5% (three customers) and 13.3

% (one supplier) of the Company's total raw material purchases for the year ended December 31, 2024 and 2023, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

i) Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, can result in substantial cost and the diversion of our resources, including our management's time and attention.

As of the date of this Report, we are not aware of any material, active, pending or threatened to which the Company or any of its subsidiaries is a party, or to which any of their property is subject.

ii) Capital Expenditure Commitment

As of December 31, 2024, the Company had commitment of RMB5.0 million (equivalent to \$0.7 million) for construction in progress.

NOTE 16 - SEGMENT REPORTING

The Company's chief operating decision maker has been identified as the Chief Executive Officer ("CEO"), who reviews financial information of operating segments based on U.S. GAAP amounts when making decisions about allocating resources and assessing performance of the Company.

The Company determined that it operated in one operating segment of touch screen business.

The Company primarily operates in People's Republic of China ("PRC"), and substantially all of the Company's long-lived assets are located in the PRC.

- 1) The Company's geographical revenue information is set forth below:

	For the Years Ended December 31,	
	2024	2023
Sales in PRC	\$ 27,340,555	\$ 27,668,985
Sales in Overseas		
-Republic of China (ROC, or Taiwan)	8,317,810	6,255,602
-South Korea	6,462,723	5,619,228
-Others	159,285	162,124
Sub-total	14,939,818	12,036,954
Total revenues	<u>\$ 42,280,373</u>	<u>\$ 39,705,939</u>

- 2) Segment information is set forth below:

	For the Years Ended December 31,	
	2024	2023
Revenues	\$ 42,280,373	\$ 39,705,939
Less:		
Cost of revenues	28,673,574	22,515,219
Allowance for credit losses	44,862	-
Provision of obsolete inventory	54,873	-
Staff cost	1,379,481	1,155,617
(Gain) loss on changes in fair value of common stock purchase warrants liability.	(378,371)	121,413
Amortization of discounts and issue cost of the notes	5,715	33,655
Depreciation expense	9,805	9,403
Lease expense	98,387	-
Interest expense	1,169,974	252,325
Charges of contract default penalty expense	35,865	46,573
Income tax expense	2,657,690	4,082,606
Other segment items*	2,497,360	3,224,797
Segment net income	6,031,158	8,264,331
Consolidated net income	<u>\$ 6,031,158</u>	<u>\$ 8,264,331</u>
Consolidated total assets	<u>\$ 128,019,463</u>	<u>\$ 119,641,398</u>

* Other segment items include remaining selling expense, general and administration expenses, research & development, and interest income.

NOTE 17 - SUBSEQUENT EVENTS

On April 11, 2025, Sichuan Vtouch entered into a supplemental construction contract with Sichuan Chunqiu Development & Construction Group Co. Ltd. for a total consideration of RMB 4,633,118 (equivalent to \$0.6 million) for completion of the Company's facility construction project on the capacitive touch screen and touch machine R&D. Pursuant to the contract, the Company is required to prepay 50% of the contract within three months and the remaining amount payable upon the completion of the project settlement. As of the date of this Annual Report, the Company has prepaid the 50% of the contract value.

WETOUGH TECHNOLOGY INC.

DESCRIPTION OF SECURITIES

GENERAL

The following description of our capital stock is intended as a summary only. This description is based upon, and is qualified by reference to, our Amended and Restated Articles of Incorporation, as amended to date (our “certificate of incorporation”), our Bylaws, as amended to date, (our “bylaws”), and applicable Nevada law. This summary may not be complete. You should read our certificate of incorporation (including the certificate of amendment thereto) and our bylaws, which are incorporated by reference as exhibits to this Annual Report on Form 10-K, for the provisions that are important to you.

DESCRIPTION OF COMMON STOCK

We are authorized to issue 300,000,000 shares of common stock at a par value of \$0.001. The voting, dividend and liquidation rights of the holders of shares of common stock are subject to, and qualified by, the rights of the holders of the preferred stock, if any, of the Company.

Dividend Rights

The holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine.

Voting Rights

Each holder of our common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for in our articles of incorporation, which means that the holders of a majority of our shares of common stock voted can elect all of the directors then standing for election.

DESCRIPTION OF PREFERRED STOCK

We are authorized to issue 10,000,000 shares of preferred stock at a par value of \$0.001 and we had no shares of preferred stock issued and outstanding as of December 31, 2024 and as of the date hereof.

Preferred Stock

The preferred stock may be issued at any time or from time to time, in any one or more series, and any such series shall be comprised of such number of shares and may have such voting powers, whole or limited, or no voting powers, and such designations, preferences and relative, participating, options or other special rights and qualifications, limitations, or restrictions thereof, including liquidation preferences, as shall be stated and expressed in the board resolutions of the Company.

Land, Factory, and Equipment - Lease Agreement

Lessor (Party A): Sichuan Renshou Shigao Tianfu Investment Co., Ltd.

Lessee (Party B): Sichuan Vtouch Technology Co., Ltd.

According to relevant national regulations, and on the basis of voluntariness, equality, and mutual benefit, Party A agrees to continue leasing to Party B its legally owned land, factory, and equipment after the lease expires on October 31, 2024, and both parties have reached the following agreement:

I. Lease Property

Since Party B's new factory construction still requires time and cannot be completed as scheduled, Party A agrees to lease its land, factory, and equipment to Party B for temporary production.

II. Lease Term for Factory

1. The lease term is 12 months, from November 1, 2024 to October 31, 2025.
2. Upon lease expiration, Party A has the right to take back the leased land, factory, and equipment for removal, and Party B must return them on time.
3. Party B may terminate this contract early within the lease term without bearing liability for breach of contract.

III. Rent and Security Deposit Payment

1. Both parties agree that the monthly rent for the land, factory, and equipment is RMB 400,000.
2. Once the contract is signed, Party B shall pay the monthly rent in advance to Party A by the 25th of each month.

IV. Other Expenses

During the lease term, expenses for water, electricity, gas, telephone, and other utilities incurred from using the factory shall be borne by Party B. Payment shall be made within 3 days after receipt of the invoice.

V. Use and Maintenance Obligations

1. During the lease term, if Party B discovers any damage or malfunction of the factory or its facilities, Party B shall promptly notify Party A for repairs. Party A shall repair within 3 days of receiving notice. If repairs are not made in time, Party B may carry out repairs at Party A's expense.
 2. During the lease term, Party B shall reasonably use and maintain the factory and its facilities. If improper use by Party B causes damage or malfunctions, Party B shall bear repair costs. If Party B refuses, Party A may repair at Party B's expense.
 3. During the lease term, Party A shall ensure the leased property is safe and usable. Inspections and maintenance shall be conducted with 3 days' prior notice to Party B, who shall cooperate to minimize impact on Party B's use.
-

VI. Transfer and Return of Factory

- 1. During the lease term, Party B shall not transfer or sublease the factory, land, or equipment to others.
- 2. At lease expiration, Party B must return the factory on time. Any losses or consequences caused by failure to do so shall be borne by Party B.

VII. Other Provisions During Lease Term

- 1. Both parties must comply with national laws and shall not use the leased property for illegal activities.
- 2. Party A has the right to supervise and assist Party B in fire safety, security, and sanitation.
- 3. Party B may renovate according to business needs but shall not damage the original structure. Renovation costs are borne by Party B, with no compensation from Party A.
- 4. Party B must pay rent and other expenses on time. If overdue for one month, Party A has the right to charge a 5% penalty and terminate the lease.

VIII. Miscellaneous

- 1. If Party A terminates the contract early, Party A shall compensate Party B with 3 months' rent.
- 2. If Party A's issues affect Party B's normal operations and cause losses, Party A shall bear full responsibility and provide compensation.

IX. Dispute Resolution

Unresolved matters shall be settled through consultation in accordance with law.

X. Copies and Effectiveness

This contract is made in quadruplicate, with each party holding two copies. The contract becomes effective upon signing and stamping by both parties.

Lessor (Party A): [Seal & Signature]
Authorized Representative: _____

Lessee (Party B): [Seal & Signature]
Authorized Representative: _____

Place of Signing: _____
Date of Signing: August 9, 2024

RULE 13a-14(a) CERTIFICATION FOR FORM 10-K (CEO) CERTIFICATION

I, Zongyi Lian, certify that:

1. I have reviewed this annual report on Form 10-K of Wetouch Technology Inc.;
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(s) 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 the Company 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(s) 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 controls over financial reporting.

Date: September 10, 2025

By: /s/ Zongyi Lian
Zongyi Lian
Chief Executive Officer

RULE 13a-14(a) CERTIFICATION FOR FORM 10-K (CFO) CERTIFICATION

I, Xing Tang, certify that:

1. I have reviewed this annual report on Form 10-K of Wetouch Technology Inc.;
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(s) 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 the Company 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(s) 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 controls over financial reporting.

Date: September 10, 2025

By: /s/ Xing Tang

Xing Tang

Chief Financial Officer

SECTION 1350 CERTIFICATION (CEO)
Wetouch Technology Inc.
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 Annual Report of Wetouch Technology Inc. (the “Company”) on Form 10-K for the period ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Zongyi Lian, 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: September 10, 2025

/s/ Zongyi Lian

Zongyi Lian

Chief Executive Officer

SECTION 1350 CERTIFICATION (CFO)
Wetouch Technology Inc.
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 Annual Report of Wetouch Technology Inc. (the “Company”) on Form 10-K for the period ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Xing Tang, 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: September 10, 2025

/s / Xing Tang

Xing Tang

Chief Financial Officer