

REFINITIV

# DELTA REPORT

## 10-K

WETH - WETOUCHE TECHNOLOGY INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31,  
2022

The following comparison report has been automatically generated

TOTAL DELTAS 4141

<span style="color: yellow;">█</span>	CHANGES	1
<span style="color: pink;">█</span>	DELETIONS	2740
<span style="color: green;">█</span>	ADDITIONS	1400

## UNITED STATES

SECURITIES AND EXCHANGE COMMISSION WETOUCH TECHNOLOGY INC.

Washington, D.C. 20549

## DESCRIPTION OF SECURITIES

## FORM 10-K

## GENERAL

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

*For the fiscal year ended December 31 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"), 2022*

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

*For the transition period from \_\_\_\_\_ our Amended and Restated Bylaws, as amended to \_\_\_\_\_  
Commission File Number: 000-56215*

**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. date, (our "bylaws")

No. 29, Third Main Avenue  
Shigao Town, Renshou County  
Meishan, Sichuan, China

620500

(Address of Principal Executive Offices)

(Zip Code)

(86) 028-37390666

*(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**

None

N/A

N/A

*Securities registered pursuant to Section 12(g) of the Act:***Common Stock, par value \$0.001***(Title of class)**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 applicable Nevada law. This summary may not 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 such filing requirements this Annual Report on Form 10-K, for the past 90 days, provisions that are important to you.*

Yes  No 

## DESCRIPTION OF COMMON STOCK

*Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required*

*We are authorized 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.

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 30, 2022 (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 \$11,270,530.

193,604,965 issue 15,000,000 shares of common stock were at a par value of \$0.001 and as of April 15, 2024, we had 11,931,534 shares of common stock issued and outstanding. 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 as of April 14, 2023. April 15, 2024, we had no shares of preferred stock issued and outstanding.

#### *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.

**Exhibit 10.13.2**

#### **Land, Plant, and Equipment Lease Agreement**

Lessor (Party A): Meishan Huantian Industrial Co., Ltd. (Party A's original name is Sichuan Renshou Shigao Tianfu Investment Co., Ltd.)

Lessee (Party B): Sichuan Vtouch Technology Co., Ltd.

According to relevant national regulations, based on voluntariness, equality and mutual benefit between Party A and Party B, Party A will continue to lease its legally owned land, factories, and equipment to Party B for use on the premise that the lease expires on October 31, 2023, the two parties reached an agreement and signed the contract as follows:

#### **I. The situation of rental property**

Since the construction of Party B's new factory still takes time and Party B is unable to complete the construction and use of the new factory on time, Party A agrees to continue to lease the land, factories, and equipment of Sichuan Vtouch Technology Co., Ltd. that were expropriated due to the government's overall plan for Party B's use. for temporary production.

#### **II. Factory lease term**

1. Lease for 12 months, from November 1, 2023 to October 31, 2024.
2. When the lease expires, Party A has the right to take back the leased land, factories, and equipment for demolition, and Party B shall return them as scheduled.
3. Party B can terminate this contract early during this period and will not be liable for breach of contract.

#### **III. Rent and security deposit payment methods**

1. Party A and Party B agree that the monthly rent for leasing land, factories, and equipment is RMB 400,000.

2. Once both parties A and B sign a contract, the rent will be paid monthly, and Party B will pay the next month's rent to Party A before the 25th of each month.

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**WETOUGH TECHNOLOGY INC.****ANNUAL REPORT ON FORM 10-K** **IV. Other expenses**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

During the lease period, Party B shall bear the costs of water, electricity, gas, telephone, and other communications incurred when using the factory, and shall pay within three days upon receipt of receipts and invoices.

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1. During the lease period, if Party B discovers that the factory and its ancillary facilities are damaged or malfunctioning, Party B shall promptly notify Party A to repair it. Party A shall carry out repairs within 3 days after receiving Party B's notification. If repairs are not made within the time limit, Party B can repair them on behalf of Party A at Party A's expense.

2. During the lease period, Party B shall reasonably use and take good care of the factory building and its ancillary facilities. If the factory building and its ancillary facilities are damaged or malfunction due to improper or unreasonable use by Party B, Party B shall be responsible for repairs. If Party B refuses to repair it, Party A can repair it on behalf of Party B at Party B's expense.

3. During the lease period, Party A ensures that the factory and its ancillary facilities are in normal usable, and safe condition. Party A shall notify Party B 3 days in advance when inspecting and maintaining the factory. Party B shall cooperate during inspection and maintenance. Party A should reduce the impact on Party B's use of the factory.

#### VI. Factory sublease and return

1. Party B shall not sublease the land, factory equipment, etc. to others during the lease period.

2. After the lease period expires, Party B must return to the factory on time, otherwise all losses and consequences caused thereby shall be borne by Party B.

#### VII. Other relevant agreements during the lease period

1. During the lease period, both Party A and Party B shall abide by the laws and regulations of the country and shall not use the factory lease to conduct illegal activities.

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## Information Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains, or may contain, certain "forward-looking statements" within 2. During the meaning of lease period, Party A has the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve significant risks right to supervise and uncertainties. Such statements may include, without limitation, statements with respect to the Company's plans, objectives, projections, expectations and intentions assist Party B in fire protection, safety, sanitation, and other statements identified work.

3. During the lease period, Party B can decorate according to its business characteristics, but in principle, the original factory structure must not be damaged. The decoration costs will be borne by words such as "may," "will," "could," "would," "should," "believes," "expects," "anticipates," "estimates," "intends," "plans," "potential" or similar expressions. These statements are based upon Party B, and Party A will not make any compensation.

4. During the current beliefs lease period, Party B shall pay the rent and expectations of all other payable fees in a timely manner. If the Company's management payment is not completed for one month, Party A has the right to charge a 5% late payment fee and do the right to terminate the lease agreement.

## VIII. Other terms

1. During the lease period, if Party A terminates the contract early and breaches the contract, Party B shall compensate Party B for three months' rent.

2. During the lease period, if Party A's problems affect Party B's normal operations and cause losses, Party A shall be fully responsible for compensation.

IX. For matters not constitute guarantees of future performance. Actual results could differ materially from those contained in the forward-looking statements and are subject to significant risks and uncertainties, including those discussed under "Risk Factors," as well as those discussed elsewhere covered in this Form 10-K. Actual results may differ significantly from those set forth in the forward-looking statements. These forward-looking statements involve risks contract, Party A and uncertainties that are subject to change based on various factors (many of which are beyond the Company's control).

You are further cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Form 10-K or, in the case of documents referred to or incorporated by reference, the date of those documents.

All subsequent written or oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this Form 10-K or to reflect the occurrence of unanticipated events, except as may be required under applicable U.S. securities law. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Unless the context requires otherwise, references in this Annual Report on Form 10-K to "we," "us," "our," "our company," "WETH", or similar terminology refer to Wetouch Technology Inc.

**ITEM 1. BUSINESS.****Overview**

We were originally incorporated under the laws of the state of Nevada on August 31, 1992. 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”), Party B must negotiate and all the shareholders of BVI Wetouch (each a “Shareholder” and collectively the “Shareholders”), to acquire all the issued and outstanding capital stock of BVI Wetouch in exchange for the issuance to the Shareholders an aggregate of 28 million shares of our common stock (the “Reverse Merger”). The Reverse Merger closed on October 9, 2020. Immediately after the closing of the Reverse Merger, we had a total of 31,396,394 issued and outstanding shares of common stock. As a result of the Reverse Merger, BVI Wetouch is now our wholly-owned subsidiary.

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, 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, lottery and gaming industry; (iii) Plastic-Glass (“PG”), typically adopted by touchscreens in GPS/entertainment panels motor vehicle GPS, smart home, robots 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 high technology company, our PRC subsidiary 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 twelve months ended December 31, 2022 and 2021, we recognized approximately \$37.9 million and \$40.8 million, respectively, in revenues.

We sell our touchscreen products both domestically in China and internationally, covering major areas in China, including but not limited to the eastern, southern, northern and southwest regions of China, Taiwan, South Korea, and Germany. We believe that we have established a strong and diversified client base. For the years ended December 31, 2022 and 2021, our domestic sales accounted for 69.7% and 66.7%, respectively, of our revenues, and our international sales accounted for 30.3% and 33.3%, respectively, of our revenues.

**Corporate History**

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, 1,714,286 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 Samoa and 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 1,714,286 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/Reverse Stock Split

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. The Amended and Restated Articles also effectuated a reverse split of our authorized, issued and outstanding shares of common stock on a 70 for 1 new basis whereby each 70 shares of outstanding common stock was exchanged for one (1) share of new common stock (the “Reverse Split” and, for avoidance of doubt, all share amounts set forth herein shall be post Reverse Split unless otherwise specified) and, consequently, our authorized common stock increased to 300,000,000 shares of common stock and 10,000,000 shares of preferred stock, and our then issued and outstanding common shares decreased from 237,742,066 to 3,396,394 shares, all with a par value of \$0.001. All share and per share numbers relating to our common stock prior to the effectiveness of the Reverse Split have been adjusted to give effect to the Reverse Split.

As a result of the name change, we changed our trading symbol from “GLFW” to “WETH,” effective November 3, 2020.

### Acquisition of BVI Wetouch

On October 9, 2020, we entered into a Share Exchange Agreement (the “Share Exchange Agreement”) with BVI Wetouch and all of the BVI Wetouch 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 of our common stock. In the Reverse Merger, each ordinary share of BVI Wetouch was exchanged for 560 shares of common stock of Wetouch. Immediately after the closing of the Reverse Merger on October 9, 2020, we had a total of 31,396,394 issued and outstanding shares of common stock. As a result of the Reverse Merger, BVI Wetouch is now our wholly-owned subsidiary.

On October 12, 2020, Guangde Cai was appointed as an additional director and Chairman of the Company. On October 12, 2020, Mr. Zongyi Lian was appointed as president and chief executive officer of the Company, and Mr. Yuhua Huang was appointed as chief financial officer of the Company. On the same day, Jiaying Cai resigned from the capacity of president and treasurer of the Company, but remains the secretary and director of the Company.

BVI Wetouch was established under the laws of British Virgin Islands on August 14, 2020 to acquire all the shares of Hong Kong Wetouch Electronics Technology Limited (“Hong Kong Wetouch”). On September 11, 2020, BVI Wetouch acquired all the outstanding shares of Hong Kong Wetouch from the shareholders of Hong Kong Wetouch in consideration of HK\$10,000 pursuant to instruments of transfer resolve them together in accordance with Hong Kong the law. As a result X. This contract is made in four copies, with each party holding two copies. The contract will take effect after being stamped and signed.

Exhibit 10.29

Electronic supervision number: 5101152021B01088

State-owned construction land use rights transfer contract

Ministry of Natural Resources of the acquisition, Hong Kong Wetouch became a wholly-owned subsidiary People's Republic of BVI Wetouch, China

State Administration for Industry and Commerce, People's Republic of China Formulate

State-owned construction land use rights transfer contract

The shareholders parties to this contract:

Transferor: Wenjiang District Planning and Natural Resources Bureau, Chengdu

Mailing address: /

Postal code: /

Telephone: /

Fax: /

Bank of Hong Kong Wetouch became the shareholders of BVI Wetouch in said transaction, and therefore the shareholders who controlled Hong Kong Wetouch became the controlling shareholders of BVI Wetouch. deposit: /

Account: /

Hong Kong Wetouch was incorporated on May 5, 2016 under the laws of Hong Kong. On July 19, 2016, Hong Kong Wetouch acquired all the shares of Sichuan Wetouch Technology Co., Ltd, a PRC company established in Meishan, Sichuan on May 6, 2011 ("Sichuan Wetouch"). As a result of the acquisition, Sichuan Wetouch became a wholly owned subsidiary of Hong Kong Wetouch.

As BVI Wetouch owns all the outstanding shares of Hong Kong Wetouch, which, in turn, owns all the outstanding shares of Sichuan Wetouch, the Company owns indirectly all the business of Sichuan Wetouch. As a result of the Reverse Merger in which the Company acquired all the outstanding shares of BVI Wetouch, Hong Kong Wetouch and Sichuan Wetouch become our indirect wholly-owned subsidiaries.

#### Acquisition of HK Wetouch

Hong Kong Wetouch Technology Limited, a limited company organized under the laws of Hong Kong ("HK Wetouch"), an affiliate of Guangde Cai, our former Chairman and Director, was incorporated on December 3, 2020 under the laws of Hong Kong. HK Wetouch was established to own all the outstanding shares of Assignee: Sichuan Vtouch Technology Co.,Ltd, which was incorporated on December 30, 2020 ("Sichuan Vtouch") in Chengdu, Sichuan, under

Mailing address: /

Postal code: /

Telephone: /

Fax: /

Bank of deposit: /

Account: /

#### Chapter One General Rules

**Article 1** According to the laws Property Law of The the People's Republic of China, ("PRC").

On March 12, 2021, BVI Wetouch, the Company's wholly owned subsidiary, acquired all the outstanding shares of HK Wetouch from the sole shareholder of HK Wetouch, Guangde Cai, in consideration Contract Law of the payment People's Republic of HK\$10,000 pursuant China, Land Management Law of the People's Republic of China, Urban Real Estate Management Law and other laws, relevant administrative regulations and land supply policies and regulations The parties enter into this contract based on the principles of equality, voluntariness, compensation, and good faith.

same.

**Article 2** The ownership of the transferred land belongs to instruments the People's Republic of China, and the transferor has According to the authorization of the law, the right to use state-owned construction land is transferred, and underground resources and buried objects shall not be transferred.

It falls within the scope of transfer of state-owned construction land use rights.

**Article 3** For state-owned construction land acquired in accordance with Hong Kong law. As a result the law, the transferee shall, during the transfer period, enjoy the rights to possess, use, benefit from and dispose of the acquisition, HK Wetouch became a wholly-owned subsidiary land in accordance with the law , and have the right to utilize the land Construct buildings, structures and ancillary facilities in accordance with the law.

Chapter 2 Delivery of BVI Wetouch. BVI Wetouch owns (i) all the outstanding shares Transferred Land and Payment of Hong Kong Wetouch, which, in turn, owns all the outstanding shares of Sichuan Wetouch and (ii) all Transfer Price

**Article 4** The number of the outstanding shares leased lot under this contract is WJ 2021-11(100102), the total area of HK Wetouch, the parcel is in capital letters One hundred and twenty thousand and one hundred and seventy one point two eight square meters (lowercase 12171.28 square meters), of which owns all the shares of Sichuan Vtouch, land area to be transferred is twelve thousand one hundred seventy one point two eight Square meters (lowercase 12171.28 square meters).



**Recent Developments** The parcel of land transferred under this contract is located in Tianfu Street Youjiadu Community (formerly Liujiang Village Group 2).

**Leaseback Agreement** See Appendix 1 for the plan boundary map of the parcel of land transferred under this contract.

Pursuant to local PRC government guidelines on local environmental issues The vertical boundaries of the parcel of land transferred under this contract are as follows: \_\_\_\_\_ / \_\_\_\_\_ for The upper limit is \_\_\_\_\_ is the lower

limit, and the national overall plan, Sichuan Wetouch height difference is under/ rice.

The spatial scope of 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 ("Compensation Agreement") with Meishan Huantian Industrial Co., Ltd, formerly named Sichuan Renshou Shigao Tianfu Investment Co., Ltd, a limited company owned land parcel is the vertical plane formed by the local government ("Sichuan Renshou") above-mentioned boundary points and the upper and lower

The spatial range formed by the closure of the lower bound elevation plane.

**Article 5** The purpose of the leased land under this contract is of use way for Industrial land.

**Article 6** The transferor agrees to deliver the parcel of land to the grantee before September 10, 2021, and the grantor agrees that upon delivery of the land, the parcel shall reach the point of this article (two) Land conditions specified in this item:

(1) The site is level and level \_\_\_\_\_

The surrounding infrastructure reaches \_\_\_\_\_

(2) Current land conditions.

**Article 7** The transfer period of the state-owned construction land use rights under this contract is 20 years calculated from the date of delivery of the land as stipulated in Article 6 of this contract;

---

If the original allocated (leased) state-owned construction land use rights go through the transfer procedures, the transfer year The period shall be calculated from the date of signing of the contract.

**eighth** The transfer price of the state-owned construction land use rights of the parcel under this contract The money is capitalized in RMB Three hundred nine hundred twenty thousand five thousand two hundred thirty three point five Yuan (lower case 3925233.50 Yuan), capitalized RMB per square meter Three hundred two hundred and two points four nine Yuan(lowercase 322.49 Yuan ).

**Article 9** The deposit for the withdrawal parcel under this contract is in RMB One hundred, one hundred and eighty thousand Yuan(lowercase 1180000 Yuan), the deposit will be used to pay for the soil Land transfer price.

**Article 10** The transferee agrees to proceed in accordance with paragraph 1 (1) of our this Article Requirements for items Pay the transfer price for the right to use state-owned construction land to the transferor:

(1) From the date of signing of this contract 30 Within days, pay the country in one lump sum

There is a transfer price of construction land use rights;

(2) Divide according to the following time and amount. / Periodic payment of state-owned construction to the transferor

Set the land use right transfer price.

**Article 11** The transferee shall pay off the entire land parcel in accordance with this contract. After transferring the price, apply for the transfer with relevant supporting materials such as this contract and the demolition payment receipt for the transfer price.

Please register the transfer of all buildings, facilities state-owned construction land use rights.

Third chapter Land development, construction and equipment utilization

**Article 12** The transferee agrees that the intensity of investment in land development under this contract shall be based on such Article 1 (one) Implementation of provisions:

(1) The parcel of land where we maintain our executive offices, research under this contract is used for industrial project construction, and development facilities and factories at No.29, Third Main Avenue, Shigao Town, Renshou County, Meishan City, Sichuan, China (the "Property") the transferee agrees to this The total investment in fixed assets of the parcel under the contract shall not be less than the approved or registered investment amount. The amount of the case is capitalized in RMB 10,000 yuan (lowercase 10,000 / 10,000 million), investment The intensity is not less than RMB per square meter. 9000 Yuan(lowercase 9000 Yuan). The Property, all total investment in fixed assets of the land construction project under this contract includes buildings,

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Structures and ancillary facilities, equipment investment and all other appurtenances on the Property are collectively referred to as "Properties", transfer price, etc.

(2) The Compensation Agreement was executed and delivered as a result of guidelines (the "Guidelines") published by the local government of with respect to local environmental issues and a national overall plan on Tianfu New District, Meishan City, Sichuan, PRC. In accordance with the Guidelines, a project named "Chaisang River Ecological Wetland Park" land under this contract is under construction in the areas where the manufacturing facilities and properties of the Company are located. As a result, Sichuan Wetouch must relocate. In consideration for such relocation, the owner of the buildings on the state-owned land will be compensated.

In order to minimize the interruption of 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, Sichuan Vtouch 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, 2023, at a monthly rent of RMB400,000 (approximately \$59,941).

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).

We are actively searching for an appropriate parcel in Chengdu Medicine City (Technology Park), Wenjiang District, Chengdu used for the construction of our new production facilities non-industrial projects, and office buildings. As the transferee promises

The total development investment of the date parcel under this contract shall not be less than RMB.

Ten thousand yuan (lowercase million).

**Article 13** The transferee shall build new buildings, Structures and ancillary facilities shall comply with the regulations determined by the planning management department of the municipal (county) government.

Specific planning conditions for land transfer (see Appendix 2. Among them

Main building properties work Industry use land

Nature of ancillary buildings

Total building area square meters;

The building floor area ratio is not higher than 3 No less than .1.20 The building height limit shall not be higher than or not lower than

The building density is not higher than. / Not less than 40%

The green space rate is not higher than. 20% not less than

Other land use requirements

**Article 14** The transferee agrees that the land construction supporting facilities under this Annual Report, we estimate that our capital needs contract shall be provided in accordance with this article.

No. one provisions shall be implemented:

(1) The land under this contract is used for industrial project construction. According to the planning department The determined planning and design conditions shall be used within the scope of the land transferred under this acquisition contract for internal use of the enterprise. The area occupied by administrative offices and living service facilities shall not exceed 7% of the area of the transferred parcel. %, Right now No Exceed \_\_\_\_\_/square meter, the building area does not exceed /\_\_\_\_\_square meters. The transferee agrees not to build complete residential units and experts within the scope of the transferred land.

Non-production facilities such as buildings, hotels, hostels and training centers;

(2) The land under this contract is used for residential project construction. According to the planning and construction will be approximately RMB170.0 million (approximately \$26.2 million), but there is no assurance that conditions determined by the estimated amount is sufficient to achieve our goals. We may need additional financing for our business development. In addition, we expect that this acquisition planning and construction will management department, the total number of residential construction units within the scope of the acquired land under this contract shall not be completed prior to October 31, 2023 less than/set. Among them, the number of housing units with a building area of less than 90 square meters shall not be less than/, but there is no assurance and we may need extended time to achieve our business plan. Pursuant to local PRC government guidelines on local environment issues and the national overall plan, Sichuan Wetouch was requirement for residential construction unit type is/. The proportion of housing area below 90 square meters within the scope of the land parcel under this contract to the total development and construction area of the land parcel shall not be less than 1%. The economic and affordable housing, low rent housing, and other government guaranteed housing constructed within the scope of the land parcel under this contract shall be fulfilled by the transferee in the following manner after completion:

1. Transfer to the government;

2. Repurchased by the government;

3. Implement relevant regulations on the construction and sales management of government affordable housing;

Article 15: The transferee agrees to simultaneously construct the following supporting engineering projects within the scope of the land parcel under this contract, and transfer them to the government directed relocation order free of charge after completion:

Article 16: The transferee agrees to relocate no later than October 31, 2023 commence the construction of the land parcel under this contract before September 10, 2022 and was compensated complete it before March 10, 2024.

If the transferee is unable to start construction on schedule, they shall submit an application for RMB115.2 million (\$17.8 million) from extension to the local transferor 30 days in advance. If the transferor agrees to the extension, the completion time of the project shall be correspondingly extended, but the extension period shall not exceed one year.

Article 17: When the assignee carries out construction within the parcel of land under this contract, the interfaces and introduction projects of water, gas, sewage and other facilities with the main pipelines and power substations outside the parcel of land shall be handled in accordance with relevant regulations.

The transferee agrees to the various pipelines and pipelines laid by the government for the withdrawal needs of public utilities to enter, pass through, and pass through the acquired land. However, if this affects the use function of the acquired land, the government or the public utility construction entity shall provide reasonable compensation.

Article 18: The transferee shall use the land according to the land use and plot ratio stipulated in this contract and shall not change it without authorization. If it is necessary to change the land use specified in this contract during the transfer period, both parties agree to handle it in accordance with the provisions of item (1) of this article:

- (1) The transferor shall reclaim the right to use construction land for a fee;
- (2) To handle the approval procedures for changing land use in accordance with the law, sign a contract for the transfer of state-owned construction land use rights or sign a new contract for the transfer of state-owned construction land use rights, and the transferee shall use the construction land under the new land use at the time of approval for the change

The difference between the market price for the evaluation of land use rights and the market price for the evaluation of construction land use rights under the original land use shall be compensated by paying the transfer price of state-owned construction land use rights, and land change registration shall be processed.

Article 19: During the term of use of the land parcel under this contract, the government reserves the right to adjust the planning of the land parcel under this contract. If the original plan is modified, the existing buildings on the land parcel will not be affected. However, during the term of use, the buildings, structures and their ancillary facilities on the land parcel must be renovated, rebuilt, or renewed according to the then effective plan when the term expires.

Article 20: The transferor shall not reclaim the right to use state-owned construction land lawfully used by the transferee before the expiration of the agreed term of use in this contract; In special circumstances, if it is necessary to recover the right to use state-owned construction land in advance according to the social public interest, the transferor shall apply for approval in accordance with legal procedures, and compensate the land user based on the value of the buildings, structures and their ancillary facilities on the land at the time of recovery, the assessed market price of the remaining years of state-owned construction land use rights, and the direct losses identified through evaluation.

#### Chapter 4 Transfer, Lease, and Mortgage of the Right to Use State owned Construction Land

Article 21: The transferee shall pay the full transfer price of the state-owned construction land use right as stipulated in this contract, and after obtaining the state-owned land use certificate, shall have the right to transfer, lease, or mortgage all or part of the state-owned construction land use right under this contract. For the first transfer, it shall meet the conditions stipulated in item (2) of this article:

- (1) Conduct investment and development in accordance with the provisions of this contract, and complete more than 25% of the total development investment;
- (2) According to the provisions of this contract, investment and development have formed conditions for industrial or other construction land.

Article 22: The transfer, rental, and mortgage contracts of the right to use state-owned construction land shall not violate national laws, regulations, and the provisions of this contract.

Article 23: After the transfer of all or part of the right to use state-owned construction land, the rights and obligations stated in this contract and land registration documents shall be transferred accordingly. The term of use of state-owned construction land shall be the remaining years after subtracting the already used term from the agreed term in this contract.

After all or part of the state-owned construction land use rights under this contract are leased, the rights and obligations stated in this contract and land registration documents shall still be borne by the transferee.

Article 24: If the right to use state-owned construction land is transferred or mortgaged, both parties shall apply for land change registration with the natural resources management department by presenting this contract, the corresponding transfer and mortgage contract, and the state-owned land use certificate.

## Chapter 5 Expiration of Term

**Article 25:** If the term of use stipulated in this contract expires and the land user needs to continue using the land parcel under this contract, they shall submit a renewal application to the transferor no later than one year before the expiration. Unless it is necessary to reclaim the land parcel under this contract in accordance with social public interests, the transferor shall approve it.

If the term of the right to use residential construction land expires, it will be automatically renewed.

If the transferor agrees to renew, the land user shall handle the paid land use procedures such as transfer and lease in accordance with the law, sign a new land use contract for transfer and lease, and pay the land transfer price, rent, and other paid land use fees.

**Article 26:** When the term of land transfer expires and the land user applies for renewal, if it is not approved due to social and public interests, the land user shall return the state-owned land use certificate and handle the cancellation registration of the state-owned construction land use right in accordance with regulations. The state-owned construction land use right shall be recovered by the transferor free of charge. The transferor and the land user agree that the buildings, structures and their ancillary facilities on the land parcel under this contract shall be performed in accordance with the provisions of item (1) of this article:

(1) The transferor shall reclaim the above ground buildings, structures and their ancillary facilities, and provide corresponding compensation to the land user based on the residual value of the above ground buildings, structures and their ancillary facilities at the time of recovery;

(2) The transferor shall reclaim the above ground buildings, structures, and their ancillary facilities free of charge.

**Article 27:** If the land transfer period expires and the land user does not apply for renewal, the land user shall return the state-owned land use certificate and handle the cancellation registration of the state-owned construction land use right in accordance with regulations. The state-owned construction land use right shall be recovered by the transferor free of charge. The buildings, structures and their ancillary facilities on the land parcel under this contract shall be recovered by the transferor free of charge, and the land user shall maintain the above ground buildings and structures

The normal use function of its ancillary facilities shall not be artificially damaged. If the above ground buildings, structures, and their ancillary facilities lose their normal use function, the transferor may require the land user to move or demolish the above ground buildings, structures, and their ancillary facilities, and restore the site leveling.

The normal functions of the equipment and its ancillary facilities must not be artificially destroyed. buildings above ground, If the structure and its ancillary facilities lose their normal functions, the transferor may request the land Users move or dismantle buildings, structures and ancillary facilities on the ground, and restore the site

The ground is flat.

## Chapter 6 Force Majeure

**Article 28** Either party to the contract due to force majeure reasons Any failure to perform part or all of this contract caused by the failure may be exempted from liability, but the take all necessary remedial measures as allowed by the conditions to reduce the lose caused by force majeure. Force majeure occurring during the delay in performance by the parties shall not have the effect of exemption.

**Article 29** In the event of force majeure, the party shall declare the force majeure event within 7 days. Notify the other party of the force situation in writing such as letters, telegrams, faxes, etc., and notify the other party in case of inability to Within 15 days after the occurrence of resistance, submit to the other party that part or all of this contract cannot be performed.

Reports and certificates for execution or postponement of performance.

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## Chapter 7 Liability for breach of contract

**Article 30** The recipient shall pay the transfer price of the right to use the state-owned construction land on time in accordance with the provisions of this contract. If the assignee fails to pay the price of the transfer of the right to the use of state-owned construction land on time, the payment shall be delayed daily from the date of default 1% pay liquidated damages to the transferor and delay the payment for more than 60 days, after the transferor. If the transfer price of the right to use state-owned construction land cannot be paid after the prompt payment, the transferor shall have the right to terminate the contract, the assignee has no right to demand the return of the deposit, and the transferor may request the transferThe person pays for the loss.

**Article 31** Where the transferee terminates the investment and construction of the project due to its own reasons, proposes to the transferor to terminate the performance of this contract and requests for the return of the land, the transferor shall, after the approval of the people's government that originally approved the land transfer plan, return the transfer price (excluding interest) of all or all of the state-owned construction land use right except the deposit agreed in this contract respectively according to the following provisions. The expropriating state has the right to use the construction land, and the demolition of all buildings, structures and ancillary facilities equipment and all other appurtenances on the land.

On March 2, 2021, HK Wetouch acquired all shares of Hong Kong Wetouch. On June 18, 2021, Hong Kong Wetouch submitted its application for dissolution and was dissolved on March 18, 2022. In addition, as of March 31, 2021, Sichuan Wetouch's business and operations that have been assumed by Sichuan Vtouch.built in the country of the land may not be compensated, and the transferor may also require the transferee to remove the buildings, structures and ancillary facilities that have been built. Restoration of site formation: However, the transferor is willing to continue to make use of the buildings already built within the site. For structures and their ancillary facilities, certain compensation shall be given to the sub-assignee:

### Resale Registration Statement

We filed a Form S-1 registration statement with respect (1) If the transferee submits an application to the resale by 44 selling stockholders identified in the Annual Report for an aggregate of 15,889,371 shares of common stock of the Company. The registration statement was declared effective by the Commission on January 7, 2021 (Registration No. 333-251845).

## Private Sale of Shares

On January 19, 2023, we sold an aggregate of 160,000,000 shares of the 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) shall be used by the Company for working capital and general corporate purposes and the repayment of debt.

## Reverse Stock Split

On February 17, 2023, the Board authorized a reverse stock split with a ratio of transferor not less than one to five (1:5) and not 60 days before the expiration of the date of commencement of construction as agreed in this contract, the transferor shall refund the transfer price paid by the transferee after deducting the deposit;

(2) If the transferee has started construction for more than one year but less than two years as stipulated in this contract and applies to eighty (1:80), the transferor no less than 60 days before the expiration of two years, the transferor shall deduct the deposit as stipulated in this contract and collect land idle fees in accordance with regulations, and refund the remaining paid transfer price of state-owned construction land use rights to the transferee.

**Article 32** If the transferee causes the land to be idle for more than one year but less than two years, they shall pay the land idle fee in accordance with the exact law; If the land is idle for more than two years and construction has not started, the transferor has the right to reclaim the right to use state-owned construction land without compensation.

## Article 33

If the assignee fails to commence construction on the date specified in this contract or agrees to an extension of the agreed date, for each day of delay, a penalty equivalent to 1 % of the total transfer price for state-owned construction land use rights shall be paid to the transferor. The transferor has the right to demand that the assignee continue to perform the contract.

If the transferee fails to complete the project on the agreed date in this contract or agrees to an extension of the agreed date, a penalty equivalent to 1 % of the total transfer price for state-owned construction land shall be paid to the transferor for each day of delay.

**Article 34** If the total fixed asset investment, investment intensity, and total development investment of the project do not meet the standards stipulated in this contract, the transferor may require the transferee to pay a penalty equivalent to the same proportion of the transfer price of state-owned construction land use rights based on the proportion of the actual difference to the agreed total investment and investment intensity indicators, and may also require the transferee to continue to perform the contract.

**Article 35** If any of the indicators such as the plot ratio and building density of the land parcel under this contract are lower than the minimum standard agreed upon in this contract, the transferor may demand the transferee to pay a penalty equivalent to the same proportion of the state-owned construction land use right transfer price based on the proportion of the actual difference to the agreed minimum standard, and has the right to demand that the transferee continue to perform this contract; If any of the indicators such as building plot ratio and building density are higher than the highest standard agreed upon in this contract, the transferor has the right to reclaim the higher standard than the agreed upon maximum standard

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The right to demand that the transferee pay a penalty equivalent to the same proportion of the transfer price for state-owned construction land use rights, based on the proportion of the actual difference to the agreed standard, for the allowed area.

**Article 36** The green space rate of industrial construction projects, the proportion of land used for internal administrative offices and living service facilities within the enterprise, the internal administrative offices and living services of the enterprise If any indicator such as the building area of the facility exceeds the standard agreed in this contract, the transferee shall A liquidated damages equivalent to the land transfer price  $\text{/_\%}$  shall be paid to the transferor and Corresponding greening and building facilities will be demolished.

**Article 37** the transferee pays the transfer price for the state-owned construction land use right in accordance with the provisions of this contract, the transferor must deliver the transferred land on time in accordance with the provisions of this contract. If the transferor fails to provide the transferred land on time, resulting in a delay in the ownership of the land under this contract by the transferee, for each day of delay, the transferor shall pay a penalty of 1 % of the state-owned construction land use right transfer price already paid by the transferee to the transferee. The land use period shall be calculated from the date of actual delivery of the land. If the transferor delays the delivery of the land for more than 60 days and still cannot deliver the land after being urged by the transferor, the transferee has the right to terminate the contract. The transferor shall return twice the deposit and the remaining part of the paid transfer price for state-owned construction land use rights. The transferee may also request the transferor to compensate for the losses.

**Article 38** If the transferor fails to deliver the land on time or the delivered land fails to meet the land conditions agreed in this contract or unilaterally changes the land use conditions, the transferor shall be

The transferor has the right to require the transferor to perform its obligations in accordance with the specified conditions and compensate for delay Direct losses caused to the transferee due to performance. The land use period reaches the agreed from the date of land conditions.

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## Chapter 8 Applicable Law and Dispute Resolution

**Article 39** The formation, validity, interpretation, performance and resolution of disputes of this contract

For decisions, the laws of the People's Republic of China shall apply.

**Article 40** Any dispute arising from the performance of this contract shall be settled through negotiation between the parties to the dispute.

If a decision cannot be reached through negotiation, the (two) The item is resolved in the agreed way:

- (1) Submit\_Arbitration by arbitration committee;
- (2) File a lawsuit with the People's Court in accordance with the law.

## Chapter 9 Supplementary Provisions

**Article 41** The land transfer plan under this contract has been Wenjiang..Chengdu district With the approval of the People's Government, this contract shall take effect from the date of signature by both parties.

**Article 42** Both parties to this contract guarantee the authenticity and validity of the name, mailing address, telephone number, fax number, account opening bank, agent, and other information filled in this contract. If one party's information is changed, they shall inform the other party in writing within 15 days from the date of change. Otherwise, any responsibility arising from the inability to inform in a timely manner shall be borne by the information changing party.

**Article 43** This contract and its attachments are a total of twenty-one pages, and the Chinese version shall prevail.

**Article 44** The price, amount, area, and other items of this contract shall be expressed in both uppercase and lowercase, and the amounts in uppercase and lowercase shall be consistent. In case of inconsistency, capital shall prevail.

**Article 45** Any matters not covered in this contract may be agreed upon by both parties as annexes to the contract, which shall have the same legal effect as this contract.

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**Article 46** This contract is made in six copies, with two copies for the transferor and four copies for the transferee, all of which have equal legal effect.

#### Chapter 9 Supplementary Provisions

**Article 41** The land transfer plan under this contract has been Wenjiang, Chengdu district With the approval of the People's Government, this contract shall take effect from the date of signature by both parties.

**Article 42** Both parties to this contract guarantee that the information filled in this contract Name, mailing address, telephone number, fax, account opening bank, agent, etc. Real and effective, If a party's information is changed, it shall be reported within 15 days from the date of change. inform the other party in writing, otherwise the liability for failure to notify in time shall be borne by the letter, the party responsible for any change in interest rates shall bear the responsibility.

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**Article 43** This contract and its attachments total Twenty-one pages, written in Chinese shall prevail.

**Article 44** The price, amount and the timing area of the reverse stock split to this Contract shall be as determined by the Chairman of the Board. Upon such reverse stock split becoming effective, the number of authorized shares of the common stock of the Company will also be decreased in the same ratio.time ,capital, lowercase, the amount of the case should be consistent, inconsistent, capital shall prevail

New Director Appointment**Article 45** Matters not covered in this contract may be agreed by both parties as a contract

Effective February 17, 2023 The appendix shall have the same legal effect as this Contract.

**Article 46** This contract is made in 6 copies, with 2 copies for the transferor and 2 copies for the transferee.

4 copies, with the same legal effect.

Transferor (seal):

Wenjiang District, Chengdu City

Legal representative (authorized agent )

Signature

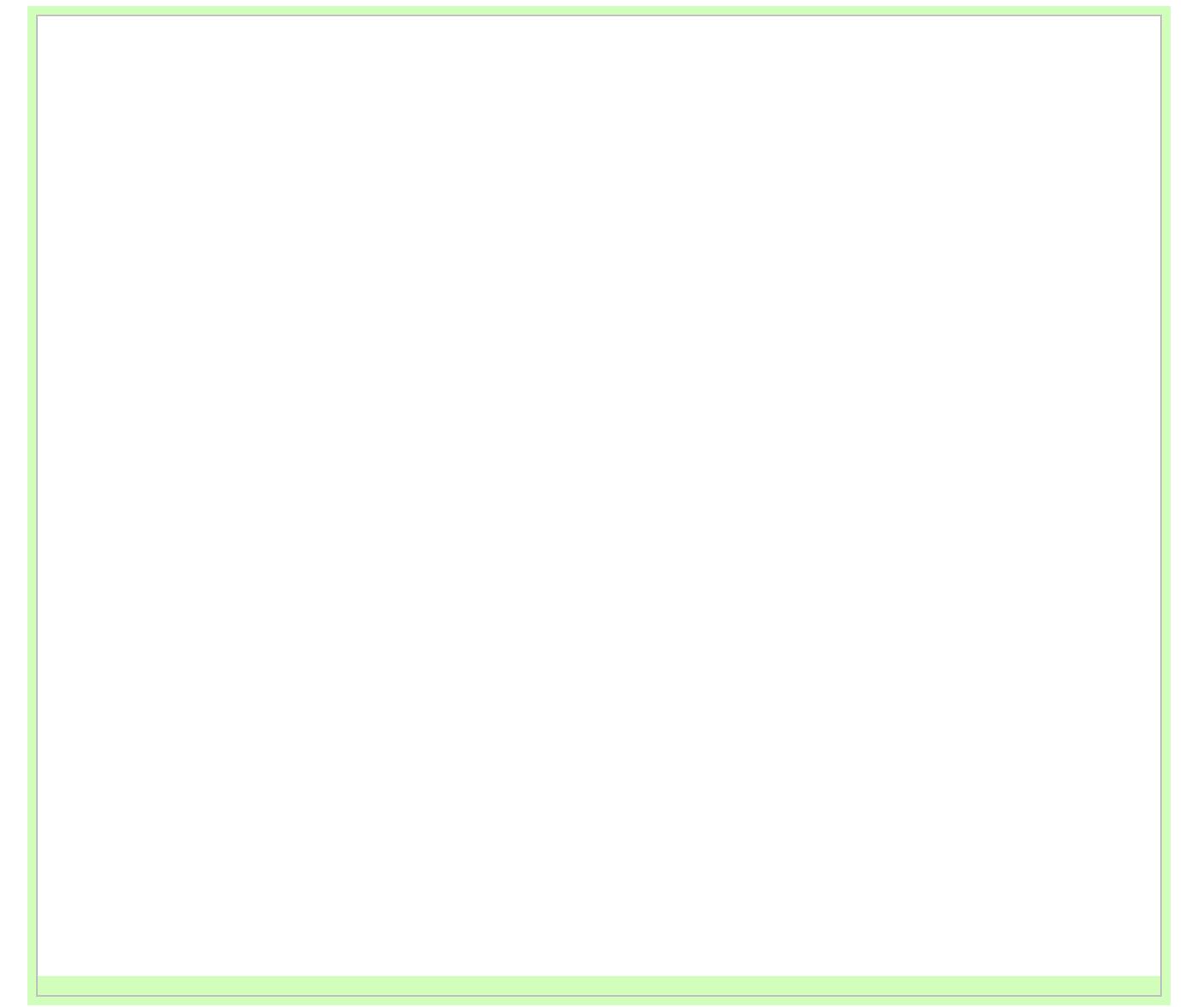
August 6th, 2021

Assignee (seal)

Sichuan Vtouch Technology Co., Ltd.

Legal representative (authorized agent )

Signature



## planning conditions

(No. Chenggongshe [2021] J0433 )

one , plot location: Youjiadu Community, Tianfu Street Office, Wenjiang District, Chengdu City (former Liujiang Village Group 2)

### 2. Construction land planning and management requirements:

Inside Allow	Notice of Planning Conditions	
Nature of land use		Class II industrial land
Planned net land area for construction		12171.28 square meters
Land use planning indicators	Volume rate	Not greater than 3 and not less than 1.2
	building density	Not less than 40%
	Green space rate	Not more than 20%
building height		
Project supporting facilities		The installation of motor vehicles and non-motor vehicles must meet Chengdu's urban planning management technical regulations and related Specify normative requirements.
Equipped with public service facilities		

### 3. Construction engineering design and planning requirements

1. The distance between buildings and various planning control lines such as setback land red lines and road red lines should comply with Chengdu's urban planning management technical regulations. relevant requirements.

2. The sunshine of new buildings and the impact of sunshine of new buildings on the surrounding existing buildings and land should meet the technical regulations of Chengdu urban planning and management. related requirements.

3. Pay attention to the architectural form of urban roads, coordinate with the surrounding environment, and meet relevant regulations. A3 format renderings need to be submitted

Seek real-life embedding to reflect the relationship between the surrounding current buildings and the environment). And provide three-dimensional model electronic files, the data format should meet the "Wenjiang

District 3D model submission standards » (Trial). (This standard can be obtained from Chengdu Wenjiang District Planning Information Service Center).

### Four , municipal and transportation requirements

1. Traffic entrances and exits should meet relevant regulatory requirements and be marked on the general plan.

2. The project supporting municipal facilities that require dedicated independent land must be implemented within the transfer scope.

3. Municipal public facilities should be landscaped.

4. The elevations of entrances and exits of construction land and site elevations should be connected to the elevations of adjacent urban roads.

5. The planning and design of the municipal part should also comply with the relevant requirements of Chengdu Municipal Planning Management Technical Regulations.

### 5. Supporting requirements

1. Supporting facilities should be configured in accordance with relevant specifications and Chengdu urban planning management technical regulations.

2. Various supporting facilities must be accurately marked with location, area, floor, usage and other relevant information on the general plan. Indicated in economic and technical indicators area.

3. Relevant supporting facilities should be planned in a unified manner with the construction project and implemented simultaneously.

## 6. Other requirements

1. The general plan should clearly indicate the nature of each floor of the building and the relative altitude of the highest point of the building (including all buildings, structures and facilities).

2. The land area for supporting service facilities shall not exceed 7% of the total land area of the industrial project, and the proportion of the building area of supporting service facilities shall not exceed **15% of the total planned floor area**.

3. When installing air-conditioning outdoor unit shelves and various pipes on the exterior wall of the building, the positions of various pipes and shelves should be concealed and covered with decoration.

Combined with the unified design of the facade, condensed water should be discharged in an organized manner, and decorative components should be installed to achieve a unified and beautiful effect.

4. The planning condition number should be clearly marked on the general plan.

5. In addition to meeting the aforementioned requirements, it must also comply with relevant national policies, relevant regulations and Chengdu urban planning management technical regulations. OK.

## 7. Precautions

**1. This planning condition is the basis for our bureau to review the design plan. In addition to meeting the planning conditions, the design plan should also comply with the Chengdu Urban Planning Administration management technical regulations and related guidelines.**

2. The construction project plan should also comply with other relevant requirements of the Chengdu Municipal Planning and Natural Resources Bureau in the planning approval management work during the review process.

beg.

3. This planning condition is attached with a red line map of the land (No.: Wenjiang Planning Land Use [2021] Red Line Map No. 32), which is a valid document. 4. This project involves fire protection, environmental protection, health and epidemic prevention, earthquakes, gardens, culture, transportation, civil air defense, confidentiality, water conservancy, protection of famous and ancient trees, When dealing with issues such as historical and cultural relics, the requirements of relevant departments should be met.

5. Before the project design work is carried out, technical consultation must be provided to our bureau.

6. The specific calculation method of the building area of this project should be implemented in accordance with the “Code for Calculation of Building Area of Construction Projects”.

7. Matters not covered by the conditions of this plan shall be implemented in accordance with relevant national technical specifications.

8. The regulations and specifications mentioned above are subject to the version implemented at the time of construction submission.

**9. This planning condition is valid for one year. Failure to complete the land transfer procedures after the expiration date must be re-verified by our bureau .**

10. The Planning and Natural Resources Bureau of Wenjiang District, Chengdu is responsible for interpreting these planning conditions .

April 27, 2021





## Construction Agreement

## First part contract agreement

Contractor (full name): Sichuan Vtouch Technology Co., Ltd

Contractor (full name): Sichuan Chunqiu Development and Construction Group Co., Ltd.

According to the "Contract Law of the People's Republic of China", "Construction Law of the People's Republic of China" and relevant laws and regulations, following the principles of equality, voluntariness, fairness and good faith, both parties At once Vtouch capacitive touch screen and touch machine R & D and production base project construction and related

Relevant matters were reached through consensus and the following agreements were reached:

## 1. Project Overview

1. Project name: Vtouch capacitive touch screen and touch machine R&D and production base project

2. construction place: Tianfu Town, Wenjiang District, Chengdu City

3. Project approval number: Sichuan Investment Preparation [2105-510115-0 4-01-762692] No. FGWB-0242 .

4. Sources of funds: self-financing

5. Engineering Content: All construction drawings .

6. Planned total construction area: 21564.53 m<sup>2</sup>

7. Project contracting scope:

The scope of project construction shown in the construction drawings (mainly including civil engineering, decoration work engineering, water and electricity installation projects, water supply and drainage projects, fire protection projects, outdoor general leveling projects )

## 2. Contract duration

Planned start date: 2021 August 15

Planned completion date: August 15, 2022

Total calendar days of construction period: 365 days (calendar days). If the total calendar days of the construction period are inconsistent with the calculated duration days based on the aforementioned planned start and completion dates, the total calendar days of the construction period shall prevail. The total calendar days of the construction period shall be calculated from the official issuance of the commencement notice by the employer.

## 3. Quality standards

The engineering quality meets the qualified standards.

#### 4. Contract price and form of contract price

##### 1. The provisional total price of the signed contract is:

RMB (in words: Seventy six million yuan), in figures ￥ 76000000 yuan, subject to the actual completion settlement price.

##### Contract price form:

According to the national standards of the People's Republic of China, such as the "Valuation Specification for Construction Engineering Bill of Quantities" (GB50500-2013), the Board appointed Congjin Wang to serve as "Valuation Quota for Construction Engineering Bill of Quantities in Sichuan Province" in 2020, and relevant supporting policy documents, the settlement shall be based on the actual amount.

#### 5. Prepayment and Progress Payment

##### 1. Payment of advance payment

Advance payment ratio or amount: 20% advance payment.

Advance payment deadline: Within 3 months of commencement of work.

The method of deducting advance payment: deduct it from the settlement payment.

##### 2. Payment method for project progress payment:

The progress payment for the project shall be made on a monthly basis. The contractor shall submit the completed quantity report for the previous month before the 25th of each month. After being reviewed by the supervisor and the owner, 70% of the Board, monthly completed output value shall be paid within 10 days,

Within 10 days after the Audit Committee, the Compensation Committee and as the Chairman of Nominating and Corporate Governance Committees completion acceptance is qualified, Party A shall pay 90% of the Board. On February 16, 2023, Jeffrey Kone resigned as a member approved output value to Party B. Within 30 days after both parties complete the completion settlement, Party A shall pay 97% of the Board of the Company and as a member of the Audit Committee, Compensation Committee and Nominating and Governance Committee.

Effective August 31, 2022, the Board appointed Fei Bai total approved settlement price to serve a member of the Board and Chairman of the Board and appointed Xiaojin Tang to serve as a member of the Board, the Audit Committee, the Chairman of Compensation Committee, and the Nominating and Corporate Governance Committee of the Board. On August 31, 2022, Guangde Cai resigned as a member of the Board and as the Chairman of the Board and Wei Wang resigned as a member of the Board and the Audit Committee, the Chairman of the Compensation Committee, and the Nominating and Corporate Governance Committee of the Board.

#### Private Placement Consent Agreement

On March 18, 2023, we entered into an agreement with Craft Capital Management LLC and R.F. Lafferty & Co., Inc. (the "Representatives") pursuant to which the Representatives agreed to consent to the private placement described above, and we agreed to pay the Representatives a fee of \$1,200,000, payable only upon the closing of the underwritten offering. If the underwritten offering is not completed by November 1, 2023, the Representatives reserve their rights to pursue any and all claims, actions or remedies available to them regarding the Private Placement under the engagement between us and the Representatives.

#### Effects of COVID-19

The COVID-19 pandemic and resulting global disruptions have affected our businesses, Party B, as well as those a quality guarantee deposit of our customers 3% (50% of the quality guarantee deposit shall be refunded within 2 years after the completion acceptance is qualified, and suppliers significantly. 50% of the quality guarantee deposit shall be refunded within 5 years after the completion acceptance is qualified, all without interest).

#### 6. Project manager

Contractor project manager: Luo Qinghong.

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## 7. Composition of Contract Documents

This agreement, together with the following documents, constitutes the contract document:

- (1) Notification of winning bid (if any);
- (2) Tender letter and its appendices (if any);
- (3) Special contract terms and attachments;
- (4) Notify contract terms;
- (5) Technical standards and requirements;
- (6) Drawings;
- (7) Bid Priced Bill of Quantities or Budget Book
- (8) Other contract documents;

All documents related to the contract formed during the process of contract formation and performance constitute an integral part of the contract documents.

The ~~spread~~ above-mentioned contract documents include the supplements and modifications made by the contracting parties to this contract document. For documents of ~~COVID-19 has caused significant disruption~~ the same type, the latest one signed shall prevail.

The special contract terms and their attachments must be signed or stamped by the contracting parties.

### Promise

1. The developer promises to society perform project approval procedures in accordance with legal provisions, raise project construction funds, and pay contract payments in accordance with the time limit and method stipulated in the contract.

2. The contractor promises to organize and complete the project construction in accordance with legal provisions and contract stipulations. Ensure project quality and safety, refrain from subcontracting or illegal subcontracting, and ensure responsibility for defects

Bear the corresponding engineering maintenance responsibilities during the period and warranty period.

3. The contract signed by the employer and the contractor through bidding, both parties understand and undertake

We promise not to sign another agreement for the same project that is contrary to the substantive content of the contract.

### 9. Word meaning

The words in this Agreement have the same meanings as a whole, including given in Part 2 of the workplace. The resulting impact General Contract Clauses.

### 10. Signing time

This contract is for 2021 year 7 Signed on the global supply chain has disrupted most aspects 27th .

11. Place of national and international commerce, with government-mandated social distancing measures imposing stay-at-home and work-from-home orders signing

This contract is in almost every country. Signed at No. 381, West Section of Haoke Road, Wenjiang District, Chengdu .

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## 12 , supplementary agreement

For matters not covered in the contract, the parties to the contract shall sign a supplementary agreement separately. The effects of social distancing have shut down significant parts supplementary agreement shall be the same components.

## 13. The contract takes effect

This contract starts from The legal representatives or authorized agents of the local, regional, national, contracting party and international economies, for limited or extended periods of time, the contractor shall

It will take effect after it is signed and stamped with the exception of government designated essential services.

Commencing in the spring of 2021, China began to experience an increase of COVID-19 cases, and to some extent, local and national governments began to take more restrictive measures to stem the spread official seal of the virus, particularly from October to December 2021. The Company has several shutdowns during unit.

## 14. Number of Contract Copies

This contract is in one form Eight copies, all with the year ended December 31, 2022.

To serve our customers while also providing for same legal effect, shall be enforced by the safety of our employees and service providers, we have modified numerous aspects of our logistics, transportation, supply chain, purchasing, and after-sale processes. The Company has taken proactive measures to promote products to new customers and entering more regions during the year ended December 31, 2022. The extent of the impact of COVID-19 on the Company's results of operations and financial condition will depend on the virus' future developments, including the duration and spread of the outbreak and the impact on the Company's customers, which are still uncertain and cannot be reasonably estimated at this point of time.contractor Six servings:

Contractor's two share.

## Products

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

Product Type	Employer : (seal)	Description	Application	Contractor : (seal)
Product type G+G		<p>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 touch screen 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.</p>	Medium and high end GPS/car entertainment, finance, POS and lottery machines.	
Product type G+F+F		<p>This product uses a double layer of conductive films, with an optically clear adhesive (OCA) between a layer of a 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.</p>	Financial, gaming and lottery, and medical industries	
Product type P+G		<p>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 G+F+F type, this product does not require extensive coating, lithography and etching and has relatively low manufacturing cost.</p>	Motor vehicle GPS, smart home, robots and charging stations	
Sichuan Vtouch Technology Co., Ltd.			Sichuan Spring Development and Construction Group Co., LTD	Industrial HMI
Product type G+F		<p>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 G+F+F type, this product does not require extensive coating, lithography and etching and has relatively low manufacturing cost.</p>		

As of December 31, 2022, product types G+F+F and G+G constitute our main stream products, accounting for approximately an average of 38.5% and 52.68%, respectively, of our total revenues, with product types G+F and P+G and other raw materials accounting for 2.55%, 4.4% and 1.87%, respectively, of our total revenues. As of December 31, 2021, product types G+F+F and G+G constitute our main stream products, accounting for approximately an average of 40.8% and 52.4%, respectively, of our total revenues, with product types G+F and P+G and other raw materials accounting for 2.2%, 4.2% and 0.4%, 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, or point of sale 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. Wetouch's 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. Wetouch's 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. Wetouch's 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. Wetouch's products are widely used in these ticketing machines and kiosks.

For the year ended December 31, 2022, we had approximately \$9.3 million in revenues generated from the sales of automotive touchscreens, accounting for 24.5% of our total revenues, with industrial HMI touchscreens accounting for 21.1%, gaming touchscreens accounting for 13.7%, POS touchscreens for 17.3%, multi-functional printer touchscreens for 10.1%, medical touchscreens for 13.3% and other touchscreen products (applied in financial terminals, ticket vending machines, and self-service kiosks, etc.) accounting for 0% of our total revenues. For the year ended December 31, 2021, we had approximately \$11.6 million in revenues generated from the sales of automotive touchscreens, accounting for 28.4% of our total revenues, with industrial HMI touchscreens accounting for 19.6%, gaming touchscreens accounting for 14.3%, POS touchscreens for 15.4%, multi-functional printer touchscreens for 9.2%, medical touchscreens for 12.8% and other touchscreen products (applied in financial terminals, ticket vending machines, and self-service kiosks, etc.) accounting for 0.3% of our total revenues.

## Customers

We have six (6) and five (5) customers each accounting for more than 10% of our revenues in 2022 and 2021, respectively.

For the year ended December 31, 2022, we had a total number of 41 customers. Our top six customers, namely (1) Siemens Industrial Automation Products (Chengdu) Co., Ltd., (2) Shanghai Sigang Electronics Co., Ltd., (3) E-Lead Electronic Co. Ltd., (4) Multimedialink Inc., (5) Suzhou Weinview Co., Ltd., and (6) Canon (Suzhou) Ltd. accounted for 21.2%, 16.1%, 14.8%, 13.7%, 11.9% and 10.1%, respectively, of our total revenues.

For the year ended December 31, 2021, we had a total number of 32 customers. Our top five customers, namely (1) Siemens Industrial Automation Products (Chengdu) Co., Ltd., (2) E-Lead Electronic Co. Ltd., (3) Shanghai Sigang Electronics Co., Ltd., (4) Multimedialink Inc., and (5) Suzhou Weinview Co., Ltd., accounted for 19.53%, 17.33%, 14.53%, 14.24% and 11.13%, respectively, of our total revenues.

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

- The term of each sales framework agreement is four (4) years, which may be renewed by a separate agreement upon expiration.

Legal representative or his authorized agent:

- Annual minimum purchase amount for period from January 1 to December 31 each 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.

(signature)

Business license number: 91510115MA6B27GE4J

Address : Room 301, Unit 1, Building 13,

SME Incubation Park, No.319, Qingpi Avenue,

Chengdu Cross-Strait IT-Industry Development Zone,

Wenjiang District, Chengdu, P.R. China.

post code:

legal representative:

Authorized agent: Zhong Xinghai

Tel:

fax:/

mail:/

Bank of deposit: Bank of China Wenjiang Branch

Account:

(signature)

Business license number: 915100007847372965

Chengdu Wenjiang District

Cross-strait Science and Technology Industrial Park

Rongtai Avenue 8

Post code:

legal representative:

Authorized agent:

Tel:

fax:/

mail:/

Bank of deposit: Chengdu Rural Commercial Bank Co., Ltd.  
Liucheng Branch

Account:

Exhibit 19

INSIDER TRADING  
COMPLIANCE MANUAL

## INSIDER TRADING COMPLIANCE MANUAL

WETOUCH TECHNOLOGY INC.

Adopted: April 16, 2024

In order to take an active role in the prevention of insider trading violations by its officers, directors, employees, consultants, attorneys, advisors and other related individuals, the Board of Directors (the “**Board**”) of Wetouch Technology Inc., a Nevada corporation (the “**Company**”), has adopted the policies and procedures described in this Insider Trading Compliance Manual.

### I. Adoption of Insider Trading Policy.

Effective as of the date first written above, the Board has adopted the Insider Trading Policy attached hereto as Exhibit A (as the same may be amended from time to time by the Board, the “**Policy**”), which prohibits trading based on “material, nonpublic information” regarding the Company or any company whose securities are listed for trading or quotation in the United States (“**Material Non-Public Information**”).

This Policy covers all officers and directors of the Company and its subsidiaries, all other employees of the Company and its subsidiaries, and consultants or contractors to the Company or its subsidiaries who have or may have access to Material Non-Public Information and members of the immediate family or household of any such person. This Policy (and/or a summary thereof) is to be delivered to all employees, consultants and related individuals who are within the categories of covered persons upon the commencement of their relationships with the Company.

### II. Designation of Certain Persons.

**A. Section 16 Individuals.** All directors and executive officers of the Company will be subject to the reporting and liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) and the rules and regulations promulgated thereunder (“**Section 16 Individuals**”).

**B. Other Persons Subject to Policy.** In addition, certain employees, consultants, and advisors of the Company as described in Section I above have, or are likely to have, from time to time access to Material Non-Public Information and together with the Section 16 Individuals, are subject to the Policy, including the pre-clearance requirement described in Section IV. A. below.

**C. Post-Termination Transactions.** This Policy continues to apply to transactions in Company securities even after an employee, officer or director has resigned or terminated employment. If the person who resigns or separates from the Company is in possession of Material Non-Public Information at that time, he or she may not trade in Company securities until that information has become public or is no longer material.

### III. Appointment of Insider Trading Compliance Officer.

By the adoption of this Policy, the Board has appointed the Chief Financial Officer as the Insider Trading Compliance Officer (the “**Compliance Officer**”).

### IV. Duties of Compliance Officer.

The Compliance Officer has been designated by the Board to handle any and all matters relating to the Company’s Insider Trading Compliance Program. Certain of those duties may require the advice of outside counsel with special expertise in securities issues and relevant law. The duties of the Compliance Officer shall include the following:

A. Pre-clearing all transactions involving the Company’s securities by the Section 16 Individuals and those individuals having regular access to Material Non-Public Information in order to determine compliance with the Policy, insider trading laws, Section 16 of the Exchange Act and Rule 144 promulgated under the Securities Act of 1933, as amended (“**Rule 144**”). Attached hereto as Exhibit B is a Pre-Clearance Checklist to assist the Compliance Officer’s performance of this duty.

B. Assisting in the preparation and filing of Section 16 reports (Forms 3, 4 and 5) for all Section 16 Individuals, bearing in mind, however, that the preparation of such reports is undertaken by the Company as a courtesy only and that the Section 16 Individuals alone (and not the Company, its employees or advisors) shall be solely responsible for the content and filing of such reports and for any violations of Section 16 under the Exchange Act and related rules and regulations.

C. Serving as the designated recipient at the Company of copies of reports filed with the Securities and Exchange Commission ("SEC") by Section 16 Individuals under Section 16 of the Exchange Act.

D. Performing periodic reviews of available materials, which may include Forms 3, 4 and 5, Form 144, officers and director's questionnaires, and reports received from the Company's stock administrator and transfer agent, to determine trading activity by officers, directors and others who have, or may have, access to Material Non-Public Information.

E. Circulating the Policy (and/or a summary thereof) to all covered employees, including Section 16 Individuals, on an annual basis, and providing the Policy and other appropriate materials to new officers, directors and others who have, or may have, access to Material Non-Public Information.

F. Assisting the Board in implementation of the Policy and all related Company policies.

G. Coordinating with Company internal or external legal counsel regarding all securities compliance matters.

H. Retaining copies of all appropriate securities reports, and maintaining records of his or her activities as Compliance Officer.

[Acknowledgement Appears on the Next Page]

#### ACKNOWLEDGMENT

I hereby acknowledge that I have received a copy of **Wetouch Technology Inc.'s Insider Trading Compliance Manual** (the "**Insider Trading Manual**"). Further, I certify that I have reviewed the Insider Trading Manual, understand the policies and procedures contained therein and agree to be bound by and adhere to these policies and procedures.

Dated: \_\_\_\_\_

Signature Name: \_\_\_\_\_

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## Exhibit A

### WETOUCH TECHNOLOGY INC. INSIDER TRADING POLICY AND GUIDELINES WITH RESPECT TO CERTAIN TRANSACTIONS IN COMPANY SECURITIES APPLICABILITY OF POLICY

This Policy applies to all transactions in the Company's securities, including common stock, options and warrants to purchase common stock and any other securities the Company may issue from time to time, such as preferred stock, warrants and convertible notes, as well as to derivative securities relating to the Company's stock, whether or not issued by the Company, such as exchange- traded options. It applies to all officers and directors of the Company, all other employees of the Company and its subsidiaries, and consultants or contractors to the Company or its subsidiaries who have or may have access to Material Nonpublic Information (as defined below) regarding the Company and members of the immediate family or household of any such person. This group of people is sometimes referred to in this Policy as "Insiders." This Policy also applies to any person who receives Material Nonpublic Information from any Insider.

Any person who possesses Material Nonpublic Information regarding the Company is an Insider for so long as such information is not publicly known.

#### DEFINITION OF MATERIAL NONPUBLIC INFORMATION

It is not possible to define all categories of material information. However, the U.S. Supreme Court and other federal courts have ruled that information should be regarded as "material" if there is *a substantial likelihood* that a *reasonable investor*:

- (1) *would consider the information important in making an investment decision; and*
- (2) *would view the information as having significantly altered the "total mix" of available information about the Company.*

"Nonpublic" information is information that has not been previously disclosed to the general public and is otherwise not available to the general public.

While it may be difficult to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. In addition, material information may be positive or negative. Examples of such information may include:

- We have Financial results
- Information relating to the right to adjust Company's stock exchange listing or SEC regulatory issues
- Information regarding regulatory review of Company products
- Intellectual property and other proprietary/scientific information
- Projections of future earnings or losses
- Major contract awards, cancellations or write-offs
- Joint ventures/commercial partnerships with third parties
- Research milestones and related payments or royalties
- News of a pending or proposed merger or acquisition
- News of the price disposition of material assets
- Impending bankruptcy or financial liquidity problems
- Gain or loss of a substantial customer or supplier
- New product announcements of a significant nature
- Significant pricing changes
- Stock splits

- New equity or debt offerings
- Significant litigation exposure due to actual or threatened litigation
- Changes in senior management or the Board of Directors of the Company
- Capital investment plans
- Changes in dividend policy

#### CERTAIN EXCEPTIONS

For purposes of this Policy:

**1. Stock Options Exercises.** For purposes of this Policy, the Company considers that the exercise of stock options under the Company's stock option plans (but not the sale of the underlying stock) to be exempt from this Policy. This Policy does apply, however, to any sale of stock as part of a broker-assisted "cashless" exercise of an option, or any market sale for the purpose of generating the cash needed to pay the exercise price of an option.

**2. 401(k) Plan.** This Policy does not apply to purchases of Company stock in the Company's 401(k) plan resulting from periodic contributions of money to the plan pursuant to payroll deduction elections. This Policy does apply, however, to certain elections that may be made under the 401(k) plan, including (a) an election to increase or decrease the percentage of periodic contributions that will be allocated to the Company stock fund, if any, (b) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund, (c) an election to borrow money against a 401(k) plan account if the loan will result in a liquidation of some or all of a participant's Company stock fund balance and (d) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund.

**3. Employee Stock Purchase Plan.** This Policy does not apply to purchases of Company stock in the Company's employee stock purchase plan, if any, resulting from periodic contributions of money to the plan pursuant to the elections made at the time of enrollment in the plan. This Policy also does not apply to purchases of Company stock resulting from lump sum contributions to the plan, provided that the participant elected to participate by lump-sum payment at the beginning of the applicable enrollment period. This Policy does apply to a participant's election to participate in or increase his or her participation in the plan, and to a participant's sales of Company stock purchased pursuant to the plan.

**4. Dividend Reinvestment Plan.** This Policy does not apply to purchases of Company stock under the Company's dividend reinvestment plan, if any, resulting from reinvestment of dividends paid on Company securities. This Policy does apply, however, to voluntary purchases of Company stock that result from additional contributions a participant chooses to make to the plan, and to a participant's election to participate in the plan or increase his level of participation in the plan. This Policy also applies to his or her sale of any Company stock purchased pursuant to the plan.

**5. General Exceptions.** Any exceptions to this Policy other than as set forth above may only be made by advance written approval of each of: (i) the Company's President or Chief Executive Officers, (ii) the Company's Insider Trading Compliance Officer and (iii) the Chairman of the Governance and Nominating Committee of the Board. Any such exceptions shall be immediately reported to the remaining members of the Board.

#### STATEMENT OF POLICY

##### General Policy

It is the policy of the Company to prohibit the unauthorized disclosure of any nonpublic information acquired in the workplace and the misuse of Material Nonpublic Information in securities trading related to the Company or any other company.

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## Specific Policies

**1. Trading on Material Nonpublic Information.** With certain exceptions, no Insider shall engage in any transaction involving a purchase or sale of the Company's or any other company's securities, including any offer to purchase or offer to sell, during any period commencing with the date that he or she possesses Material Nonpublic Information concerning the Company, and ending at the close of business on the second Trading Day following the date of public disclosure of that information, or at such time as such nonpublic information is no longer material. However, see Section 2 under "**Permitted Trading Period**" below for a full discussion of trading pursuant to a pre-established plan or by delegation.

As used herein, the term "**Trading Day**" shall mean a day on which national stock exchanges are open for trading.

**2. Tipping.** No Insider shall disclose ("**tip**") Material Nonpublic Information to any other person (including family members) where such information may be used by such person to his or her profit by trading in the securities of companies to which such information relates, nor shall such Insider or related person make recommendations or express opinions on the basis of Material Nonpublic Information as to trading in the Company's securities.

Regulation FD (Fair Disclosure) is an issuer disclosure rule implemented by the SEC that addresses selective disclosure of Material Nonpublic Information. The regulation provides that when the Company, or person acting on its behalf, discloses material nonpublic information to certain enumerated persons (in general, securities market professionals and holders of the Company's securities who may well trade on the basis of the information), it must make public disclosure of that information. The timing of the required public disclosure depends on whether the selective disclosure was intentional or unintentional; for an intentional selective disclosure, the Company must make public disclosures simultaneously; for a non-intentional disclosure the Company must make public disclosure promptly. Under the regulation, the required public disclosure may be made by filing or furnishing a Form 8-K, or by another method or combination of methods that is reasonably designed to effect broad, non-exclusionary distribution of the information to the public.

It is the policy of the Company that all public communications of the Company (including, without limitation, communications with the press, other public statements, statements made via the Internet or social media outlets, or communications with any regulatory authority) be handled **only** through the Company's President and/or Chief Executive Officer (the "**CEO**"), an authorized designee of the CEO or the Company's public or investor relations firm. Please refer all press, analyst or similar requests for information to the CEO and do not respond to any inquiries without prior authorization from the CEO. If the CEO is unavailable, the Company's Chief Financial Officer (or the authorized designee of such officer) will fill this role.

**3. Confidentiality of Nonpublic Information.** Nonpublic information relating to the Company is the property of the Company and the unauthorized disclosure of such information (including, without limitation, via email or by posting on Internet message boards, blogs or social media) is strictly forbidden.

**4. Duty to Report Inappropriate and Irregular Conduct.** All employees, and particularly managers and/or supervisors, have a responsibility for maintaining financial integrity within the company, consistent with generally accepted accounting principles and both federal and state securities laws. Any employee who becomes aware of any incidents involving financial or accounting manipulation or irregularities, whether by witnessing the incident or being told of it, must report it to their immediate supervisor and to any member of the Company's Audit Committee. In certain instances, employees are allowed to participate in federal or state proceedings. For a more complete understanding of this issue, employees should consult their employee manual and/or seek the advice from their direct report or the Company's principal executive officers (who may, in turn, seek input from the Company's outside legal counsel).

### POTENTIAL CRIMINAL AND CIVIL LIABILITY AND/OR DISCIPLINARY ACTION

**1. Liability for Insider Trading.** Insiders may be subject to penalties of up to \$5,000,000 for individuals (and \$25,000,000 for a business entity) and up to twenty (20) years in prison for engaging in transactions in the Company's securities at a time when they possess Material Nonpublic Information regarding the Company. In addition, the SEC has the authority to seek a civil monetary penalty of up to three times the amount of profit gained or loss avoided by illegal insider trading. "Profit gained" or "loss avoided" generally means the difference between the purchase or sale price of the Company's stock and its value as measured by the trading price of the stock a reasonable period after public dissemination of the nonpublic information.

**2. Liability for Tipping.** Insiders may also be liable for improper transactions by any person (commonly referred to as a “tippee”) to whom they have disclosed Material Nonpublic Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company’s securities. The SEC has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges and the National Association of Securities Dealers, Inc. use sophisticated electronic surveillance techniques to monitor and uncover insider trading.

**3. Possible Disciplinary Actions.** Individuals subject to the Policy who violate this Policy shall also be subject to disciplinary action by the Company, which may include suspension, forfeiture of perquisites, ineligibility for future participation in the Company’s equity incentive plans and/or termination of employment.

#### PERMITTED TRADING PERIOD

##### 1. **Black-Out Period and Trading Window.**

To ensure compliance with this Policy and applicable federal and state securities laws, the Company requires that all officers, directors, members of the immediate family or household of any such person and others who are subject to this Policy refrain from conducting any transactions involving the purchase or sale of the Company’s securities, other than during the period in any fiscal quarter commencing at the close of business on the second Trading Day following the date of public disclosure of the financial results for the prior fiscal quarter or year and ending on the fifteenth day of the third month of the fiscal quarter (the “**Trading Window**”). If such public disclosure occurs on a Trading Day before the markets close, then such date of disclosure shall be considered the first Trading Day following such public disclosure.

It is the Company’s policy that the period when the Trading Window is “closed” is a particularly sensitive periods of time for transactions in the Company’s securities from the perspective of compliance with applicable securities laws. This is because Insiders will, as any quarter progresses, are increasingly likely to possess Material Nonpublic Information about the expected financial results for the quarter. The purpose of the Trading Window is to avoid any unlawful or improper transactions or the appearance of any such transactions.

It should be noted that even during the Trading Window any person possessing Material Nonpublic Information concerning the Company shall not engage in any transactions in the Company’s (or any other companies, as applicable) securities until such information has been known publicly for at least two Trading Days. The Company has adopted the policy of delaying trading for “at least two Trading Days” because the securities laws require that the public be informed effectively of previously undisclosed material information before Insiders trade in the Company’s stock. Public disclosure may occur through a widely disseminated press release or through filings, such as Forms 10-Q and 8-K, with the SEC. Furthermore, in order for the public to be effectively informed, the public must be given time to evaluate the information disclosed by the Company. Although the amount of time necessary for the public to evaluate the information may vary depending on the complexity of the information, generally two Trading Days is a sufficient period of time.

From time to time, the Company may also require that Insiders suspend trading because of developments known to the Company and not yet disclosed to the public. In such event, such persons may not engage in any transaction involving the purchase or sale of the Company’s securities during such period and may not disclose to others the fact of such suspension of trading.

Although the Company may from time to time require during a Trading Window that Insiders and others suspend trading because of developments known to the Company and not yet disclosed to the public, **each person is individually responsible at all times for compliance with the prohibitions against insider trading. Trading in the Company’s securities during the Trading Window should not be considered a “safe harbor,” and all directors, officers and other persons should use good judgment at all times.**

Notwithstanding these general rules, Insiders may trade outside of the Trading Window provided that such trades are made pursuant to a legally compliant, pre-established plan or by delegation established at a time that the Insider is not in possession of material nonpublic information. These alternatives are discussed in the next section.

## 2. Trading According to a Pre-established Plan (10b5-1) or by Delegation.

The SEC has adopted Rule 10b5-1 (which was amended in December 2022) under which insider trading liability can be avoided if Insiders follow very specific procedures. In general, such procedures involve trading according to pre-established instructions, plans or programs (a “**10b5-1 Plan**”) after a required “cooling off” period described below.

10b5-1 Plans must:

**(a) Be documented by a contract, written plan, or formal instruction which provides that the trade take place in the future.** For example, an Insider can contract to sell his or her shares on a specific date, or simply delegate such decisions to an investment manager, 401(k) plan administrator or similar third party. This documentation must be provided to the Company’s Insider Trading Compliance Officer;

**(b) Include in its documentation the specific amount, price and timing of the trade, or the formula for determining the amount, price and timing.** For example, the Insider can buy or sell shares in a specific amount and on a specific date each month, or according to a pre-established percentage (of the Insider’s salary, for example) each time that the share price falls or rises to pre-established levels. In the case where trading decisions have been delegated (i.e., to a third party broker or money manager), the specific amount, price and timing need not be provided;

**(c) Be implemented at a time when the Insider does not possess material non-public information.** As a practical matter, this means that the Insider may set up 10b5-1 Plans, or delegate trading discretion, only during a “Trading Window” (discussed in Section 1, above), assuming the Insider is not in possession of material non-public information;

**(d) Remain beyond the scope of the Insider’s influence after implementation.** In general, the Insider must allow the 10b5-1 Plan to be executed without changes to the accompanying instructions, and the Insider cannot later execute a hedge transaction that modifies the effect of the 10b5-1 Plan. Insiders should be aware that the termination or modification of a 10b5-1 Plan after trades have been undertaken under such plan could negate the 10b5-1 affirmative defense afforded by such program for all such prior trades. As such, termination or modification of a 10b-5 Plan should only be undertaken in consultation with your legal counsel. If the Insider has delegated decision-making authority to a third party, the Insider cannot subsequently influence the third party in any way and such third party must not possess material non-public information at the time of any of the trades;

**(e) Be subject to a “cooling off” period.** Effective February 27, 2023, Rule 10b5-1 contains “cooling-off period” for directors and officers that prohibit such insiders from trading in a 10b5-1 Plan until the later of (i) 90 days following the plan’s adoption or modification or (ii) two business days following the Company’s disclosure (via a report filed with the SEC) of its financial results for the fiscal quarter in which the plan was adopted or modified; and

**(f) Contain Insider certifications.** Effective February 27, 2023, directors and officers are required to include a certification in their 10b5-1 Plans to certify that at the time the plan is adopted or modified: (i) they are not aware of Material Nonpublic Information about the Company or its securities and (ii) they are adopting the 10b5-1 Plan in good faith and not as part of a plan or scheme to evade the anti-fraud provisions of the Exchange Act.

**Important:** In addition, effective February 27, 2023: (i) Insiders are prohibited from having multiple overlapping 10b5-1 Plans or more than one plan in any given year, (ii) a modification relating to amount, price and timing of trades under a 10b5-1 Plan is deemed a plan termination which requires a new cooling off period, and (iii) whether a particular trade is undertaken pursuant to a 10b5-1 Plan will need to be disclosed (by checkoff box) on the applicable Forms 4 or 5 of the Insider.

**Pre-Approval Required:** Prior to implementing a 10b5-1 Plan, all officers and directors must receive the approval for such plan from (and provide the details of the plan to) the Company’s Insider Trading Compliance Officer.

## 3. Pre-Clearance of Trades.

Even during a Trading Window, all Insiders, must comply with the Company’s “pre-clearance” process prior to trading in the Company’s securities, implementing a pre-established plan for trading, or delegating decision-making authority over the Insider’s trades. To do so, each Insider must contact the Company’s Insider Trading Compliance Officer prior to initiating any of these actions. The Company may also find it necessary, from time to time, to require compliance with the pre-clearance process from others who may be in possession of Material Nonpublic Information.

#### 4. Individual Responsibility.

Every person subject to this Policy has the individual responsibility to comply with this Policy against insider trading, regardless of whether the Company has established a Trading Window applicable to that Insider or any other Insiders of the Company. Each individual, and not necessarily the Company, is responsible for his or her own actions and will be individually responsible for the consequences of their actions. Therefore, appropriate judgment, diligence and caution should be exercised in connection with any trade in the Company's securities. An Insider may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning of the Material Nonpublic Information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

#### APPLICABILITY OF POLICY TO INSIDE INFORMATION REGARDING OTHER COMPANIES

This Policy and the guidelines described herein also apply to Material Nonpublic Information relating to other companies, including the Company's customers, vendors or suppliers ("business partners"), when that information is obtained in the course of employment with, or other services performed on behalf of the Company. Civil and criminal penalties, as well as termination of employment, may result from trading on Material Nonpublic Information regarding the Company's business partners. All Insiders should treat Material Nonpublic Information about the Company's business partners with the same care as is required with respect to information relating directly to the Company.

#### PROHIBITION AGAINST BUYING AND SELLING COMPANY COMMON STOCK WITHIN A SIX-MONTH PERIOD

##### Directors, Officers and 10% Shareholders

Purchases and sales (or sales and purchases) of Company common stock occurring within any six-month period in which a mathematical profit is realized result in illegal "short-swing profits." The prohibition against short-swing profits is found in Section 16 of the Exchange Act. Section 16 was drafted as a rather arbitrary prohibition against profitable "insider trading" in a company's securities within any six-month period regardless of the presence or absence of material nonpublic information that may affect the market price of those securities. Each executive officer, director and 10% shareholder of the Company is subject to the prohibition against short-swing profits under Section 16. Such persons are required to file Forms 3, 4 and 5 reports reporting his or her initial ownership of the Company's common stock and any subsequent changes in such ownership. The Sarbanes-Oxley Act of 2002 requires executive officers and directors who must report transactions on Form 4 to do so by the end of the second business day following the transaction date, and amendments to Form 4 adopted effective February 2023 require the reporting person to check on the form if the purchase or sale was undertaken pursuant to a 10b5-1 Plan. Profit realized, for the purposes of Section 16, is calculated generally to provide maximum recovery by the Company. The measure of damages is the profit computed from any purchase and sale or any sale and purchase within the short-swing (i.e., six-month) period, without regard to any setoffs for losses, any first-in or first-out rules, or the identity of the shares of common stock. This approach sometimes has been called the "lowest price in, highest price out" rule.

***The rules on recovery of short-swing profits are absolute and do not depend on whether a person has Material Nonpublic Information.*** In order to avoid trading activity that could inadvertently trigger a short-swing profit, it is the Company's policy that no executive officer, director and 10% shareholder of the Company who has a 10b5-1 Plan in place may engage in voluntary purchases or sales of Company securities outside of and while such 10b5-1 Plan remains in place.

#### INQUIRIES

Please direct your questions as to any of the matters discussed in this Policy to the Company's Insider Trading Compliance Officer.

## Exhibit B

### WETOUCH TECHNOLOGY INC.

#### INSIDER TRADING COMPLIANCE PROGRAM - PRE-CLEARANCE CHECKLIST

Individual Proposing to Trade: \_\_\_\_\_

Number of Shares covered by Proposed Trade: \_\_\_\_\_

Date: \_\_\_\_\_

- Trading Window.** Confirm that the trade will be made during the Company's "trading window."
- Section 16 Compliance.** Confirm, if the individual is subject to Section 16, that the proposed trade will not give rise to any potential liability under Section 16 as a result of matched past (or intended future) transactions. Also, ensure that a Form 4 has been or will be completed and will be timely filed.
- Prohibited Trades.** Confirm, if the individual is subject to Section 16, that the proposed transaction is not a "short sale," put, call or other factors. When there is adjustment, we shall send a written notice of change of the price 30 days in advance. prohibited or strongly discouraged transaction.
- Rule 144 Compliance (as applicable).** Confirm that:
  - Current public information requirement has been met;
  - For Shares are not restricted or, if restricted, the first one year we grant the customers a credit limit of 1.5 million and a credit line 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. holding period has been met;
  - The customers shall make payment in full and on time according to Volume limitations are not exceeded (confirm that the payment method and time individual is not part 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, an aggregated group);
  - We are required to provide products to customers pursuant to The manner of sale requirements have been met; and
  - The Notice of Form 144 Sale has been completed and filed.
- Rule 10b-5 Concerns.** Confirm that (i) the individual has been reminded that trading is prohibited when in possession of any material information regarding the Company that has not been adequately disclosed to the delivery date public, and quantity, requirements included in (ii) the purchase orders and shall negotiate Insider Trading Compliance Officer has discussed with customers if we are unable to provide the individual any information known to the individual or the Insider Trading Compliance Officer which might be considered material, so provide, that the individual has made an informed judgment as to the presence of inside information.
- Rule 10b5-1 Matters.** Confirm whether the individual has implemented, or proposes to implement, a pre-arranged trading plan under Rule 10b5-1. If so, obtain details of the plan.

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. **Insider Trading Compliance Officer**

#### *Minimum Purchase Requirements*

Although the material terms of our sales framework agreements with our major customers are identical, the minimum purchase amounts differ depending on the particular customer. If the customer fails to purchase the minimum purchase amount in the applicable agreement, the customers will be deprived of the most favorable price treatment for the following year and rebate rewards for the current year. For E-Lead Electronic Co. Ltd., the minimum purchase amounts are as follows, \$9.5 million for 2022, \$10.5 million for 2023, \$12 million for 2024, and \$14 million for 2025. For MultimediaLink Inc., the minimum purchase amounts are as follows, \$9.5 million for 2022, \$10.5 million for 2023, \$11.5 million for 2024, and \$12.5 million for 2025. For Suzhou Weinview Co., Ltd., the minimum purchase amounts are approximately \$63 million for 2022, \$70 million for 2023, \$78 million for 2024, and \$85 million for 2025. For Siemens Industrial Automation Products (Chengdu) Co., Ltd., the minimum purchase amounts are approximately \$65 million for 2022, \$72 million for 2023, \$80 million for 2024, and \$90 million for 2025. For Shanghai Sigang Electronics Co., Ltd., the minimum purchase amounts are approximately \$65 million for 2022, \$70 million for 2023, \$75 million for 2024, and \$80 million for 2025.

For Canon (Suzhou) Ltd., the minimum purchase amounts are approximately \$53 million for 2022, \$60 million for 2023, \$70 million for 2024, and \$80 million for 2025.

In 2019, our PRC subsidiary has supplemental agreements to our sales framework agreements with five (5) customers, namely (1) MultimediaLink Inc., (2) Shenzhen Soling Industrial Co., Ltd., (3) E-Lead Electronic Co. Ltd., (4) Suzhou Weinview Co., Ltd. and (5) Omron (Guangzhou) Automotive Electronics Co., Ltd. Pursuant to these supplemental agreements, the above five customers were entitled to receive 5% concessions from the total purchases they made to us. As a result of these concessions, the above customers received concessions totaling an aggregate of approximately \$0.75 million for the year ended December 31, 2019.

In 2020, our PRC subsidiary has supplemental agreements to our sales framework agreements with four (4) customers, namely (1) MultimediaLink Inc., (2) E-Lead Electronic Co. Ltd., (3) Suzhou Weinview Co., Ltd. and (4) Omron (Guangzhou) Automotive Electronics Co., Ltd. Pursuant to these supplemental agreements, the above four customers were entitled to receive 5% concessions from the total purchases they made to us. As a result of these concessions, the above customers received concessions totaling an aggregate of approximately \$0.95 million for the year ended December 31, 2020.

As of December 31, 2022, other than as provided above, we did not provide any concession to any other customers. For the years ended December 31, 2022 and 2021, we did not provide any extended payment terms to any of our customers. Our customers are required to make full payment within three to five months from delivery date, although our typical payment term is 180 days from delivery. As a result of the COVID-19 outbreak in January 2020, collection activities from some of our customers affected by the pandemic resulted in longer payment terms. We impliedly granted extended payment terms until December 31, 2020 to some of our customers. As of December 31, 2020, we collected all overdue accounts receivable by the end of this year and resumed our typical payment term.

**CERTIFICATION OF THE**

**PRINCIPAL EXECUTIVE OFFICER**

**PURSUANT TO**

**RULE 13a-14(a) AND RULE 15d-14(a)**

**UNDER THE**

**SECURITIES EXCHANGE ACT OF 1934,**

**AS ADOPTED PURSUANT TO**

**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

We source our customers through multiple channels: (i) from our own research through Search Engine Optimization ("SEO") and outreach, (ii) through referrals from our present customers, (iii) through our websites; and (iv) through industry exhibitions/expos. I, Zongyi Lian, certify that:

Our main target markets are economically developed countries and regions, including eastern, southern, northern and southwest regions of China, South Korea, and Germany. We believe that we 1. I have established a strong client base, including global well-known institutional customers. Overseas sales were \$11.5 million in 2022 as compared to \$13.6 million in 2021.

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

In addition to the top five (5) customers, we also have sales framework agreements with our major customers and direct purchase orders with our other customers. In the past three years, we have entered into approximately 700 orders under both sales framework agreements and through direct purchase orders.

The key terms of the framework agreements with our major customers have similar terms with our top five (5) customers as above mentioned. The key terms of the purchase order provide 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.

Pursuant to the purchaser orders, either through frame agreements or direct orders, our PRC subsidiary is obligated to provide 1) products per the specific requirements of the orders, and 2) unconditional defect guaranty for our products. Any violation of the order terms may result in termination of the orders or replacement of our products.

As of the date of reviewed this Annual Report our PRC subsidiary has never violated any framework agreements or purchase orders and therefore never incurred any economic losses as a result of our agreements; no penalty has ever been incurred by us due to our delay of delivering products and our PRC subsidiary has always complied with all terms set forth in on Form 10-K for the frame agreements and purchase orders.

For the fiscal year ended December 31, 2022, December 31, 2023 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 revenues generated from our domestic customers amounted to approximately \$26.4 million, constituting approximately 69.7% of our total revenues, with overseas customers accounting for approximately \$11.5 million, constituting approximately 30.3% of our total revenues, respectively. For the year ended December 31, 2021, the revenues generated from our domestic customers amounted to approximately \$27.2 million, constituting approximately 66.7% of our total revenues, with overseas customers accounting for approximately \$13.6 million, constituting approximately 33.3% of our total revenues, respectively..

## Our Suppliers

Our PRC subsidiary has no supply agreements with our suppliers. We can utilize any supplier we determine and there are no minimum purchase requirements when we place orders with our suppliers.

We place purchase orders with suppliers of raw materials for the production of our products. In the past three years, our PRC subsidiary has entered into over 4,000 purchase orders. The general terms statements made, in light of the purchase order include:

- The product name, specification, quantity, price, order amount and delivery date are specified in each order.
- Delivery method, packaging, inspection, breach terms and dispute resolution are determined in accordance with each order.
- Payment terms are specified in each order.
- The products supplied must adhere to the nationally prescribed quality standards or industry standards. Each product order must be accompanied by the supplier's product quality certification.
- The supplier will unconditionally accept returns and refund in full the purchase price for the products or make replacements if the products supplied do not meet industry or nationally prescribed quality standards, are damaged or significantly different than the same product.

As of December 31, 2022, we have a total number of 113 suppliers. We do circumstances under which such statements were made, not consider any of our suppliers to be material to our business and we can utilize any supplier we determine at our sole discretion. Although we can utilize any supplier we determine, we believe that we established healthy and stable relationships with our significant suppliers. 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 47.2% (four suppliers) and 11.2% (one supplier) of the Company's total raw material purchases for the years ended December 31, 2022 and 2021, respectively. Our PRC subsidiary does not have supply agreements with any of them and all of our raw material procurement with them are processed through our PRC subsidiary's purchase orders. There are no minimum purchase requirements with any of our suppliers, including these three significant ones.

These purchase order forms with our significant suppliers contain the following identical material terms:

- The product name, specification, quantity, price, order amount and delivery date are specified in each order.
- Delivery method, location and transportation fee arrangements, packaging, payment terms, breach terms and dispute resolution are specified in each order.
- Suppliers are responsible for shipment fees and all risks of products in transit.
- Inspection standards are specified in each order. The products supplied must adhere to the nationally prescribed quality standards or industry standards, or sample specifications confirmed by the parties. The Company is entitled to request replacement or order cancellation if the supplied raw materials fail to pass the inspection.
- Except for force majeure, any party in breach of the order terms is obligated to pay 20% of the contract amount as liquidated damages.

## Marketing and Sales

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) standard.

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 along every step 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 governs what constitutes acceptable quality for its products. This ensures that the Company's products fulfill product certification standards. The production team adheres to the following criteria when making its product standard assessment:

Item	Industry Standards	Wetouch's 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 and sold 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 spot for any defects, scratches and cracks, panel discoloration, opacity, foreign fibers and spots. The Company has in place 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 and test for effective functionality and to screen for any abnormalities.
- Stress testing: all products undergo product stress testing by being subject to humidity, temperature and corrosion stress testing. The products are tested for their functionality in high and low humidity environments as well as in extreme temperatures. The products are inspected to determine whether damage or physical change is caused by exposure to high and low temperatures.
- Third party organizations are engaged to conduct independent testing for hazardous substances. The products are also tested for their corrosive resistance to saline solutions.

The Company's products are produced to order and are marketed directly by its own sales personnel. The Company does not rely on distributors to sell its products.

#### **Seasonality of Business**

There is no significant seasonality in our business.

#### **Inventory**

Inventory consists of raw materials, work-in-process and finished goods. Because a large percentage of the Company's orders require products to be shipped in the same quarter in which the order was received, and because orders in the inventory may be canceled and delivery schedules may be changed, the Company's inventory at any particular date is not necessarily indicative of actual sales for any succeeding period.

#### **Research and Development**

We are committed to our own research and development projects as well as partnership initiatives in order to continuously and systematically upgrade our touchscreen technology. As of the date of this Annual Report, we have 6 employees in our R&D department.

#### **Intellectual Property**

Our business is dependent on a combination of trademarks, patents, domain names, trade names, trade secrets and other proprietary rights in order to protect our intellectual property rights. As of the date of this Annual Report, we have one registered trademark in mainland China and eight registered patents in the PRC under our former PRC subsidiary, Sichuan Wetouch.

#### **Trademarks**

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

Country	Trademark	Application Date	Registration Number	Registration		Assignment Application Number	Assignor	Assignee	Status
				Date	Classes				
China	WeTouch *	09/28/2011	10019079	01/28/2013	9	2021000091399	Sichuan Wetouch	Sichuan Vtouch	Registered

\*On February 24, 2021, the trademark "WeTouch" registered with the Trademark Office of China National Intellectual Property Administration ("Trademark Office") was assigned from Sichuan Wetouch to Sichuan Vtouch with the Application No.2021000091399, pending assignment approval of Trademark Office.

## Patents

Set forth below is a detailed description of our registered patents under our former PRC subsidiary, Sichuan Wetouch, which we are currently in the process of assigning to our PRC subsidiary, Sichuan Vtouch:

Patent Certificate No.	Patent No.	Patent Name	Patent Application Date	Patent Type	Patent Term	Owner	Status
3700175	ZL201420086995.3	Dispenser tube support structure	02/28/2014	Utility Model	10 years from Patent Application Date	Sichuan Wetouch	Registered
3701522	ZL201420084742.2	Antistatic capacitive touchscreen	02/27/2014	Utility Model	10 years from Patent Application Date	Sichuan Wetouch	Registered
3703829	ZL201420084735.2	Anti-electromagnetic interference capacitive touchscreen	02/27/2014	Utility Model	10 years from Patent Application Date	Sichuan Wetouch	Registered
3704079	ZL201420084741.8	High sensitive and projected capacitive touchscreen	02/27/2014	Utility Model	10 years from Patent Application Date	Sichuan Wetouch	Registered
3704825	ZL201420087006.2	Compression panels of screen laminating machines	02/28/2014	Utility Model	10 years from Patent Application Date	Sichuan Wetouch	Registered
6146599	ZL201620733872.3	Cooling capacitive touchscreen	July 13, 2016	Utility Model	10 years from Patent Application Date	Sichuan Wetouch	Registered
6204352	ZL201620734173.0	OGS Touchscreen	July 13, 2016	Utility Model	10 years from Patent Application Date	Sichuan Wetouch	Registered
6387677	ZL201620733760.8	Size-adjustable universal type capacitive touchscreen	July 13, 2016	Utility Model	10 years from Patent Application Date	Sichuan Wetouch	Registered

On March 9, 2021, we applied for four (4) patents with the Patent Office of China National Intellectual Property Administration ("Patent Office"). As of the date of this Annual Report, they are still pending.

Set forth below is a detailed description of our pending patents:

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



Patents registered in China cannot be enforced in other jurisdictions to which the Company supplies its products. We currently have registered patents only in China. We plan to submit patent registration applications in our target market jurisdictions including United States, Europe, Australia, Japan, Korea, Taiwan, India and Russia. The estimated costs for these patent registrations would be approximately \$160,000. We estimate that it may take two to three years to obtain the patent registrations in the above countries.

#### **Environmental Issues**

Our business in China is subject to various pollution control regulations in 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.

Our PRC subsidiary originally received Pollutant Discharge Permit from Renshou County environmental protection agency, which expired on May 15, 2019. 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. Therefore, upon submission of all required documentation, our PRC subsidiary is registered under the new system by issuance of the Stationary Pollution Source Registration Form.

The Company is not aware of any investigations, prosecutions, disputes, claims or other proceedings in respect of environmental protection, nor has the Company been punished or can foresee any punishment to be made by any environmental administration authorities of the PRC.

#### **Competitive Strengths**

We are dedicated to the production of high quality products that are tailored to customers' requirements and commercial needs. Our competitive strengths include:

- Our economy of scale lowers our cost and appeals to big clients with large quantity purchase orders;
- Our centralized manufacturing facility enables us to produce all different products within the same location with batch consistency and quality assurance;
- Our proprietary technology allows us to produce touchscreens with high light-transmittance ratio and stability, low maintenance with minimal or no need of recalibration after production, long life span, anti-interference, anti-corrosion and multi-touch capability, supporting up to 20 points of contact with the screen and 20 gestures, and in different structures and sizes for a wide range of different applications.

#### **Our Growth Strategies**

We will continue to adhere to our business principles of providing high quality and safe products to our consumers and promoting social responsibility. We believe that our pursuit of these goals will lead to sustainable growth driven by our capacity expansion based on market demand, solidify our position in the industry, and create long-term value for our shareholders, employees and other stakeholders.

- **Improve existing technology.** We intend to improve our existing technology and occupy more market share. Our products are categorized into the following three main structures: GG (Glass + Glass), GFF (Glass + Film + Film), and PG(Plastic Glass). GG is mainly used in the automobile and banking and finance industries. We plan to make technological improvements on GG structure and mainly focus on improving its production capability and delivering quality products for brand customers. GFF is mostly applied in industrial HMI and lottery and gaming industries. We plan to continue to concentrate on high-end industrial HMI products. PG is primarily employed in smart home, robotics and charging stations industries. We plan to upgrade the production line of PG to improve its production capability and create greater adaptability to changes in product size. We have developed the industry 4.0 intelligent system, which is still under testing as of the date of this Annual Report. Upon successfully passing the testing phase and registering the patent, we plan to apply it to various manufacturing industries. As of the date of this Annual Report, we have sufficient funds to effectuate our plans.

- **Solidify our industry position by gaining additional market share.** Our goal is to strengthen our market position and accelerate our expansion by expanding our scale and gaining additional market share. We plan to increase investment in our business and expand our production capacity through horizontal or vertical acquisitions, strategic partnerships and joint ventures. We plan to invest additional capital in technology research and development and acquiring new equipment to increase production capacity. In addition, we plan to participate in more expos or exhibitions domestically and internationally. With more exposure and promotion, we believe our product and brand will be better recognized. Currently we have no agreements or letters of intent for any acquisitions, partnerships or ventures.
- **Uphold our commitment to product quality.** We intend to uphold our commitment to product quality to ensure consistently high standards throughout our operations. We intend to achieve greater traceability of our products and maintain the highest quality standards in all of our business units. To this end, we plan to continue to maintain our quality monitoring systems across the entire operation by strictly selecting suppliers and meeting clients' technology requirements, closely monitoring quality, keeping records of everyday operations, and complying with national and local laws and regulations on product quality, employees, and environment sustainability. We believe such practice largely conforms with the industry's best practices in China.
- **Expand our sales and distribution network.** We hope to expand our sales and distribution network to penetrate new geographic markets, further gaining market share in existing markets and accessing a broader range of customers. We will continue to expand our sales network, leveraging our local resources to quickly enter new markets, while also minimizing requirements for capital outlay. We plan to focus on brand clients and concentrate on high-end industry such as industrial HMI, banking and finance, medical instruments, military, aviation, and POS and increase our presence in both new and existing markets.
- **Enhance our ability to attract, incentivize and retain talented professionals.** We believe our success greatly depends on our ability to attract, incentivize and retain talented professionals. With a view to maintaining and improving our competitive advantage in the market, we plan to implement a series of initiatives to attract additional and retain mid- to high-level personnel, including formulating a market-oriented employee compensation structure and implementing a standardized multi-level performance review mechanism.

#### Competition

The markets for touchscreen products are highly competitive and subject to rapid technological change. We believe 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. We believe that we compete 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 that touchscreen products are highly competitive as a whole, we face fewer competitors, as we produce medium to large size touchscreens which are specially tailored to certain industries, such as industrial HMI, gaming, financing, lottery, automotive, medical, and POS, among others, and 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 headquarter based 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 mostly applicable to 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 for 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 when it comes to the competition for U.S. customers and other international customers, it recently started the production of capacitive touchscreens mostly applicable to 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 mostly applicable to 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 industry. 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 the systems well suited both for applications for the general public and for specialized applications for institutional users and trained computer users.

Although touchscreen has 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 the individual and machine, touchscreen technology is now an integral part of a wide range of computing products.

## Regulations

### Overview

We operate our business in the PRC 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, 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 the PRC.

### Regulations Relating to Foreign Investment in 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 PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign- and domestic-invested enterprises in 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 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 China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other similar rights and interests of an enterprise within China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project in China; and (iv) investments in other means as provided by laws, administrative regulations, or the State Council.

Investment activities in the PRC 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 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 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 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 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 8 registered patents under our former PRC subsidiary Sichuan Wetouch, which we are in the process of assigning to our PRC subsidiary Sichuan Vtouch and 4 pending patents in China under our PRC subsidiary Sichuan Vtouch.

### **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 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 China must be made in Renminbi. Unless otherwise approved, PRC 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 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 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 misleading with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, period covered by this report; 3. Based on my knowledge, 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 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 financial 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, PRC 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 PRC residents for investment and financing purposes, with the enterprise assets or interests PRC residents hold in 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 PRC 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 PRC 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 PRC residents to penalties under PRC foreign exchange administration regulations. PRC 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 PRC 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 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 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 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 China, FIEs in China may pay dividends only out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. A PRC 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 PRC 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.

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

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 PRC companies and controlled directly or indirectly by PRC 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 PRC domestic enterprise or a foreign company with substantial PRC 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 December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or the Draft Overseas Listing Administration Provisions, and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or the Draft Overseas Listing Filing Measures, which are open for public comments until January 23, 2022.

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 Measures, and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial 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 China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in 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.

On the same day, the CSRC held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that (1) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges, such as 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 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 China. Resident enterprises are defined as enterprises that are established in 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 China. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside 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 China, or if they have formed permanent establishment or premises in China but there is no actual relationship between the relevant income derived in 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 the PRC.

##### **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 the PRC 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-PRC resident investors that do not have an establishment or place of business in 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 China.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC 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 PRC 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 PRC 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 PRC 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 China are obliged to pay contributions to the social insurance plan and the housing fund plan for employees.

### **Employees**

As of the date of this Annual Report, we had 126 full-time employees. We have no part time employees or independent contractors. None of our employees are represented by a collective bargaining agreement, and we have never experienced any work stoppage. We believe we have good relations with our employees.

### **Corporate Information**

We were incorporated in Nevada on August 31, 1992. Our principal executive offices are located at No. 29, Third Main Avenue, Shigao Town, Renshou County, Meishan, Sichuan, China. Our telephone number is (86) 028-37390666. Our Websites are [www.wetouchinc.com](http://www.wetouchinc.com) and [www.wetouch.com.cn](http://www.wetouch.com.cn), the latter of which is only accessible in the PRC.

### **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 included in this Annual Report, before deciding to invest report, fairly present in our securities. If any of all material respects 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.*

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

***The current COVID-19 pandemic, 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.***

For the year ended December 31, 2022, our revenues were approximately \$37.9 million, a decrease of \$2.9 million, or 7.1%, compared with \$40.8 million for year ended December 31, 2021. The current COVID-19 pandemic adversely affected many aspects of our business, including production, supply chain, and sales and delivery. Our manufacturing facility underwent temporary yet prolonged closure in February 2020 as part of China's nationwide efforts to contain the spread of the novel coronavirus. Even though our business is currently operational, our production capacity, delivery, warranty services including after-sale services and technical support, and operational efficiency are still adversely affected by the COVID-19 pandemic due to insufficient workforce in production, sales, and delivery as a result of temporary travel restrictions in China and the necessity to comply with disease control protocols in our business establishments and manufacturing facility. Our suppliers' abilities to timely deliver raw materials, parts and components, or other services were also adversely affected for similar reasons. The global spread of COVID-19 may also affect our overseas sales. As a result of varying levels of travel and other restrictions for public health concerns in various regions of China, we also temporarily postponed the delivery of our products to our customers. While the duration of the impact of the pandemic on our business and related financial impacts cannot be reasonably estimated at this time, our results of operations for the first half of 2020 were adversely affected with potential continuing impacts on subsequent periods. In addition, further outbreaks of the COVID-19 pandemic may adversely affect our PRC subsidiary's manufacturing ability, our PRC subsidiary's delivery and after-sale services in China. COVID-19 has had a global economic impact on the financial markets. The global spread of COVID-19 pandemic may result in global economic distress, and the extent to which it may affect our results of operations will depend on future developments, which are highly uncertain and cannot be predicted. We cannot assure you that the COVID-19 pandemic can be eliminated or contained in the near future, or at all, or a similar outbreak will not occur again. If the COVID-19 pandemic and the resulting disruption to our business were to extend over a prolonged period, it could materially and adversely affect our business, financial condition, and results of operations.

Global pandemics, epidemics in China or elsewhere in the world, or fear of spread of contagious diseases, such as Ebola virus disease (EVD), coronavirus disease 2019 (COVID-19), Middle East respiratory syndrome (MERS), severe acute respiratory syndrome (SARS), H1N1 flu, H7N9 flu, and avian flu, as well as hurricanes, earthquakes, tsunamis, or other natural disasters could disrupt our business operations, reduce or restrict our supply of products and services, incur significant costs to protect our employees and facilities, or result in regional or global economic distress, which may materially and adversely affect our business, financial condition, and results of operations. Actual or threatened war, terrorist activities, political unrest, civil strife, and other geopolitical uncertainty could have a similar adverse effect on our business, financial condition, and results of operations. Any one or more of these events may impede our production and delivery efforts and adversely affect our sales results, or even for a prolonged period of time, which could materially and adversely affect our business, financial condition, and results of operations.

We are also vulnerable to natural disasters and other calamities. We cannot assure you that we are adequately protected from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks, or similar events. Any of the foregoing events may give rise to interruptions, damage to our property, delays in production, breakdowns, system failures, technology platform failures, or internet failures, which could cause the loss or corruption of data or malfunctions of our manufacturing facility as well as adversely affect our business, financial condition, and results of operations.

**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. We currently sell our 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, 2022, three customers accounted for 32.2%, 22.8%, and 14.0% of the total accounts receivable balance, respectively. For the year ended December 31, 2021, six customers accounted for 25.7%, 18.6%, 12.5%, 11.5%, 11.3% and 10.2% of the total accounts receivable balance, respectively.

Our ability to cost-effectively attract new customers and retain existing customers, 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 in marketing our products and attracting 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 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 existing top customers no longer find our products appealing, or if our competitors offer more attractive products, prices, discounts or better customer services, 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 will be adversely affected.

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

As of December 31, 2022, we had approximately \$9.1 million in accounts receivable. Our accounts receivable primarily includes balance due from customers when our products are sold and delivered to customers. Our customers are required to make full payment within three to five months from delivery date, although our industry typical payment term is 180 days from delivery. As a result of the COVID-19 outbreak in January 2020, collection activities from some of our customers affected by the pandemic resulted in longer payment terms. We impliedly granted extended payment terms until December 31, 2020 to some of our customers. As of December 31, 2020, we collected all overdue accounts receivable and resumed our typical payment term. For the years ended December 31, 2022 and 2021, 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.

**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 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 industry is intensely competitive in general. We face few competition as we produce medium to large size capacitive touchscreens which are specially tailored to certain industries, such as industrial HMI, gaming, financing, lottery, automotive, medical, and POS, etc., and requires more stable supply, longer guaranty and life span, compared with small size touchscreens which is 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 on 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, we are actively searching for an appropriate parcel in Chengdu Medicine City (Technology Park), Wenjiang District, Chengdu for the construction of our PRC subsidiary's new production facilities and office buildings. As of the date of Annual Report, our management estimates that our capital needs for this acquisition and construction will be approximately RMB170.0 million (\$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 business development.

In addition, our plans call for significant new investments in research and development, marketing, expanded production 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.

**Failure to secure a new piece of parcel for the construction of our new buildings and facilities, and failure to acquire and install new production lines on the new parcel, our business, financial condition and results of operations may be materially and adversely affected.**

At the year ended December 31, 2021, our use right to the Property was withdrawn by the local government and all ownership certificates pertaining to the buildings on the Property were returned to the local government for cancellation.

In order to minimize the interruption of 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, Sichuan Vtouch 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, 2023, at a monthly rent of RMB400,000 (approximately \$59,941).

As of the date of this Annual Report, we are actively searching for an appropriate parcel in Chengdu Medicine City (Technology Park), Wenjiang District, Chengdu for the construction of our new production facilities and office buildings. We estimate the new production lines and construction of the new facilities and office buildings on the new parcel will be completed prior to October 31, 2023, but there is no assurance and we may need extended time to achieve our business plan. If we fail to secure such construction prior to October 31, 2023 and the extended period, if any, our business, financial condition and results of operations may be materially and adversely affected.

**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 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 PRC can be reduced to a preferential rate of 15%. The qualification of preferential tax rate is effective for a renewable three-year permitted. As Sichuan Wetouch's business and operations have been assumed by our PRC subsidiary Sichuan Vtouch, Sichuan Vtouch has reapplied for the preferential rate of 15% as a qualified enterprise. Such application is currently pending with the PRC tax authorities. If our PRC subsidiary's application for the qualification of preferential tax rate benefit is not approved, our PRC subsidiary will 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 delay or termination of shipment of the raw materials to us, which may cause delay or termination of shipment 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, 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, or that we will be able to hire or retain experienced, qualified employees to carry out our strategy. 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.

**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' 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.

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 subsidiaries' 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.

***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 other insurances 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.

### **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. On December 24, 2021, the CSRC released the Administrative Provisions of the State Council Regarding the Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments) (the "Draft Administrative Provisions") and the Measures for the Overseas Issuance of Securities and Listing Record-Filings by Domestic Enterprises (Draft for Comments) (the "Draft Filing Measures", together with the Draft Administrative Provisions, the "Draft Rules"). The Draft Rules lay out the filing regulations for both direct and indirect overseas listings and clarify the determination criteria for indirect overseas listings in overseas markets. Among other requirements, if a domestic enterprise intends to indirectly offer and list securities in an overseas market, the record-filing obligation shall be completed within three working days after the overseas listing application is submitted. 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. The Trial Administrative Measures further stipulate the rules and requirements for overseas offering and listing conducted by PRC domestic companies. Upon the effectiveness of the Trial Administrative Measures, we could be required to go through the filing procedure. If required, we cannot assure you that we will be able to complete such process on time or at all.

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 will become 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.

*Upon the effectiveness of the Trial Administrative Measures, we could be 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 PRC 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 PRC 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. According to the Relevant

Officials of the CSRC Answered Reporter Questions (“CSRC Answers”) and Trial Administrative Measures, upon effectiveness, as a company applying for listing on Nasdaq, we could be subject to the filing process since we have not obtained the clearance from SEC or Nasdaq before the effective date of the Trial Administrative Measures. As the Trial Administrative Measures are newly issued, there remains uncertainty as to how it will be interpreted or implemented. Therefore, we cannot assure you that we will be able to obtain clearance from the CSRC in a timely fashion or at all.

**Recent joint statement by the SEC and the Public Company Accounting Oversight Board (United States), or the PCAOB, proposed rule changes submitted by Nasdaq, and the newly enacted Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to the trading of our common stock on U.S. stock exchanges, including the possibility that our securities can be delisted if the PCAOB cannot inspect or fully investigate our auditor.**

On April 21, 2020, the SEC Chairman and PCAOB Chairman, along with other senior SEC staff, released a joint statement highlighting the risks associated with investing in companies based in or have substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets.

On May 18, 2020, Nasdaq filed three proposals with the SEC to (1) apply minimum offering size requirement for companies primarily operating in “Restrictive Market,” (2) adopt a new requirement relating to the qualification of management or board of director for Restrictive Market companies, and (3) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company’s auditor.

On June 4, 2020, the U.S. President issued a memorandum ordering the President’s working group on financial markets to submit a report to the President within 60 days of the date of the memorandum that should include recommendations for actions that can be taken by the executive branch and by the SEC or PCAOB to enforce U.S. regulatory requirements on Chinese companies listed on U.S. stock exchanges and their audit firms. However, it remains unclear what further actions, if any, the U.S. executive branch, the SEC, and PCAOB will take to address the problem.

On August 6, 2020, the President’s working group released a report recommending that the SEC take steps to implement the five recommendations outlined in the report. In particular, to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfill its statutory mandate, the President’s working group recommended enhanced listing standards on U.S. stock exchanges. This would require, as a condition to initial and continued exchange listing, PCAOB access to work papers of the principal audit firm for the audit of the listed company. Companies unable to satisfy this standard as a result of governmental restrictions on access to audit work papers and practices in their jurisdiction may satisfy this standard by providing a co-audit from an audit firm with comparable resources and experience where the PCAOB determines it has sufficient access to audit work papers and practices to conduct an appropriate inspection of the co-audit firm. The report permits the new listing standards to provide for a transition period until January 1, 2022 for listed companies, but would apply immediately to new listings once the necessary rulemakings and/or standard-setting are effective.

On August 10, 2020, the SEC announced that the SEC Chairman had directed the SEC staff to prepare proposals in response to the report of the President’s working group, and that the SEC was soliciting public comments and information with respect to the development of these proposals.

On May 20, 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act, or the Act. The Act was approved by the U.S. House of Representatives on December 2, 2020. On December 18, 2020, the Act was signed into public law by the President of the United States. In essence, the Act requires the SEC to prohibit foreign companies from listing securities on U.S. securities exchanges if a company retains a foreign accounting firm that cannot be inspected by the PCAOB for three consecutive years, beginning in 2021. On March 24, 2021, the SEC announced that it had adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the Act. The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report on Forms 10-K, 20-F, 40-F or N-CSR with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act and on December 29, 2022 the Accelerating Holding Foreign Companies Accountable Act was enacted, which amended the HFCA Act by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time before our securities may be prohibited from trading or delisted.

On December 2, 2021, the SEC adopted amendments to finalize rules implementing the submission and disclosure requirements in the HFCA Act. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB is unable to inspect or investigate completely because of a position taken by an authority in a foreign jurisdiction.

On December 16, 2021, the PCAOB issued a report on its determinations that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in China and in Hong Kong because of positions taken by PRC and Hong Kong authorities in those jurisdictions. The PCAOB has made such designations as mandated under the HFCA Act. Pursuant to each annual determination by the PCAOB, the SEC will, on an annual basis, identify issuers that have used non-inspected audit firms and thus are at risk of such suspensions in the future.

On August 26, 2022, the SEC issued a statement announcing that the PCAOB signed a Statement of Protocol ("SOP") with the China Securities Regulatory Commission, or CSRC, and the Ministry of Finance of the People's Republic of China governing inspections and investigations of audit firms based in China and Hong Kong, jointly agreeing on the need for a framework.

On December 15, 2022, the PCAOB announced that it has secured complete access to inspect and investigate registered public accounting firms headquartered in Mainland China and Hong Kong and voted to vacate the previous Determination Report to the contrary.

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, pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor is headquartered in Lakewood, Colorado and has been inspected by the PCAOB on a regular basis.

**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 this offering 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 are an offshore holding company conducting our operations in China. We may make loans to our PRC subsidiaries 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 subsidiaries in China. Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises 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 Hong Kong or PRC subsidiaries or with respect to future capital contributions by us to our Hong Kong or PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds from this offering 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.

**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, 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 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.

**Non-compliance with labor-related laws and regulations of the PRC may have an adverse impact on our financial condition and results of operation.**

We have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract Law, that became effective in January 2008 and its implementing regulations that became effective in September 2008 and was amended in July 2013, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation regulations may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. We believe our current practice complies with the Labor Contract Law and its amendments. However, the relevant governmental authorities may take a different view and impose fines on us.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practice does not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.



***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 (“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 subsidiaries hold certain assets that are important to our business operations. If our PRC subsidiaries undergo 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 cash flows 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 or based in Hong Kong with our Chinese operating subsidiary, some of our business may require us to use U.S. dollars. We choose quotations based on price competitiveness. 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.

***Certain political and economic considerations relating to the PRC could adversely affect our Company.***

While the PRC's government has pursued economic reforms since its adoption of the open-door policy in 1978, a large portion of the PRC's economy is still operating under five-year plans and annual state plans. Through these plans and other economic measures, such as control on foreign exchange, taxation and restrictions on foreign participation in the domestic market of various industries, the PRC's government exerts considerable direct and indirect influence on the economy. Many of the economic reforms carried out by the PRC's government are unprecedented or experimental, and are expected to be refined and improved. Any readjustment process may not necessarily have a positive effect on our operations or future business development. Our operating results may be adversely affected by changes in the PRC's economic and social conditions as well as by changes in the policies of the PRC government, such as changes in laws and regulations (or the official interpretation thereof), measures which may be introduced to control inflation, changes in the interest rate or method of taxation, and the imposition of restrictions on currency conversion.

***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.

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

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

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

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

**If we are unable to obtain business insurance in the PRC, we may not be protected from risks that are customarily covered by insurance in the United States.**

Business insurance is not readily available in the PRC. To the extent that we suffer a loss of a type that would normally be covered by insurance in the United States, such as product liability and general liability insurance, we would incur significant expenses in both defending any action and in paying any claims that result from a settlement or judgment. We have not obtained fire, casualty and theft insurance, and there is no insurance coverage for our raw materials, goods and merchandise, furniture or buildings in China. Any losses incurred by us will have to be borne by us without any assistance, and we may not have sufficient capital to cover material damage to, or the loss of, our production facility due to fire, severe weather, flood or other causes, and such damage or loss may have a material adverse effect on our financial condition, business and prospects.

**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 subsidiaries, 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 stock holders) 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.

### ***The PRC government may issue further restrictive measures in the future.***

We cannot assure you that the PRC's government will not issue further restrictive measures in the future. The PRC government's restrictive regulations and measures could increase our operating costs in adapting to these regulations and measures, limit our access to capital resources or even restrict our business operations, which could further adversely affect our business and prospects.

### ***Interpretation of PRC laws and regulations involve uncertainty.***

Our business is conducted within China and is governed by the PRC's laws and regulations. The PRC's legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC's government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC's laws and regulations involves a degree of uncertainty. Some of these laws may be changed without immediate publication or may be amended with retroactive effect. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors, particularly if a competitor has long been established in the locality of, and has developed a relationship with such agency. In addition, any litigation in China may be protracted and result in substantial costs and a diversion of resources and management attention. All of these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits and other statutory and contractual rights and interests.

### **Risks Related to Our Common Stock**

#### ***An active trading market for our common stock may not develop, which may make it difficult for holders of our common stock to sell their stock.***

Our common stock currently trades on the OTCQB under the symbol "WETH" and currently there is minimal trading in our common stock. Even assuming the uplisting of our common stock on Nasdaq, we can offer no assurances that trading in our stock will improve over time. Such thin trading may make it more difficult for you to liquidate your holdings in our common stock or negatively affect the price per share that you are able to realize from such sales, and we cannot assure you that a liquid public market for our common stock will develop. An active trading market for our shares may never develop or be sustained following this offering.

Further, many brokerage firms will not process transactions involving low price stocks, especially those that come within the definition of a "penny stock." If we cease to be quoted, holders of our common stock may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of our common stock, and the market value of our common stock would likely decline.

#### ***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.

***The trading price of our common stock is likely to be volatile, which could result in substantial losses to investors.***

The trading price of our common stock is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for our common stock may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new offerings, solutions and expansions by us or our competitors;
- detrimental adverse publicity about us, our brand, our services or our industry;
- additions or departures of key personnel; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our common stock will trade.

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.

***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.

**In connection with the audits of our consolidated financial statements registrant as of, and for, the years ended December 31, 2021 and 2022, 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, 2021 and 2022, we identified the following material weaknesses in our internal control over financial reporting:

- Inadequate segregation of duties consistent with control objectives;
- Lack of formal policies and procedures;
- Lack of a functioning audit committee and independent directors on the Company's board of directors to oversee financial reporting responsibilities; and
- 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:

- Continue to search for and evaluate qualified independent outside directors;
- 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 develop policies and procedures on internal control over financial reporting and monitor the effectiveness of operations on existing controls and procedures.

We have also engaged with a third-party financial consulting firm during the year to assist with the preparation of SEC reporting. 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.

However, the implementation of these measures may not fully address these weaknesses in our internal control over financial reporting, and we cannot conclude that they have been fully remedied. Our failure to correct these weakness and deficiencies or our failure to discover and address any other weakness and deficiencies could result in our inability to accurately report our financial results, prevent or detect fraud or provide timely and reliable financial and other information pursuant to the reporting obligations we have as a public company, which could have a material adverse effect on our business, financial condition and results of operations. Further, it could cause our investors to lose confidence in the information we report, which could adversely affect the price of our shares.

***We are subject to the penny stock rules, which will make shares of our common stock more difficult to sell.***

We are currently subject to the SEC's "penny stock" rules as our shares of common stock sell below \$5.00 per share. Penny stocks generally are equity securities with a price of less than \$5.00. The penny stock rules require broker-dealers to deliver a standardized risk disclosure document prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the transaction and must be given to the customer in writing before or with the customer's confirmation.

In addition, the penny stock rules require that, prior to a transaction, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. The penny stock rules are burdensome and may reduce purchases of any offerings and reduce the trading activity for shares of our common stock. As long as our shares of common stock are subject to the penny stock rules, the holders of such shares of common stock may find it more difficult to sell their securities.

***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 we may have difficulty accessing the 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 our ability to access U.S. capital markets.

**General Risk Factors**

**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 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.

**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 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 may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.**

We regard our trademark, patents, know-how, proprietary technologies, and similar intellectual property as critical to our success. We may become an attractive target to intellectual property attacks in the future with the increasing recognition of our brand. Any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that (i) all of our intellectual property rights will be adequately protected, or (ii) our intellectual property rights will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable.

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

The U.S. government has recently made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies, including recently-imposed tariffs affecting certain products manufactured in China. It is unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry and customers. Although cross-border business may not be an area of our focus, if we plan to sell our 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 or, in particular, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade tension, such changes could have an adverse effect on our business, financial condition, results of operations.

**ITEM 1B. Unresolved Staff Comments**

None.

## **ITEM 2. Properties and Facilities**

We own approximately nine separate buildings covering a total area of approximately 735,745 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) (“Property”) where we maintain our executive offices, research and development facilities, factories and other facilities. We leased back the Property for our business operation. See “ITEM 1 Business - Recent Developments” for recent changes to the Property.

We have completed approximately 80% of the construction work on our new high-standard production facility in Chengdu, for which we expect to complete the construction work before October 31, 2023. We believe that our new high-standard production facility will be sufficient for our current business.

## **ITEM 3. Legal Proceedings**

We know of no material, active, pending or threatened proceeding against us or our subsidiaries, nor are we, or any subsidiary, involved as a plaintiff or defendant in any material proceeding or pending litigation.

From time to time, the Company and its affiliates are parties to various legal actions arising in the ordinary course of business. As of the date of this Annual Report, all actions have been settled and Sichuan Wetouch, Hong Kong Wetouch and Mr. Guangde Cai were unconditionally and fully discharged and released therefrom. See *Note 13 to the Financial Statements in Item 8*. Accordingly, there are no pending material legal proceedings against the Company or Mr. Cai.

## **ITEM 4. Mine and Safety Disclosure**

Not applicable.

## **Part II**

### **ITEM 5. Market for Registrants Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is currently traded on the OTCQB Marketplace operated by the OTC Markets Group, Inc. (the “OTCQB”) under the symbol “WETH.”

#### **Holders of Record**

On April 14, 2023, the closing price per share of our common stock was \$0.235 as reported on OTCQB Marketplace. We had approximately 417 stockholders of record as of April 14, 2023. On April 14, 2023 there were 193,604,965 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**

Our Management's Discussion and Analysis contains forward-looking statements relating to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "intends", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause our or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these statements, which speak only as of the date of this Annual Report. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. You should read this Annual Report on Form 10-K with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements speak only as of the date on which they are made. We undertake no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they are made, except as required by applicable law.

Management's discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The following discussion and analysis of financial condition and results of operations of the Company is based upon, and should be read in conjunction with, the audited consolidated financial statements and related notes elsewhere periods presented in this Annual Report on Form 10-K.

**Overview**

We were originally incorporated under the laws of the state of Nevada in August 1992. On October 9, 2020, we entered into a share exchange agreement (the "Share Exchange Agreement") with Wetouch Holding Group Limited, a British Virgin Islands ("BVI") 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 "Shareholder" and collectively the "Shareholders"), to acquire all the issued and outstanding capital stock of BVI Wetouch in exchange for the issuance to the Shareholders an aggregate of 28 million shares of our common stock (the "Reverse Merger"). The Reverse Merger closed on October 9, 2020. Immediately after the closing of the Reverse Merger, we had a total of 31,396,394 issued and outstanding shares of common stock. As a result of the Reverse Merger, BVI Wetouch is now our wholly-owned subsidiary.

Through our wholly-owned subsidiaries, BVI Wetouch, HK Wetouch, Sichuan Vtouch and Sichuan Wetouch, we are engaged in the research, development, manufacturing, sales and servicing of medium to large sized projected capacitive touchscreens, which constitutes our source of revenues. We are specialized in large-format touchscreens, which are developed and designed for a wide variety of markets and used in by 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. 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, lottery and gaming industry; (iii) Plastic-Glass ("PG"), typically adopted by touchscreens in GPS/entertainment panels motor vehicle GPS, smart home, robots and charging stations; and (iv) Glass-Film ("GF"), mostly used in industrial HMI. The following discussion and analysis pertain financial condition and results of operations of our subsidiaries Hong Kong Wetouch, Sichuan Wetouch and Sichuan Vtouch for the years ended December 30, 2022 and 2021, respectively.

## Effects of COVID-19

4. The COVID-19 pandemic registrant's other certifying officer(s) and resulting global disruptions have affected our businesses, as well as those of our customers and suppliers significantly. The spread of COVID-19 has caused significant disruption to society as a whole, including the workplace. The resulting impact on the global supply chain has disrupted most aspects of national and international commerce, with government-mandated social distancing measures imposing stay-at-home and work-from-home orders in almost every country. The effects of social distancing have shut down significant parts of the local, regional, national, and international economies, for limited or extended periods of time, with the exception of government designated essential services.

Commencing in the spring of 2021, China began to experience an increase of COVID-19 cases, and to some extent, local and national governments began to take more restrictive measures to stem the spread of the virus, particularly from October to December 2021. The Company has several shutdowns during the year ended December 31, 2022.

To serve our customers while also providing for the safety of our employees and service providers, we have modified numerous aspects of our logistics, transportation, supply chain, purchasing, and after-sale processes. The Company has taken proactive measures to promote products to new customers and entering more regions during the year ended December 31, 2022. The extent of the impact of COVID-19 on the Company's results of operations and financial condition will depend on the virus' future developments, including the duration and spread of the outbreak and the impact on the Company's customers, which are still uncertain and cannot be reasonably estimated at this point of time.

## Results of Operations

### Highlights for the year ended December 31, 2022 include:

- Revenues were \$37.9 million, a decrease of 7.1% from \$40.8 million for the year ended December 31, 2021
- Gross profit was \$14.0 million, a decrease of 23.9% from \$18.4 million for the year ended December 31, 2021
- Gross profit margin was 37.0%, as compared to 45.3% for the year ended December 31, 2021
- Net income was \$8.7 million, a decrease of 50.0% from \$17.4 million for the year ended December 31, 2021
- Total volume shipped was 1,916,976 units, a decrease of 0.3% from 1,922,353 units for the year ended December 31, 2021

2021

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
	2022	2021	
Revenues	\$ 37.9	\$ 40.8	(7.1)%
Cost of revenues	(23.9)	(22.4)	6.7%
Gross profit	14.0	18.4	(23.9)%
Total operating expenses	(2.6)	(5.8)	(55.2)%
Operating income	11.4	12.6	(9.5)%
Gain on asset disposal	0.0	7.6	0.0%
Loss on conversion of notes payable	(0.1)	-	N/A
Gain (loss) on changes of fair values of Common Stock			
Purchase Warrant	0.9	0.8	12.5%
Income before income taxes	12.1	21.8	(44.5)%
Income tax benefit (expense)	(3.4)	(4.4)	(22.7)%
Net income	\$ 8.7	\$ 17.4	(50.0)%

## For the Years Ended December 31, 2022 and 2021

### Revenues

Revenues were \$37.9 million in the year ended December 31, 2022, a decrease of \$2.9 million, or 7.1%, compared with \$40.8 million in the same period of last year. This was mainly due to the decrease of 0.3% in sales volume, and a decrease of 2.7% in the average selling price of our products in RMB, and 4.4% negative impact from exchange rate due to depreciation of RMB against US dollars, as compared with those of the same period of last year.

	For the Years Ended December 31,					
	2022		2021		Change	Change
	Amount	%	Amount	%	Amount	%
(in US Dollar except percentage)						
Revenue from sales to customers in PRC	\$ 26,440,376	69.7 %	\$ 27,213,684	66.7 %	\$ (773,307)	(2.8)%
Revenue from sales to customers overseas	11,482,736	30.3 %	13,571,790	33.3 %	(2,089,054)	(15.4)%
<b>Total Revenues</b>	<b>\$ 37,923,112</b>	<b>100 %</b>	<b>\$ 40,785,474</b>	<b>100 %</b>	<b>\$ (2,862,361)</b>	<b>(7.1)%</b>

	For the Years Ended December 31,					
	2022		2021		Change	Change
	Unit	%	Unit	%	Unit	%
(in UNIT, except percentage)						
Units sold to customers in PRC	1,295,097	67.6 %	1,244,438	64.7 %	50,659	4.1 %
Units sold to customers overseas	621,879	32.4 %	677,915	35.3 %	(56,036)	(8.3)%
<b>Total Units Sold</b>	<b>1,916,976</b>	<b>100 %</b>	<b>1,922,353</b>	<b>100 %</b>	<b>(5,377)</b>	<b>(0.3)%</b>

(i) Domestic market

For the year ended December 31, 2022, revenue from domestic market decreased by \$0.8 million or 2.8%, as a combined result of (i) a decrease of 2.6% in the average selling price of our products in RMB, and (ii) 4.4% negative impact from exchange rate due to depreciation of RMB against US dollars, and offset by (iii) an increase of 4.1% in sales volume, as compared with those of last year.

As for the RMB selling price, the decrease of 2.6% was mainly due to the marketing initiatives to enhance sales of new models of higher-end products such as touch screens used in POS touchscreens, medical touchscreens and gaming touchscreens in marketing regions such as East China during the year ended December 31, 2022.

The weakening in macroeconomic conditions since the outbreak of COVID-19 pandemic continued to exacerbate the touch screen business environment. Since April 2022, the Chinese government has imposed strict zero tolerance virus policies and the Company's business has been negatively impacted and has continued to generate lower revenues during the year ended December 31, 2022. Although the Company has taken proactive efforts to market new models such as POS touchscreens and obtain new customers and penetrate into new regions with a sales increase of 0.8% in Eastern China, the Company had hard suffering of a decrease of 1.6% in Southwest China, and of 0.5% in Southern China due to the government lockdown in this region during the year ended December 31, 2022.

(ii) Overseas market

For the year ended December 31, 2022, revenue from overseas market was \$11.5 million as compared to and \$13.6 million of the same period of 2021, a decrease of \$2.1 million or 15.4%, mainly due to a decrease of 8.3% in sales volume primarily due to 1) the slack overseas orders; 2) negative effects of COVID 19 impact, such as more strict customs inspection in China leading to delayed product shipment during the second half of 2022, and a decrease of 7.8% in average selling price of our products due to the decreased higher pricing medical touchscreens during the year ended December 31, 2022, compared with those of the same period of last year.

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

	Revenues For the Years Ended December 31,					
	2022		2021		Change	
	Amount	%	Amount	%	Amount	%
(in US Dollars, except percentage)						
<b>Product categories by end applications</b>						
Automotive Touchscreens	\$ 9,293,357	24.5 %	\$ 11,597,467	28.4 %	\$ (2,304,110)	(19.9)%
Industrial Control Computer Touchscreens	7,991,356	21.1 %	7,988,346	19.6 %	3,010	0.0 %
POS Touchscreens	6,556,348	17.3 %	6,291,534	15.4 %	264,814	4.2 %
Gaming Touchscreens	5,199,118	13.7 %	5,831,529	14.3 %	(632,411)	(10.8)%
Medical Touchscreens	5,050,067	13.3 %	5,205,304	12.8 %	(155,237)	(3.0)%
Multi-Functional Printer Touchscreens	3,822,054	10.1 %	3,748,868	9.2 %	73,186	2.0 %
Others*	10,812	0.0 %	122,426	0.3 %	(111,614)	(19.9)%
<b>Total Revenues</b>	<b>\$ 37,923,112</b>	<b>100.0 %</b>	<b>\$ 40,785,474</b>	<b>100.0 %</b>	<b>\$ (2,862,362)</b>	<b>(7.1)%</b>

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

The Company continued to shift production mix from traditional lower-end products such as touchscreens used in automotive to high-end products such as touchscreens used in POS touchscreens and multi-functional printer touchscreens, primarily due to (i) greater growth potential of computer screen models in China, and (ii) the stronger demand and better quality demand from consumers' recognition of higher-end touchscreens made with better raw materials.

#### Gross Profit and Gross Profit Margin

(in millions, except percentage)	Years Ended December 31,		Change	
	2022	2021	Amount	%
Gross Profit	\$ 14.0	\$ 18.4	\$ (4.4)	(23.9)%
<i>Gross Profit Margin</i>	37.0 %	45.3 %		(8.3)%

Gross profit was \$14.0 million during the year ended December 31, 2022, as compared to \$18.4 million in the same period of 2021, representing a decrease of \$4.4 million, or 23.9%. Our gross margin was 37.0% during the year ended December 31, 2022, as compared to 45.3% for the year ended December 2021, primarily due to the decrease of sales by 7.1%, and the increase of 13.2% in cost of materials such as the chip cost, partially offset by the decrease of labor cost by 2.2%, depreciation and other overhead cost such as rent and electricity by 9.0% due to the reduced production volume for the year ended December 31, 2022.

#### Selling Expenses

(in millions, except percentage)	Years Ended December 31,		Change	
	2022	2021	Amount	%
Selling Expenses	\$ 1.3	\$ 0.6	\$ 0.7	116.7%
<i>as a percentage of revenues</i>	3.5 %	1.5 %		2.0 %

Selling expenses were \$1.3 million during the year ended December 31, 2022, as compared to \$0.6 million for the year ended December 31, 2021, primarily due to the increase of marketing expenses of \$0.7 million as the Company took promotional efforts to market new models such as POS touchscreens and obtain new customers and penetrate into new regions in order to reduce the negative impact of COVID 19.

### General and Administrative Expenses

(in millions, except percentage)	Years Ended December 31,		Change	
	2022	2021	Amount	%
General and Administrative Expenses	\$ 1.3	\$ 1.9	\$ (0.6)	(31.6)%
as a percentage of revenues	3.4%	4.7%		(1.3)%

General and administrative (G&A) expenses was \$1.3 million for the year ended December 31, 2022, as compared to \$1.9 million for the year ended December 31, 2021, representing a decrease of 31.6%, or \$0.6 million. The decrease was primarily due to i) \$0.4 million loss of VAT input credits due to Sichuan Wetouch ceasing operation and relocation to comply with local PRC government guidelines on local environmental issues and the national overall plan, ii) \$0.1 million accelerated amortization expense due to Sichuan Wetouch ceasing operation and relocation to comply with local PRC government guidelines on local environmental issues and the national overall plan during the year ended December 31, 2021 (See Note 5), iii) the decrease of \$0.4 million miscellaneous fees, and partially offset by iv) an increase of \$0.3 million professional fees during the year ended December 31, 2022.

### Research and Development Expenses

(in US dollars, except percentage)	Years Ended December 31,		Change	
	2022	2021	Amount	%
Research and Development Expenses	\$ 85,251	\$ 89,477	\$ (4,226)	(4.7)%
as a percentage of revenues	0.0%	0.0%		0.0%

Research and development (R&D) expenses were \$85,251 in the year ended December 31, 2022 compared to \$89,477 in the same period in 2021, representing a decrease of \$4,226, or 0.0, mainly due to the decrease of salary and welfare expenses of R&D personnel.

### Share-based Compensation

(in millions, except percentage)	Years Ended December 31,		Change	
	2022	2021	Amount	%
Share-based compensation	\$ 0.0	\$ 3.1	\$ (3.1)	(0.0)%
as a percentage of revenues	0.0%	7.6%		(7.6)%

Share-based compensation were nil and \$3.1 million for the years ended December 31, 2022 and 2021, respectively.

On January 1, 2021, the Board of Directors of the Company authorized the issuance of an aggregate of 310,830 shares and 631,080 warrants to a consultant for advisory services that had been rendered. The Company recognized relevant share-based compensation expense of \$1,041,281 for the vested shares and \$2,107,825 for the warrants during the year ended December 31, 2021.

### Operating Income

Total operating income was \$11.4 million for the year ended December 31, 2022 compared to \$12.6 million for the year ended December 31, 2021, representing a decrease of \$1.2 million or 9.5% due to lower gross profit and higher selling expenses, partially offset by the lower G&A expenses and share-based compensation expenses.

### Gain on Asset Disposal

(in millions, except percentage)	Years Ended December 31,		Change	
	2022	2021	Amount	%
Gain on asset disposal	\$ 0.0	\$ 7.6	\$ (7.6)	(0.0)%
<i>as a percentage of revenues</i>	0.0%	20.5%		(20.5)%

Gain on asset disposal was nil for the year ended December 31, 2022 compared to \$7.6 million for the year ended December 31, 2021. Pursuant to local PRC government guidelines on local environmental issues and the national overall plan, Sichuan Wetouch was under the government directed relocation order to relocate no later than December 31, 2021 and received compensation accordingly. On March 18, 2021, pursuant to the agreement with the local government and an appraisal report issued by a mutual agreed appraiser, Sichuan Wetouch received a compensation of RMB115.2 million (\$17.9 million) ("Compensation Funds") for the withdrawal of the right to use of state-owned land and the demolition of all buildings, facilities, equipment and all other appurtenances on the land. During the year ended December 31, 2021, the Company recorded a gain of \$7,625,279 for the asset disposal.

### Loss on conversion of notes payable

(in millions, except percentage)	Years Ended December 31,		Change	
	2022	2021	Amount	%
Loss on conversion of notes payable	\$ 0.1	\$ 0.0	\$ 0.1	N/A
<i>as a percentage of revenues</i>	0.3%	0.0%		0.3%

Loss on conversion of notes payable were \$0.1 million for the year ended December 31, 2022, as lenders of convertible promissory note payable converted certain principal, accrued and unpaid interest and default charges totaling \$1,038,426 into 1,384,564 shares of common stock of the Company, including two notes fully converted. As a result, the Company recorded a loss on the conversion of notes payable of \$0.1 million accordingly (see Note 9 (a)).

### Gain on changes in fair value of Common Stock Purchase Warrants

(in millions, except percentage)	Years Ended December 31,		Change	
	2022	2021	Amount	%
Gain on changes in fair value of Common Stock Purchase Warrants	\$ 0.9	\$ 0.8	\$ 0.1	12.5%
<i>as a percentage of revenues</i>	2.4%	2.0%		0.4%

Gain on changes in fair value of common stock purchase warrants was \$0.9 million and \$0.8 million for the years ended December 31, 2022 and 2021, respectively (See Note 9 (b)).

### Income Taxes

(in millions, except percentage)	Years Ended December 31,		Change	
	2022	2021	Amount	%
Income before Income Taxes	\$ 12.1	\$ 21.8	\$ (9.7)	(44.5)%
Income Tax Benefit (Expense)	(3.4)	(4.4)	1.0	(22.7)%
<i>Effective income tax rate</i>	27.7%	20.2%		(7.5)%

The effective income tax rates for the years ended December 31, 2022 and 2021 were 27.1% and 20.2%, respectively. The effective income tax rate increased during the year ended December 31, 2022 primarily due to Sichuan Wetouch's preferential income tax rate for the same period of 2021.

Our PRC subsidiaries had \$51.2 million of cash and cash equivalents at December 31, 2022, which are planned to be indefinitely reinvested in PRC. The distributions from our PRC subsidiary are 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 subsidiaries.

#### **Net Income**

As a result of the above factors, we had a net income of \$8.7 million the year ended December 31, 2022 compared to net income of \$17.4 million for the year ended December 31, 2021.

#### **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, 2022, we had current assets of \$62.2 million, consisting of \$51.3 million in cash, \$9.1 million in accounts receivable, \$0.4 million in inventories, and \$1.5 million in prepaid expenses other current assets. Our current liabilities as of December 31, 2022, were \$4.0 million, which is comprised of \$1.4 million in accounts payable, \$0.9 million in accrued expenses and other current liabilities, \$0.4 million loan from a third party, and \$1.3 million convertible promissory notes payable.

*The following table sets forth a summary of our cash flows for the periods indicated.*

(in US Dollar millions)	<b>Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Net cash provided by operating activities	\$ 8.6	\$ 14.0
Net cash provided by investing activities	-	6.2
Net cash provided by (used) in financing activities	(0.7)	1.9
Effect of foreign currency exchange rate changes on cash and cash equivalents	(2.8)	0.1
Net increase (decrease) in cash and cash equivalents	5.1	22.2
Cash and cash equivalents at the beginning of period	46.2	24.0
Cash and cash equivalents at the end of period	\$ 51.3	\$ 46.2

### **Operating Activities**

Net cash provided by operating activities was \$8.6 million for the year ended December 31, 2022, as compared to \$14.0 million provided by operating activities for the year ended December 31, 2021, primarily due to (i) the decrease of \$8.7 million net income for the year ended December 31, 2022 as compared to the same period of 2021, (ii) the decrease of \$3.1 million of share-based compensation during the year ended December 31, 2022, (iii) the increase of \$6.5 million account receivable due to slower collection from the impact of the COVID-19 pandemic and Sichuan Wetouch settling customer receivables during the year ended December 31, 2021; partially offset by (iv) the increase of \$0.8 million of account payable due to the longer payment period (v) \$7.6 million gain on asset disposal for the year ended December 31, 2021, (vi) the decrease of \$3.1 million prepaid expenses including amortization of \$1.0 million prepaid marketing expenses during the year ended December 31, 2022; (vii) 0.5 million of deferred income due to Sichuan Wetouch write-off government grant in the operating ceasing process for the year ended December 31, 2021.

### **Investing Activities**

There was nil investing activities for the year ended December 31, 2022.

There were \$17.8 million in proceeds from asset disposal for Sichuan Wetouch, and \$0.2 million in purchase of property, plant and equipment for year ended December 31, 2021. See Note 5 in the interim financial information.

### **Financing Activities**

Net cash used in the financing activities was \$0.7 million for the year ended December 31, 2022, including \$1.4 million of repayment of convertible promissory note payable (see Note 9 (a)), partially offset by 0.4 million loan from a third party.

Net cash provided by the financing activities was \$1.8 million for the year ended December 31, 2021 as a result of proceeds of \$2.0 million from issuance of seven convertible promissory notes, partially offset by the payment of issue cost of \$0.2 million related to notes financing (see Note 11).

As of December 31, 2022, our cash and cash equivalents were \$51.3 million, as compared to \$46.2 million at December 31, 2021. Days Sales Outstanding (“DSO”) has decreased at 81 days for the year ended December 31, 2022 compared to 88 days for the year ended December 31, 2021.

The following table provides an analysis of the aging of accounts receivable as of December 31, 2022 and December 31, 2021:

	<b>December 31,</b>	
	<b>2022</b>	<b>December 31 2021</b>
-Current	\$ 1,252,152	\$ 1,403,187
-1-3 months past due	4,998,596	2,827,048
-4-6 months past due	2,806,973	3,742,732
7-12 months past due	20	18,070
-greater than 1 year past due	-	-
<b>Total accounts receivable</b>	<b>\$ 9,057,741</b>	<b>\$ 7,991,037</b>

The majority of the Company's revenues and expenses were denominated primarily in Renminbi ("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.

Our industry typical payment term is 180 days. Accounts receivables are written off against the allowances only after exhaustive collection efforts.

Based on past performance and current expectations, we believe our cash and cash equivalents provided by operating activities and financing activities will satisfy our working capital needs, capital expenditures and other liquidity requirements associated with our operations for at least the next 12 months.

## **COMMITMENTS AND CONTINGENCIES**

### **Legal Proceedings**

From time to time, the Company is a party to various legal actions arising in the ordinary course of business. The Company accrues costs associated with these matters when they become probable and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

As of December 31, 2022, the Company had several legal claims or litigations. As of the date of this Annual Report, all actions have been settled and Sichuan Wetouch, Hong Kong Wetouch and Mr. Guangde Cai were unconditionally and fully discharged and released therefrom. For a discussion of the Company's legal proceedings, see *Note 13 to the Financial Statements in Item 8*.

### **Capital expenditure commitment**

On December 20, 2021, the Company entered into a contract with Shenzhen Municipal Haoyutuo Decoration & Cleaning Engineering Company Limited to purchase a facility decoration contract of RMB20.0 million (equivalent to US\$3.1 million). As of December 31, 2022, the Company has prepaid RMB15.0 million (equivalent to US\$2.2 million) and recorded as construction in progress (see Note 5) and had a remaining balance of RMB5.0 million (equivalent to US\$0.7 million) to be paid by the end of 2023.

### **Off-Balance Sheet Arrangements**

There were no off-balance sheet arrangements as of December 31, 2022.

### **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 to 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 establishing 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, 2022 and 2021, 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, 2022 and 2021 are disclosed in Note 14 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 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, inventory valuations, useful lives of property, plant and equipment, intangible assets, 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.

### **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 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. \$74,100 and nil inventory write-off was recorded for the years ended December 31, 2022 and 2021, respectively.

### **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; and (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 do 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.

### 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 November and December 2021 financing should be treated as a derivative liability because the Warrants are entitled to a price adjustment provision 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 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 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. As of December 31, 2022 and 2021, the Company recorded \$256,957 and \$1,128,635 common stock purchase warrants liability, respectively, and \$871,677 and \$759,471 gain on change of fair value of common stock purchase liability warrants for the year ended December 31, 2022 and 2021, 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 including 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 of being realized on 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 have been incurred during the years ended December 31, 2022 and 2021. The Company does not believe there was any uncertain tax provision at December 31, 2022 and 2021.

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, 2022 and 2021. As of December 31, 2022, all of the Company's tax returns of 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
Office and electric equipment	3 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.

### 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. No impairment of long-lived assets was recognized for any of the years presented.

### **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.

### **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 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.

### **Recently issued accounting guidance**

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

In August 2020, the FASB issued ASU No. 2020-06 (“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*.” ASU 2020-06 will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current U.S. GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting, and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as additional paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusions. For public business entities, the amendments in ASU 2020-06 are effective for public entities which meet the definition of a smaller reporting company are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023, including interim periods within those fiscal years. Early application of the guidance will be permitted for all entities for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted ASU 2020-06 effective January 1, 2021.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), which introduces new guidance for the accounting for credit losses on instruments within its scope. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale (AFS) debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The pronouncement will be effective for public business entities that are SEC filers in fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application of the guidance will be permitted for all entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted ASU 2016-13 utilizing the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Company’s condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, “*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*”. The amendment simplifies the accounting for income taxes by eliminating some exceptions to the general approach in ASC 740, Income Taxes. It also clarifies certain aspects of the existing guidance to promote more consistent application, among other things. The guidance is effective for interim and annual reporting periods beginning within 2021 with early adoption permitted.

In October 2021, the FASB issued ASU No. 2021-08, which will require companies to apply the definition of a performance obligation under ASC Topic 606 to recognize and measure contract assets and contract liabilities (i.e., deferred revenue) relating to contracts with customers that are acquired in a business combination. Under current U.S. GAAP, an acquirer generally recognizes assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. ASU No. 2021-08 will result in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC Topic 606. ASU No. 2021-08 is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its financial statements and the effects will be based upon the contract assets and liabilities acquired in the future.

From time to time, the FASB or other standards setting bodies issue new accounting pronouncements. Updates to the FASB ASCs are communicated through issuance of ASUs. Unless otherwise discussed, the Company believes that the recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on its consolidated financial statements upon adoption.

## Quantitative and Qualitative Disclosures about Market Risks

### Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

### Foreign Currency Exchange Rates

The some of our revenues are collected in and our expenses are paid in RMB. We face foreign currency rate translation risks when our results are translated to U.S. dollars.

The RMB was relatively stable against the U.S. dollar at approximately 8.28 RMB to the US\$1.00 until July 21, 2005 when the Chinese currency regime was altered resulting in a 2.1% revaluation versus the U.S. dollar. From July 21, 2005 to September 30, 2010, the RMB exchange rate was no longer linked to the U.S. dollar but rather to a basket of currencies with a 0.3% margin of fluctuation resulting in further appreciation of the RMB against the U.S. dollar. Since September 30, 2009, the exchange rate had remained stable at 6.8307 RMB to 1.00 U.S. dollar until September 30, 2010 when the People's Bank of China allowed a further appreciation of the RMB by 0.43% to 6.798 RMB to 1.00 U.S. dollar. The People's Bank of China allowed the RMB and U.S. dollar exchange rate to fluctuate within 1% on April 16, 2012 and 2% on March 17, 2014, respectively. On December 31, 2022, the RMB traded at 6.8972 RMB to 1.00 U.S. dollar.

There remains international pressure on the Chinese government to adopt an even more flexible currency policy and the exchange rate of RMB is subject to changes in China's government policies which are, to a large extent, dependent on the economic and political development both internationally and locally and the demand and supply of RMB in the domestic market. There can be no assurance that such exchange rate will continue to remain stable in the future amongst the volatility of currencies, globalization and the unstable economies in recent years. Since (i) our revenues and net income of our PRC operating entities are denominated in RMB, and (ii) the payment of dividends, if any, will be in U.S. dollars, any decrease in the value of RMB against U.S. dollars would adversely affect the value of the shares and dividends payable to shareholders, in U.S. dollars.

### Inflation

To date, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2022 and 2021 were increases of 2.0%, and 0.9%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

### ITEM 7A. Quantitative and Qualitative Disclosure 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 maintaining disclosure controls and procedures (as defined by in Exchange Act Rules 13a-15(e) or 15d-15(e)) as of December 31, 2022, pursuant to for the registrant and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(b)). We concluded that our Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, were not effective as of or caused such date disclosure controls and procedures to be designed under our supervision, to ensure that material information required relating to be disclosed the registrant and its consolidated subsidiaries, is made known to us by us others within those entities, particularly during the period 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 which this report 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, being prepared;

### Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate b) Designed such internal control over financial reporting. Internal reporting, or caused such internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process to be designed under the our 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 generally accepted accounting principles;

#### *Material Weaknesses in Internal Control over Financial Reporting*

Management assessed c) Evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 based on the framework established registrant's disclosure controls and procedures and presented in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2022 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 report 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:

- Inadequate segregation of duties consistent with control objectives;
- Lack of formal policies and procedures;
- Lack of risk assessment procedures on internal controls to detect financial reporting risks on 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 our skills base and the expertise of our staff required to meet the financial reporting requirements of a public company; and
- Continue to develop policies and procedures on internal control over financial reporting and monitor the effectiveness of operations on existing controls and procedures.

We have engaged with a third-party financial consulting firm during the year to assist with the preparation of SEC reporting. 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 conclusions about the effectiveness of our internal disclosure 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 end of the period covered by this requirement. report based on such evaluation; and

### Changes d) Disclosed in Internal Control over Financial Reporting

There have been no changes this report any change in our the registrant's internal control over financial reporting that occurred during our the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that have has materially affected, or are is reasonably likely to materially affect, our the registrant's internal control over financial reporting.

### Item 9B. OTHER INFORMATION.

None.

### 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
Fei Bai	47	Chairman, Director
Zongyi Lian	58	President and Chief Executive Officer
Yuhua Huang	48	Chief Financial Officer
Jiaying Cai	27	Secretary, Director
Jin Chen	57	Director
Xiaojin Tang	48	Director
Congjin Wang	31	Director

### **Fei Bai - Chairman and Director**

Mr. Bai has been our Company's Chairman and Director since August 31, 2022. Mr Bai has served as the general manager of the Nanjing Branch of Shenzhen Jushenghua Co. Ltd. since July 2019, and is mainly responsible for private fundraising and sales funding of trust products. Mr. Bai served as general manager of the business division of Heyi Asset from September 2015 to June 2019. Mr. Bai received his bachelor's degree in law from Nanjing Normal University in June 2006 and holds a securities/fund qualification issued by the Securities Association of China since August 2015.

### **Zongyi Lian - Chief Executive Officer and President**

Mr. Lian was appointed Chief Executive Officer and President on October 12, 2020. He has 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 Technology Co., Ltd) and served as Vice Technique General Manager. 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 Chiao Tung University.

### **Yuhua Huang - Chief Financial Officer**

Mr. Huang was appointed our Chief Financial Officer on October 12, 2020. He concurrently serves as Chief Financial Officer of Sichuan Wetouch, a position he has held since March 2018. From 2010 to 2013, he worked as an accountant at Liugong Group and, from 2014 to 2017, he served as Financial Manager at Shanghai Oriental Pearl Group Co., Ltd. Mr. Huang holds a Bachelor's degree in accounting from Sichuan Institute of Industrial Technology. He was qualified as a CPA in China in 2004 and as an auditor in 2014, respectively. The Board believes Mr. Huang's extensive knowledge and background in the financial field will make him a valuable addition to the Board.

### **Jiaying Cai - Secretary and Director**

Ms. Cai has been our Company's Secretary and Director since June 2020. She concurrently serves as the Chief Executive Officer and director of BVI Wetouch, our wholly-owned subsidiary, since its inception on August 14, 2020. From February 2017 to May 2019, Ms. Cai worked at Chengdu Wetouch Technology Co., Ltd, an affiliate of Guangde Cai, which specializes in the research, development, manufacturing and sales of capacitive touchscreens widely used in HMI and military industries, where she served as staff within the financial department, human resources department and purchasing department. In April 2020, she joined Chengdu Haobot Technology Co., Ltd and has been serving as its Legal Representative and General Manager until present. Ms. Cai holds a Bachelor's degree in Music from The Sichuan Conservatory of Music and an EMBA degree from Sichuan University. Mr. Cai's role at Chengdu Wetouch led to the conclusion that she should serve as a director.

### **Jing Chen - Director**

Ms. Chen was elected to our Company's Board of Directors, effective November 12, 2021. She serves as the Group Vice President of Future Fintech Group Inc. (Nasdaq: FTFT). 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 is an Independent Director of Hello iPayNow (Beijing) Company Ltd. since April 2019. 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 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), Fellow Membership of the Association of International Accountants U.K. (FAIA) 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 PRC. The Board believes Ms. Chen's extensive public company and accounting experience makes her a valuable addition to the board.

### **Xiaojin Tang - Director**

Mr. Tang was elected to our Company's Board of Directors, effective August 31, 2022. He has served as an attorney at Gaopeng & Partners since 2019. From April 2017 to December 2017, he served as the deputy director of Nanjing Immigration Inspection. Mr. Tang received his bachelor's degree in corporate law from Hohai University. He received his master's degree in sociology from Jiangsu Provincial Party School. The Board believes Mr. Tang's extensive knowledge and background in the legal field will make him a valuable addition to the Board.

### **Congjin Wang - Director**

Mr. Wang was elected to our Company's Board of Directors, effective February 17, 2023. Mr. Wang has served as an attorney at Gaopeng (Nanjing) Law Firm since June 2022. From June 2021 through May 2022, Mr. Wang worked for Guohao Law Firm. He worked at Beijing Gaopeng (Nanjing) Law Firm from December 2014 through May 2021. He is currently a member of Nanjing Securities and Futures Fund Professional Committee, a public interest lawyer of China Securities Small and Medium Investors Service Center, a member of Jiangsu foreign lawyers Talent Pool, and a member of the Nanjing Foreign Lawyers Talent Pool. Mr. Wang received a bachelor's degree from Anqing Normal University in July 2014, and he is currently studying at University of Chinese Academy of Social Sciences for his master's degree. The Board believes Mr. Wang's extensive knowledge and background in the legal field will make him a valuable addition to the Board.

### **Family Relationships**

There are no other family relationships between any of our directors or executive officers. There are no arrangements or understandings between our directors and directors and any other person pursuant to which they were appointed as an officer and 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, Xiaojin Tang and Congjin Wang. Ms. Chen is the chairperson of the audit committee. We have determined that Ms. Chen, Mr. Tang and Mr. Wang each satisfy the "independence" requirements of Nasdaq Listing Rule 5605(a)(2) and meets the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Ms. Chen qualifies as an "audit committee financial expert." 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, Xiaojin Tang and Congjin Wang. Mr. Tang is the chairperson of our compensation committee. We have determined that Ms. Chen, Mr. Tang and Mr. Wang 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 qualify 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. The Committee has been established to: (a) assist the Board in seeing that a proper system of long-term and short-term compensation is in place to provide performance oriented incentives to attract and retain management, and that compensation plans are appropriate and competitive and properly reflect the objectives and performance of management and the Company; (b) assist the Board in discharging its responsibilities relating to compensation of the Company's executive officers; (c) evaluate the Company's Chief Executive Officer and set his or her remuneration package; and (d) make recommendations to the Board with respect to incentive compensation plans and equity-based plans.

**Nominating and Corporate Governance Committee.** Our nominating and corporate governance committee consists of Jing Chen, Xiaojin Tang and Congjin Wang. Mr. Wang is the chairperson of our nominating and corporate governance committee. We have determined that each of Ms. Chen, Mr. Tang and Mr. Wang qualify as “independent” as that term is defined by Nasdaq Listing Rule 5605(a)(2). The Committee is responsible for: (a) assisting the Board in determining the desired experience, mix of skills and other qualities to provide for appropriate Board composition, taking into account the current Board members and the specific needs of the Company and the Board; (b) identifying qualified individuals meeting those criteria to serve on the Board; (c) proposing to the Board the Company’s slate of director nominees for election by the shareholders at the Annual Meeting of Shareholders and nominees to fill vacancies and newly created directorships; (d) reviewing candidates recommended by shareholders for election to the Board and shareholder proposals submitted for inclusion in the Company’s proxy materials; (e) advising the Board regarding the size and composition of the Board and its committees; (f) proposing to the Board directors to serve as chairpersons and members on committees of the Board; (g) coordinating matters among committees of the Board; (h) proposing to the Board the slate of corporate officers of the Company and reviewing the succession plans for the executive officers; (i) recommending to the Board and monitoring matters with respect to governance of the Company; and (j) overseeing the Company’s compliance program.

#### **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.

#### **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 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 Commodities 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 the subject to, or a party to, any sanction or order, not subsequently reverse, 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% percent 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, 2022, the Reporting Persons timely filed all such reports, except that Fei Bai, Xiaojin Tang, and Congjin Wang, directors of the Company, failed to timely file Forms 3 as newly appointed directors of the Company. No securities of the Company are beneficially owned by Mr. Bai, Mr. Tang, or Mr. Wang.

## ITEM 11. Executive Compensation

The following table sets forth total compensation paid to our named executive officers for the years ended December 31, 2022 and 2021.

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock awards (\$)	Option awards (\$)	All other compensation (\$)	Total (\$)
Zongyi Lian, President, Chief Executive Officer	2022	\$ 40,960				\$ 15,932	56,892
	2021	\$ 40,960	—	—	—	\$ 15,932	\$ 56,892

### 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 the 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.

#### Yuhua Huang

On November 1, 2017, Sichuan Wetouch entered into an employment agreement with its Chief Financial Officer, Yuhua Huang, pursuant to which he receives 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 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 11, 2020, the employment agreement with Mr. Huang was renewed for another three (3) years until October 31, 2023, with the similar terms and conditions. Amount reflects salary paid to Mr. Huang for services rendered to our former operating subsidiary, Sichuan Wetouch. Such employment agreement has been assigned to our PRC subsidiary, Sichuan Vtouch.

Under these agreements, each of the individuals 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 individuals may terminate the employment upon mutual agreement. Provided that the individuals propose earlier termination and the agreement is terminated upon mutual agreement. The persons are not entitled to compensation. The persons may terminate the employment by giving thirty days advance written notice. We may terminate their employment for cause, at any time, without notice or remuneration, for certain acts of the person, 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.

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

#### Confidentiality and Non-Competition

We have entered into confidentiality and non-competition agreements with each of Mr. Lian and Mr. Huang 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 them together with any copy 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 its own benefits; 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 are not allowed to (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 the 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 disclose of the confidential information, to Sichuan Vtouch for violation of the confidentiality and non-competition agreements.

#### **Outstanding Equity Awards at Fiscal Year-End**

There are no current outstanding equity awards to our executive officers as of December 31, 2022.

#### **Long-Term Incentive Plans**

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

## Director Compensation

The table below shows the compensation paid to our non-employee directors during 2022 and 2021.

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	2022	0	—	—	—	—	—	0
	2021	—	—	—	—	—	—	—
Xiaojin Tang	2022	0	—	—	—	—	—	0
	2021	—	—	—	—	—	—	—
Guangde Cai	2022	0	—	—	—	—	—	0
	2021	0	—	—	—	—	—	0
Jiaying Cai	2022	0	—	—	—	—	—	0
	2021	0	—	—	—	—	—	0
Jin Chen	2022	0	—	—	—	—	—	0
	2021	0	—	—	—	—	—	0
Jeffrey Kone	2022	0	—	—	—	—	—	0
	2021	0	—	—	—	—	—	0

Ms. Jiaying Cai became a director of the Company on June 18, 2020 and Mr. Guangde Cai became a director of the Company on October 12, 2020. Mr. Guangde Cai resigned as a director on August 31, 2022 and Mr. Jeffrey Kone resigned as a director on February 16, 2023. Mr. Xiaojin Tang became a director of the Company and Mr. Fei Bai became a director and chairman of the board of the directors of the Company on August 31, 2022.

## ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table lists, as of April 14, 2023, 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.

The percentages below are calculated based on 193,604,965 shares of common stock issued and outstanding as of April 14, 2023.

Name of Beneficial Owner	Shares Beneficially Owned Prior to the Offerings		Shares Beneficially Owned After the Offerings	
	Shares	Percentage	Shares	Percentage
<b>Executive Officers and Directors:</b>				
Fei Bai	0	0 %	0	0 %
Jiaying Cai	839,204	0.433 %	839,204	0.433 %
Zongyi Lian	0	0 %	0	0 %
Yuhua Huang	0	0 %	0	0 %
Jing Chen	0	0 %	0	0 %
Xiaojin Tang	0	0 %	0	0 %
Congjin Wang	0	0 %	0	0 %
All officers and directors as a group (7 persons)	839,204	0.433 %	839,204	0.433 %

**5% or Greater Holders:**

N/A

***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 the provisions of Item 403(c) of Regulation S-K.

### **ITEM 13. Certain Relationships and Related Transactions, and Director Independence**

The following is a description of transactions since January 1, 2021 to which we were a party in which (i) the amount involved exceeded or will exceed the lesser of (A) \$120,000 or (B) one percent of our average total assets at year end for the last two completed fiscal years and (ii) any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of, or person sharing the household with, any of the foregoing persons, who had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other similar arrangements, which are described under "Executive Compensation."

#### ***Sales of Products to Related Parties***

##### **Meishan Wetouch Technology Co., Ltd. ("Meishan Wetouch")**

Sichuan Wetouch sells capacitive touchscreens to Meishan Wetouch from time to time. For the years ended December 31, 2022 and 2021, sales from Sichuan Wetouch to Meishan Wetouch were approximately nil and \$87,367, respectively. There are no written agreements between Sichuan Wetouch and Meishan Wetouch. Mr. Guangde Cai, former Chairman and director of the Company, owns 95% of Meishan Wetouch.

##### **Chengdu Wetouch Technology Co., Ltd. ("Chengdu Wetouch")**

Sichuan Wetouch sells capacitive touchscreens to Chengdu Wetouch from time to time. For the years ended December 31, 2022 and 2021, sales from Sichuan Wetouch to Chengdu Wetouch were approximately nil and \$10,483, respectively. There are no written agreements between Sichuan Wetouch and Chengdu Wetouch. Mr. Guangde Cai, former Chairman and director of the Company, owns 94% of Chengdu Wetouch.

#### ***Amounts due to Related Parties***

For the years ended December 31, 2022 and 2021, the total amounts due to related parties were \$1,665 and \$34,669, respectively. These advances are non-interest bearing and due on demand, with the details provided below:

##### **Mr. Guangde Cai**

For the years ended December 31, 2022 and 2021, Sichuan Wetouch owed Mr. Guangde Cai nil and \$32,867, respectively. These advances are non-interest bearing and due on demand.

##### **Mr. Zongyi Lian**

For the years ended December 31, 2022 and 2021, Sichuan Wetouch owed Mr. Zongyi Lian \$1,665 and \$1,802, respectively. These advances are non-interest bearing and due on demand.

#### ***Acquisition of HK Wetouch***

HK Wetouch, an affiliate of Guangde Cai, our former chairman and director, was incorporated on December 3, 2020 under the laws of Hong Kong, which in turn owns all the outstanding shares of Sichuan Vtouch. Sichuan Vtouch was incorporated on December 30, 2020 in Chengdu, Sichuan, under the laws of PRC.

On March 12, 2021, BVI Wetouch acquired all the outstanding shares of HK Wetouch from the sole shareholder of HK Wetouch, Guangde Cai, in consideration of the payment of HK\$10,000 pursuant to instruments of transfer in accordance with Hong Kong law. As a result of the acquisition, HK Wetouch became a wholly-owned subsidiary of BVI Wetouch.

As BVI Wetouch owns all the outstanding shares of HK Wetouch, which, in turn, owns all the outstanding shares of Sichuan Vtouch, HK Wetouch and Sichuan Vtouch became our indirect wholly-owned subsidiaries.

**Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.****Audit Fees**

For each fiscal year of 2022 and 2021, we incurred aggregate fees and expenses of \$164,000 and \$105,000, respectively, from B F Borgers CPA PC for works completed for our annual audits and quarterly reviews.

**Audit-Related Expenses**

Audit-related expenses for 2022 and 2021 were \$0 and \$0, respectively.

**Tax Fees**

We incurred aggregate fees and expenses of \$0 and \$0 for each fiscal year of 2022 and 2021, respectively.

**All Other Fees**

We incurred other fees of \$0 and \$0 for each fiscal year of 2022 and 2021.

**ITEM 15. Exhibits and Financial Statements 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 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**

3.1 <sup>(1)</sup>	<a href="#">Amended and Restated Articles of Incorporation of the Company, dated September 30, 2020.</a>
3.2 <sup>(1)</sup>	<a href="#">Bylaws of the Company.</a>
3.3 <sup>(1)</sup>	<a href="#">Certificate of Incorporation of Wetouch Holding Group Limited, dated August 14, 2020.</a>
3.4 <sup>(1)</sup>	<a href="#">Memorandum of Association and Articles of Association of Wetouch Holding Group Limited, dated August 14, 2020.</a>
3.5.1 <sup>(1)</sup>	<a href="#">Certificate of Incorporation of Hong Kong Vtouch Electronics Technology Limited, dated May 5, 2016.</a>
3.5.2 <sup>(1)</sup>	<a href="#">Certificate of Change of Name of Hong Kong Wectouch Electronics Technology Limited, dated August 13, 2020.</a>
3.5.3 <sup>(1)</sup>	<a href="#">Certificate of Change of Name of Hong Kong Wetouch Electronics Technology Limited, dated September 8, 2020.</a>
3.6.1 <sup>(1)</sup>	<a href="#">Articles of Association of Hong Kong Vtouch Electronics Technology Limited, dated May 5, 2016.</a>

3.6.2 <sup>(1)</sup>	<a href="#"><u>Amended Articles of Association of Hong Kong Wetouch Electronics Technology Limited.</u></a>
3.7 <sup>(1)</sup>	<a href="#"><u>English Translation of Business License of Sichuan Wetouch Technology Co., Ltd, dated January 23, 2017.</u></a>
3.8 <sup>(1)</sup>	<a href="#"><u>English Translation of Articles of Association of Sichuan Wetouch Technology Co., Ltd, dated July 19, 2016.</u></a>
3.9 <sup>(3)</sup>	<a href="#"><u>English Translation of Business License of Sichuan Vtouch Technology Co., Ltd., dated December 30, 2020.</u></a>
3.10 <sup>(3)</sup>	<a href="#"><u>English Translation of Articles of Association of Sichuan Vtouch Technology Co., Ltd, dated December 29, 2020.</u></a>
3.11 <sup>(3)</sup>	<a href="#"><u>Certificate of Incorporation of Hong Kong Wetouch Holding Group Limited, dated December 3, 2020.</u></a>
3.12 <sup>(3)</sup>	<a href="#"><u>Certificate of Change of Name of Hong Kong Wetouch Technology Limited, dated December 9, 2020.</u></a>
3.13 <sup>(3)</sup>	<a href="#"><u>Articles of Association of Hong Kong Wetouch Holding Group Limited, dated December 3, 2020.</u></a>
3.14 <sup>(3)</sup>	<a href="#"><u>Articles of Association of Hong Kong Wetouch Technology Limited, dated March 12, 2021.</u></a>
4.1 <sup>(3)</sup>	<a href="#"><u>Specimen Common Stock Certificate.</u></a>
4.2 <sup>(3)</sup>	<a href="#"><u>Description of Registrant's Securities.</u></a>
4.3 <sup>(6)</sup>	<a href="#"><u>Promissory Note dated October 27, 2021 issued by Wetouch Technology Inc. to Talos Victory Fund, LLC</u></a>
4.4 <sup>(6)</sup>	<a href="#"><u>Common Stock Purchase Warrant dated October 27, 2021 issued by Wetouch Technology Inc.</u></a>
4.5 <sup>(7)</sup>	<a href="#"><u>Promissory Note dated November 5, 2021 issued by Wetouch Technology Inc. to Mast Hill Fund, L.P.</u></a>
4.6 <sup>(7)</sup>	<a href="#"><u>Common Stock Purchase Warrant dated November 5, 2021 issued by Wetouch Technology Inc.</u></a>
4.7 <sup>(8)</sup>	<a href="#"><u>Promissory Note dated November 16, 2021 issued by Wetouch Technology Inc. to FirstFire Global Opportunities Fund, LLC.</u></a>
4.8 <sup>(8)</sup>	<a href="#"><u>Common Stock Purchase Warrant dated November 16, 2021 issued by Wetouch Technology Inc.</u></a>
4.9 <sup>(8)</sup>	<a href="#"><u>Promissory Note dated November 24, 2021 issued by Wetouch Technology Inc. to LGH Investments, LLC.</u></a>
4.10 <sup>(8)</sup>	<a href="#"><u>Common Stock Purchase Warrant dated November 24, 2021 issued by Wetouch Technology Inc.</u></a>
4.11 <sup>(9)</sup>	<a href="#"><u>Promissory Note dated November 29, 2021 issued by Wetouch Technology Inc. to Fourth Man, LLC.</u></a>
4.12 <sup>(9)</sup>	<a href="#"><u>Common Stock Purchase Warrant dated November 29, 2021 issued by Wetouch Technology Inc.</u></a>
4.13 <sup>(9)</sup>	<a href="#"><u>Promissory Note dated December 2, 2021 issued by Wetouch Technology Inc. to Jefferson Street Capital LLC.</u></a>
4.14 <sup>(9)</sup>	<a href="#"><u>Common Stock Purchase Warrant dated December 2, 2021 issued by Wetouch Technology Inc.</u></a>
4.15 <sup>(9)</sup>	<a href="#"><u>Promissory Note dated December 2, 2021 issued by Wetouch Technology Inc. to Blue Lake Partners, LLC.</u></a>

4.16 <sup>(9)</sup>	<a href="#">Common Stock Purchase Warrant dated December 2, 2021 issued by Wetouch Technology Inc.</a>
4.17 <sup>(10)</sup>	<a href="#">Amendment to Promissory Note dated April 27, 2022 issued by Wetouch Technology Inc. to Talos Victory Fund, LLC</a>
10.1.1 <sup>(1)</sup>	<a href="#">English Translation of Employment Agreement between Sichuan Wetouch Technology Co., Ltd and Zongyi Lian.</a>
10.1.2 <sup>(1)</sup>	<a href="#">English Translation of Confidentiality and Non-Competition Agreement between Sichuan Wetouch Technology Co., Ltd and Zongyi Lian.</a>
10.2.1 <sup>(1)</sup>	<a href="#">English Translation of Employment Agreement between Sichuan Wetouch Technology Co., Ltd and Yuhua Huang.</a>
10.2.2 <sup>(1)</sup>	<a href="#">English Translation of Confidentiality and Non-Competition Agreement between Sichuan Wetouch Technology Co., Ltd and Yuhua Huang.</a>
10.3.1 <sup>(1)</sup>	<a href="#">English Translation of Form of Sichuan Wetouch Technology Co., Ltd. Sales Framework Agreement.</a>
10.4 <sup>(1)</sup>	<a href="#">English Translation of Form of Sichuan Wetouch Technology Co., Ltd. Purchase Order with Suppliers.</a>
10.5 <sup>(2)</sup>	<a href="#">English Translation of Form of Loan Agreement between Sichuan Wetouch Technology Co., Ltd and Shareholder of Australia Vtouch Technology Co., Ltd.</a>
10.6 <sup>(2)</sup>	<a href="#">English Translation of Form of Supplemental Agreement to Loan Agreement between Sichuan Wetouch Technology Co., Ltd and Shareholder of Australia Vtouch Technology Co., Ltd.</a>
10.7 <sup>(2)</sup>	<a href="#">English Translation of Renewed Employment Agreement between Sichuan Wetouch Technology Co., Ltd and Zongyi Lian dated November 13, 2020.</a>
10.8 <sup>(2)</sup>	<a href="#">English Translation of Renewed Confidentiality and Non-Competition Agreement between Sichuan Wetouch Technology Co., Ltd and Zongyi Lian dated November 13, 2020.</a>
10.9 <sup>(2)</sup>	<a href="#">English Translation of Renewed Employment Agreement between Sichuan Wetouch Technology Co., Ltd and Yuhua Huang dated November 11, 2020.</a>
10.10 <sup>(2)</sup>	<a href="#">English Translation of Renewed Confidentiality and Non-Competition Agreement between Sichuan Wetouch Technology Co., Ltd and Yuhua Huang dated November 11, 2020.</a>
10.11 <sup>(2)</sup>	<a href="#">English Translation of Form of Sichuan Wetouch Technology Co., Ltd. Supplemental Agreement to Sales Framework Agreement.</a>
10.12 <sup>(4)</sup>	<a href="#">English Translation of Agreement of Compensation on Demolition between Sichuan Wetouch Technology Co., Ltd and Sichuan Renshou Shigao Tianfu Investment Co., Ltd dated March 16, 2021.</a>
10.13 <sup>(4)</sup>	<a href="#">English Translation of Leaseback Agreement between Sichuan Vtouch Technology Co., Ltd and Sichuan Renshou Shigao Tianfu Investment Co., Ltd dated March 16, 2021.</a>
10.14 <sup>(6)</sup>	<a href="#">Securities Purchase Agreement, dated as of October 27, 2021, between Wetouch Technology Inc. and Talos Victory Fund, LLC</a>
10.15 <sup>(6)</sup>	<a href="#">Registration Rights Agreement dated as of October 27, 2021, between Wetouch Technology Inc. and Talos Victory Fund, LLC</a>

10.16 <sup>(7)</sup>	<a href="#">Securities Purchase Agreement, dated as of November 5, 2021, between Wetouch Technology Inc. and Mast Hill Fund, L.P.</a>
10.17 <sup>(7)</sup>	<a href="#">Registration Rights Agreement dated as of November 5, 2021, between Wetouch Technology Inc. and Mast Hill Fund, L.P.</a>
10.18 <sup>(8)</sup>	<a href="#">Securities Purchase Agreement, dated as of November 16, 2021, between Wetouch Technology Inc. and FirstFire Global Opportunities Fund, LLC.</a>
10.19 <sup>(8)</sup>	<a href="#">Registration Rights Agreement dated as of November 16, 2021, between Wetouch Technology Inc. and FirstFire Global Opportunities Fund, LLC.</a>
10.20 <sup>(8)</sup>	<a href="#">Securities Purchase Agreement, dated as of November 24, 2021, between Wetouch Technology Inc. and LGH Investments, LLC.</a>
10.21 <sup>(8)</sup>	<a href="#">Registration Rights Agreement dated as of November 24, 2021, between Wetouch Technology Inc. and LGH Investments, LLC.</a>
10.22 <sup>(9)</sup>	<a href="#">Securities Purchase Agreement, dated as of November 29, 2021, between Wetouch Technology Inc. and Fourth Man, LLC.</a>
10.23 <sup>(9)</sup>	<a href="#">Registration Rights Agreement dated as of November 29, 2021, between Wetouch Technology Inc. and Fourth Man, LLC.</a>
10.24 <sup>(9)</sup>	<a href="#">Securities Purchase Agreement, dated as of December 2, 2021, between Wetouch Technology Inc. and Jefferson Street Capital LLC.</a>
10.25 <sup>(9)</sup>	<a href="#">Registration Rights Agreement dated as of December 2, 2021, between Wetouch Technology Inc. and Jefferson Street Capital LLC.</a>
10.26 <sup>(9)</sup>	<a href="#">Securities Purchase Agreement, dated as of December 2, 2021, between Wetouch Technology Inc. and Blue Lake Partners, LLC.</a>
10.27 <sup>(9)</sup>	<a href="#">Registration Rights Agreement dated as of December 2, 2021, between Wetouch Technology Inc. and Blue Lake Partners LLC.</a>
10.28 <sup>(11)</sup>	<a href="#">Securities Purchase Agreement, dated as of January 19, 2023, between Wetouch Technology Inc. and the buyers indicated herein</a>
14.1 <sup>(12)</sup>	<a href="#">Code of Ethics</a>
21.1 <sup>(5)</sup>	<a href="#">List of subsidiaries of the Company.</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act. *</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Sarbanes-Oxley Act. *</a>
32.1	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act*</a>
32.2	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act*</a>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension 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

- (1) Incorporated by reference to the Company's Registration Statement on Form 10 filed with the SEC on October 15, 2020.
- (2) Incorporated by reference to the Company's Registration Statement on Form 10/A filed with the SEC on November 30, 2020.
- (3) Incorporated by reference to the Company's Registration Statement on Form 10-K filed with the SEC on March 24, 2021.

(4) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 22, 2021.

(5) Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the SEC on September 13, 2021.

(6) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 5, 2021.

(7) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 15, 2021.

(8) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 8, 2021.

(9) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 15, 2021.

(10) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 3, 2022.

(11) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on January 25, 2023.

(12) Incorporated by reference to the Company's Current Report on Form 10-K filed with the SEC on April 15, 2022.

**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 report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 17, 2023

**WETOUGH TECHNOLOGY INC.**

By:

*/s/ Zongyi Lian*

**Zongyi Lian**

**President and Chief Executive Officer  
(Principal Executive Officer)**

By:

*/s/ Yuhua Huang*

**Yuhua Huang**

**Chief Financial Officer  
(Principal Financial and Accounting Officer)**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant 5. The registrant's other certifying officer(s) and in the capacities and on the dates indicated.

*/s/ Zongyi Lian*

President

April 17, 2023

**Zongyi Lian**

Chief Executive Officer and  
Chairman\Principal Executive Officer

*/s/ Yuhua Huang*

Chief Financial Officer

April 17, 2023

**Yuhua Huang**

(Principal Financial and Accounting Officer)

*/s/ Fei Bai*

Chairman and Director

April 17, 2023

**Fei Bai**

*/s/ Jiaying Cai*

Director

April 17, 2023

**Jiaying Cai**

*/s/ Jing Chen*

Director

April 17, 2023

**Jing Chen**

*/s/ Xiaojin Tang*

Director

April 17, 2023

**Xiaojin Tang**

*/s/ Congjin Wang*

Director

April 17, 2023

**Congjin Wang**

**WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(AUDITED)**  
**WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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<a href="#">Consolidated Balance Sheets as of December 31, 2022 and 2021</a>	F-3
<a href="#">Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2022 and 2021</a>	F-4
<a href="#">Consolidated Statements of Changes in Shareholders' Equity for years ended December 31, 2022 and 2021</a>	F-5
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021</a>	F-6
<a href="#">Notes to Consolidated Financial Statements as of December 31, 2022 and 2021</a>	F-7- F-24

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## Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Wetouch Technology Inc.

### Opinion on the Financial Statements

We **I** have audited the accompanying consolidated balance sheets of Wetouch Technology Inc. (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of income and comprehensive income, changes in stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States.

### Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 **most recent evaluation** of internal control over financial reporting, but not for **to the purpose of expressing an opinion on registrant’s auditors and the effectiveness audit committee** of the Company’s 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. Accordingly, we express no such opinion. **reporting** which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

Our audits included performing procedures to assess the risks of b) Any fraud, whether or not material, **misstatement** of the financial statements, whether due to error that involves management or **fraud**, and performing procedures that respond to those risks. Such procedures included examining, on other employees who have a **test basis**, evidence regarding the amounts and disclosures **significant role** in the registrant’s internal control over 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### Legal Proceedings over Guarantee Obligations

As described in Note 13 to the financial statements, management disclosed legal proceedings over the Company’s guarantee obligations where liability is not probable or the amount of the liability is not estimable, or both, if management believes there is at least a reasonable possibility that the Company has fulfilled the guarantee obligation or a loss may be incurred when the guarantee obligations were not discharged.

Our principal considerations to determine that the legal proceedings over guarantee obligations is a critical audit matter as there was significant judgment by management when assessing the likelihood of a loss being incurred and when estimating the loss or range of loss for each claim, which in turn led to significant auditor judgment, subjectivity, and effort in performing procedures and evaluating management’s assessment of the liabilities and disclosures related to legal proceedings on guarantee obligations.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included, among others, obtaining and evaluating the letters of audit inquiry with external legal counsel, reviewing public accessible information regarding the Company’s litigation cases, evaluating the reasonableness of management’s assessment regarding whether an unfavorable outcome is reasonably possible or probable and reasonably estimable, and evaluating the sufficiency of the Company’s disclosures related to legal proceedings over guarantee obligations.

*/s/ B F Borgers CPA PC*

We have served as the Company's auditor since 2019.

Lakewood, Colorado

April 17, 2023

PCAOB ID: 5041

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**WETOUCH TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<b>As of December 31, 2022</b>	<b>As of December 31, 2021</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 51,250,505	\$ 46,163,704
Accounts receivable, net	9,057,741	7,991,037
Inventories	423,276	244,381
Prepaid expenses and other current assets	1,450,620	2,445,894
<b>TOTAL CURRENT ASSETS</b>	<b>62,182,142</b>	<b>56,845,016</b>
Property, plant and equipment, net	10,923,610	11,833,302
<b>TOTAL ASSETS</b>	<b>\$ 73,105,752</b>	<b>\$ 68,678,318</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,383,094	\$ 800,586
Loan from a third party	385,791	-
Due to related parties	1,665	34,669
Income tax payable	22,152	65,463
Accrued expenses and other current liabilities	944,624	310,407
Convertible promissory notes payable	1,277,282	2,030,550
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,014,608</b>	<b>3,241,675</b>
Common stock purchase warrants liability	256,957	1,128,635
<b>TOTAL LIABILITIES</b>	<b>\$ 4,271,565</b>	<b>\$ 4,370,310</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 13)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.001 par value, 300,000,000 shares authorized, 33,604,965 and 31,811,523 issued and outstanding as of December 31, 2022 and 2021, respectively	\$ 33,605	\$ 31,812
Additional paid in capital	3,370,253	2,333,621
Statutory reserve	6,040,961	5,067,243
Retained earnings	62,366,892	54,610,164
Accumulated other comprehensive income	(2,977,524)	2,265,168
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>68,834,187</b>	<b>64,308,008</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 73,105,752</b>	<b>\$ 68,678,318</b>

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

**WETOUCHE TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**(Audited)**

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>REVENUES</b>		
Revenue from customers	\$ 37,923,112	\$ 40,687,624
Revenues from related parties	-	97,850
<b>Total Revenues</b>	<b>37,923,112</b>	<b>40,785,474</b>
<b>COST OF REVENUES</b>		
Cost of revenues from customers	(23,872,632)	(22,256,642)
Cost of revenues related parties	-	(97,850)
<b>Total Cost of revenues</b>	<b>(23,872,632)</b>	<b>(22,354,492)</b>
<b>GROSS PROFIT</b>	<b>14,050,480</b>	<b>18,430,982</b>
<b>OPERATING EXPENSES</b>		
Selling expenses	(1,288,467)	(630,503)
General and administrative expenses	(1,262,093)	(1,937,374)
Research and development expenses	(85,251)	(89,477)
Share-based compensation	-	(3,149,106)
<b>Total operating expenses</b>	<b>(2,635,811)</b>	<b>(5,806,460)</b>
<b>INCOME FROM OPERATIONS</b>	<b>11,414,669</b>	<b>12,624,522</b>
<b>OTHER INCOME (EXPENSES)</b>		
Interest income	118,714	95,534
Interest expense	(224,885)	(27,450)
Government grant	-	695,055
Gain on asset disposal	-	7,648,423
Loss on conversion of convertible promissory notes payable	(96,927)	-
Gain on changes in fair value of common stock purchase warrants liability	871,677	759,471
<b>TOTAL OTHER INCOME, NET</b>	<b>668,579</b>	<b>9,171,033</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>12,083,248</b>	<b>21,795,555</b>
<b>INCOME TAX EXPENSE</b>	<b>(3,352,802)</b>	<b>(4,409,589)</b>
<b>NET INCOME</b>	<b>\$ 8,730,446</b>	<b>\$ 17,385,966</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Foreign currency translation adjustment	(5,242,692)	1,307,260
<b>COMPREHENSIVE INCOME</b>	<b>\$ 3,487,754</b>	<b>\$ 18,693,226</b>
<b>EARNINGS PER COMMON SHARE</b>		

Basic	\$ 0.27	\$ 0.55
Diluted	\$ 0.27	\$ 0.55
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING*</b>		
Basic	32,410,223	31,811,523
Diluted	36,875,349	32,653,163

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

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**WETOUCH TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>Common stock at Par value \$0.001</b>		<b>Additional paid-in capital</b>	<b>Statutory reserve</b>	<b>Retained Earnings</b>	<b>Accumulated other comprehensive (income) loss</b>	<b>Total stockholders' equity</b>
	<b>Shares</b>	<b>Amount</b>					
<b>Balance at December 31, 2020</b>							
31,500,693	\$ 31,501	\$ 1,072,932	\$ 3,062,159	\$ 39,229,282	\$ 957,908	\$ 44,353,782	
Appropriation to statutory reserve	-	-		2,005,084	(2,005,084)	-	-
Share-based compensation	310,830	311	3,148,795	-		-	3,149,106
Warrants issued to third parties in conjunction with debt issuance			(1,888,106)				(1,888,106)
Net income					17,385,966		17,385,966
Foreign currency translation adjustment	-	-	-	-	-	1,307,260	1,307,260
<b>Balance at December 31 2021</b>							
31,811,523	\$ 31,812	\$ 2,333,621	\$ 5,067,243	\$ 54,610,164	\$ 2,265,168	\$ 64,308,008	
<b>Common stock at Par value \$0.001</b>		<b>Additional paid-in capital</b>	<b>Statutory reserve</b>	<b>Retained Earnings</b>	<b>Accumulated other comprehensive (income) loss</b>	<b>Total stockholders' equity</b>	
<b>Shares</b>	<b>Amount</b>						
<b>Balance at December 31, 2021</b>							
31,811,523	\$ 31,812	\$ 2,333,621	\$ 5,067,243	\$ 54,610,164	\$ 2,265,168	\$ 64,308,008	
Appropriation to statutory reserve	-	-		973,718	(973,718)	-	-
Exercise of warrants issued in conjunction with legal services in 2020	124,223	124	(124)	-	-	-	-
Exercise of warrants issued to third parties in conjunction with debt issuance in 2021	284,654	285	(285)	-	-	-	-
Stock issuance for convertible promissory notes payable	1,384,564	1,384	1,037,041	-	-	-	1,038,425

Net income	8,730,446	-	8,730,446
Foreign currency translation adjustment	-	-	(5,242,692)
<b>Balance at</b>			
<b>December 31 2022</b>	<b><u>33,604,965</u></b>	<b><u>\$ 33,605</u></b>	<b><u>\$ 3,370,253</u></b>
			<b><u>\$ 6,040,961</u></b>
			<b><u>\$ 62,366,892</u></b>
			<b><u>\$ (2,977,524)</u></b>
			<b><u>\$ 68,834,187</u></b>

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

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**WETOUCH TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the years ended</b> <b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 8,730,446	\$ 17,385,966
Adjustments to reconcile net income to cash provided by operating activities		
Bad debts reversal	-	(76,492)
Inventory write-off	74,100	-
Depreciation and amortization	9,891	381,167
Asset disposal gain	-	(7,648,423)
Loss of input VAT credits	-	356,073
Share-based compensation	-	3,149,106
Loss on convertible promissory notes payable	96,927	-
Amortization of discounts and issuance cost of the notes	148,368	8,550
Gain on changes in fair value of common stock purchase warrants liability	(871,677)	(759,471)
Changes in operating assets and liabilities:		
Accounts receivable	(1,497,237)	4,994,861
Amounts due from related parties	-	83,849
Inventories	(197,453)	190,490
Prepaid expenses and other current assets	853,426	(2,258,602)
Accounts payable	637,372	(167,186)
Amounts due to related parties	(18,055)	(575,329)
Income tax payable	(41,068)	(50,424)
Accrued expenses and other current liabilities	661,203	(233,882)
Deferred grants	-	(728,818)
Net cash provided by operating activities	<u>8,586,243</u>	<u>14,051,434</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	-	(11,695,448)
Proceeds from assets disposal	-	17,859,076
Net cash provided by investing activities	<u>-</u>	<u>6,163,628</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of convertible promissory notes payable	-	2,025,000
Payments of issue costs of convertible promissory note	-	(162,000)
Repayments of convertible promissory notes payable	(1,038,426)	-
Proceeds from interest-free advances from a third party	385,791	-
Net cash provided by (used in) financing activities	<u>(652,635)</u>	<u>1,863,000</u>
<b>Effect of changes of foreign exchange rates on cash</b>		
<b>Net increase in cash</b>	<b>(2,846,807)</b>	<b>121,781</b>
	<b>5,086,801</b>	<b>22,199,843</b>

<b>Cash, beginning of year</b>	<b>46,163,704</b>	<b>23,963,861</b>
<b>Cash, end of year</b>	<b>\$ 51,250,505</b>	<b>\$ 46,163,704</b>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid	\$ 10,000	\$ -
Income taxes paid	\$ 3,391,137	\$ 3,774,917
<b>Non-cash investing activities</b>		
Warrants issued to third parties in conjunction with debt issuance	\$ -	\$ 1,888,106
<b>Non-cash financing activities</b>		
Cashless stock issuance for convertible promissory notes payable	\$ 284,654	\$ -

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

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## WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 — BUSINESS DESCRIPTION

##### ***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 of our common stock (the “Reverse Merger”). In the Reverse Merger, each ordinary share of BVI Wetouch was exchanged for 2,800 shares of common stock of Wetouch. Immediately after the closing of the Reverse Merger on October 9, 2020, we had a total of 31,396,394 issued and outstanding shares of common stock. As a result of the Reverse Merger, BVI Wetouch is now our wholly-owned subsidiary.

Wetouch Holding Group Limited (“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 “PRC”). Sichuan Wetouch is primarily engaged in the business of research development, manufacture, and distribution of touchscreen displays to customers both in PRC and overseas. The touchscreen products, which are manufactured by the Company, are primarily for use in computer components.

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 according.

##### ***Corporate History of BVI Wetouch***

Wetouch Holding Group Limited (“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 (“SAR”) on December 3, 2020. On March 2, 2021, HK Wetouch acquired all shares of Hong Kong Vtouch. 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 Technology Co. Ltd. (“Sichuan Wetouch”) was formed on May 6, 2011 in the People’s Republic of China (“PRC”) and became Wholly Foreign-Owned Enterprise in PRC on February 23, 2017. On July 19, 2016, Sichuan Wetouch was 100% held by HK Wetouch.

On December 30, 2020, Sichuan Vtouch Technology Co., Ltd. (“Sichuan Vtouch”) was incorporated in Chengdu, Sichuan, under the laws of the People’s Republic of China.

In March 2021, pursuant to local PRC government guidelines on local environmental issues and the national overall plan, Sichuan Wetouch was under the government directed relocation order, and started its dissolution process which is estimated to be completed by the end of 2023. Sichuan Vtouch took over the operating business of Sichuan Wetouch.

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

## 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 ("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.

### **(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, 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 includes currency on hand and deposits held by banks that can be added or withdrawn without limitation.

### **(d) Accounts receivables, net**

Accounts receivables are presented net of allowance for doubtful accounts. The Company determines the adequacy of reserves for doubtful accounts based on individual account analysis and historical collection trend. The Company establishes a provision for doubtful receivables when there is objective evidence that the Company may not be able to collect amounts due. The allowance is based on management's best estimate of specific losses on individual exposures, as well as a provision on historical trends of collections. Actual amounts received may differ from management's estimate of credit worthiness and the economic environment. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the collection is not probable.

### **(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. \$74,100 and nil inventory write-off was recorded for the years ended December 31, 2022 and 2021, respectively.

#### **(f) 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.

#### **(g) 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 November and December 2021 financing should be treated as a derivative liability because the Warrants are entitled to a price adjustment provision 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 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 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 an black-scholes-pricing model to estimate the fair values of common stock purchase warrants at the balance sheet dates. As of December 31, 2022 and 2021, the Company recorded \$256,957 and \$1,128,635 common stock purchase warrants liability, respectively, and \$871,677 and \$759,471 gain on changes of fair value of common stock purchase liability warrants for the year ended December 31, 2022 and 2021, respectively.

#### **(h) 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, 2022 and 2021 based upon the nature of the assets and liabilities.

#### **(i) 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
Office and electric equipment	3 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.	

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#### **(l) 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 were nil impairment of intangible assets recognized for the years ended December 31, 2022 and 2021.

#### **(m) 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 Wetouch 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.

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:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Year-end spot rate	US\$1=RMB 6.8972	US\$1=RMB 6.3726
Average rate	US\$1=RMB 6.7312	US\$1=RMB 6.4505

#### **(n) 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, 2022 and 2021, 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, 2022 and 2021 are disclosed in Note 14 to the financial statements.

**(o) Selling, General and Administrative Expenses**

Selling expenses represents primarily costs of payroll, benefits, commissions for sales representatives and advertising expenses. General and administrative expenses represents 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.

**(p) Research and Development Expense**

Research and development costs are expensed as incurred.

**(q) 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.

**(r) Government grant**

The Company follows other authoritative accounting guidance since there is no clear guidance with regard to government grants. Government grants are recognized at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognized as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

**(s) 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, 2022 and 2021.

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.

#### **(t) 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.

#### **(u) 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, 2022 and 2021, warrants were included for the dilutive EPS calculation, respectively.

#### **(v) 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.

#### **(w) 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.

In August 2020, the FASB issued ASU No. 2020-06 (“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.”* ASU 2020-06 will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current U.S. GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting, and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as additional paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusions. For public business entities, the amendments in ASU 2020-06 are effective for public entities which meet the definition of a smaller reporting company are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023, including interim periods within those fiscal years. Early application of the guidance will be permitted for all entities for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted ASU 2020-06 effective January 1, 2021.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), which introduces new guidance for the accounting for credit losses on instruments within its scope. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale (AFS) debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The pronouncement will be effective for public business entities that are SEC filers in fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application of the guidance will be permitted for all entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted ASU 2016-13 utilizing the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Company’s condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *“Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”*. The amendment simplifies the accounting for income taxes by eliminating some exceptions to the general approach in ASC 740, Income Taxes. It also clarifies certain aspects of the existing guidance to promote more consistent application, among other things. The guidance is effective for interim and annual reporting periods beginning within 2021 with early adoption permitted.

In October 2021, the FASB issued ASU No. 2021-08, which will require companies to apply the definition of a performance obligation under ASC Topic 606 to recognize and measure contract assets and contract liabilities (i.e., deferred revenue) relating to contracts with customers that are acquired in a business combination. Under current U.S. GAAP, an acquirer generally recognizes assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from

revenue contracts with customers, at fair value on the acquisition date. ASU No. 2021-08 will result in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC Topic 606. ASU No. 2021-08 is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its financial statements and the effects will be based upon the contract assets and liabilities acquired in the future.

From time to time, the FASB or other standards setting bodies issue new accounting pronouncements. Updates to the FASB ASCs are communicated through issuance of ASUs. Unless otherwise discussed, the Company believes that the recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on its consolidated financial statements upon adoption.

### NOTE 3- ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Accounts receivable	\$ 9,057,741	\$ 7,991,037
Allowance for doubtful accounts	-	-
<b>Accounts receivable, net</b>	<b>\$ 9,057,741</b>	<b>\$ 7,991,037</b>

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

### NOTE 4 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consists of the following:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Advance to suppliers	\$ 333,920	\$ 244,758
VAT input credits	355,482	307,575
Issue cost related to convertible promissory notes	81,614	159,000
Deferred marketing expenses	-	1,000,000
Prepayment for land use right/ (i)	569,105	615,955
Security deposit (ii)	56,979	61,670
Others receivable (iii)	53,520	56,936
<b>Prepaid expenses and other current assets</b>	<b>\$ 1,450,620</b>	<b>\$ 2,445,894</b>

(i) On July 23, 2021, Sichuan Vtouch entered into a contract with Chengdu Wenjiang District Planning and Natural Resources Bureau for purchasing a land use right of 131,010 square feet with a consideration of RMB3,925,233 (equivalent to \$569,105) for the new facility. The Company made a full prepayment by November 18, 2021. Upon a certificate of land use right issued by the local government, which is estimated to be obtained by the fourth quarter of 2023, 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 \$56,979) to Chengdu Cross-Strait Science and Technology Industry Development Park Management Committee to obtain a construction license for new facility. This deposit will be refunded upon the issuance of the construction license by end of 2023.

(i) Other receivables are mainly employee advances, and prepaid expenses.

### NOTE 5— PROPERTY, PLANT AND EQUIPMENT, NET

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Buildings	\$ 12,487	\$ 13,514
Vehicles	42,453	45,948
Construction in progress	10,883,051	11,778,957
Subtotal	10,937,991	11,838,419
Less: accumulated depreciation	(14,381)	(5,117)
<b>Property, plant and equipment, net</b>	<b>\$ 10,923,610</b>	<b>\$ 11,833,302</b>

Depreciation expense was \$9,891 and \$5,117 for the years ended December 31, 2022 and 2021, respectively.

Pursuant to local PRC government guidelines on local environment 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 18, 2021, pursuant to the agreement with the local government and an appraisal report issued by a mutual agreed appraiser, Sichuan Wetouch received a compensation of RMB115.2 million (\$16.7 million) ("Compensation Funds") for the withdrawal of

the right to use of state-owned land and the demolition of all buildings, facilities, equipment and all other appurtenances on the land. During the year ended December 31, 2021, the Company recorded a gain of \$7,648,423 for the asset disposal including \$872,045 loss of asset disposal of intangible assets.

On March 16, 2021, in order to minimize interruption of our 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 company owned by the local government, to lease the property, and all buildings, facilities and equipment thereon ("Demised Properties) of Sichuan Wetouch, commencing from April 1, 2021 until December 31, 2021 at a monthly rent of RMB300,000 (\$43,496), and renewed on December 31, 2021 at a monthly rent of RMB 400,000 (\$57,994) from January 1, 2022 till October 31, 2023 for the use of the Demised Properties.

## NOTE 6 – RELATED PARTY TRANSACTIONS

The related party transactions are summarized as follows:

	Years Ended December 31,	
	2022	2021
	US\$	US\$
<b>Revenues resulting from related parties:</b>		
Sales to Chengdu Wetouch Technology Co., Ltd (“Chengdu Wetouch”)	-	10,483
Sales to Meishan Wetouch Electronics Technology Co., Ltd. (“Meishan Wetouch”)	-	87,367
<b>Total revenue</b>	<b>\$ -</b>	<b>\$ 97,850</b>

The Company sells capacitive touchscreens to Chengdu Wetouch and Meishan Wetouch from time to time. There are no written agreements between the Company and Meishan Wetouch. Mr. Guangde Cai, Chairman and director of the Company and our indirect majority shareholder, owns 94% and 95% of Chengdu Wetouch and Meishan Wetouch, respectively.

Amounts due to related parties are as follows:

	Relationship	December 31,		Note
		2022	2021	
Mr. Zongyi Lian	President and CEO of the Company	\$ 1,665	\$ 1,802	Payable to employee
Mr. Guangde Cai	Former Chairman of the Company	-	32,867	Payable to employee
<b>Total</b>		<b>\$ 1,665</b>	<b>\$ 34,669</b>	

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## NOTE 7 — INCOME TAXES

### Wetouch

Wetouch Technology Inc. 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, subsidiaries 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 incorporated in Hong Kong and 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 (“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 (“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 preferential tax treatment High and New Technology Enterprises (“HNTEs”), entitled to a reduced income tax rate of 15% beginning October 21, 2020 until October 20, 2023.

Sichuan Vtouch is entitled to 25% of 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 components of the income tax provision are as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current tax provision		
PRC	\$ 3,352,802	\$ 4,409,589
	<hr/>	<hr/>
Deferred tax provision		
BVI	-	-
Hong Kong	-	-
China	-	-
	<hr/>	<hr/>
Income tax provision	<hr/>	<hr/>
	\$ 3,352,802	\$ 4,409,589

The following table reconciles the China statutory rates to the Company’s effective tax rate for the years ended December 31, 2022 and 2021:

	<b>For the Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
PRC statutory income tax rate	25.0 %	25.0 %
Effect of income tax holiday	0.0 %	(1.0) %
Tax rate differential on entities not subject to PRC income	(0.5) %	(0.6) %
R&D additional deduction	(1.0) %	(0.5) %
Non-deductible expenses in the PRC	4.2 %	(2.7) %

Effective tax rate	27.7 %	20.2 %
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Deferred tax assets

The Company's has no deferred tax assets are as of December 31, 2022 and 2021, respectively.

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 continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. As of December 31, 2022 and 2021, Sichuan Wetouch and Sichuan Vtouch remains open for statutory examination by PRC tax authorities.

## NOTE 8—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	December 31, 2022	December 31, 2021
Advance from customers	\$ 397,886	\$ 59,111
Accrued payroll and employee benefits	89,359	99,342
Accrued interest expenses	122,135	20,795
Other tax payables (i)	261	-
Other payable to a former shareholder (ii)	191,180	-
Others (iii)	153,803	131,159
<b>Accrued expenses and other current liabilities</b>	<b>\$ 944,624</b>	<b>\$ 310,407</b>

(i) Other tax payables are mainly value added tax payable.

(ii) Other payable to a former shareholder was paid in March, 2023.

(iii) Others mainly represent accrued employee reimbursement payable and other accrued miscellaneous operating expenses.

## NOTE 9—CONVERTIBLE PROMISSORY NOTES PAYABLE

### a) Convertible promissory notes

In October, November, and December 2021, the Company, issued seven (7) convertible promissory notes of US\$2,250,000 aggregate principal amount, due in one year (the ‘Notes’) with issuance price discounted 90.0%. The Notes bear interest at a rate of 8.0% per annum, payable in one year and will mature on October 27, November 5, November 16, November 24, November 29 and December 2 of 2022. Net proceeds after debt issuance costs and debt discount were approximately US\$1,793,000. Debt issuance costs in the amount of US\$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.

The details of convertible notes are as follows:

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 180<sup>th</sup> 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 \$0.75 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.

On April 27, 2022, the Company entered into an amendment to the Note ("Amendment to Promissory Note") issued to the Lender and, on May 3, 2022, an amendment to the Registration Rights Agreement by and between the Company and the Lender ("Amendment to Registration Rights Agreement"), extending the number of days the Company shall have in order to cause the registration statement covering the resale of the Common Stock to become effective.

The following table summarizes the outstanding promissory notes as of December 31, 2022 and 2021 (dollars in thousands):

		2022		2021	
	Interest rate	Principal Amount	Carrying Amount	Principal Amount	Carrying Amount
Convertible Note- Talos Victory (Note 9 (b))	8 %	\$ -	\$ -	\$ 250,000	201,536
Convertible Note-Mast Hill (Note 9 (b))	8 %	740,000	635,535	750,000	612,265
Convertible Note-First Fire (Note 9 (b))	8 %	181,250	156,594	250,000	200,129
Convertible Note-LGH Note 9 (b))	8 %	207,500	188,987	250,000	209,274
Convertible Note -Fourth Man (Note 9 (b))	8 %	157,000	128,703	250,000	199,220
Convertible Note-Jeffery Street Note 9 (b))	8 %	170,000	142,554	250,000	199,011
Convertible Note -Blue Lake Note 9 (b))Total	8 %	-	-	250,000	199,011
<b>Total</b>		<b>\$ 1,455,750</b>	<b>\$ 1,252,373</b>	<b>\$ 2,250,000</b>	<b>\$ 1,846,583</b>
<b>Amortization of discounts for year ended December 31, 2022</b>			<b>24,909</b>		
<b>Convertible promissory notes payable as of December 31,2022</b>				<b>\$ 1,277,282</b>	

From December 28, 2022 to January 18, 2023, the remaining five (5) lenders and the Company entered into an amendment to the Note ("Amendment to Promissory Note") extending maturity date for additional 6 months.

During the year ended December 31, 2022, principal, accrued and unpaid interest and default charges totalling \$1,038,426 was converted into 1,384,564 shares of common stock of the Company. And two notes were fully converted.

For the year ended December 31, 2022 and 2021, the Company recognized interest expenses of the Notes in the amount of US\$224,885 and US\$27,447, respectively.

\*The Company prepaid \$10,000 legal deposit for each note till the repayment of the notes.

**b) Warrants****Accounting for Warrants**

In connection with the issuance of a convertible promissory notes (see Note 11 (a) in October, November and December, 2021, the Company also issued seven (7) three-year warrant (the "Warrant") to purchase an aggregate of 1,800,000 shares of the Company's common stock (the "Warrant Shares").

The Warrants issued to the Lenders granted each of the Lenders the right to purchase up to 200,000 shares of common stock of the Company at an exercise price of \$1.25 per share. However, if the Company closes an Uplist Offering on or before the 180<sup>th</sup> calendar date after the issuance date of the 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 \$1.25 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 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 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 Warrants, the exercise price of the Warrants shall be reduced to such lower price, subject to customary exceptions.

The Lenders may not convert the Notes or exercise the 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 common stock immediately after giving effect to such exercise unless the Lenders notify the Company at least 61 days prior to such exercise.

On January 17, 2022, we closed a private offering of ordinary shares and warrants to purchase ordinary shares. A total of 2,750,000 ordinary shares (the "Shares") were issued to a total of five (5) investors (the "Investors") at a subscription price of \$0.80 per share, for total subscription proceeds of \$2,200,000. In addition, for each share subscribed for by the Investors, we issued one (1) warrant to purchase one (1) ordinary share at an exercise price of \$0.88 per share, exercisable for a period of twenty-four (24) months (the "Warrants"). We have agreed to register the Investors' re-sale of the Shares by way of a prospectus supplement to our currently effective unallocated shelf registration statement on Form F-3, (SEC File No. 333-267116). The offer and sale of the Shares and the Warrants was exempt under Rule 506 of Regulation D under the Securities Act of 1933 (the "Securities Act"). We engaged in no general solicitation or advertising with regard to the offering and the offering was made solely to "Accredited Investors" as defined in Rule 501 of Regulation D under the Securities Act.

On April 14, April 27, and September 1, 2022, three lenders exercised cashless for 115,540 (4th Man), 111,972 (Talos) and 57,142 (Blue lake) warrant shares, respectively.

The fair values of these warrants as of December 31, 2022 were calculated using the Black-Scholes option-pricing model with the following assumptions:

	December 31, 2022						
	Volatility (%)	Expected dividends yield (%)	Weighted average expected life (year)	Risk-free interest rate (%) (per annum)	Common stock purchase warrants liability as of December 31, 2021(US\$)	Changes of fair value of common stock purchase warrants liability (+ (gains)/- losses)(US\$)	Common stock purchase warrants liability as of December 31, 2022 (US\$)
Convertible Note- Talos Victory (Note 9 (a))	289.9 %	\$ 0.0 %	\$ 1.8	4.41 %	124,756	(109,953)	14,803
Convertible Note-Mast Hill (Note 9 (a))	289.9 %	0.0 %	1.8	4.41 %	375,156	(273,863)	101,293
Convertible Note-First Fire (Note 9 (a))	289.9 %	0.0 %	1.9	4.41 %	125,408	(91,489)	33,919
Convertible Note-LGH Note 9 (a))	289.9 %	0.0 %	1.9	4.41 %	125,664	(91,636)	34,028
Convertible Note -Fourth Man (Note 9 (ab))	289.9 %	0.0 %	1.9	4.41 %	125,821	(111,423)	14,398

Convertible Note-Jeffery Street Note 9 (a))3,054	289.9 %	0.0 %	1.9	4.41 %	125,915	(91,781 )	34,134
Convertible Note -Blue Lake Note 9 (a))	<u>289.9 %</u>	<u>0.0 %</u>	<u>1.9</u>	<u>4.41 %</u>	<u>125,915</u>	<u>(101,533 )</u>	<u>24,382</u>
<b>Total</b>				<b>Total</b>	<b>1,128,635</b>	<b>(868,678 )</b>	<b>256,957</b>

**(c) Registration Rights Agreements**

Pursuant to the terms of the Registration Rights Agreement dated as of contract date of each convertible promissory note, 2021, executed between the Company and Lender, the Registration Rights Agreement dated as of each contract date, executed between the Company and Lenders, 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 Warrants within sixty days from the date of each Registration Rights Agreement. The Company also granted the Lenders piggyback registration rights on such shares pursuant to the Purchase Agreements.

## NOTE 10— SHAREHOLDERS' EQUITY

### Ordinary Shares

The Company's authorized number of ordinary shares was 300,000,000 shares with par value of \$0.001.

On December 22, 2020, the Company issued 103,610 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 310,830 shares to a third party service provider for consulting services that had been rendered.

On April 14, April 27, 2022 and September 1, 2022, the Company issued cashless warrant shares of 115,540, 111,972 and 57,142 to three lenders respectively. (see Note 9 (b)).

During the year ended December 31, 2022, the Company issued 124,223 shares to a third party for warrant exercise (see Note 11).

During the year ended December 31, 2022, the Company issued 1,384,564 shares of common stock for the conversion of convertible promissory note payable (see note 9 (a)).

As of December 31, 2022, the Company had 33,604,965 issued and outstanding shares.

### Statutory reserve and restricted net assets

Under PRC rules and regulations, all subsidiaries of Wetouch 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, 2022 and 2021, the Company made appropriations to the reserve fund of RMB6,554,271 (equivalent to US\$973,718) and RMB12,933,795 (equivalent to US\$2,005,084), respectively.

### NOTE 11- 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 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 103,610 shares and 210,360 warrants 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.

The shares of 103,610 were vested on December 22, 2020 and no warrants were exercised. 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 310,830 shares and 631,080 warrants to a third party service provider for consulting services that had been rendered. The five-year warrants are exercisable at one cent per share.

The 310,830 shares of common stock and 631,080 warrants were vested on January 1, 2021 and during the year ended December 31, 2022, 124,223 shares were exercised.

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 1.5 years, expected dividend rate of 0%, volatility of 215.4% and an average interest rate of 2.96%.

As of December 31, 2022, the Company had 841,440 warrants outstanding related to above mentioned services with i) weighted average exercise price of \$0.01; ii) weighted average remaining contractual life of 1.00 years; and iii) aggregate intrinsic value of \$0.2 million.

For the year ended December 31, 2022 and 2021, the Company recognized relevant share-based compensation expense of nil and \$1,041,281 for the vested shares, and nil and \$2,107,825 for the warrants, respectively

## NOTE 12. WEIGHTED AVERAGE NUMBER OF SHARES

In October 2020, the Company entered into a reverse merger transaction. The Company computes the weighted-average number of common shares 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 common shares of the legal acquiree (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the merger agreement. The number of common shares outstanding from the acquisition date to the end of that period shall be the actual number of common shares of the legal acquirer (the accounting acquiree) outstanding during that period.

**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, 2022, six customers accounted for 21.2%, 16.1%, 14.8%, 13.7%, 11.9% and 10.1%, respectively, of the Company's revenue. For the year ended December 31, 2021, five customers accounted for 19.5%, 17.3%, 14.5%, 14.2%, and 11.1%, respectively, of the Company's revenue.

And the Company's top 10 customers aggregate accounted for 98.7% and 97.5% of the total revenue for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 three customers accounted for 32.2%, 22.8%, and 14.0% of the total accounts receivable balance, respectively.

As of December 31, 2021, six customers accounted for 25.7%, 18.6%, 12.5%, 11.5%, 11.3% and 10.2% 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 47.2% (four suppliers) and 11.2% (one supplier) of the Company's total raw material purchases for the years ended December 31, 2022 and 2021, respectively.

## NOTE 13 — COMMITMENTS AND CONTINGENCIES

### **Legal Proceedings**

From time to time, the Company and its affiliates are parties to various legal actions arising in the ordinary course of business. Although Sichuan Wetouch and Hong Kong Wetouch, the previous subsidiaries of the Company, and our former Chairman and director Mr. Guangde Cai were named as defendants in several litigation matters, as of the date of this report, all such matters have been settled and Sichuan Wetouch, Hong Kong Wetouch and Mr. Guangde Cai were unconditionally and fully discharged and released therefrom (See Item 13- Legal Proceedings). Accordingly, there are no pending material legal proceedings against the Company.

i) An equity dispute case with Yunqing Su with a disputed amount of RMB1,318,604 (equivalent to \$191,180)

On June 22, 2017, Yunqing Su, a former shareholder, entered an Equity Investment Agreement with Sichuan Wetouch and Guangde Cai, agreed that Yunqing Su would invest RMB1 million (equivalent to \$149,853) to purchase 370,370.37 original listed shares of the target company, and provided for the exit mechanism in the agreement. However, the target company failed to be listed prior to December 31, 2017 as agreed. On June 22, 2017, Guangde Cai and Yunqing Su entered into a supplementary agreement, pursuant to which Guangde Cai shall repurchase all of Yunqing Su's equity interest and pay the interest. Sichuan Wetouch repaid Yunqing Su the interest of RMB220,000 (equivalent to \$32,968) and the principal of RMB128,000 (equivalent to \$19,181) in November 2018. The repayment period set forth in the supplementary agreement expired, but Sichuan Wetouch and Guangde Cai failed to pay the principal and interest owed to Yunqing Su. Yunqing Su sued Sichuan Wetouch and Guangde Cai to the Renshou County People's Court of Sichuan Province, and the case was filed on February 9, 2022.

On May 9, 2022, pursuant to a civil mediation statement issued by the Renshou County People's Court of Sichuan Province, Sichuan Wetouch and Guangde Cai agreed to repay Yunqing Su the principal and interest in the total amount of RMB 1,318,604 (equivalent to \$191,180). Sichuan Wetouch fully paid the aforesaid amount on March 15, 2023.

ii) Legal case with Chengdu SME Credit Guarantee Co., Ltd. on a court acceptance fee of RMB338,418 (equivalent to \$49,066)

On July 5, 2013, Sichuan Wetouch obtained a one-year loan of RMB60.0 million (equivalent to \$9.8 million) from Bank of Chengdu, at an annual interest rate of 8.61%. Chengdu SME Credit Guarantee Co., Ltd (“Chengdu SME”), a third party, provided a 70% guarantee and Bank of Chengdu retained 30% of the risk, while Chengdu Wetouch and Mr. Guangde Cai provided joint and several liability guarantee for 100% of the loan.

On July 31, 2014, Sichuan Wetouch repaid RMB5.0 million (equivalent to \$0.8 million). The remaining loan of RMB55.0 million (equivalent to \$8.9 million) was twice extended to be due on August 22, 2018. Upon the loan becoming due, but unpaid by the Company, Chengdu SME paid the outstanding balance of RMB55 million (equivalent to \$8.9 million) to Bank of Chengdu. The Company subsequently repaid RMB55 million (equivalent to \$8.0 million) to Chengdu SME; however, Chengdu SME filed two separate lawsuits against the Company to recover loan default penalties from the Company. The loan default penalties were (a) RMB5.8 million (equivalent to \$0.8 million) related to the 30% of the remaining loan balance repaid by Chengdu SME and (b) RMB6.0 million (equivalent to \$0.9 million) related to the 70% of the remaining loan balance repaid by Chengdu SME. During the year ended December 31, 2017, the Company recorded loan default penalties, and related liabilities, of \$1.7 million.

Chengdu SME applied to the Chengdu High-tech Court for enforcement for the above-mentioned loan default penalties of RMB5.8 million (equivalent to \$0.8 million) and RMB6.0 million (equivalent to \$0.9 million) on December 30, 2018. On March 12, 2020, the Enforcement Settlement Agreement issued by the Chengdu High-tech Court confirmed that Sichuan Wetouch still owed RMB5.8 million (equivalent to \$0.8 million) and RMB6.0 million (equivalent to \$0.9 million) of loan default penalties. The agreement did not specify which party shall pay the court fee.

On September 16, 2020, Sichuan Wetouch made a full repayment of RMB11.8 million (equivalent to \$1.7 million) of the above loan default penalties to Chengdu SME.

On March 16, 2023, pursuant to an Enforcement Settlement Agreement entered among Chengdu SME, Sichuan Wetouch and Chengdu Wetouch, Chengdu Wetouch agreed to pay the court acceptance fee of RMB338,418 (equivalent to \$49,066). On March 17, 2023, Chengdu Wetouch made a full payment of the above court fee to Chengdu SME.

iii) Legal case with Zhuhai Hongguang Technology Co., Ltd on the total amount of RMB131,859 (equivalent to \$19,118) for goods and liquidated damages

In September 2016, Sichuan Wetouch started purchasing components from Hongguang Technology Co., Ltd (“Hongguang Technology”) by sending a Purchase Order to Hongguang Technology and agreed to bear 20% of the breach of contract as liquidated damages. On November 30, 2021, Hongguang Technology filed a complaint with Renshou County People’s Court of Sichuan Province, requesting Sichuan Wetouch to pay RMB109,883.2 (equivalent to \$16,466) in arrears and liquidated damages of RMB21,976.64 (equivalent to \$3,293). Thereafter, the parties entered into a settlement agreement, pursuant to which Sichuan Wetouch agreed to pay the principal of outstanding payment and liquidated damages in the total amount of RMB 131,859 (equivalent to \$19,118) on a lump-sum basis. Sichuan Wetouch paid the entire aforesaid amount to Hongguang Technology on February 16, 2022.

iv) Legal case with Lifan Financial Leasing (Shanghai) Co., Ltd. and Sichuan Wetouch, Chengdu Wetouch, Meishan Wetouch and Xinjiang Wetouch Electronic Technology Co., Ltd. on a court acceptance fee of RMB RMB250,470 (equivalent to \$36,315)

On November 20, 2014, Lifan Financial Lease (Shanghai) Co., Ltd. (“Lifan Financial”) and Chengdu Wetouch entered into a Financial Lease Contract (Sale and Leaseback), which stipulated that Lifan Financial shall lease the equipment to Chengdu Wetouch after the purchase of the production equipment owned by Chengdu Wetouch at a purchase price, the purchase price/lease principal shall be RMB20 million, the rental interest rate of the leased equipment shall be 8% per year, and the lease term shall be 24 months. Upon the expiration of the lease term, Lifan Financial shall transfer the leased property to Chengdu Wetouch or a third party designated by Chengdu Wetouch at the price of RMB0 after Chengdu Wetouch has fully fulfilled its obligations, including, without limitation, the payment of the rent, liquidated damages (if any) and other contractual obligations. Guangde Cai, Sichuan Wetouch, Meishan Wetouch and Xinjiang Wetouch Electronic Technology Co., Ltd. (“Xinjiang Wetouch”) provided Lifan Financial with joint and several liability guarantee.

On August 9, 2021, Lifan Financial filed a lawsuit against Chengdu Wetouch, Guangde Cai, Sichuan Wetouch, Meishan Wetouch and Xinjiang Wetouch to the Chengdu Intermediate People’s Court. The court ruled that: 1) the Financial Lease Contract (Sale and Leaseback) was terminated; 2) the leased property was owned by Lifan Financial; 3) Chengdu Wetouch shall pay Lifan Financial all outstanding rent and interest thereon in the total amount of RMB 22,905,807.12 as well as the difference between the liquidated damages and the value of the leased property recovered; etc.

The parties executed a settlement agreement on March 7, 2023, in which the parties confirmed that the outstanding payment of RMB 22,905,807.12 has been fully paid up on December 23, 2021 and the above cases have been settled. As for the court acceptance fees that were not previously agreed upon by the parties, Chengdu Wetouch agreed to pay the court acceptance fee of RMB 250,470 (equivalent to \$36,315). Chengdu Wetouch paid the aforesaid fees to Lifan Financial on March 10, 2023.

v) Legal case with Sichuan Renshou Shigao Tianfu Investment Co., Ltd and Renshou Tengyi Landscaping Co., Ltd. on a court acceptance fee of RMB103,232 (equivalent to \$14,967)

On March 19, 2014, Chengdu Wetouch, a related party, obtained a two and half-year loan of RMB15.0 million (equivalent to \$2.2 million) from Chengdu Bank Co., Ltd. Gaoxin Branch (“Chengdu Bank Gaoxin Branch”), with Chengdu Hi-tech Investment Group Co., Ltd. (“CDHT Investment”) acting as guarantor to pay off the loan principal and related interests, while Sichuan Wetouch and Hong Kong Wetouch as guarantors, were jointly and severally liable for such debts.

Upon the loan due in January 2017, Chengdu Wetouch defaulted the loan, thus, CDHT Investment filed a lawsuit against Chengdu Wetouch, Sichuan Wetouch, and Hong Kong Wetouch demanding a full repayment of such debts.

To support the local economic development as well as Chengdu Wetouch, two government-backed companies, Sichuan Renshou Shigao Tianfu Investment Co., Ltd. (“Sichuan Renshou”) and Renshou Tengyi Landscaping Co., Ltd. (“Renshou Tengyi”) provided their bank deposits of RMB 12.0 million (equivalent to \$1.7 million) as pledge, while Mr. Guangde Cai and Sichuan Wetouch also provided counter-guarantee.

Upon the expiration of the guarantee, Chengdu Wetouch still defaulted on repayment of the above pledge. As a result, CDHT Investment levied this collateral of RMB12.0 million. On November 21, 2019. Subsequently, Sichuan Renshou and Renshou Tengyi filed with Chengdu Intermediate People’s Court a lawsuit demanding an asset recovery of RMB12.0 million (equivalent to \$1.7 million) pursuant to the counter guarantee agreement.

On December 2, 2019, pursuant to the reconciling agreement issued by Chengdu Intermediate People's Court, the parties agreed to cancel the demand to seize property of Sichuan Wetouch rather than the property of Chengdu Wetouch, and to waive freezing Guangde Cai's 60% shareholding equity in Xinjiang Wetouch Electronic Technology Co., Ltd.

On October 9, 2020, pursuant to a settlement and release agreement, Sichuan Wetouch, Hong Kong Wetouch and Guangde Cai are fully discharged and released from any and all obligations under the outstanding debts, and from all liabilities under guarantee with Chengdu Wetouch being responsible for the outstanding debts by December 31, 2020.

On October 27, 2020, Chengdu Wetouch made a full payment of the above debts.

The settlement and release agreement did not specify which party shall pay the court acceptance fee. On March 10, 2023, pursuant to an enforcement settlement agreement entered among Sichuan Renshou, Renshou Tengyi, Sichuan Wetouch, Chengdu Wetouch, and other relevant parties, Sichuan Wetouch agreed to pay the court acceptance fee of RMB103,232 (equivalent to \$14,967). On March 17, 2023, Chengdu Wetouch made a full payment of the above court fee to Sichuan Renshou.

- vi) Legal case with Chengdu High Investment Financing Guarantee Co. on a court acceptance fee of RMB250,000 (equivalent to \$36,246)

On March 22, 2019, Chengdu High Investment Financing Guarantee Co., Ltd, ("Chengdu High Investment") filed a lawsuit against Hong Kong Wetouch to the Chengdu Intermediate People's Court, claiming that Hong Kong Wetouch should assume the guarantee liability for the debt payable by Chengdu Wetouch. On May 21, 2020, the court rendered a judgment ordering Hong Kong Wetouch to pay compensation of RMB17,467,042 (equivalent to \$2,617,491), interest, liquidated damages, liquidated damages for late performance, etc.

On March 16, 2023, Chengdu Wetouch, Sichuan Wetouch and Chengdu High Investment entered into a settlement enforcement agreement, confirming that Chengdu High Investment had received RMB17,547,197.5 (equivalent to \$2,629,503) on October 27, 2020, and the above case has been settled. As for the court acceptance fees that were not previously agreed upon by the parties, Chengdu Wetouch agreed to pay the court acceptance fee of RMB 250,000 (equivalent to \$36,246). Chengdu Wetouch paid the aforesaid fees to Chengdu High Investment on March 20, 2023.

- vii) Legal case with Hubei Lai'en Optoelectronics Technology Co., Ltd. on a product payment of RMB157,714 (equivalent to \$22,866)

Sichuan Wetouch purchased products from Hubei Lai'en Optoelectronics Technology Co., Ltd. ("Hubei Lai'en) multiple times from March to June 2019, but failed to pay the corresponding amount of RMB137,142.7 for the purchased products. On April 6, 2022, Hubei Lai'en filed a lawsuit against Sichuan Wetouch to the Renshou County People's Court of Sichuan Province, requesting payment of overdue payment for the products and liquidated damages. On May 31, 2022, the Renshou County People's Court rendered a judgment that Sichuan Wetouch shall pay Hubei Lai'en the price of goods of RMB137,143 and liquidated damages of RMB 20,571. Sichuan Wetouch paid the above amount to Hubei Lai'en on March 15, 2023.

- viii) Legal case with Shenzhen Helitong Technology Co., Ltd. on a product payment of RMB229,513 (equivalent to \$34,393)

Sichuan Wetouch purchased products from Shenzhen Helitong Technology Co., Ltd. ("Shenzhen Helitong") multiple times from January to June 2020, but failed to pay some of the purchase fee for the products. On October 21, 2021, Shenzhen Helitong filed a lawsuit against Sichuan Wetouch to the Renshou County People's Court of Sichuan Province, requesting payment of overdue payment for the products and interests. On October 10, 2021, pursuant to a civil mediation letter issued by the Renshou County People's Court, both parties agree that Sichuan Wetouch shall pay a total of RMB229,513 (equivalent to \$34,393) to Shenzhen Helitong, and the other claims waived by Shenzhen Helitong. As of February 16, 2022, Sichuan Wetouch made a full payment of RMB229,513 (equivalent to \$33,276) to Shenzhen Helitong.

ix) Legal case with Xinjiang Weiyida Real Estate Development Co., Ltd on a loan payment of RMB17,318,625 (equivalent to \$2,510,964)

Xinjiang Weiyida Real Estate Development Co., Ltd (“Weiyida Real Estate”) filed a lawsuit against Meishan Wetouch, Guangde Cai, Sichuan Wetouch, Xinjiang Wetouch, Sichuan Yitong Financing Guarantee Co., Ltd to the Renshou County People’s Court of Sichuan Province and applied for property preservation on February 14, 2022 with respect to the dispute over recovery right in connection with the loan agreement. The parties entered into a settlement agreement and agreed that Meishan Wetouch shall repay the principal of RMB\$17,318,625 (equivalent to \$2,595,250) and liquidated damages to Weiyida Real Estate in a lump sum. On March 14, 2022, Meishan Wetouch paid RMB\$17,318,625 (equivalent to \$2,510,964) to Weiyida Real Estate.

**Capital expenditure commitment**

On December 20, 2021, the Company entered into a contract with Shenzhen Municipal Haoyutuo Decoration & Cleaning Engineering Company Limited to purchase a facility decoration contract of RMB20.0 million (equivalent to US\$3.1 million). As of December 31, 2022, the Company has prepaid RMB15.0 million (equivalent to US\$2.2 million) and recorded as construction in progress (see Note 5) and had a remaining balance of RMB5.0 million (equivalent to US\$0.7 million) to be paid by the end of 2023.

**NOTE 14 — REVENUES**

The Company’s geographical revenue information is set forth below:

	<b>For the Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Sales in PRC	\$ 26,438,509	\$ 27,213,684
Sales in Overseas		
-Republic of China (ROC, or Taiwan)	6,146,043	7,246,592
-South Korea	5,221,209	5,962,067
-Others	126,351	363,131
Sub-total	11,484,603	13,571,790
Total revenues	\$ 37,923,112	\$ 40,785,474

**NOTE 15 — SUBSEQUENT EVENTS**

1) Private Placement

On January 19, 2023, Wetouch Technology Inc., a Nevada corporation (the “Company”), entered into a Securities Purchase Agreement (the “Agreement”) with the buyers indicated therein (collectively, the “Buyers”), pursuant to which the Company sold to the Buyers an aggregate of 160,000,000 shares of the common stock of the Company (the “Shares”) 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) shall be used by the Company for working capital and general corporate purposes and the repayment of debt.

On January 20, 2023, the Company received net proceeds of \$40 million accordingly.

2) Reverse Stock Split

On February 17, 2023, the Board authorized a reverse stock split 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 as determined by the Chairman of the Board. Upon such reverse stock split becoming effective, the number of authorized shares of the common stock of the Company will also be decreased in the same ratio. Pursuant to Nevada Revised Statutes Section 78.209, the reverse stock split does not have to be approved by the shareholders of the Company.

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Exhibit 31.1

**WETOUSH TECHNOLOGY INC.**

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Zongyi Lian, certify that: reporting.

Date: April \_\_, 2024

1. I have reviewed this Annual Report on Form 10-K of Wetouch Technology Inc. for the fiscal year ended December 31, 2022;

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

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

- (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated 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 that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

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

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ Zongyi Lian

Zongyi Lian

Chief Executive Officer (Principal

*(Principal Executive Officer)*

Date: April 17, 2023

**WETOUGH TECHNOLOGY INC.**  
**CERTIFICATION OF THE**  
**PRINCIPAL FINANCIAL OFFICER**  
**PURSUANT TO**  
**RULE 13a-14(a) AND RULE 15d-14(a)**  
**UNDER THE**  
**SECURITIES EXCHANGE ACT OF 1934,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yuhua Huang, certify that:

1. I have reviewed this Annual Report on Form 10-K of Wetouch Technology Inc. for the fiscal year ended December 31, 2022;
2. Based on my knowledge, this Annual 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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2023 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)) for the registrant 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 and its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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 control over financial reporting.

Date: April \_\_, 2024

- (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated 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 that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

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

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ Yuhua Huang

Yuhua Huang

Chief Financial Officer (Principal Financial and Accounting Officer)

Date: April 17, 2023

(Principal Financial Officer)

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Exhibit 32.1

WETOUSH TECHNOLOGY INC.

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

In connection with this the Annual Report on Form 10-K of Wetouch Technology Inc. for the fiscal year ended December 31, 2022 of Wetouch Technology Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zongyi Lian, Chief Executive Officer, President and Director of the undersigned, in the capacity and on the date indicated below, hereby certifies Company, certify, pursuant to 18 U.S.C. Section 1350, §1350, as adopted pursuant to Section 906 added by §906 of the Sarbanes-Oxley Act of 2002, that to his knowledge: that:

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

Date: April \_\_, 2024

By: /s/ Zongyi Lian

Zongyi  
Lian

Chief  
Executive  
Officer  
(Principal)

*(Principal Executive Officer)*

Date:

April 17,  
2023

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Exhibit 32.2

**WETOUCHE TECNOLOGY INC.  
CERTIFICATION OF THE  
PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this the Annual Report on Form 10-K of Wetouch Technology Inc. for the fiscal year ended December 31, 2022 of Wetouch Technology Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yuhua Huang, Chief Financial Officer of the undersigned, in the capacity and on the date indicated below, hereby certifies Company, certify, pursuant to 18 U.S.C. Section 1350, §1350, as adopted pursuant to Section 906 added by §906 of the Sarbanes-Oxley Act of 2002, that to his knowledge: that:

1. The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 1934, as amended; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company. Company as of and for the period covered by the Report.

Date: April \_\_, 2024

By: /s/ Yuhua Huang

Yuhua Huang

**Yuhua** Chief Financial Officer  
**Huang**

(Principal Financial Officer)

Exhibit 97

WETOUGH TECHNOLOGY INC.  
EXECUTIVE COMPENSATION CLAWBACK POLICY

Adopted as of April 16, 2024

The Board of Directors (the “**Board**”) of Wetouch Technology Inc. (the “**Company**”) has adopted the following executive compensation clawback policy (this “**Policy**”). This Policy shall supplement any other clawback or compensation recovery policy or policies adopted by the Company or included in any agreement between the Company, or any subsidiary of the Company, and a person covered by this Policy. If any such other policy or agreement provides that a greater amount of compensation shall be subject to clawback, such other policy or agreement shall apply to the amount in excess of the amount subject to clawback under this Policy.

This Policy shall be interpreted to comply with Securities and Exchange Commission (“**SEC**”) Rule 10D-1 and Listing Rule 5608 (the “**Listing Rule**”) of The Nasdaq Stock Market, LLC (“**Nasdaq**”), as may be amended or supplemented and interpreted from time to time by Nasdaq. To the extent this Policy is any manner deemed inconsistent with the Listing Rule, this Policy shall be treated as having been amended to be compliant with the Listing Rule.

**1. Definitions.** Unless the context otherwise requires the following definitions apply for purposes of this Policy:

(a) **Executive Officer.** An executive officer is the Company’s chief executive officer and/or president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), Chief Operating Officer, Chief Installation and Strategy Officer, Chief Sales Officer, any vice-president of the Company in charge of a 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 the Company. Executive officers of the Company’s parent(s) or subsidiaries are deemed executive officers of the Company if they perform such policy making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant. Identification of an executive officer for purposes of the Listing Rule would include at a minimum executive officers identified in the Listing Rule.

(b) **Financial Reporting Measures.** Financial reporting measures are measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the SEC and may be such financial measures as may be determined by the Board or the Compensation Committee thereof (the “**Compensation Committee**”).

(c) **Incentive-Based Compensation.** Incentive-based compensation is any compensation that is granted, earned or vested based wholly or in part upon the attainment of a financial reporting measure.

(d) **Received.** Incentive-based compensation is deemed “received” in the Company’s fiscal period during which the financial reporting measure specified in the incentive-based compensation award is attained, even if the payment or grant of the incentive-based compensation occurs after the end of that period.

(e) **Application of this Policy.** This recovery of Incentive-Based Compensation from an Executive Officer as provided for in this Policy shall apply only in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of Company with any financial reporting requirement 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.

**3. Recovery Period.**

(a) The Incentive-Based Compensation subject to recovery is the Incentive-Based Compensation Received during the three (3) completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described in Section 2 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. The date that the Company is required to prepare an accounting restatement shall be determined pursuant to the Listing Rule.

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(b) Notwithstanding the foregoing, this Policy shall only apply if the Incentive-Based Compensation is Received (i) while the Company has a class of securities listed on Nasdaq and (ii) on or after October 2, 2023.

(c) The provisions of the Listing Rule shall apply with respect to Incentive-Based Compensation received during a transition period arising due to a change in the Company's fiscal year.

**4. Erroneously Awarded Compensation.** The amount of Incentive-Based Compensation subject to recovery from the applicable Executive Officers under this Policy ("Erroneously Awarded Compensation") shall be equal to the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive Based-Compensation that otherwise would have been Received had it been determined based on the restated amounts and shall be computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement: (a) the amount shall be based on a reasonable estimate by the Company's Chief Financial Officer (or principal accounting officer, if the office of Chief Financial Officer is not then filled) of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive- Based Compensation was received, which estimate shall be subject to the review and approval of the Compensation Committee; and (b) the Company must maintain reasonable documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq if requested. Notwithstanding the foregoing, if the proposed Incentive-Based Compensation recovery would affect compensation paid to the Company's Chief Financial Officer, the determination shall be made by the Compensation Committee.

**5. Timing of Recovery.** The Company shall recover any Erroneously Awarded Compensation reasonably promptly except to the extent that the conditions of paragraphs (a), (b), or (c) below apply. The Compensation Committee shall determine the repayment schedule for each amount of Erroneously Awarded Compensation in a manner that complies with this "reasonably promptly" requirement. Such determination shall be consistent with any applicable legal guidance by the SEC, Nasdaq, judicial opinion, or otherwise. The determination of "reasonably promptly" may vary from case to case and the Compensation Committee is authorized to adopt additional rules or policies to further describe what repayment schedules satisfy this requirement.

(a) Erroneously Awarded Compensation need not be recovered if the direct expense paid to a third party to assist in enforcing (or making determinations in connection with the enforcement of) this Policy would exceed the amount to be recovered and the Compensation Committee has made a determination that recovery would be impracticable. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company shall (i) make a reasonable attempt to recover such Erroneously Awarded Compensation, (ii) document such reasonable attempt or attempts to recover, and (iii) provide appropriate documentation to the Compensation Committee or Nasdaq, if requested.

(b) Erroneously Awarded Compensation need not be recovered if recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on a violation of home country law, the Company shall obtain an opinion of home country counsel, in form and substance that would be reasonably acceptable to Nasdaq, that recovery would result in such a violation and shall provide such opinion to Nasdaq, if requested.

(c) Erroneously Awarded Compensation need not be recovered if recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder (as such provision may be amended, modified or supplemented).

**6. Compensation Committee Decisions.** Decisions of the Compensation Committee with respect to this Policy shall be final, conclusive and binding on all Executive Officers subject to this Policy.

**7. No Indemnification.** Notwithstanding anything to the contrary in any other policy of the Company or any agreement between the Company and an Executive Officer, no Executive Officer shall be indemnified by the Company against the loss arising from the recovery of any Erroneously Awarded Compensation.

**8. Agreement to Policy by Executive Officers.** The Company shall take reasonable steps to inform Executive Officers of this Policy and obtain their express agreement to this Policy, which steps may constitute the inclusion of this Policy as an attachment to any award that is accepted by an Executive Officer. This Policy shall be deemed to apply to each employment or grant agreement between the Company or any of its subsidiaries and any Executive Officer subject to this Policy.

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## ACKNOWLEDGMENT

I hereby acknowledge that I have received a copy of **Wetouch Technology Inc.'s Executive Compensation Clawback Policy** (the **"Executive Compensation Clawback Policy"**). Further, I certify that I have reviewed the Executive Compensation Clawback Policy, understand the policies and procedures contained therein and agree to be bound by and adhere to these policies and procedures.

Dated:

Chief Financial Officer (Principal Financial and  
Accounting Officer)

Date: April 17, 2023

Signature

Name:

Exhibit 99.1

## CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF WETOUSH TECHNOLOGY INC.

Adopted: April 16, 2024

### I. Purpose.

The purpose of the Audit Committee (the **"Committee"**) of the Board of Directors (the **"Board"**) of Wetouch Technology Inc., a Nevada corporation (the **"Corporation"**), is to assist the Board with oversight of the Corporation's accounting and financial reporting processes and the audit of the Corporation's financial statements.

The primary role of the Committee is to oversee the Corporation's financial reporting and disclosure process. To fulfill this obligation, the Committee relies on: (i) the Corporation's executive officers and their employee designees (referred to herein as **"management"**) for the preparation and accuracy of the Corporation's financial statements; (ii) both management and the Corporation's personnel responsible for establishing effective internal controls and procedures to ensure the Corporation's compliance with accounting standards, financial reporting procedures and applicable laws and regulations; and (iii) the Corporation's independent auditors for an unbiased, diligent audit or review, as applicable, of the Corporation's financial statements and the effectiveness of the Corporation's internal controls. The members of the Committee are not employees of the Corporation and are not responsible for conducting the audit or performing other accounting procedures.

### II. Membership.

The Committee shall consist of three or more directors. Each member of the Committee shall be "independent" in accordance with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the **"Exchange Act"**) and the rules of the Nasdaq Stock Market. No member of the Committee can have participated in the preparation of the Corporation's financial statements at any time during the past three years.

Each member of the Committee must be financially literate and able to read and understand fundamental financial statements, including the Corporation's balance sheet, income statement and cash flow statement. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. At least one member of the Committee must be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert will also be presumed to have financial sophistication.

The members of the Committee shall be appointed by the Board and shall serve for such term or terms as the Board may determine or until earlier resignation, removal or death. The Board may remove any member from the Committee at any time with or without cause.

### III. Duties and Responsibilities.

The Committee shall have the following authority and responsibilities:

A. To: (i) select and retain an independent registered public accounting firm to act as the Corporation's independent auditors for the purpose of auditing the Corporation's annual financial statements, books, records, accounts and internal controls over financial reporting; (ii) set the compensation of the Corporation's independent auditors; (iii) oversee the work done by the

Corporation's independent auditors; and (iv) terminate the Corporation's independent auditors, if necessary in the Committee's determination.

B. To select, retain, compensate, oversee and terminate, if necessary, any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation.

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C. To (i) approve all audit engagement fees and terms (with the power to sign any engagement letter providing for the same on behalf of the Corporation) and (ii) pre-approve all audit and permitted non- audit and tax services that may be provided by the Corporation's independent auditors or other registered public accounting firms, and establish policies and procedures for the Committee's pre-approval of permitted services by the Corporation's independent auditors or other registered public accounting firms on an on-going basis.

D. At least annually, to obtain and review a report by the Corporation's independent auditors that describes: (i) the accounting firm's internal quality control procedures; (ii) any material issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board ("PCAOB") review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the firm and any steps taken to deal with any such issues; and (iii) all relationships between the firm and the Corporation; and to discuss with the independent auditors this report and any relationships or services that may impact the objectivity and independence of the auditors.

E. At least annually, to evaluate the qualifications, performance and independence of the Corporation's independent auditors, including an evaluation of the lead audit partner; and to assure the regular rotation of the lead audit partner at the Corporation's independent auditors and consider regular rotation of the accounting firm serving as the Corporation's independent auditors.

F. To review and discuss with the Corporation's independent auditors: (i) the auditors' responsibilities under generally accepted auditing standards and the responsibilities of management in the audit process; (ii) the overall audit strategy; (iii) the scope and timing of the annual audit; (iv) any significant risks identified during the auditors' risk assessment procedures; and (v) when completed, the results, including significant findings, of the annual audit.

G. To review and discuss with the Corporation's independent auditors: (i) all critical accounting policies and practices to be used in the audit; (ii) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the auditors; and (iii) other material written communications between the auditors and management.

H. To review and discuss with the Corporation's independent auditors and management: (i) any audit problems or difficulties, including difficulties encountered by the Corporation's independent auditors during their audit work (such as restrictions on the scope of their activities or their access to information); (ii) any significant disagreements with management; and (iii) management's response to these problems, difficulties or disagreements; and to resolve any disagreements between the Corporation's auditors and management.

I. To review with management and the Corporation's independent auditors: (i) any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation's selection or application of accounting principles; (ii) any significant financial reporting issues and judgments made in connection with the preparation of the Corporation'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 Corporation's financial statements.

J. To inform the Corporation's independent auditors as requested as to the Committee's understanding of the Corporation's relationships and transactions with related parties that are significant to the Corporation; and to review and discuss with the Corporation's independent auditors the auditors' evaluation of the Corporation's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Corporation's relationships and transactions with related parties.

K. To review with management and the Corporation's independent auditors: (i) the adequacy and effectiveness of the Corporation's internal controls, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Corporation's internal controls; (ii) any special audit steps adopted in light of any material control deficiencies; (iii) any fraud involving management or other employees with a significant role in such internal controls; (iv) the independent auditors' attestation (as required) of the report on internal controls and the required management certifications to be included in or attached as exhibits to the Corporation's Annual Report on Form 10-K or quarterly report on Form 10-Q, as applicable.

L. To review and discuss with the Corporation's independent auditors any other matters required to be discussed by applicable requirements of the PCAOB and the Securities and Exchange Commission ("SEC").

M. To review and discuss with the Corporation's independent auditors and management the Corporation's annual audited financial statements (including the related notes), the form of audit opinion to be issued by the auditors on the financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Corporation's Annual Report on Form 10-K before such Form 10-K is filed, and recommend to the Board whether the audited financial statements should be included in the Corporation's Form 10-K and whether the Form 10-K should be filed with the SEC.

N. To produce the audit committee report required to be included in the Corporation's annual or other proxy statements.

O. To review and discuss with the Corporation's independent auditors and management the Corporation'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 Corporation'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.

P. To recommend to the Board policies for the Corporation's hiring of employees or former employees of the Corporation's independent auditors.

Q. To establish and oversee Corporation procedures for the receipt, retention and treatment of complaints received about the Corporation regarding accounting, internal accounting controls or auditing matters, or instances of fraud or unlawful conduct, and for the confidential, anonymous submission by Corporation employees of concerns regarding such matters.

R. To review and discuss with management the material risks faced by the Corporation and the policies, guidelines and processes by which management assesses and manages the Corporation's risks, including the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.

S. To oversee the Corporation's compliance with applicable laws and regulations and to review and oversee the Corporation's policies, procedures and programs designed to promote and monitor such legal and regulatory compliance.

T. To review with the Corporation's legal counsel, legal and regulatory matters, including legal cases against or regulatory investigations of the Corporation that could have a significant impact on the Corporation's financial statements.

U. To review, approve and oversee any transaction between the Corporation 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 Corporation policies and procedures, and to develop policies and procedures for the Committee's approval of related party transactions.

V. To implement and oversee the Corporation's cybersecurity and information security policies, including the periodic review of the policies and managing potential cybersecurity incidents.

#### IV. Outside Advisors.

The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of independent outside counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of any outside counsel and other advisors.

The Committee shall receive appropriate funding from the Corporation, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to the Corporation's independent auditors, any other accounting firm engaged to perform services for the Corporation, any outside counsel and any other advisors to the Committee.

**V. Structure and Operations.**

The Board shall designate a member of the Committee as the chairperson. The Committee shall meet at least four (4) times a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report to the Board on its discussions and actions, including any significant issues or concerns that arise at its meetings, and shall make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board as provided for in the Corporation's bylaws, as amended and/or restated from time to time.

The Committee shall meet separately, and periodically, with management and representatives of the Corporation's independent auditors, and shall invite such individuals to its meetings as it deems appropriate, to assist in carrying out its duties and responsibilities. However, the Committee shall meet regularly without such individuals present.

The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.

**VI. Delegation of Authority.**

The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

**VII. Performance Evaluation.**

The Committee shall conduct or otherwise participate in/respond to an annual evaluation of the performance of its duties under this Charter and shall present, or otherwise participate in, the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

**VIII. Clawback Requirements.**

To the extent that the Corporation continues to be listed on an exchange on which securities are traded and subject to Rule 10D-1 of the Exchange Act, the Committee shall assist and advise the Board and the Compensation Committee thereof in enforcing the Corporation's executive compensation clawback policy and related laws, rules and regulations.

**IX. Disclosure of Charter.**

This Charter and any amendments or restatements of this Charter will be made available on the Corporation's website.

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Exhibit 99.2

**CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS  
OF WETOUSH TECHNOLOGY INC.**

Adopted: April 16, 2024

**I. Purpose**

The Compensation Committee ("Committee") of the Board of Directors ("Board") of Wetouch Technology Inc., a Nevada corporation ("Company"), is appointed by the Board to: (a) assist the Board in discharging its responsibilities relating to the compensation of the Company's directors and executive officers; and (b) produce an annual report on executive officer compensation for inclusion in the Company's annual proxy statement, in accordance with applicable rules and regulations. The Committee shall undertake those specific duties and responsibilities enumerated below, and such other duties as the Board may from time to time prescribe. All powers of the Committee are subject to the restrictions designated in the Company's bylaws and by applicable law, each as amended and/or restated from time to time.

**II. Committee Membership**

Committee members shall be appointed by the Board and shall serve until their respective successors are duly elected and qualified or until their earlier resignation, disqualification, retirement, death or removal. Committee members may be removed at any time by the Board. Committee members may resign from the Committee at any time without resigning from the Board.

The Committee shall consist of no fewer than two (2) members of the Board. Each member of the Committee shall meet the independence requirements of the Nasdaq Stock Market ("Nasdaq"), the definition of a "non-employee director" under Rule

16b-3 under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), the requirements of Section 162(m) of the Internal Revenue Code for “outside directors,” and any other applicable regulatory requirements.

### **III. Structure and Meetings**

The Committee shall conduct its business in accordance with this Charter, the Company’s bylaws (as amended and/or restated from time to time) and any direction by the Board. The Board may appoint a member of the Committee to serve as the chairperson of the Committee (“**Chair**”); if the Board does not appoint a Chair, the Committee members may designate a Chair by their majority vote. The Chair will set the agenda for Committee meetings and conduct the proceedings of those meetings.

The Committee shall meet from time to time at a time and place to be determined by the Chair, with meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its Chair. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

The Chair will preside at each meeting and will set the agenda of items to be addressed at each meeting. The Chair (or other member designated by the Chair or the Committee in the Chair’s absence) shall regularly report to the full Board on the proceedings and any actions that the Committee takes. The Committee will maintain written minutes of its meetings, which minutes will be maintained with the books and records of the Company.

As necessary or desirable, the Chair may invite any director, officer or employee of the Company, or other persons whose advice and counsel are sought by the Committee, to be present at the meetings of the Committee, consistent with the maintenance of confidentiality of compensation discussions. The Company’s Chief Executive Officer (or President, if the President is then serving as the principal executive officer of the Company) (“**CEO**”) should not be present during voting or deliberations on the CEO’s compensation.

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#### **IV. Committee Authority and Responsibilities**

The Committee shall:

4.1 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. Without limiting the generality of the foregoing, the Committee shall review and approve all other employment-related contracts, agreements or arrangements between the Company and its officers and all other contracts, agreements or arrangements under which compensatory benefits are awarded or paid to, or earned or received by, the Company's officers, including, without limitation, employment, severance, change of control and similar agreements or arrangements.

4.2 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.

4.3 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.

4.4 Consistent with the foregoing, 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. In determining the long-term incentive component of the CEO's compensation, the Committee will consider the Company's performance and the value of similar incentive awards received by CEOs at companies of comparable size and comparable industries. Once the Company is no longer considered an emerging growth company, in evaluating and determining CEO compensation, the Committee shall consider the results of the most recent stockholder advisory vote on executive compensation ("Say on Pay Vote") required by Section 14A of the Exchange Act.

4.5 Review and approve any new equity compensation plan or any material change to an existing plan where stockholder approval has not been obtained. In reviewing and making recommendations regarding equity compensation plans, including whether to adopt, amend or terminate any such plans, the Committee shall consider the results of the most recent Say on Pay Vote.

4.6 Review and approve any stock option award or any other type of equity-based or equity-linked award as may be required for complying with any tax, securities, or other regulatory (including Nasdaq) requirement, or otherwise determined to be appropriate or desirable by the Committee or Board.

4.7 If required, review and discuss with the Company's named executive officers and their employee designees (referred to herein as "**management**") the "Compensation Discussion and Analysis" required to be included in the Company's annual proxy statement or Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "**Commission**"), and recommend to the Board whether to include such "Compensation Discussion and Analysis" in such proxy statement or annual report.

4.8 Produce a Committee report on executive officer compensation, as required to be included in the Company's annual proxy statement or Annual Report on Form 10-K filed with the Commission.

4.9 Review and discuss any compensation-related disclosures that may be required in the Company's annual proxy statement or Annual Report on Form 10-K regarding such risks.

4.10 Oversee the Company's submissions to a stockholder vote on executive compensation matters, including Say on Pay Votes and the frequency of Say on Pay Votes, incentive and other executive compensation plans, and amendments to such plans. Review the results of stockholder votes on executive compensation matters and to the extent the Committee determines it appropriate to do so, take such results into consideration in connection with the review and approval of executive officers' compensation. Discuss with management the appropriate engagement with stockholders and proxy advisory firms in response to such votes.

4.11 Perform such other functions and have such other powers consistent with this Charter, the Company's bylaws and applicable law as the Committee or the Board may deem appropriate.

#### **V. Performance Evaluation**

The Committee shall annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for approval. The Committee shall also perform an annual evaluation of its own performance, which shall compare the performance of the Committee with the requirements of this Charter. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make this report.

#### **VI. Committee Resources; Assessing Advisor Independence**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to 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. The Committee also shall have the sole authority to retain and and/or replace, as needed, compensation consultants to provide independent advice to the Committee, and the sole authority to approve such consultants' fees and other terms and conditions of retention. The Company shall provide for appropriate funding for the payment of administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee may select a compensation consultant, legal counsel or other adviser to the Committee only after taking into consideration all factors relevant to that person's independence from management, including the following:

6.1 The provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;

6.2 The amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;

6.3 The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;

6.4 Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;

6.5 Any securities of the Company owned by the compensation consultant, legal counsel or other adviser; and

6.6 Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

The Committee shall conduct the independence assessment with respect to any compensation consultant, legal counsel or other adviser that provides advice to the Committee, other than: (i) in-house legal counsel; and (ii) any compensation consultant, legal counsel or other adviser whose role is limited to the following activities for which no disclosure would be required under Item 407(e)(3)(iii) of Regulation S-K promulgated by the Commission: consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or directors of the Company, and that is available generally to all salaried employees; or providing information that either is not customized for the Company or that is customized based on parameters that are not developed by the compensation adviser, and about which the compensation advisor does not provide advice.

Nothing herein requires a compensation consultant, legal counsel or other compensation adviser to be independent, only that the Committee consider the enumerated independence factors before selecting or receiving advice from a compensation consultant, legal counsel or other compensation adviser. The Committee may select or receive advice from any compensation consultant, legal counsel or other compensation adviser it prefers, including ones that are not independent, after considering the six independence factors outlined above.

Nothing herein shall be construed: (1) to require the Committee to implement or act consistently with the advice or recommendations of the compensation consultant, legal counsel or other adviser to the Committee; or (2) to affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties.

## **VII. Impact of Charter**

This Charter does not change or augment the obligations of the Company, the Board, the Committee or its directors or management under the federal or state securities laws or create new standards for determining whether the Board, the Committee or the Company's directors or management have fulfilled their duties, including fiduciary duties, under applicable law.

## **VIII. Clawback Requirements**

To the extent that the Company continues to be listed on an exchange on which securities are traded and subject to Rule 10D-1 of the Exchange Act, the Committee shall be responsible for the implementation and enforcement of 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.

## **IX. Disclosure of Charter**

This Charter and any amendments or restatements to this Charter will be made available on the Company's website.

This Nominating & Corporate Governance Committee Charter was adopted by the Board of Directors (the “Board”) of Wetouch Technology Inc. (the “Company”).

## I. Purpose

The purpose of the Nominating & Corporate Governance Committee (the “Committee”) of the Board is to assist the Board in discharging the Board’s responsibilities regarding:

- (a) the identification, evaluation and recommendation of qualified candidates to become Board members – the Committee shall seek to develop a Board that reflects the backgrounds, experiences, expertise, skill sets and viewpoints deemed desirable by the Committee;
- (b) the selection of nominees for election as directors at the next annual meeting of stockholders (or special meeting of stockholders at which directors are to be elected);
- (c) the selection of candidates to fill any vacancies on the Board;
- (d) the selection of members to the Committees of the Board;
- (e) the oversight of the implementation of and monitoring compliance with the Company’s Code of Business Conduct other than with respect to complaints regarding accounting or auditing issues as more fully set forth in the Company’s Audit Committee Charter;
- (f) Periodically review the Company’s policies and practices regarding corporate social responsibility/ESG, including with respect to the environment, sustainability and social activities – such review will include a review of the Company’s risks related to ESG;
- (g) Board, Committee, and director evaluations; and
- (h) Periodic review of the Company’s Corporate Governance Guidelines, this Charter and other Company governance documents as appropriate.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company’s bylaws (as in effect from time to time) and applicable law. The powers and responsibilities delegated by the Board to the Committee, in this Charter or otherwise, shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee’s sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers delegated to it.

## II. Membership

The Committee shall be comprised of two or more directors, each of whom in the determination of the Board (a) satisfies the independence requirements of NASDAQ and (b) has experience, in the business judgment of the Board, that would be helpful in addressing the matters delegated to the Committee.

The members of the Committee, including the Chair of the Committee, shall be appointed by the Board. Committee members may be removed from the Committee, with or without cause, by the Board. The Board may designate one or more directors as alternate members of the Committee, who may replace any absent or disqualified member at any meeting of the Committee. If a member of the Committee and such member’s alternate, if alternates are designated by the Board, are absent or disqualified, the member or members of the Committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in place of any such absent or disqualified member, so long as such replacement member of the Committee satisfies the requirements for membership provided herein.

### III. Meetings and Procedures

Meetings of the Committee may be called by the Chair, or two or more other members of the Committee, or the Chair of the Board upon notice given at least twenty-four hours prior to the meeting, or upon such shorter notice as shall be approved by the Committee. The Chair of the Committee (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Chairman of the Committee shall designate a secretary for each meeting who shall record minutes of all formal actions of the Committee. A majority of the Committee members, present in person or by phone, shall constitute a quorum. A majority of the members present shall decide any questions brought before the Committee, except to the extent otherwise required by the Company's certificate of incorporation or bylaws (each as in effect from time to time). The Committee shall have the authority to fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the Board designating the Committee, and so long as such rules are not inconsistent with any provisions of the Company's bylaws that are applicable to the Committee. Meetings of the Committee may be held by conference call, including video conference. Unless otherwise restricted by the Company's certificate of incorporation or bylaws, any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting if all members of the Committee consent thereto in writing, and the writing or writings are filed with the minutes of the Committee.

The Committee shall meet as often as it determines advisable to fulfill the Committee's duties and responsibilities, but at least quarterly and more frequently as the Committee deems necessary or desirable.

The Committee may retain any independent counsel, experts or advisors that the Committee believes to be desirable and appropriate. The Committee may also use the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any such persons employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee shall have sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve such search firm's fees and other retention terms.

The Committee shall have full, unrestricted access to Company records and personnel as necessary or appropriate in carrying out its duties.

The Committee shall keep regular minutes of any meetings (unless actions are taken and reported to the Committee's satisfaction in the minutes of the Board meetings). Any such minutes kept by the Committee shall be distributed to each member of the Committee. The Secretary of the Company shall maintain the approved signed minutes for filing with the corporate records of the Company. The Chair shall report to the Board regarding the activities of the Committee at appropriate times and as otherwise requested by the Chairman of the Board.

### IV. Powers and Responsibilities

1. The Committee shall identify and evaluate candidates that the Committee believes are qualified to become Board members.
2. (a) At an appropriate time prior to each annual or special meeting of stockholders at which directors are to be elected or reelected, the Committee shall recommend to the Board for nomination by the Board such candidates as the Committee, in the exercise of its judgment, has found to be well qualified and willing and available to serve.

(b) At an appropriate time after a vacancy arises on the Board or a director advises the Board of his or her intention to resign, the Committee shall recommend to the Board for appointment by the Board to fill such vacancy, such prospective member of the Board as the Committee, in the exercise of its judgment, based on the needs of the Company and evaluation of the candidate for nomination has found to be well qualified and willing and available to serve.

(c) For purposes of (a) and (b) above, the Committee may consider the criteria for Board membership as may from time to time be approved by the Board and as may be set forth in the Company's Corporate Governance Guidelines among any other criteria the Committee shall deem appropriate.

3. The Committee shall, at least annually, review the performance of each current director and shall consider the results of such evaluation when determining whether or not to recommend the nomination of such director for an additional term.

4. The Committee shall consider potential director candidates recommended by stockholders in the same manner candidates are identified by the Committee, provided that such recommendation is made in accordance with the Company's procedures for nomination of directors by stockholders as provided in the Company's bylaws and proxy statement.

5. In appropriate circumstances, the Committee, in its discretion, shall consider and may recommend the removal of a director for cause, in accordance with the applicable law, provisions of the Company's certificate of incorporation, bylaws and any Corporate Governance Guidelines.

6. The Committee shall, at least annually, review the composition of the various Board Committees and, as appropriate, make recommendations to the Board for Committee membership.

7. The Committee shall oversee the implementation and monitoring of compliance with the Company's Code of Business Conduct other than with respect to matters involving auditing and accounting issues as more fully set forth in Section IV, subsection 18 of the Company's Audit Committee Charter.

8. The Committee shall oversee the evaluation of the Board and its Committees in the Board's annual review of its performance and will make appropriate recommendations to improve performance.

9. The Committee shall also evaluate and make recommendations with respect to Board size and compensation and practices regarding the succession of directors, taking into consideration the following factors, among others:

- (a) the strategy and business activities of the Company;
- (b) the strengths, weaknesses and performance of the Company;
- (c) the duties and activities of the Board;
- (d) the experience, expertise, capabilities, and skills; and
- (e) the diversity of the members of the Board including diversity of age, gender identity, nationality, race, ethnicity and sexual orientation, both individually and collectively.

10. In accordance with any the Company's Corporate Governance Guidelines as may from time to time be adopted by the Board, the Committee shall consider, develop and recommend to the Board such policies and procedures with respect to the nomination of directors or other corporate governance matters as may be required or required to be disclosed pursuant to any rules promulgated by the Securities and Exchange Commission or otherwise considered to be desirable and appropriate in the discretion of the Committee.

11. The Chair of the Committee shall discuss with the Compensation Committee of the Board the Company's ability to recruit and retain highly qualified and capable directors, taking into consideration the amount and type of compensation afforded to non-management directors at other similarly situated companies.

12. In accordance with the Company's Corporate Governance Guidelines as may from time to time be adopted by the Board, the Chair of the Committee shall be notified of a director's intent to join another public company board prior to accepting such other position. The Chair of the Committee will determine if any potential conflicts of interest or compliance concerns exist and will then provide this information to the Committee for review and approval of the position. A director shall also notify the Chairman of the Board and the Chair of the Committee if the director experiences a significant change in professional roles or responsibility and must tender his/her resignation. The Committee will then make a recommendation to the Board regarding whether to accept or reject such resignation and the Board may take action accepting or rejecting such resignation in its discretion.

13. The Committee shall, at least annually, review the institutional affiliations of directors and management candidates for director positions for purposes of the Board's determination of director independence and for possible conflicts of interest.

14. The Committee shall evaluate its own performance on an annual basis, including its compliance with this Charter, and provide the Board with any recommendations for changes in procedures or policies governing the Committee. The Committee shall conduct such evaluation and review in such manner as it deems appropriate. The Committee shall periodically report to the Board on its findings and actions.

15. The Committee shall review and reassess this Charter at least annually and submit any recommended changes to the Board for its consideration.

#### V. Delegation of Duties

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee, to the extent consistent with the Company's certificate of incorporation, bylaws and applicable law and SEC and NASDAQ rules.

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