

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

FORM 10-K**

(Mark One)

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

For the fiscal year ended: March 31, 2024

or

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

For the transition period from _____ to _____

Commission file number: 001-41930

Perfect Moment Ltd.

(Exact name of registrant as specified in its charter)

Delaware

State or other jurisdiction of
incorporation or organization

86-1437114

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

**307 Canalot Studios
222 Kensal Road
London, United Kingdom**
(Address of principal executive offices)

W10 5BN
(Zip Code)

Registrant's telephone number, including area code: +44 (0) 204 558 8849

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	PMNT	NYSE American LLC

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

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

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

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

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

The registrant was not a public company as of September 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, and therefore it cannot calculate the aggregate market value of its voting and non-voting common equity held by non-affiliates at such date. The registrant's common shares began trading on the NYSE American on February 8, 2024.

As of June 26, 2024, there were 15,653,449 shares of common stock, \$0.0001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the fiscal year ended March 31, 2024 (this "Annual Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements are subject to considerable risks and uncertainties. These forward-looking statements are not historical facts but rather are plans and predictions based on current expectations, estimates, and projections about our industry, our beliefs, and assumptions.

Forward-looking statements relate to matters such as our industry, business plans and strategies, material contracts, key relationships, consumer behavior, revenue, expenses, margins, profitability, capital expenditures, liquidity, capital resources and other operating information, and can be identified by words such as "may," "will," "could," "should," "anticipate," "expect," "intend," "project," "plan," "believe," "seek," "assume," and variations of these words and similar expressions. All of our forward-looking statements include assumptions underlying or relating to such statements that may cause actual results to differ materially from those that we are currently expecting, and are subject to considerable risks and uncertainties, including without limitation:

- our expectations regarding our revenue, expenses, profitability and other operating results;
- the growth rates of the markets in which we compete;
- the costs and effectiveness of our marketing efforts, as well as our ability to promote our brand;
- our ability to provide quality products that are acceptable to our customers;
- our reliance on key personnel and our ability to identify, recruit and retain skilled personnel;
- our ability to effectively manage our growth, including offering new product categories and any international expansion;
- our ability to protect our intellectual property rights and avoid disputes in connection with the use of intellectual property rights of others;
- our ability to protect our users' information and comply with growing and evolving data privacy laws and regulations;
- future investments in our business, our anticipated capital expenditures and our estimates regarding our capital requirements;
- our ability to compete effectively with existing competitors and new market entrants; and
- our success at managing the risks involved in the foregoing.

The forward-looking statements contained in this Annual Report are based on management's current plans, estimates and expectations in light of information currently available to us, and they are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors described in the section entitled "Risk Factors" within this Annual Report and in the other reports we file with the Securities and Exchange Commission ("SEC"). These risks and uncertainties include those described in the section entitled "Risk Factors."

You should not place undue reliance on these forward-looking statements. Our forward-looking statements are based on the information currently available to us and speak only as of the date on which they were made. Additional factors or events that could cause our actual results to differ may also emerge from time to time, and it is not possible for us to predict all of them. Over time, our actual results, performance, or achievements may differ from those expressed or implied by our forward-looking statements, and such a difference might be significant and materially adverse to our security holders. Comparisons of results for current and any prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data. Except as required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. We have identified some of the important factors that could cause future events to differ from our current expectations and they are described in this Annual Report under the captions “*Risk Factors*,” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” as well as in other documents that we may file with the SEC, all of which you should review carefully. We qualify all of our forward-looking statements by these disclaimers.

PART I

ITEM 1. BUSINESS

Overview

Perfect Moment Ltd., a Delaware corporation (“Perfect Moment,” “we,” “our,” or “us”), is a high-performance, luxury skiwear and lifestyle brand that fuses technical excellence with fashion-led designs. We create apparel and products that feature what we believe is an unmatched combination of fashion, form, function and fun for women, men and children.

The idea for the Perfect Moment brand was born in Chamonix, France in 1984, when the professional skier and extreme sports filmmaker, Thierry Donard, began making apparel for his team of free-ride skiers and surfers. Donard used his experience to create designs that were characterized by quality, style and performance to enable his athletes to achieve their perfect ski-run or perfect wave-ride: that “perfect moment.” His designs – combining high performance materials with daring prints and colors – were inspired by his team of free-ride skiers and surfers.

In May 2012, Mr. Donard assigned the Perfect Moment trademark to Perfect Moment TM Sarl (“TMS”), a then newly incorporated Swiss company, 50% of which was owned by Mr. Donard and 50% of which was owned by Fermain Limited, an entity controlled by Max Gottschalk, who is the Chairman of our board of directors, and Jane Gottschalk, who is our Chief Creative Officer and a member of our board of directors. Perfect Moment Asia Limited (“PMA”) was also incorporated in May 2012 and PMA entered into a licensing agreement with TMS for the Perfect Moment trademark. The Perfect Moment brand was then relaunched by Max and Jane Gottschalk. Perfect Moment (UK) Limited, a United Kingdom corporation (“PMUK”) was later incorporated in July 2017 as a wholly owned subsidiary of PMA, for the primary purpose of online sales of finished goods. Between December 2017 and November 2018, PMA acquired 100% of the equity of TMS from Mr. Donard and Fermain. In March 2021, we effected a reorganization, in which all of the equity of PMA was exchanged for newly issued shares of Perfect Moment Ltd. common stock and Series A convertible preferred stock, which preferred stock was converted to common stock in connection with the closing of our initial public offering on February 12, 2024. In July 2021, TMS assigned the Perfect Moment trademark to PMUK. On January 17, 2024, the Company established a wholly owned U.S. subsidiary, Perfect Moment USA Inc. (“PMU”), incorporated in the State of Delaware. Some of the production team still sits in Hong Kong but the majority of the employees, including the majority of production, design, marketing and finance teams, and all senior management (other than our Chief Financial Officer, who is located in the United States) and our board of directors are located in the United Kingdom (other than Berndt Hauptkorn, who is located in France).

Today, the brand continues to draw on its rich heritage of performance garments and statement designs. Retro-inspired vivid and bold color palettes complement technical fabrics to deliver fashion, form, function and fun for women, men and children. Initially known for its on-and-off the slopes skiwear, in 2016 PMA developed a summer range inspired by the island of Ibiza to bring its unique style to swimwear and activewear. We believe our bold fashion and technical proposition resonates with the modern fashion-conscious consumer that sees value in authentic European heritage and statement-design tailored for an active and healthy lifestyle at a compelling quality-to-value price point.

Our Industry

We operate at the intersection of luxury fashion and multi-channel commerce. The global luxury industry is large and characterized by specific market dynamics and consumer trends that are shaping the future of the industry, including the following:

Large, Stable and Resilient Addressable Markets

We have an attractive luxury ski apparel market in which we believe is well-positioned and has a large growth runway. According to EIN Presswire, the global luxury ski wear market was valued at \$1.6 billion in 2022 and is expected to expand at a Compound Annual Growth Rate (“CAGR”) of 6.35% reaching \$2.4 billion by 2028. We believe the global luxury ski wear market has a relatively narrow target demographic and that this demographic is characterized by relatively high affluence and either proximity to a ski area or a location with a traditional interest in skiing as a recreational activity. We believe that due to the relatively high affluence and international nature of the demographic, there has been, and continues to be, significant space for premium and luxury products that deliver both fashion and technical performance.

We have started to make inroads into the adjacent, significantly larger, global luxury outerwear market, which we believe is set to continue growing, yet remains somewhat fragmented and localized. The global luxury outerwear market, compared to the global luxury ski wear market, is a larger and faster growing market. According to Research Reports World, the global luxury outerwear market was valued at \$15.9 billion in 2022 and is expected to expand at a CAGR of 6.51% reaching \$23.2 billion by 2028. Again, we believe the demographic for this market has relatively high affluence but has a broader geographical spread as it is not linked to the activity of skiing. In the global luxury outerwear market, we believe an increasingly large number of consumers are turning to heritage brands with technical credentials for luxury outerwear products that not only serve a technical function but also make a fashion statement.

In addition, Perfect Moment is also targeting the broader leisure markets for swimwear, activewear and lifestyle products. Both the global luxury ski wear market and global luxury outerwear market share some key consumer demographics and purchasing behavior with the broader leisure markets. We believe these markets stretch beyond skiing and winter sports to a range of healthy and athletic pursuits, with products increasingly being worn as part of a broader day-to-day lifestyle statement. We also believe the growth of this market goes hand-in-hand with broader cultural shifts, such as a greater emphasis on health, exercise and well-being, as well as a relaxation in dress codes at work and for social occasions. Based on the characteristics of these respective markets, we believe Perfect Moment has the right brand profile, geographic footprint, target demographic, marketing tools and operational expansion plan to gain significant share.

Luxury Channel Shift to Online

According to Bain & Company ("Bain"), online is set to become the leading channel for luxury purchases by 2030. The online share of the global personal luxury goods market in 2017 was 9%, significantly lower than other retail markets, according to Bain, which has been driven by luxury brands' cautious approach to adopting technology and social platforms; however, online sales accounted for 22% of the luxury goods market in 2021 and online sales are expected to become a larger percentage of the total luxury market, reaching 32% to 34% by 2030.

Transition to Digital

We believe the digital shopping behavior of consumers is evolving at a rapid pace and the shift to digital is affecting how the luxury industry and consumers interact. Ecommerce sales have climbed steadily for years, according to Statista, with continuous further growth expected. Statista estimates a growth in global ecommerce market revenue from approximately \$2.4 billion in 2017 to approximately \$8.1 billion in 2026, and with the COVID-19 pandemic, ecommerce use among consumers has advanced even faster than expected. Since the start of the COVID-19 pandemic in March 2020, according to Statista, there have been a significant number of first-time online shoppers around the world.

On the marketing side, we believe that inspiration and trends have shifted from editorial content on the printed pages of monthly fashion magazines to the real-time social media channels of the world's leading fashion bloggers, influencers and celebrities.

Generational Demographic Shift

As new generations of global luxury consumers account for a larger share of spending, we believe they are fundamentally changing the way luxury products are purchased. According to Bain, Generation Y and Generation Z accounted for all of the market's growth in 2022. The spending of Generation Z and the younger Generation Alpha is set to grow three times faster than that of other generations through 2030, making up a third of the market. Generation Y, Generation Z and Generation Alpha are forecast by Bain to become the biggest buyers of luxury by 2030, representing 80% of global purchases.

Emerging Markets and Future Growth

We believe the demand for luxury fashion is truly global. According to Bain, consumers of luxury fashion have traditionally been from Europe and the Americas, but, by 2030, mainland China is forecasted to surpass the Americas and Europe in having the biggest global luxury market. Growth of the global luxury goods market is expected to be significantly driven by demand from China and from emerging markets, including India and emerging Southeast Asian and African countries, based on forecasts between 2022 and 2030. Chinese consumers are forecast by Bain to regain their pre-COVID-19 status as the dominant nationality for luxury, growing to represent circa 40% of global purchases by 2030.

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Our Strengths

- **Strong Brand Positioning.** Perfect Moment's affordable luxury offering sits below the ultra-luxury positioning and luxury performance positioning by our direct luxury competitors. Most of our competitors skew to either fashion or pure performance, while Perfect Moment focuses on both.
- **Authentic Brand That Resonates with Highly Valuable Customer Segments.** With the Perfect Moment brand having approximately 40 years of European ski and worldwide surf heritage, bold fashion, distinct design aesthetic and technical performance, we believe our products and our mission resonate with the modern fashion-conscious consumer who sees value in authentic European heritage and statement-design tailored for an active and healthy lifestyle, which generates brand loyalty among our key customers, Generation Y and Generation Z consumers, and drives repeat purchases.
- **Proven and Unique Marketing Engine and Significant Growth Runway.** We believe that ecommerce will continue to shape the consumer and retail industries by changing shopping behavior as well as contributing to the digital transformation of retail business models, which we believe has been accelerated as a direct result of the COVID-19 pandemic. Our retail business commenced and continues to exist primarily online. We are a direct-to-consumer retailer that utilizes technology to deliver what we believe is a customer experience with a specific focus on engaging and interacting with the Generation Y and Generation Z tech-savvy consumer segment by offering speed, convenience and a seamless customer experience. By selling directly through our digital platform, we control all aspects of the customer experience and are able to engage with our community before, during and after purchase, through our digital platform and social channels. We believe this direct engagement enables us to establish personal relationships at scale and provides us with valuable customer data and feedback that we leverage across our organization to better serve our customers. We also have collaborations with a growing group of A-list celebrities and influencers whom we consider having an authentic feel and on-brand partner collaborations with luxury brands that we believe speak to the same audience. We also focus on top-tier editorial coverage in fashion magazines and arrangements with luxury wholesale partners, which include The Wall Street Journal, Forbes, Vogue, Conde Nast Traveler and Harper's Bazaar, to name a few. We believe these marketing efforts will be translated into an engaged lifestyle-driven Instagram community.
- **Visionary, Passionate and Committed Management Team.** Through steady brand discipline and a focus on sustainable growth, our management team has transformed a small family business into a global brand. We have assembled a team of seasoned executives from diverse and relevant backgrounds who draw on experience working with a wide range of leading global companies including Burberry, Jimmy Choo, Michael Kors, Nike, North Face, Rapha, Disney and Elemis. Members of our team have created and grown leading luxury, fashion and digital businesses globally, and they retain a strong entrepreneurial spirit. Their leadership and passion have accelerated our evolution into a lifestyle brand and the growth of our direct-to-consumer channel alongside strengthening our wholesale business.
- **Multi-Channel Distribution.** Our global distribution strategy allows us to reach customers through two distinct, brand-enhancing channels. In our wholesale channel, which as of March 31, 2024 extended into 25 countries, we carefully select the best retail partners and distributors to represent our brand in a manner consistent with our heritage and growth strategy. As a result, we believe our wholesale partnerships include best-in-class luxury and online retailers. Through our fast growing direct-to-consumer channel, which includes our global ecommerce site, we are able to more directly control the customer experience, driving deeper brand engagement and loyalty, while also driving towards more favorable margins. Our direct-to-consumer ("DTC") ecommerce channel, www.perfectmoment.com, is complemented by our luxury marketplace partnerships globally and in emerging markets. We employ product supply discipline across both of our channels to manage scarcity, preserve brand strength and optimize profitable growth for us and our retail partners. Going forward, we plan to open a limited number of pop-up and retail stores in major metropolitan centers as well as premium outdoor destinations where we believe they can operate profitably. To further support our customers and increase our gross margins we plan on opening third party distribution centers in key markets, targeting an opening in the United States in the fiscal year ending March 31, 2025.

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- **Established Partner Relationships.** As of March 31, 2024, we have two luxury marketplace partners, Farfetch and Amazon Luxury, and 160 wholesale partners, of which 16 are luxury department stores (including those we believe are the most sought-after and prestigious names in the fashion industry), 18 operate as exclusively online multi brand retailers and 90 are respected specialty stores with a focus on either sports or winter goods, which is key to our branding strategy.
- **Flexible Supply Chain.** We directly control the design, innovation and testing of our products, which we believe allows us to achieve greater operating efficiencies and deliver quality products. We manage our production through long-standing relationships with our third-party suppliers and vendors. We believe our flexible supply chain gives us distinct advantages including the ability to broaden and scale our operations, adapt to customer demand, shorten product development cycles and achieve higher margins.
- **Culture of Innovation and Uncompromised Craftsmanship.** We strive to create the most innovative, functional, comfortable and stylish apparel in the industry. We develop cross-functional products that we believe are characterized by quality, style and performance. We continue to use best-in-class materials in every product, and we will continue to innovate.

Our Business Strategy

Perfect Moment sits at the intersection of three large and growing markets (luxury ski apparel, premium outerwear and athleisure and lifestyle). Based on the characteristics of these respective markets, we believe we have the right brand profile, geographic footprint, target demographic, marketing tools and operational expansion plan to gain significant market share. We believe we are also well-positioned to drive sustainable growth and profitability by executing on the following strategies:

Grow Brand Awareness and Attract New Customers

Building brand awareness among potential new customers and strengthening our connections with those who already know us will be a key driver of our growth. While we believe our brand has achieved substantial traction globally and those who have experienced our products demonstrate strong loyalty, our presence is relatively nascent in many of our markets. We believe we have a significant opportunity to increase brand awareness and attract new customers to Perfect Moment through word of mouth, brand marketing and performance marketing.

In the past, Perfect Moment's strong skiing heritage has been used to engage with a core ski audience for whom we believe the combination of technical performance and retro inspired designs resonate strongly. We believe the nature of skiing as a largely affluent, international pursuit means there is a large opportunity in aspirational, lifestyle-led social media engagement. We believe Perfect Moment has captured this social media opportunity to great effect, combining the style and form of the brand with celebrities, influencers, top-tier editorial, collaborations and luxury locations to create a distinct, fun and engaging aspirational lifestyle narrative. Beyond social media, we believe Perfect Moment has been able to deploy this same core brand proposition and narrative to direct digital marketing and traditional media, elevating brand profile and driving high levels of engagement simultaneously. Perfect Moment has also been able to build an effective online marketing engine driving large volumes of direct, organic search and paid search traffic to our ecommerce website, www.perfectmoment.com.

We expect to continue this approach to social media, building our follower base through a similar and evolving mix of celebrities, influencers, editorials and locations. We also expect to continue to pursue and scale the effective search engine optimization and paid search strategies which have contributed to online sales growth, as well as direct marketing and customer engagement via their successful newsletter. Perfect Moment is developing plans to leverage a new Perfect Moment owned physical store network to deepen its brand identity and profile, as well as drive higher levels of loyalty and engagement at the local level.

Brand marketing and performance marketing also work together to drive millions of visits to our digital platforms. Brand marketing includes differentiated content, our network of ambassadors, and social media, all of which result in what we believe is outsized engagement with our community. Our performance marketing efforts are designed to drive customers from awareness to consideration to conversion. These efforts include retargeting, paid search and product listing advertisements, paid social media advertisements, search engine optimization and personalized email. We believe our highly productive, diversified strategy generates a significant return on brand equity, driving sales and building a growing customer database.

We approach this strategy as a funnel, with brand awareness at the top and customer conversion at the bottom, allocating resources across the top, middle and bottom, and measuring returns on these respective investments.

Accelerate Digital Growth

Having used the wholesale channel to establish our brand globally, we believe we will become less reliant on wholesale partners during the next five (5) years by committing more resources to our direct-to-consumer strategy and accelerating our digital growth. We believe technology and partnerships are the key underpinning factors in any ecommerce business and as such we will continue to enhance customer experience, focusing on mobile as the dominant growth channel and leveraging the emerging benefits of social and conversational commerce.

Pursue International Expansion and Enter New Markets

We believe there is an opportunity to increase penetration across our existing markets and selectively enter new regions. Although the Perfect Moment brand is recognized globally, our past investments have been focused on North America, the United Kingdom and the EU and have driven revenue growth in the United States during the past fiscal year.

While we expect the majority of our near-term growth to continue to come from the United States, the United Kingdom and the EU, we believe there is a tremendous opportunity over the long term throughout the rest of the world. In the fiscal year ended March 31, 2024, we increased our outreach in what we believe are the most promising countries in continental Europe. As part of the plan to enter new markets, we will start with China, as we seek to enhance our ability to serve our international customers and further establish Perfect Moment as a global brand.

We believe there is a significant opportunity beyond our existing markets, with China representing the next market opening for Perfect Moment. China is projected to become the largest winter sports market, with people participating expected to reach 50 million by 2025 with 1,000 ski resorts to be open by 2030, according to reports by Daxue Consulting and Capital Mind. We allocated a small amount of inventory to test the Chinese market directly in November 2024 on Tmall, using local partners to operate, with a digital approach to selling. We were originally forecasting to run losses with respect to such activities for two years, then become profitable from the third year of such activities, with China representing less than 10% of our revenue by 2027. The data we now have on this small test has led to exploring partnership models such as a Joint Venture, where we could benefit for local distribution, market expertise and financial support for inventory and marketing. We still believe the most significant hurdle to overcome with respect to our plan to enter the Chinese market is liquidity to fund the initial operating losses.

In order to offer a more localized experience to customers internationally, we intend to offer market-specific languages, currency and content, as well as strategic international shipping and distribution hubs. We plan to leverage our social media strategy and expand our network of social media ambassadors to grow our brand awareness globally.

Enhance Our Wholesale Network

Although in the next five (5) years we will be mainly focused on accelerating digital growth and our direct-to-consumer channel, we still intend to continue broadening customer access and strengthening our global foothold in new and existing markets by strategically expanding our wholesale network and deepening current relationships. In all of our markets, we have an opportunity to increase sales by adding new wholesale partners and increasing volume in existing retailers. Additionally, we are focused on strengthening relationships with our retail partners through broader offerings, exclusive products and shop-in-shop formats, which are dedicated spaces within another company's retail store on a short-term rental basis. We believe our retail partners have a strong incentive to showcase our brand as our products drive customer traffic and consistent full-price sell-through in their stores.

Broaden Our Product Offerings

Continuing to enhance and expand our product offerings represents a meaningful growth driver for Perfect Moment. We expect that expanding our product lines will allow us to strengthen brand loyalty with the existing Perfect Moment customer base, drive higher penetration in our existing markets and expand our appeal across new geographies. We intend to continue developing our offering through the following strategies:

Elevate Fall and Winter. Perfect Moment will continue to focus on quality materials and distinctive designs in order to create luxury products which aim to deliver technical performance and style impact. However, believing that people want to bring the functionality of our ski apparel into their everyday lives, Perfect Moment is broadening the product range beyond the core "on-slope" skiwear to encompass less technical lifestyle products and a wide range of exceptional products for any occasion, including all year-round accessories.

Expand Spring and Summer. We intend to continue building our successful spring and summer collections in categories such as surfwear, activewear, loungewear and swimwear. We believe offering inspiring new and complementary product categories that are consistent with our values of heritage, functionality and quality and can become part of our core business represents an opportunity to develop a closer relationship with our customers and expand our addressable market.

We believe this strategy will deliver a number of benefits:

- *Increased Revenues.* We expect that cross-over into adjacent product markets will increase sales by allowing us to sell outerwear, lifestyle products, activewear and swimwear to non-skiers and cross-sell lifestyle and "off-slope" products to existing skiwear customers in a winter setting.
- *Reduced Seasonality.* We expect that sales of new lifestyle products as well as activewear and swimwear products will be less concentrated in the winter months and increase revenue from new and existing customers as we grow brand awareness.
- *Improved Margins.* We believe that our margins will be improved by this strategy as modest price increases across the existing range increase margins dollar for dollar. A greater use of high-margin luxury materials such as cashmere will support price and margin increases, while a move towards more less technically-complex lifestyle pieces will also drive margin improvement. Full price sales with limited promotional activity will further improve margins.

During the fiscal year ended March 31, 2024, we restructured and invested in our design, product development, merchandizing and production teams to create a pathway to execute this underpinning strategy. We will launch our first spring / summer capsule encapsulating our new strategy at the end of Q1 FY25. We plan to then gradually increase our product offering as we evaluate demand, supply and profitability.

Establish Perfect Moment Owned Physical Retail

Perfect Moment has grown to date without owning a physical stand-alone store. Sales growth has been driven by our online offering and wholesale network. As part of our growth strategy, we believe opening directly operated stores in strategically selected major cities and pop-up stores in strategic ski resorts and high-traffic city locations would provide an excellent opportunity to generate sales in key locations, providing a luxury in-store experience, reflecting the character of the brand and providing an experiential contact point for customers.

As our product range expands, we see the potential to further grow our community with a physical presence by opening directly operated stores. We already have a physical presence in department stores, operated under wholesale arrangements. Operating Perfect Moment owned stores would provide our community a home for the brand and act as a beacon for new or potential customers, but they also add extra complexity and risk. In order to test our retail model, we plan to first establish pop-up locations. We are exploring options in London for an initial pop-up location. We tested a shop-in-shop location in Los Angeles that opened in November 2023 thru to February 2024 at Fred Segal in West Hollywood. Shop-in-shop locations are dedicated spaces within another company's retail store on a short-term rental basis. We expect that our experience with such temporary spaces would help us develop our strategy for all-year-round stores, including location, size, capital expenditure need, as well as the financial and operating impact. The success of the Fred Segal pop-up transitioned them into a new physical wholesale account. Operating temporary spaces would also provide our management team experience with opening and operating retail stores. We evaluate each potential store location based on lease availability and projected viability, and plan to open pop-ups in the fiscal year ending March 31, 2025 and if the learnings from the pop-ups are favorable we would plan to open year-round stores beginning the fiscal year ending March 31, 2027.

Other Strategies to Improve Margin

We intend to focus on the following other strategies to improve our margin:

- *Shift towards direct-to-consumer revenue (such as ecommerce and physical retail).* We expect that rebalancing from wholesale to direct to consumer, coupled with the other margin initiatives would result in a double-digit percentage point improvement in our gross margin, due to channel mix, over time.
- *Reducing product range within skiwear.* We believe the current range offers too much choice, and yields poorer margins, resulting from a lack of economies of scale and higher levels of markdown and discounts.
- *Review and modify supplier base.* We are expecting our supplier base to evolve as we source fabrics and trims more efficiently and introduce new finished good suppliers with better commercial terms (such as lower labor costs or better duty rates due to factories being based in the EU, UK, or Vietnam).

- *Review and revise price positioning.* We will continue reviewing our selling prices. We are expecting to introduce better discipline and processes to assess price positioning with a focus on margin by each product, country of manufacture and country of selling. We expect to raise selling prices to improve the gross margin over time as part of the range development process and will monitor price elasticity. We believe prices are relatively in-elastic for our industry and our customer segment, and that pricing increases are generally expected by customers annually for luxury goods.
- *Focusing on reducing costs relating to crossing borders.* Operating a global business requires crossing borders with products resulting in high costs for freight, duty, couriers and other handling costs. Perfect Moment has grown very quickly and as a result has not been able to focus on crossing borders in a cost-effective way. We are focused on reducing these costs and expect to see savings over time in freight (for example by using less air freight and more sea freight), lowering duty costs (for example moving production to countries with lower tariffs) and reducing broker fees through better processes.

Our Brand

Over the last 39 years, the Perfect Moment brand has grown from our predecessor, a small business founded by Thierry Donard, making apparel for his team of free-ride skiers and surfers, into a global brand by building on our strength of creating luxurious, distinctively designed and functional ski outfits. We have leveraged this strength to expand our brand into multiple seasons and new categories beyond skiwear. With the same discipline, we have also expanded our revenue channels beyond distributors to include a select group of luxury multichannel retailers, as well as our own DTC channel.

Our Products

We approach product design with our customer in mind by designing products that solve their unique needs. We are inspired by free spirits as well as free riders – trailblazers who might not come close to a ski run. We are for anyone who is unafraid to stand out – with the fashion they wear and the moments they make. We are still all about that perfect moment. But it could happen on and off the slopes. Our product truths are standout styles for moment makers, flattering silhouettes for living in the moment, comfortable cuts for moving in the moment and high-performing materials that make the moment last. We are constantly challenging ourselves to create the highest quality and most innovative fabrications, styles and product features for our customers. Our apparel is comfortable, durable, functional and stylish, all at an affordable luxury price point.

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Our Heritage

The adventure started in the mountains of Chamonix in 1984, with the Perfect Moment brand a vision of famed extreme sports filmmaker and professional skier Thierry Donard, who designed apparel for his team of expert freeride skiers and surfers for his film production company La Nuit de la Glisse. Donard used his personal experience to create designs that were characterized by quality, style and performance, and focused on the ultimate goal of every athlete: to experience the “perfect moment”. Thierry Donard continues to be a stockholder in Perfect Moment and, in the past, we have provided product placements for his films.

Our Evolution

Our product offerings have evolved significantly since the days of solely making specialty ski and surfwear for extreme sports. Today, we continue to draw on our rich heritage of performance garments and statement designs. Retro-inspired vivid and bold color palettes complement the industry’s leading technical fabrics to deliver fashion, form, function and fun for women, men and children. Primarily known for our on-and-off the slopes skiwear, in 2016 PMA developed a summer range inspired by the island of Ibiza to bring its unique style to swimwear and activewear.

Beyond Sport

Recognizing our customers want to bring the functionality of our clothing into their everyday lives, we expanded our product offerings to include products for outdoor enthusiasts, urban explorers and discerning consumers everywhere. The uncompromised craftsmanship and quality of the Perfect Moment brand is preserved in new products and high-performance materials to keep our customers warm and comfortable no matter how low the temperature drops. As we evolved and expanded our winter assortment to suit new uses, climates and geographies, we also refreshed our core offerings with the introduction of our sustainable swimwear collection and enhancing our classic products with a focus on elevated style, luxurious fabrics and refined fits.

Beyond Outerwear

Perfect Moment has launched a refined line of accessories in response to customer demand for products to complement their skiwear, outerwear or swimwear. Our accessories focus on handwear, headwear, neckwear and everything the customer needs for a day of fun and adventure on the mountain, near the sea or in the city; offering unparalleled fit, function and timeless style to our customers, consistent with the heritage of our core products. Beyond accessories, we continue to selectively respond to customer demand for new product categories. Our customers have shown meaningful interest in key new product categories including travel gear, which we may pursue in the future.

As we expand the Perfect Moment brand to serve new uses, wearing occasions, geographies and consumers, we will always stay true to who we are and what the Perfect Moment brand stands for: authentic heritage, uncompromised craftsmanship and quality, exceptional style and superior functionality.

Our Marketing Strategy

Brand Awareness and Engagement

We believe the nature of skiing as a largely affluent, international pursuit means there is a large opportunity in aspirational, lifestyle-led social media engagement. We have utilized social media to publicize our brand with celebrities, influencers, top-tier editorial, collaborations and luxury locations to create a distinct, fun and engaging aspirational lifestyle narrative. Perfect Moment expects to continue its approach to social media, building its follower base through a similar approach with an evolving mix of celebrities, influencers, editorials and locations. Beyond social media, we believe Perfect Moment has been able to deploy the same core brand proposition and narrative to direct digital marketing and traditional media, elevating brand profile and driving high levels of engagement simultaneously.

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Consumer Acquisition

We principally acquire consumers through online channels, including paid and organic search, metasearch, affiliate partnerships, display

advertising and social media channels. We have access to channel experts who work with dedicated analysts, data scientists and engineers and have invested resources to optimize paid search, developing programs and algorithms to maximize our return on paid search.

Retention and Loyalty

We focus on building continuous dialogue with our consumers given their levels of engagement with luxury shopping. We do this by creating content and developing tailored product recommendations, which we distribute via email, social media, display advertising and directly on our platform. We believe our strategy generates a significant return on new customer acquisition investments resulting from high average order value, strong product margins and attractive repeat purchase behavior.

Investing for the Future

Moving forward, our marketing focus is on continuing to tell our stories in unique, creative and authentic ways that engage customers. As our distribution model has shifted from pure wholesale to multi-channel, our business needs have evolved. We have supported this shift through a blend of brand and performance marketing that reaches a global audience while maintaining a consistent and authentic brand experience. We will continue to strategically invest in reaching new audiences across platforms in developing audiences, markets and boosting affinity around the world.

Product Development and Innovation

Uncompromised craftsmanship begins with sourcing the right raw materials. We use premium fabrics and finishings for performance, comfort and longevity. Our blends of down and fabrics enable us to create warmer, lighter and more durable products across seasons and applications.

Our insulated products are made with down because it is recognized as the world's best natural insulator, providing approximately three times the warmth per ounce as synthetic alternatives. We are committed to the sustainable and ethical sourcing of our raw materials. We only use down that is a by-product of the poultry industry and we only purchase down and fur from suppliers who adhere to our stringent standards regarding fair practices and humane treatment of animals.

Our Global End-To-End Operations

Our core operations areas are supply chain management, fulfilment and premium customer service.

Supply Chain Management

We have built a supply chain that is scalable for our business and through which we control the design and development of our products.

Design, Innovation and Manufacturing

We have a diversified and flexible supply chain that leverages third-party suppliers and manufacturers to produce our raw materials and finished products. We directly and actively manage every step of our product development and production process. The extent to which we manage production is differentiated from a model of primarily relying on third-party agents to manage production. We believe our approach has enabled us to produce luxury products through greater control of the end-to-end production process.

We purchase our finished products from our manufacturers on a purchase order basis and do not have any long-term agreements requiring us to use any supplier or manufacturer. We have long-standing relationships with our vendors, which are strengthened by the consistency and longevity of our core fabric and core style profile.

We regularly source new suppliers and manufacturers to support our ongoing innovation and growth, and we carefully evaluate all new suppliers and manufacturers to ensure they share our standards for quality of manufacturing, ethical working conditions and social and environmental sustainability practices.

Digital Production

Our content creation process includes styling, photographing, photo-editing and content management and allows us to achieve a luxury product presentation with a consistent look and feel. Our third-party studios are the heart of the process, where teams of professional stylists, models and photographers create product images under the leadership and control of our marketing and creative experts. We also develop original content, including tailored merchandise descriptions, convenient size and fit information and detailed measurements information to provide the best consumer experience, maximize revenue and minimize returns.

Warehouse and Fulfilment

We ship our finished products to our business-to-business ("B2B") and business-to-consumer ("B2C") customers globally. We distribute our B2C products from our fulfilment center located in the United Kingdom, where we have created a warehouse-within-a-warehouse model at our third-party logistics provider's site. We regularly evaluate our distribution infrastructure and capacity to ensure that we are able to meet our anticipated needs and support our continued growth.

Premium Customer Service

We provide high-quality customer service throughout the consumer experience, from purchase to returns, offering advice on size and fit, styling recommendations, responding to customer feedback and managing return and exchange requests. We localize aspects of the consumer journey for convenience, such as offering different languages and payment methods through customer care.

Competition

We operate in a competitive industry, and consumers have the option to purchase both online and offline, through our partners. While we believe that we do not have any direct competition, we have indirect competitors in two primary categories, skiwear brands and outerwear brands.

Skiwear Brands – Perfect Moment's affordable-luxury products are characterized by quality, style and performance where retro-inspired vivid and bold color palettes complement the industry's leading technical fabrics to deliver fashion, form, function and fun for women, men and children. Most other competitors in skiwear skew to either fashion or pure performance. Additionally, Perfect Moment's Kids-wear range addresses an overlooked premium segment.

Outerwear Brands – The market for outerwear is highly fragmented. We principally operate in the market for premium outerwear, which is part of the broader apparel industry. We compete directly against other manufacturers, wholesalers and direct retailers of outerwear, premium functional

outerwear and luxury outerwear. We compete both with global brands and with regional brands operating only in select markets. Because of the fragmented nature of our marketplace, we also compete with other apparel sellers, including those who do not specialize in outerwear. While we operate in a highly competitive market, we believe there are many factors that differentiate us from other manufacturers, wholesalers and retailers of outerwear, including our brand, our heritage and history, our focus on functionality and craftsmanship and the fact that our core products are cross functional and can be used for different purposes for example on the slope and in the city.

Activewear Brands – Competition in the athletic apparel industry is principally on the basis of brand image and recognition as well as product quality, innovation, style, distribution and price. We believe that we successfully compete based on our luxury brand image, our focus on women and our technical product innovation. We are also differentiated by our range of surfwear which similar to our skiwear are characterized by quality, style and performance while most other competitors in surfwear are mainly focused on performance.

Technology

Technology is at the core of our business strategy, powering our operational capabilities and the sustainable scalability of our platform. We believe that continuous investment in our technology has given us a competitive advantage and enabled fast innovation. Our technology platform with MACH architecture is designed to provide Perfect Moment with longer term ease of integration, stability, performance, and scalability based on three main components:

(1) Service Oriented Architecture facilitates design and maintenance of partner integrations:

- Key enabler of omni-channel
- Able to cater to evolving business needs
- Decreases Total Cost of Ownership and increases efficiency

(2) Cloud-focused strategy designed to:

- Improve scalability and cost efficiency
- Allow for better accessibility and performance in markets around the worlds

(3) Headless Architecture allows:

- Rapid build of differentiating user experience without impact to the backend systems
- Innovative new user experiences build on headless building blocks
- Evolution of front-end over time to take advantage of new technologies and innovations

Trademarks and Other Intellectual Property

We protect our intellectual property through a combination of trademarks, domain names, copyrights, design rights/design patents and trade secrets, as well as contractual provisions and restrictions on access to our proprietary technology related to our ecommerce platform. Our principal trademark assets include the trademark "Perfect Moment," which is registered in the United States and targeted foreign jurisdictions, as our logos and taglines. We have applied to register or registered many of our trademarks in the United States and other jurisdictions in all classes relevant to our business, and we will pursue additional trademark registrations to the extent we believe they would be beneficial and cost-effective. We actively oppose and defend our position on the trademark registers and subscribe to a trademark watching service for our key assets. Further we subscribe to an online monitoring system to search for infringements of our intellectual property rights and, in addition, act on any reported to us by customers or employees.

We are the registered holder of multiple domestic and international domain names that include "perfect moment" and similar variations. We also hold domain registrations for many of our product names and other related trade names and slogans. We own or have control over relevant social media handles which contain our key assets. In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights agreements with our employees, consultants, contractors and business partners. Where appropriate we enter into relevant license agreements to allow others to use our Intellectual Property or where we need permission to use Intellectual Property of third parties. We further control the use of our proprietary technology and intellectual property through provisions in both our customer terms of use on our website and the terms and conditions governing our agreements with other third parties.

Government Regulation

In the United States and the United Kingdom and in the other jurisdictions in which we operate, we are subject to labor and employment laws, laws governing advertising, privacy and data security laws, safety regulations and other laws, including consumer protection regulations that apply to retailers and/or the promotion and sale of merchandise and the operation of stores and warehouse facilities. Our products sold outside of the United Kingdom are subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods. We monitor changes in these laws, regulations, treaties and agreements, and believe that we are in material compliance with applicable laws.

Licenses, Certificates and Approvals

The Company has obtained all licenses, certificates and approvals required for carrying on its business activities during the two fiscal years ended March 31, 2024 and March 31, 2023.

Employees and Human Capital Resources

As of March 31, 2024 and 2023, we had a total of 39 and 31 full-time employees, respectively, as well as a limited number of temporary employees and consultants. None of our employees are unionized or covered by collective bargaining agreements, and we consider our current employee relations to be good.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Annual Report, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto, before making a decision to invest in our common stock. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the price of our common stock could decline, and you could lose part or all of your investment. You should not interpret our disclosure of any of the following risks to imply that such risks have not already materialized.

Risk Factors Summary

Our business is subject to numerous risks and uncertainties. These risks include, but are not limited to, the following:

- Our history of losses and the substantial doubt about our ability to continue as a going concern, which could cause our stockholders to lose some or all of their investment in us.
- Our business depends on our strong brand, and if we are not able to maintain and enhance our brand we may be unable to sell our products, which would adversely affect our business.
- Our business partially depends on our wholesale partners, and our failure to maintain and further develop our relationships with our wholesale partners could harm our business.
- A downturn in the global economy will likely affect customer purchases of discretionary items, which could materially harm our sales, profitability and financial condition.
- Our financial performance is subject to significant seasonality and variability, which could significantly impact our cash flow and cause the price of our common stock to decline.
- We currently do not operate Perfect Moment owned physical retail stores. Our plans to open Perfect Moment owned physical retail stores are dependent on a variety of factors, including store locations being available for lease and the stores being economically viable to operate.

- Our limited operating experience and limited brand recognition in new international markets may limit our expansion and cause our business and growth to suffer.
- Our success is substantially dependent on the service of certain members of our board of directors and senior management.
- We may rely on dividends and other distributions on equity paid by our Hong Kong subsidiary to fund any cash and financing requirements we may have. In the future, funds may not be available to fund operations or for other use outside of Hong Kong, due to interventions in, or the imposition of restrictions and limitations on, our ability or our Hong Kong subsidiary by the PRC government to transfer cash. Any limitation on the ability of our Hong Kong subsidiary to make payments to us could have a material adverse effect on our ability to conduct our business and might materially decrease the value of our common stock.
- Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in certain areas in mainland China with little or no advance notice. In the future, we may be subject to PRC laws and regulations related to the current business operations of our Hong Kong operating subsidiary and any changes in such laws and regulations and interpretations may impair its ability to operate profitably, which could result in a material negative impact on its operations and/or the value of the securities we are registering for sale.
- The fluctuating cost of raw materials could increase our cost of goods sold and cause our results of operations and financial condition to suffer.
- Our business is reliant on a limited number of third-party manufacturers and raw material suppliers.
- Our ability to deliver our products to the market and to meet customer expectations could be harmed if we encounter problems with our distribution system.
- It may be difficult for overseas shareholders and/or regulators to conduct investigations or collect evidence within the territory of China, including Hong Kong.
- Data security breaches and other cyber security events could result in disruption to our operations or financial losses and could negatively affect our reputation, credibility and business.
- The PRC laws and regulations and the enforcement of such that apply or are to be applied to Hong Kong can change quickly with little or no advance notice. As a result, the Hong Kong legal system embodies uncertainties which could limit the availability of legal protections, which could result in a material change in PMA's operations and/or the value of the securities we are registering for sale.
- Our fabrics and manufacturing technology generally are not patented and can be imitated by our competitors. If our competitors sell products similar to ours at lower prices, our net revenue and profitability could suffer.
- Our share price may be volatile, and you may be unable to sell your shares at or above the price at which you purchased them.

Risks Related to Our Business, Our Brand, Our Products and Our Industry

We have a history of losses, expect to continue to incur losses in the near term and may not achieve or sustain profitability in the future, and as a result, our management has identified and our auditors reported that there is a substantial doubt about our ability to continue as a going concern.

For the fiscal years ended March 31, 2024 and 2023, our operating loss was \$7,675 and \$8,625, respectively. We intend to rely on debt and equity financing for working capital until positive cash flows from operations can be achieved, which may never occur. These matters raise substantial doubt about our ability to continue as a going concern. On February 12, 2024, we consummated the initial public offering of our common stock for aggregate net proceeds of \$6,009, after deducting underwriting discounts and commissions and estimated offering expenses. Based upon our current operating plan and assumptions, we expect that the net proceeds from the initial public offering and our existing cash balances and expected cash flows from operations, alongside the continuance of our existing financing arrangements, and the automatic conversion of the outstanding balance of the Notes upon the closing of the initial public offering will be sufficient to fund our operations for at least the next 12 months, excluding financing to support production (i.e. timing of working capital). However, our operating plan may change, and our assumptions may prove to be wrong, as a result of many

factors currently unknown to us, and we could use our available capital resources sooner than we expect. We may need to seek additional funds sooner than planned, through public or private equity or debt financings or other third-party funding or a combination of these approaches. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or based upon specific strategic considerations.

Any additional capital-raising efforts may divert our management's attention from the operation of our business. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we are unable to obtain sufficient amounts of additional capital, when and if we require it, we may be required to reduce the scope of our operations, which could harm our business, financial condition and results of operations. Our consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The report of our independent registered public accounting firm that accompanies our audited consolidated financial statements for the fiscal years ended March 31, 2024 and March 31, 2023 contains a going concern explanatory paragraph in which such firm stated that there is substantial doubt about our ability to continue as a going concern. Our consolidated financial statements contained in this report do not include any adjustments that might result if we are unable to continue as a going concern. If we are unable to continue as a going concern, holders of our securities might lose their entire investment. Although based upon our current operating plan and assumptions, we expect that the net proceeds from our initial public offering and our existing cash balances and expected cash flows from operations, alongside the continuance of our existing financing arrangements, and the automatic conversion of the outstanding balance of the Notes upon the closing of the initial public offering will be sufficient to fund our operations for at least the next 12 months, excluding financing to support production (i.e. timing of working capital), the doubts raised relating to our ability to continue as a going concern may make our shares an unattractive investment for potential investors. These factors, among others, may make it difficult to raise any additional capital and may cause us to be unable to continue to operate our business.

Our business depends on our strong brand, and if we are not able to maintain and enhance our brand we may be unable to sell our products, which would adversely affect our business.

The Perfect Moment name and brand image are integral to the growth of our business, and to the implementation of our strategies for expanding our business. We believe that the brand image we have developed has significantly contributed to the success of our business and is critical to maintaining and expanding our customer base. Maintaining and enhancing our brand will depend largely on the success of our marketing and merchandising efforts and our ability to provide a consistent, high-quality product and customer experience. Maintaining and enhancing our brand may require us to make substantial investments in areas such as product design, store openings and operations, marketing, ecommerce, community relations and employee training, and these investments may not be successful. We anticipate that, as our business continues to expand into new markets and new product categories and as the market becomes increasingly competitive, maintaining and enhancing our brand may become difficult and expensive. Conversely, as we penetrate these new markets and our brand becomes more widely available, it could potentially detract from the appeal stemming from the scarcity of our brand. Our brand may also be adversely affected if our public image or reputation is tarnished by negative publicity. In addition, ineffective marketing, product diversion to unauthorized distribution channels, product defects, counterfeit products, unfair labor practices, and failure to protect the intellectual property rights in our brand are some of the potential threats to the strength of our brand, and those and other factors could rapidly and severely diminish consumer confidence in us. Maintaining and enhancing our brand will depend largely on our ability to be a leader in affordable luxury skiwear, outerwear and activewear and to continue to offer a range of high-quality products to our customers, which we may not execute successfully. Any of these factors could harm our sales, profitability or financial condition. A key element of our growth strategy is the expansion of our product offerings into new product categories. We may be unsuccessful in designing products that meet our customers' expectations for our brand or that are attractive to new customers. If we are unable to anticipate customer preferences or industry changes, or if we are unable to modify our products on a timely basis or expand effectively into new product categories, we may lose customers. As we expand into new geographic markets, consumers in these new markets may be less compelled by our brand image and may not be willing to pay a higher price to purchase our products as compared to traditional outerwear. More generally, our results of operations would suffer if our investments and innovations do not anticipate the needs of our customers, are not appropriately timed with market opportunities or are not effectively brought to market.

We continue to focus on our direct-to-consumer channel, which may be costly and could materially harm our sales, profitability and financial condition.

Our business operates on a multi-channel distribution model, which includes distributing products on a wholesale basis for resale by others and online by us. Focusing on our ecommerce platform is essential to our future strategy. This strategy has and will continue to require significant investment in cross-functional operations and management focus, along with investment in supporting technologies. If we are unable to provide a convenient and consistent experience for our customers, our ability to compete and our results of operations could be adversely affected. In addition, if our ecommerce platform does not appeal to our customers, reliably function as designed, or maintain the privacy of customer data, or if we are unable to consistently meet our brand promise to our customers, we may experience a loss of customer confidence or lost sales, or be exposed to fraudulent purchases, which could adversely affect our reputation and results of operations.

A downturn in the global economy will likely affect customer purchases of discretionary items, which could materially impact our sales, profitability and financial condition.

Many factors affect the level of consumer spending for discretionary items including performance luxury outerwear. These factors include general economic conditions, interest and tax rates, the availability of consumer credit, disposable consumer income, unemployment and consumer confidence in future economic conditions. Consumer purchases of discretionary items, such as our performance luxury outerwear, tend to decline during recessionary periods when disposable income is lower. During our history, we have experienced recessionary periods, but we cannot predict the effect of future recessionary periods on our sales and profitability. A downturn in the economy in markets in which we sell our products may materially harm our sales, profitability and financial condition. If periods of decreased consumer spending persist, our sales could decrease, and our financial condition and results of operations could be adversely affected.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, resulting in a loss of our market share and a decrease in our revenue and profitability.

The market for premium outerwear is highly fragmented. We compete against a wide range of brands and retailers. Many of our competitors have significant competitive advantages, including larger and broader customer bases, more established relationships with a broader set of suppliers, greater brand recognition, greater financial resources, more established research and development processes, a longer history of store development, greater marketing resources, more established distribution processes, and other resources which we do not have. Our competitors may be able to achieve and maintain brand affinity and market share more quickly and effectively than we can. Many of our competitors have more established and diversified marketing programs, including with respect to promotion of their brands through traditional forms of advertising, such as print media and television commercials, and through celebrity endorsements, and have substantial resources to devote to such efforts. Our competitors may also create and maintain brand affinity using traditional forms of advertising more quickly than we can. Our competitors may also be able to increase sales in their new and existing markets faster than we can by emphasizing different distribution channels than we can, such as catalog sales or an extensive retail network,

and many of our competitors have substantial resources to devote toward increasing sales in such ways.

Use of social media and influencers may adversely affect our reputation or subject us to fines or other penalties.

We use third-party social media platforms as, among other things, marketing tools. For example, we maintain Instagram, Facebook (Meta), Pinterest and TikTok accounts. We also maintain relationships with thousands of social media influencers and engage in collaborations. As existing ecommerce and social media platforms continue to rapidly evolve and new platforms develop, we must continue to maintain a presence on these platforms and establish presences on new or emerging social media platforms. If we are unable to cost-effectively use social media platforms as marketing tools or if the social media platforms we use change their policies or algorithms, we may not be able to fully optimize such platforms, and our ability to maintain and acquire consumers and our financial condition may suffer. Furthermore, as laws and regulations and public opinion rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees, our network of social media influencers, our sponsors or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices or otherwise could subject us to regulatory investigations, class action lawsuits, liability, fines or other penalties and have an adverse effect on our business, financial condition, results of operations and prospects.

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In addition, an increase in the use of social media influencers for product promotion and marketing may cause an increase in the burden on us to monitor compliance of the content they post, and increase the risk that such content could contain problematic product or marketing claims in violation of applicable laws and regulations. For example, in some cases, the Federal Trade Commission has sought enforcement action where an endorsement has failed to clearly and conspicuously disclose a financial relationship or material connection between an influencer and an advertiser. We do not control the content that our influencers post, and if we were held responsible for any false, misleading or otherwise unlawful content of their posts or their actions, we could be fined or subjected to other monetary liabilities or forced to alter our practices, which could have an adverse impact on our business.

Negative commentary regarding us, our products or influencers and other third parties who are affiliated with us may also be posted on social media platforms and may be adverse to our reputation or business. Influencers with whom we maintain relationships could engage in behavior or use their platforms to communicate directly with our consumers in a manner that reflects poorly on our brand and may be attributed to us or otherwise adversely affect us. It is not possible to prevent such behavior, and the precautions we take to detect this activity may not be effective in all cases. Our target consumers often value readily available information and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate, without affording us an opportunity for redress or correction.

Our current and future products may experience quality problems from time to time that can result in negative publicity, litigation, product recalls and warranty claims, which could result in decreased revenue and operating margin, and harm to our brand.

We have occasionally received, and may in the future receive, shipments of products that fail to comply with our technical specifications or that fail to conform to our quality control standards. We have also received, and may in the future receive, products that are otherwise unacceptable to us or our customers. Under these circumstances, unless we are able to obtain replacement products in a timely manner, we risk the loss of revenue resulting from the inability to sell those products and related increased administrative and shipping costs. Additionally, if the unacceptability of our products is not discovered until after such products are sold, our customers could lose confidence in our products or we could face a product recall and our results of operations could suffer and our business, reputation, and brand could be harmed. There can be no assurance we will be able to detect, prevent, or fix all defects that may affect our products. Failure to detect, prevent, or fix defects, or the occurrence of real or perceived quality, health or safety problems or material defects in our current and future products, could result in a variety of consequences, including a greater number of product returns than expected from customers and our wholesale partners, litigation, product recalls, and credit, warranty or other claims, among others, which could harm our brand, sales, profitability and financial condition. Each Perfect Moment clothing product has a warranty against defects with reasonable use, for the expected lifetime of the product. Because of this comprehensive warranty, quality problems could lead to increased warranty costs, and divert the attention of our manufacturing facilities. Such problems could hurt our luxury brand image, which is critical to maintaining and expanding our business. Any negative publicity or lawsuits filed against us related to the perceived quality and safety of our products could harm our brand and decrease demand for our products.

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If we are unable to manage our operations at our current size or to manage any future growth effectively, our growth may be slowed.

We have expanded our operations for many years and plan to continue our expansion efforts. In order to support growth, of which there can be no assurance, we will be required to continue to expand our sales and marketing, product development, manufacturing and distribution functions, to upgrade our management information systems and other processes, and to obtain more space for our expanding administrative support and other personnel. Continued or fluctuating growth could strain our resources, and we could experience operating difficulties, including difficulties in hiring, training and managing an increasing number of employees and manufacturing capacity to produce our products, and delays in production and shipments. These difficulties may result in the erosion of our brand image, divert the attention of management and key employees and impact financial and results of operations. In order to continue to expand our direct-to-consumer channel, we expect to add selling, general and administrative expenses to our cost base. These costs, which include capital assets, lease commitments and headcount, could result in decreased margins if we are unable to drive commensurate direct-to-consumer revenue growth.

Our financial performance is subject to significant seasonality and variability, which could cause the price of our common stock to decline.

Our business is affected by a number of factors common to our industry and by other factors specific to our business model, which drive seasonality and variability. Historically, key metrics, including those related to our growth, profitability and financial condition, have fluctuated significantly across fiscal periods. Consumer purchases of Women, Men and Kids skiwear and outerwear, which are the Perfect Moment core categories, are concentrated in the Fall/Winter season. As a result, a large proportion of our direct-to-consumer revenue is recognized in the third and fourth fiscal quarter. Our wholesale revenue is weighted earlier in the second and third fiscal quarters, when most orders are shipped to wholesale partners. At the consolidated level, our net revenue is concentrated in the second, third and fourth fiscal quarters, while our operating costs are more evenly distributed throughout the year. In the fiscal year ended March 31, 2024, the second, third and fourth fiscal quarters represented 96% of total net revenue. Working capital requirements typically increase throughout the first, second and early third quarters as overheads continue to be incurred and inventory builds to support our peak shipping and selling periods in the second and third quarters. Cash provided by operating activities is typically highest in the fourth quarter following the significant inflows associated with our peak selling season. Historical results, especially comparisons across fiscal quarters, should not be considered indicative of the results to be expected for any future periods. In addition to the seasonality of demand for our products, our financial performance is influenced by a number of factors which are difficult to predict and variable in nature. These include input cost volatility, the timing of consumer purchases and wholesale deliveries which very often shift between fiscal quarters, demand forecast accuracy, inventory availability and the evolution of our channel mix, as well as external trends in weather and discretionary consumer spending. A number of other factors which are difficult to predict could also affect the seasonality or variability of our financial performance. Therefore, you should not rely on the results of a single fiscal quarter as an indication of our annual results or future performance.

Our sales and profitability may decline as a result of increasing product costs and decreasing selling prices.

Our business is subject to significant pressure on costs and pricing caused by many factors, including intense competition, constrained sourcing capacity and related inflationary pressure, pressure from consumers to reduce the prices we charge for our products, and changes in consumer demand. These factors may cause us to experience increased costs, reduce our prices to consumers or experience reduced sales in response to increased prices, any of which could cause our operating margin to decline if we are unable to offset these factors with reductions in operating costs and could have a material adverse effect on our financial condition, results of operations and cash flows.

Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner.

All of our products are subject to changing consumer preferences that cannot be predicted with certainty. If we are unable to introduce new products or novel technologies in a timely manner or our new products or technologies are not accepted by our customers, our competitors may introduce similar products in a timelier fashion, which could hurt our goal to be viewed as a leader in affordable luxury skiwear and activewear. Our new products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of athletic apparel or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes. If we are unable to anticipate consumer preferences and successfully develop and introduce new, innovative, and differentiated products, we may not be able to maintain or increase our sales and profitability. Even if we are successful in anticipating consumer preferences, our ability to adequately react to and address those preferences will in part depend upon our continued ability to develop and introduce innovative, high-quality products. Our failure to effectively introduce new products that are accepted by consumers could result in a decrease in net revenue and excess inventory levels, which could have a material adverse effect on our financial condition.

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Our business and results of operations could be materially harmed if we are unable to accurately forecast customer demand for our products.

Our ability to forecast accurately has become increasingly important as we have expanded our direct-to-consumer channel globally and could be affected by many factors outside of our control, including an increase or decrease in consumer demand for our products or for products of our competitors, our failure to accurately forecast consumer acceptance of new products, product introductions by competitors, unanticipated changes in general market conditions and, therefore, consumer spending in the sector and weakening of economic conditions or consumer confidence in future economic conditions. In our wholesale channel, a majority of orders delivered in a given fiscal year are received in the prior fiscal year, enabling us to manufacture inventory relative to a defined order book. In the direct-to-consumer channel, we manufacture according to our forecasts of consumer demand. If we overestimate the demand for our products, we could face inventory levels in excess of demand, which could result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would harm our gross margins and our brand management efforts. The impact of overestimation is expected to increase as a larger portion of our sales comes through our direct-to-consumer channel, and as we expand our product offerings. If we underestimate the demand for our products, we may not be able to produce products to meet our wholesale partner requirements, and this could result in delays in the shipment of our products and our failure to satisfy demand, as well as damage to our reputation and wholesale partner relationships. Overall, failures to accurately predict the level of demand for our products could harm our profitability and financial condition.

Our plans to improve and expand our product offerings may not be successful, and implementation of these plans may divert our operational, managerial and administrative resources, which could harm our competitive position and reduce our net revenue and profitability.

In addition to our global expansion plans, we are growing our business by expanding our product offerings outside performance luxury outerwear, including an expanded winter and summer collection, knitwear, activewear and accessories. The principal risks to our ability to successfully carry out our plans to expand our product offering include:

- the success of new products and new product lines will depend on market demand and there is a risk that new products and new product lines will not deliver expected results, which could negatively impact our future sales and results of operations;
- if our expanded product offerings fail to maintain and enhance our distinctive brand identity, our brand image may be diminished and our sales may decrease;
- implementation of these plans may divert management's attention from other aspects of our business and place a strain on our management, operational and financial resources, as well as our information systems; and
- incorporation of novel materials or features into our products may not be accepted by our customers or may be considered inferior to similar products offered by our competitors.

We also may fail to create adequate brand awareness around new product offerings. In addition, our ability to successfully carry out our plans to expand our product offerings may be affected by economic and competitive conditions, changes in consumer spending patterns and changes in consumer preferences and styles. These plans could be abandoned, could cost more than anticipated and could divert resources from other areas of our business, any of which could negatively impact our competitive position and reduce our net revenue and profitability.

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We currently do not operate Perfect Moment owned physical retail stores. Our plans to open Perfect Moment owned physical retail stores are dependent on a variety of factors, including store locations being available for lease and the stores being economically viable to operate.

One of our growth strategies is to own and operate Perfect Moment owned physical retail stores. Our revenue and profit forecasts beginning with fiscal year ending March 31, 2027 include the opening of directly operated retail stores that will need to be leased, staffed, replenished with inventory and operated profitably. In addition, the stores will need to be furnished with the appropriate fittings. As this will be a new selling channel for Perfect Moment, sourcing locations introduces the risk that leases might not be available or be more expensive than our estimates. The initial capital expenditure and ongoing costs and complexities of operating a store, such as staffing and energy costs, could be higher than our forecasts, leading to lower profitability or losses. Brands often see a halo impact on their other revenue channels (for example, online channels) when operating physical stores. However, there is a risk that new stores will cannibalize sales from these channels, which could harm our future business and results of operations.

Our limited operating experience and limited brand recognition in new international markets may limit our expansion and cause our business and growth to suffer.

Our future growth partially depends on our geographical expansion, starting with establishing a presence in China. We have limited experience with regulatory environments and market practices internationally, and we may not be able to penetrate or successfully operate in any new market. In connection with our expansion efforts we may encounter obstacles we did not face in our current markets, including cultural and linguistic differences, differences in regulatory environments, labor practices and market practices, difficulties in keeping abreast of market, business and technical developments, and foreign customer tastes and preferences. We may also encounter difficulty expanding into new international markets because of limited brand recognition leading to delayed acceptance of our luxury products by customers in these new international markets. Our failure to develop our

business in new international markets or disappointing growth outside of existing markets could harm our future business and results of operations.

If we fail to attract new customers, we may not be able to increase sales.

Our success depends, in part, on our ability to attract new customers. In order to expand our customer base, we must appeal to and attract consumers who identify with our brand and products. We have made significant investments in enhancing our brand and attracting new customers. We expect to continue to make significant investments to promote our current products to new customers and new products to current and new customers, including through our ecommerce platform. Such marketing investments can be expensive and may not result in increased sales. Further, as our brand becomes more widely known, we may not attract new customers as we have in the past. If we are unable to attract new customers, we may not be able to increase our sales.

We partially depend on our wholesale partners to display and present our products to customers in their wholesale channel, and our failure to maintain and further develop our relationships with our wholesale partners could harm our business.

We sell our products in our wholesale channel either directly or indirectly, through distributors and to wholesale partners. Our wholesale partners service customers by stocking and displaying our products and explaining our product attributes. Our relationships with these partners are important to the authenticity of our brand and the marketing programs we continue to deploy. Our failure to maintain these relationships with our wholesale partners or financial difficulties experienced by these wholesale partners could harm our business. Our sales depend, in part, on wholesale partners effectively displaying our products, including providing attractive space in their online or physical stores or marketing campaigns, including shop-in-shops, and training their sales personnel to sell our products. If our wholesale partners reduce or terminate those activities, we may experience reduced sales of our products, resulting in lower revenue and gross margins, which would harm our profitability and financial condition. If we lose any of our wholesale partners, or if they reduce their purchases of our existing or new products, or their number of stores or operations are reduced, or they promote products of our competitors over ours, or they suffer financial difficulty or insolvency, our sales would be harmed. The recent decline in the overall retail sector, including ongoing disruptions related to COVID-19, has been challenging for our wholesale partners. Such conditions, among other things, have resulted, and in the future may result, in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our wholesale partners and may cause such partners to reduce or discontinue orders of our products or be unable to pay us for products they have purchased from us. This has caused us to negotiate shortened payment terms and reduce credit limits in certain cases. If the overall retail environment continues to decline or if one or more of our wholesale partners is unable or unwilling to meet our payment terms, our business and results of operations could be harmed.

We rely on payment cards to receive payments and are subject to payment-related risks.

For our direct-to-consumer sales, we accept a variety of payment methods, including credit cards, debit cards and mobile payment methods. Accordingly, we are, and will continue to be, subject to significant and evolving regulations and compliance requirements relating to payment card processing. This includes laws governing the collection, processing and storage of sensitive consumer information, as well as industry requirements such as the Payment Card Industry Data Security Standard ("PCI-DSS"). These laws and obligations may require us to implement enhanced authentication and payment processes that could result in increased costs and liability and reduce the ease of use of certain payment methods. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time. We rely on independent service providers for payment processing, including credit and debit cards. If these independent service providers become unwilling or unable to provide these services to us or if the cost of using these providers increases, our business could be harmed. We are also subject to payment card association operating rules and agreements, including PCI-DSS, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for losses incurred by card issuing banks or consumers, subject to fines and higher transaction fees, lose our ability to accept credit or debit card payments from our consumers, or process electronic fund transfers or facilitate other types of payments. Any failure to comply could significantly harm our brand, reputation, business, and results of operations.

Our success is substantially dependent on the service of certain members of our board or directors and senior management.

The loss of the services of our senior management could make it more difficult to successfully operate our business and achieve our business goals. We also may be unable to retain existing management, or technical, sales and client support personnel that are critical to our success, which could result in harm to our customer and employee relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs. We have not obtained key man life insurance policies on any members of our senior management team. As a result, we would not be protected against the associated financial loss if we were to lose the services of members of our senior management team.

We face various risks related to health epidemics, pandemics and similar outbreaks, which may adversely affect our business.

Our global operations, and those of the third parties upon whom we rely, have been, and could be in the future, adversely affected by health epidemics, pandemics and similar outbreaks, such as the COVID-19 pandemic. Despite our efforts, and the efforts of third parties upon whom we rely, to manage these matters, their ultimate effects also depend on factors beyond our knowledge or control, including the duration, severity and recurrence of any outbreak and actions taken to contain its spread and mitigate its public health effects. Health epidemics, pandemics and similar outbreaks may adversely affect our business, including by resulting in (i) significant volatility in demand for our products and services, (ii) changes in consumer behavior and preferences, (iii) disruptions of our manufacturing and supply chain operations, (iv) limitations on our employees' ability to work and travel and (v) changes to economic or political conditions in markets in which we operate.

We are subject to many hazards and operational risks that can disrupt our business, some of which may not be insured or fully covered by insurance.

Our operations are subject to many hazards and operational risks inherent to our business, including general business risks, product liability, product recall and damage to third parties. Our insurance coverage may be inadequate to cover our liabilities related to such hazards or operational risks. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable and commercially justifiable, and insurance may not continue to be available on terms as favorable as our current arrangements. The occurrence of a significant uninsured claim, or a claim in excess of the insurance coverage limits maintained by us could harm our business, results of operations and financial condition.

Risks Related to Our Corporate Structure

We may rely on dividends and other distributions on equity paid by our Hong Kong subsidiary to fund any cash and financing requirements we may have. In the future, funds may not be available to fund operations or for other use outside of Hong Kong, due to interventions in, or the imposition of restrictions and limitations on, our ability or our Hong Kong subsidiary by the PRC government to transfer cash. Any limitation on the ability of our Hong Kong subsidiary to make payments to us could have a material adverse effect on our ability to conduct our business and might materially decrease the value of our common stock.

We are a holding company incorporated in Delaware, and we may rely on dividends and other distributions on equity paid by our Hong Kong subsidiary for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If PMA incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us. The PRC laws and regulations do not currently have any material impact on transfers of cash from Perfect Moment Ltd. to PMA or from PMA to Perfect Moment Ltd., our shareholders and U.S. investors. However, the Chinese government may, in the future, impose restrictions or limitations on our ability to transfer money out of Hong Kong, to distribute earnings and pay dividends to and from the other entities within our organization, or to reinvest in our business outside of Hong Kong. Such restrictions and limitations, if imposed in the future, may delay or hinder the expansion of our business to outside of Hong Kong and may affect our ability to receive funds from our operating subsidiary in Hong Kong. The promulgation of new laws or regulations, or the new interpretation of existing laws and regulations, in each case, that restrict or otherwise unfavorably impact the ability or way we conduct our business, could require us to change certain aspects of our business to ensure compliance, which could decrease demand for our services, reduce revenues, increase costs, require us to obtain more licenses, permits, approvals or certificates, or subject us to additional liabilities. To the extent any new or more stringent measures are required to be implemented, our business, financial condition and results of operations could be adversely affected and such measures could materially decrease the value of our common stock.

Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in certain areas in mainland China with little or no advance notice. In the future, we may be subject to PRC laws and regulations related to the current business operations of our Hong Kong operating subsidiary and any changes in such laws and regulations and interpretations may impair its ability to operate profitably, which could result in a material negative impact on its operations and/or the value of the securities we are registering for sale.

Although we have direct ownership of our operating entities in Hong Kong and currently do not have or intend to have any subsidiary or any contractual arrangement to establish a variable interest entity structure with any entity in mainland China, we are still subject to certain legal and operational risks associated with one of our operating subsidiaries, PMA, being based in Hong Kong and having all of its operations to date in Hong Kong. Additionally, the legal and operational risks associated in mainland China may also apply to operations in Hong Kong, and we face the risks and uncertainties associated with the complex and evolving PRC laws and regulations and as to whether and how the recent PRC government statements and regulatory developments. In the event that we or our Hong Kong subsidiary were to become subject to PRC laws and regulations, we could incur material costs to ensure compliance, and we or our Hong Kong subsidiary might be subject to fines, and/or no longer be permitted to continue business operations as presently conducted.

Risks Related to Our Supply Chain

We rely on a limited number of third-party suppliers to provide high quality raw materials.

Our products require high quality raw materials, including down, softshell, wool, neoprene, and cotton. We do not manufacture our products or the raw materials for them and rely instead on suppliers. Many of the specialty fabrics used in our products are technically advanced textile products developed and manufactured by third parties and may be available, in the short-term, from only one or a limited number of sources. We have no long-term contracts with any of our suppliers or manufacturers for the production and supply of our raw materials and products, and we compete with other companies for fabrics, other raw materials, and production.

We work with a group of approximately 11 vendors that manufacture our products, 8 of which produced products in the fiscal year ended March 31, 2024. During the fiscal year ended March 31, 2024, the largest single manufacturer, Everich Garments Group Ltd., produced approximately 75% of our products and substantially all of our products were manufactured in China. We work with a group of approximately 3 suppliers to provide the fabrics for our products. For the fiscal year ended March 31, 2024, the largest single supplier, Toray International Inc., produced approximately 63% of the fabric for our products. During the fiscal year ended March 31, 2024, approximately 63% of our fabrics originated from Japan and 37% from China. We also source other raw materials which are used in our products, including items such as content labels, elastics, buttons, clasps and drawcords from suppliers located predominantly in the Asia Pacific region.

The price of raw materials depends on a wide variety of factors largely beyond the control of the Company. A shortage, delay or interruption of supply for any reason, including delays caused by the ongoing COVID-19 pandemic, could negatively impact our ability to fulfill orders and have an adverse impact on our financial results. In addition, while our suppliers, in turn, source from a number of sub-suppliers, we rely on a very small number of direct suppliers for certain raw materials. As a result, any disruption to these relationships could have an adverse effect on our business. Events that adversely affect our suppliers could impair our ability to obtain inventory in the quantities and at the quality that we require. Such events include difficulties or problems with our suppliers' businesses, finances, labor relations, ability to import raw materials, costs, production, insurance and reputation, as well as natural disasters, public health emergencies or other catastrophic occurrences. Our supply of fabrics and raw materials, for example, could be disrupted by the impact of the ongoing COVID-19 pandemic, especially in Asia, and the related government and private sector responsive actions such as border closures, restrictions on product shipments, and travel restrictions. A significant slowdown in the retail industry as a whole may also result in bankruptcies or permanent closures of some of our suppliers and third-party vendors. Furthermore, there can be no assurance that our suppliers will continue to provide fabrics and raw materials or provide products that are consistent with our standards. More generally, if we need to replace an existing supplier, additional supplies or additional manufacturing capacity may not be available when required on terms that are acceptable to us, or at all, and any new supplier may not meet our strict quality requirements. In the event we are required to find new sources of supply, we may encounter delays in production, inconsistencies in quality and added costs as a result of the time it takes to train our suppliers and manufacturers in our methods, products and quality control standards. Any delays, interruption or increased costs in the supply of our raw materials could have an adverse effect on our ability to meet customer demand for our products and result in lower revenue and profitability both in the short and long-term.

If our independent manufacturers or our suppliers fail to use ethical business practices and fail to comply with changing laws and regulations or our applicable guidelines, our brand image could be harmed due to negative publicity.

Our core values, which include developing the highest quality products while operating with integrity, are an important component of our brand image, which makes our reputation sensitive to allegations of unethical or improper business practices, whether real or perceived. We do not control our suppliers and manufacturers or their business practices. Accordingly, we cannot guarantee their compliance with our guidelines or the law. A lack of compliance could lead to reduced sales or recalls or damage to our brand or cause us to seek alternative suppliers, which could increase our costs and result in delayed delivery of our products, product shortages or other disruptions of our operations. In addition, many of our products include materials that are heavily regulated in many jurisdictions. Certain jurisdictions in which we sell have various regulations related to manufacturing processes and the chemical content of our products, including their component parts. Monitoring compliance by our manufacturers and suppliers is complicated, and we are reliant on their compliance reporting in order to comply with regulations applicable to our products. This is further complicated by the fact that expectations of ethical business practices continually evolve and may be substantially more demanding than applicable legal requirements. Ethical business practices are also driven in part by legal developments and by diverse groups active in publicizing and organizing public responses to perceived ethical shortcomings. Accordingly, we cannot predict how such regulations or expectations might develop in the future and cannot be certain that our guidelines or current practices would satisfy all parties who are active in monitoring our products or other business practices worldwide.

Labor-related matters, including labor disputes, relating to our suppliers may adversely affect our operations.

Potential labor disputes at independent factories where our goods are produced, shipping ports, or transportation carriers create risks for our business, particularly if a dispute results in work slowdowns, lockouts, strikes or other disruptions during our peak manufacturing, shipping and selling seasons. Any potential labor dispute could materially affect our costs, decrease our sales, harm our reputation or otherwise negatively affect our sales, profitability or financial condition. Further, the risks to our business due to a pandemic or other public health emergency, such as the ongoing COVID-19 pandemic, include risks to worker health and safety, prolonged restrictive measures put in place in order to control the crisis and limitations on travel, which may result in temporary shortages of staff or unavailability of certain workers with key expertise or knowledge of our business and, impact on productivity.

The operations of many of our suppliers are subject to additional risks that are beyond our control.

Almost all of our suppliers are located outside of North America and the United Kingdom, and as a result, we are subject to risks associated with doing business outside of these regions, including:

- the impact of health conditions, including COVID-19, and related government and private sector responsive actions, and other changes in local economic conditions in countries where our suppliers or manufacturers are located;
- political unrest, terrorism, labor disputes, and economic instability resulting in the disruption of trade from foreign countries in which our products are manufactured;
- fluctuations in foreign currency exchange rates;
- the imposition of new laws and regulations, including those relating to labor conditions, quality and safety standards, imports, duties, taxes and other charges on imports, as well as trade restrictions and restrictions on currency exchange or the transfer of funds;
- reduced protection for intellectual property rights, including trademark protection, in some countries, particularly in the PRC; and
- disruptions or delays in shipments whether due to port congestion, labor disputes, product regulations and/or inspections or other factors, natural disasters or health pandemics, or other transportation disruptions.

These and other factors beyond our control could interrupt our suppliers' production in offshore facilities, influence the ability of our suppliers to export our products cost-effectively or at all and inhibit our suppliers' ability to procure certain materials, any of which could harm our business, financial condition, and results of operations.

The fluctuating cost of raw materials could increase our cost of goods sold and cause our results of operations and financial condition to suffer.

The fabrics used to make our products include synthetic fabrics whose raw materials include petroleum-based products. Our products also include silver and natural fibers, including cotton. Our costs for raw materials are affected by, among other things, weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries, and other factors that are generally unpredictable and beyond our control. Increases in the cost of raw materials, including petroleum or the prices we pay for silver and our cotton yarn and cotton-based textiles, could have a material adverse effect on our cost of goods sold, results of operations, financial condition, and cash flows.

Additionally, increasing costs of labor, freight and energy could increase our and our suppliers' cost of goods. If our suppliers are affected by increases in their costs of labor, freight and energy, they may attempt to pass these cost increases on to us. If we pay such increases, we may not be able to offset them through increases in our pricing, which could adversely affect our results of operations and financial condition.

If we encounter problems with our distribution system, our ability to deliver our products to the market and to meet customer expectations could be harmed.

We rely on our distribution facilities for substantially all of our product distribution. Our distribution facilities include computer controlled and automated equipment, which means their operations may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, electronic or power interruptions, or other system failures. In addition, our operations could also be interrupted by labor difficulties, extreme or severe weather conditions or by floods, fires, or other natural disasters near our distribution centers. If we encounter problems with our distribution system, our ability to meet customer expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies could be harmed.

Increasing labor costs and other factors associated with the production of our products in China could increase the costs to produce our products.

Substantially all of our products are produced in China and increases in the costs of labor and other costs of doing business in the countries in this area could significantly increase our costs to produce our products and could have a negative impact on our operations and earnings. Factors that could negatively affect our business include labor shortages and increases in labor costs, difficulties and additional costs in transporting products manufactured from these countries to our distribution centers and significant revaluation of the currencies used in these countries, which may result in an increase in the cost of producing products. Also, the imposition of trade sanctions or other regulations against products imported by us from, or the loss of "normal trade relations" status with any country in which our products are manufactured, could significantly increase our cost of products and harm our business.

Risks Related to Doing Business in Hong Kong

It may be difficult for overseas shareholders and/or regulators to conduct investigations or collect evidence within the territory of China, including Hong Kong.

Shareholder claims or regulatory investigations that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory

authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law ("Article 177"), which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the territory of the mainland China. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigations or evidence collection activities within mainland China may further increase difficulties faced by you in protecting your interests.

The PRC laws and regulations and the enforcement of such that apply or are to be applied to Hong Kong can change quickly with little or no advance notice. As a result, the Hong Kong legal system embodies uncertainties which could limit the availability of legal protections, which could result in a material change in PMA's operations and/or the value of the securities we are registering for sale.

As one of the conditions for the handover of the sovereignty of Hong Kong to China, China accepted conditions such as Hong Kong's Basic Law (the "Basic Law"). The Basic Law ensured Hong Kong will retain its own currency (the Hong Kong Dollar), legal system, parliamentary system and people's rights and freedom for fifty years from 1997. This agreement has given Hong Kong the freedom to function with a high degree of autonomy. The Special Administrative Region of Hong Kong is responsible for its own domestic affairs including, but not limited to, the judiciary and courts of last resort, immigration and customs, public finance, currencies and extradition. Hong Kong continues using the English common law system.

However, if the PRC attempts to alter its agreement to allow Hong Kong to function autonomously, this could potentially impact Hong Kong's common law legal system and may in turn bring about uncertainty in, for example, the enforcement of our contractual rights. This could, in turn, materially and adversely affect our Hong Kong operating subsidiary's business and operations. Additionally, intellectual property rights and confidentiality protections in Hong Kong may not be as effective as in the United States or other countries. Accordingly, we cannot predict the effect of future developments in the Hong Kong legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us, including the ability to enforce agreements with the customers.

There are some political risks associated with conducting business in Hong Kong.

Any adverse economic, social and/or political conditions, material social unrest, strike, riot, civil disturbance or disobedience, as well as significant natural disasters, may affect the market and may adversely affect the business operations of PMA. Hong Kong is a special administrative region of the PRC and the basic policies of the PRC regarding Hong Kong are reflected in the Basic Law, namely, Hong Kong's constitutional document, which provides Hong Kong with a high degree of autonomy and executive, legislative and independent judicial powers, including that of final adjudication under the principle of "one country, two systems. However, there is no assurance that there will not be any changes in the economic, political and legal environment in Hong Kong in the future. Any change of such political arrangements may pose an immediate threat to the stability of the economy in Hong Kong, thereby directly and adversely affecting our results of operations and financial positions.

Under the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, Hong Kong is exclusively in charge of its internal affairs and external relations, while the government of the PRC is responsible for its foreign affairs and defense. As a separate customs territory, Hong Kong maintains and develops relations with foreign states and regions. Based on certain recent development including the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region issued by the Standing Committee of the PRC National People's Congress in June 2020, the U.S. State Department has indicated that the United States no longer considers Hong Kong to have significant autonomy from China and President Trump signed an executive order and Hong Kong Autonomy Act ("HKAA") to remove Hong Kong's preferential trade status and to authorize the U.S. administration to impose blocking sanctions against individuals and entities who are determined to have materially contributed to the erosion of Hong Kong's autonomy. The United States may impose the same tariffs and other trade restrictions on exports from Hong Kong that it places on goods from mainland China. These and other recent actions may represent an escalation in political and trade tensions involving the U.S., China and Hong Kong, which could potentially harm our business.

Our revenue is susceptible to the ongoing incidents or factors which affect the stability of the social, economic and political conditions in Hong Kong. Any drastic events may adversely affect our Hong Kong operating subsidiary's business operations. Such adverse events may include changes in economic conditions and regulatory environment, social and/or political conditions, civil disturbance or disobedience, as well as significant natural disasters. Given the relatively small geographical size of Hong Kong, any of such incidents may have a widespread effect on our Hong Kong operating subsidiary's business operations, which could in turn adversely and materially affect our business, results of operations and financial condition. It is difficult to predict the full impact of the HKAA on Hong Kong and companies with operations in Hong Kong like us. Furthermore, legislative or administrative actions in respect of China-U.S. relations could cause investor uncertainty for affected issuers, including us, and the market price of our common stock could be adversely affected.

Risks Related to Information Security and Technology

Our marketing programs, ecommerce initiatives and use of customer information are governed by an evolving set of laws and enforcement trends and unfavorable changes in those laws or trends, or our failure to comply with existing or future laws, could substantially harm our business and results of operations.

We collect, process, maintain and use data, including sensitive information on individuals, available to us through online activities and other customer interactions in our business. Our current and future marketing programs may depend on our ability to collect, maintain and use this information, and our ability to do so is subject to evolving and increasingly demanding international, U.S., U.K., European and other laws and enforcement trends. We are subject to laws and regulations such as the European Union's General Data Privacy Regulation ("GDPR"), the United Kingdom's General Data Privacy Regulation ("UK-GDPR") and the California Consumer Privacy Act ("CCPA"). These regulations require companies to satisfy new requirements regarding the handling of personal and sensitive data, including its use, protection, and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to comply with GDPR and UK-GDPR requirements could result in penalties of up to four percent of worldwide revenue. The GDPR, UK-GDPR, CCPA, and other similar laws and regulations, as well as any associated inquiries or investigations or any other government actions, may be costly to comply with, increase our operating costs, require significant management time and attention, and subject us to remedies that may harm our business, including fines, negative publicity, or demands or orders that we modify or cease existing business practices. We strive to comply with all applicable laws and other legal obligations relating to privacy, data protection and customer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, may conflict with other rules, may conflict with our practices or fail to be observed by our employees or business partners. If so, we may suffer damage to our reputation and be subject to proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts to defend our practices, distract our management or otherwise have an adverse effect on our business. Certain of our marketing practices rely upon e-mail to communicate with consumers on our behalf. We may face risk if our use of e-mail is found to violate the applicable law. We post our privacy policy and practices concerning the use and disclosure of user data on our websites. Any failure by us to comply with our posted privacy policy or other privacy-related laws and regulations could result in proceedings which could

potentially harm our business. In addition, as data privacy and marketing laws change, we may incur additional costs to ensure we remain in compliance. If applicable data privacy and marketing laws become more restrictive at the international, federal or state levels, our compliance costs may increase, our ability to effectively engage customers via personalized marketing may decrease, our investment in our ecommerce platform may not be fully realized, our opportunities for growth may be curtailed by our compliance burden and our potential reputational harm or liability for security breaches may increase.

Disruption of our information technology systems or unexpected network interruption could disrupt our business.

Many of our customers shop with us through our ecommerce website. Increasingly, customers are using tablets and smart phones to shop online with us and with our competitors and to do comparison shopping. We are increasingly using social media and proprietary mobile apps to interact with our customers and as a means to enhance their shopping experience. Any failure on our part to provide attractive, effective, reliable, user-friendly ecommerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers could place us at a competitive disadvantage, result in the loss of ecommerce and other sales, harm our reputation with customers, have a material adverse impact on the growth of our ecommerce business globally and could have a material adverse impact on our business and results of operations.

We are increasingly dependent on information technology systems and third-parties to operate our ecommerce websites, process transactions, process and handle inventory, producing, selling and shipping goods on a timely basis and maintain cost-efficient operations. We rely on a number of third parties to help us effectively manage these systems. The failure of our information technology systems to operate properly or effectively, problems with transitioning to upgraded or replacement systems, or difficulty in integrating new systems, could adversely affect our business. In addition, we have a global ecommerce website, with the ability to localize content internationally. Our information technology systems, website and operations of third parties on whom we rely may encounter damage or disruption or slowdown caused by a failure to successfully upgrade systems, system failures, viruses, computer "hackers", natural disasters or other causes. These could cause information, including data related to customer orders, to be lost or delayed which could, especially if the disruption or slowdown occurred during the holiday season, result in delays in the delivery of products to our customers or lost sales, which could reduce demand for our products and cause our sales to decline. For example, we implemented a work-from-home policy due to the COVID-19 pandemic for our workforce. This increase in working remotely could increase our cyber security risk, create data accessibility concerns, and make us more susceptible to communication disruptions, any of which could adversely impact our business operations. In addition, if changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could lose customers. We have limited back-up systems and redundancies, and our information technology systems and websites have experienced system failures and electrical outages in the past which have disrupted our operations. Any significant disruption in our information technology systems or websites could harm our reputation and credibility and could have a material adverse effect on our business, financial condition and results of operations.

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Data security breaches and other cyber security events could result in disruption to our operations or financial losses and could negatively affect our reputation, credibility and business.

As with other companies, we are subject to risks associated with data security breaches and other cyber security events. We collect, process, maintain and use personal information relating to our customers, employees and job-applicants and rely on third parties for the operation of our ecommerce site and for the various social media tools and websites we use as part of our marketing strategy. Any attempted or actual unauthorized disclosure of personally identifiable information regarding our employees, customers or website visitors could harm our reputation and credibility, reduce our ecommerce sales, impair our ability to attract website visitors, reduce our ability to attract and retain customers and could result in litigation against us or the imposition of significant fines or penalties. Attacks may be targeted at us, our vendors or customers, or others who have entrusted us with information. Our on-line activities, including our ecommerce websites, also may be subject to denial of service or other forms of cyber-attacks. While we have taken measures we believe are reasonable to protect against those types of attacks, those measures may not adequately protect our on-line activities from such attacks. If a denial-of-service attack or other cyber event were to affect our ecommerce sites or other information technology systems, our business could be disrupted, we may lose sales or valuable data, and our reputation may be adversely affected. Additionally, new and evolving data protection legislation such as the GDPR impose new requirements such as shorter notification timeframes that could increase the risks associated with data security breaches. We have procedures and technology in place designed to safeguard our customers' debit and credit cards and our customers' and employees' other personal information, and we continue to devote significant resources to network security, backup and disaster recovery, and other security measures. Nevertheless, these security measures cannot provide absolute security or guarantee that we will be successful in preventing or responding to every such breach or disruption. Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security, as well as increased data protection obligations imposed on merchants by credit card issuers. As a result, we may become subject to more extensive requirements to protect the customer information that we process in connection with the purchase of our products, resulting in increased compliance costs. Actual or anticipated attacks may cause us to incur increasing costs including costs to deploy additional personnel and protection technologies, train employees and engage third party experts and consultants. Advances in computer capabilities, new technological discoveries or other developments may result in the technology used by us to protect transaction or other data being breached or compromised. Measures we implement to protect against cyber-attacks may also have the potential to impact our customers' shopping experience or decrease activity on our websites by making them more difficult to use. Data and security breaches can also occur as a result of non-technical issues including intentional or inadvertent breach by employees or persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure and damage to our brand and reputation or other harm to our business.

Risks Related to Environmental, Social and Governance Issues

Climate change, and related legislative and regulatory responses to climate change, may adversely impact our business.

There is increasing concern that a gradual rise in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere will cause significant changes in weather patterns around the globe, an increase in the frequency, severity and duration of extreme weather conditions and natural disasters, and water scarcity and poor water quality. A significant portion of our business is highly dependent on cold-weather seasons and patterns to generate consumer demand for our products. Consumer demand for our products may be negatively affected to the extent global weather patterns trend warmer, reducing typical patterns of cold-weather events or increasing weather volatility, which could have an adverse effect on our financial condition, results of operations or cash flows.

These events could also adversely impact the cultivation of cotton, which is a key resource in the production of our products, disrupt the operation of our supply chain and the productivity of our contract manufacturers, increase our production costs, impose capacity restraints and impact the types of apparel products that consumers purchase.

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These events could also compound adverse economic conditions and impact consumer confidence and discretionary spending. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations. In many countries, governmental bodies are enacting new or additional legislation and regulations to reduce or mitigate the potential impacts of climate change. If we, our suppliers or our contract

manufacturers are required to comply with these laws and regulations, or if we choose to take voluntary steps to reduce or mitigate our impact on climate change, we may experience increases in energy, production, transportation and raw material costs, capital expenditures or insurance premiums and deductibles, which could adversely impact our operations. Inconsistency of legislation and regulations among jurisdictions may also affect the costs of compliance with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change in the countries in which we operate.

Increased scrutiny from investors and others regarding our environmental, social, governance or sustainability responsibilities could result in additional costs or risks and adversely impact our reputation, employee retention and willingness of customers and suppliers to do business with us.

Investor advocacy groups, certain institutional investors, investment funds, other market participants, stockholders and customers have focused increasingly on the environmental, social and governance ("ESG") or "sustainability" practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. If our ESG practices do not meet investor or other industry stakeholder expectations and standards, which continue to evolve, our brand, reputation and employee retention may be negatively impacted based on an assessment of our ESG practices. Any sustainability report that we publish or other sustainability disclosure we make may include our policies and practices on a variety of social and ethical matters, including corporate governance, environmental compliance, employee health and safety practices, human capital management, product quality, supply chain management and workforce inclusion and diversity. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. We could also incur additional costs and require additional resources to monitor, report and comply with various ESG practices. Also, our failure, or perceived failure, to meet the standards included in any sustainability disclosure could negatively impact our reputation, employee retention and the willingness of our customers and suppliers to do business with us.

Risks Related to Global Economic, Political and Regulatory Conditions

An economic recession, depression, downturn or economic or political uncertainty in our key markets may adversely affect consumer discretionary spending and demand for our products.

Many of our products may be considered discretionary items for consumers. Uncertain or challenging global economic and political conditions could impact our performance, including our ability to successfully expand internationally. Some of the factors that may influence consumer spending on discretionary items include general economic conditions (particularly those in North America), high levels of unemployment, health pandemics (such as the impact of the current COVID-19 pandemic, including reduced store traffic and widespread temporary closures of retail locations), higher consumer debt levels, reductions in net worth based on market declines and uncertainty, home foreclosures and reductions in home values, fluctuating interest and foreign currency rates and credit availability, government austerity measures, fluctuating fuel and other energy costs, fluctuating commodity prices, tax rates and general uncertainty regarding the overall future economic environment. To date, COVID-19 and related restrictions and mitigation measures have negatively impacted the global economy and created significant volatility and disruption of financial markets. Political unrest could also negatively impact our customers and employees, reduce consumer spending and adversely impact our business and results of operations. As global economic conditions continue to be volatile or economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. Unfavorable economic conditions may lead consumers to delay or reduce purchases of our products. Consumer demand for our products may not reach our targets, or may decline, when there is an economic downturn or economic uncertainty in our key markets, particularly in North America. China is a target growth market for us, although consumer demand for our products there may also be impacted by unfavorable economic conditions in China. Our sensitivity to economic cycles and any related fluctuation in consumer demand may have a material adverse effect on our financial condition.

We may be unable to source and sell our merchandise profitably or at all if new trade restrictions are imposed or existing restrictions become more burdensome.

The countries in which our products are produced or sold have imposed and may impose additional quotas, duties, tariffs or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. The results of any audits or related disputes regarding these restrictions or regulations could have an adverse effect on our consolidated financial statements for the period or periods for which the applicable final determinations are made. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to us, could increase shipping times or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations.

We are dependent on international trade agreements and regulations. Adverse changes in, or withdrawal from, trade agreements or political relationships between the United States and the PRC, Canada or other countries where we sell or source our products, could negatively impact our results of operations or cash flows. Any tariffs imposed between the United States and the PRC could increase the costs of our products. General geopolitical instability and the responses to it, such as the possibility of sanctions, trade restrictions and changes in tariffs, including recent sanctions against the PRC, tariffs imposed by the United States and the PRC and the possibility of additional tariffs or other trade restrictions between the United States and Mexico, could adversely impact our business. It is possible that further tariffs may be introduced or increased. Such changes could adversely impact our business and could increase the costs of sourcing our products from the PRC or could require us to source more of our products from other countries.

There could be changes in economic conditions in the United Kingdom or European Union ("EU"), including due to the United Kingdom's withdrawal from the EU, foreign exchange rates and consumer markets. Our business could be adversely affected by these changes, including by additional duties on the importation of our products into the United Kingdom from the EU and as a result of shipping delays or congestion.

Changes in tax laws or unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.

We are subject to the income tax laws of the United States, the United Kingdom and several other foreign jurisdictions. Our effective income tax rates could be unfavorably impacted by a number of factors, including changes in the mix of earnings amongst countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, new tax interpretations and guidance, the outcome of income tax audits in various jurisdictions around the world and any repatriation of unremitted earnings for which we have not previously accrued applicable U.S. income taxes and foreign withholding taxes.

We and our subsidiaries engage in a number of intercompany transactions across multiple tax jurisdictions and the profit allocation and transfer pricing terms and conditions may be scrutinized by local tax authorities during an audit and any resulting changes may impact our mix of earnings in countries with differing statutory tax rates.

Current economic and political conditions make tax rules in any jurisdiction, including the United States and the United Kingdom, subject to significant change. Changes in applicable U.S., U.K. or other foreign tax laws and regulations, or their interpretation and application, including the possibility of retroactive effect, could affect our income tax expense and profitability.

Our failure to comply with trade and other regulations could lead to investigations or actions by government regulators and negative publicity.

The labeling, distribution, importation, marketing and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, Consumer Product Safety Commission and state attorneys general in the United States, as well as by various other federal, state, local and international regulatory authorities in the countries in which our products are distributed or sold. If we fail to comply with any of these regulations, we could become subject to enforcement actions or the imposition of significant penalties or claims, which could harm our results of operations or our ability to conduct our business. In addition, any audits and inspections by governmental agencies related to these matters could result in significant settlement amounts, damages, fines or other penalties, divert financial and management resources and result in significant legal fees. An unfavorable outcome of any particular proceeding could have an adverse impact on our business, financial condition and results of operations. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in significant compliance costs or discontinuation of product sales and could impair the marketing of our products, resulting in significant loss of net revenue.

Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act (the "FCPA") and other anti-bribery laws applicable to our operations. In many countries, particularly in those with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other U.S. and international laws and regulations applicable to us. Although we have implemented procedures designed to ensure compliance with the FCPA and similar laws, some of our employees, agents or other partners, as well as those companies to which we outsource certain of our business operations, could take actions in violation of our policies. Any such violation could have a material and adverse effect on our business.

Because a significant portion of our net revenue and expenses are generated in countries other than the United States, fluctuations in foreign currency exchange rates have affected our results of operations and may continue to do so in the future.

The functional currency of our foreign subsidiaries is generally the applicable local currency. Our consolidated financial statements are presented in U.S. dollars. Therefore, the net revenue, expenses, assets and liabilities of our foreign subsidiaries are translated from their functional currencies into U.S. dollars. Fluctuations in the value of the U.S. dollar affect the reported amounts of net revenue, expenses, assets and liabilities. Foreign exchange differences which arise on translation of our foreign subsidiaries' balance sheets into U.S. dollars are recorded as a foreign currency translation adjustment in accumulated other comprehensive income or loss within stockholders' equity. We also have exposure to changes in foreign exchange rates associated with transactions which are undertaken by our subsidiaries in currencies other than their functional currency. Such transactions include intercompany transactions and inventory purchases denominated in currencies other than the functional currency of the purchasing entity. As a result, we have been impacted by changes in exchange rates and may be impacted for the foreseeable future. The potential impact of currency fluctuation increases as our international expansion increases. We are exposed to credit-related losses in the event of nonperformance by the counterparties to forward currency contracts used in our hedging strategies.

Risks Related to Intellectual Property

Our fabrics and manufacturing technology generally are not patented and can be imitated by our competitors. If our competitors sell products similar to ours at lower prices, our net revenue and profitability could suffer.

The intellectual property rights in the technology, fabrics and processes used to manufacture our products generally are owned or controlled by our suppliers and are generally not unique to us. Our ability to obtain intellectual property protection for our products is therefore limited and we do not generally own patents or hold exclusive intellectual property rights in the technology, fabrics or processes underlying our products. As a result, our current and future competitors are able to manufacture and sell products with performance characteristics, fabrics and styling similar to our products. Because many of our competitors have significantly greater financial, distribution, marketing and other resources than we do, they may be able to manufacture and sell products based on our fabrics and manufacturing technology at lower prices than we can. If our competitors sell products similar to ours at lower prices, our net revenue and profitability could suffer.

If we are unable to establish and protect our trademarks and other intellectual property rights, counterfeiters may produce copies of our products and such counterfeit products could damage our brand image.

We currently rely on a combination of copyright, trademark, trade dress and unfair competition laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our intellectual property rights. The steps we take to protect our intellectual property rights may not be adequate to prevent infringement of these rights by others, including imitation of our products and misappropriation of our brand. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our intellectual property rights as fully as in the United States, and it may be more difficult for us to successfully challenge the use of our intellectual property rights by other parties in these countries. We expect that there is a high likelihood that counterfeit products or other products infringing on our intellectual property rights will continue to emerge, seeking to benefit from the consumer demand for Perfect Moment products. These counterfeit products do not provide the functionality of our products and we believe they are of substantially lower quality, and if customers are not able to differentiate between our products and counterfeit products, this could damage our brand image. In order to protect our brand, we devote significant resources to the registration and protection of our trademarks and to anti-counterfeiting efforts worldwide. We actively pursue entities involved in the trafficking and sale of counterfeit merchandise through legal action or other appropriate measures. In spite of our efforts, counterfeiting still occurs and, if we are unsuccessful in challenging a third-party's rights related to trademark, copyright or other intellectual property rights, this could adversely affect our future sales, financial condition and results of operations. We cannot guarantee that the actions we have taken to curb counterfeiting and protect our intellectual property will be adequate to protect the brand and prevent counterfeiting in the future or that we will be able to identify and pursue all counterfeiters who may seek to benefit from our brand.

Our trademarks and other proprietary rights could potentially conflict with the rights of others and we may be prevented from selling some of our products.

Our success depends in large part on our brand image. We believe that our trademarks and other proprietary rights have significant value and are important to identifying and differentiating our products from those of our competitors and creating and sustaining demand for our products. We have applied for and obtained some United States, United Kingdom and foreign trademark registrations, and will continue to evaluate the registration of additional trademarks as appropriate. However, some or all of these pending trademark applications may not be approved by the applicable governmental authorities. Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge these registrations. Additionally, we may face obstacles as we expand our product line and the geographic scope of our sales and marketing. Third parties may assert intellectual property claims against us, particularly as we expand our business and the number of products we offer. Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. In addition, resolution of claims may require us to redesign our products, license rights from third parties, or cease using those rights altogether. Any of these events could harm our business and cause our results of operations,

liquidity and financial condition to suffer.

Risks Related to Legal and Governance Matters

We are subject to periodic claims, litigation, legal proceedings and audits that could result in unexpected expenses and could ultimately be resolved against us.

Our business requires compliance with many laws and regulations, including labor and employment, sales and other taxes, customs and consumer protection laws and ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise, and the operation of stores and warehouse facilities. Failure to comply with these laws and regulations could subject us to lawsuits and other proceedings, and could also lead to damage awards, fines and penalties. The outcome of some of these legal proceedings, audits and other contingencies could require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our financial condition.

In addition, from time to time, we are involved in litigation and other proceedings, including matters related to product liability claims, stockholder class action and derivative claims, commercial disputes and intellectual property, as well as trade, regulatory, employment and other claims related to our business. For example, on December 20, 2023, Aspen Skiing Company, LLC filed a complaint against the Company in the United States District Court for the District of Colorado, alleging, among other things, trademark infringement, false association, false endorsement, unfair competition and deceptive trade practices by the Company. See Note 17 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report.

We have in the past and may become involved in legal proceedings or audits, including government and agency investigations, and consumer, employment, tort and other litigation. Any of these proceedings could result in significant settlement amounts, damages, fines or other penalties, divert financial and management resources and result in significant legal fees. An unfavorable outcome of any particular proceeding could exceed the limits of our insurance policies or the carriers may decline to fund such final settlements and/or judgments and could have an adverse impact on our business, financial condition and results of operations. In addition, any proceeding could negatively impact our reputation among our customers and our brand image.

Our business could be negatively affected as a result of actions of activist stockholders or others.

We may be subject to actions or proposals from stockholders or others that may not align with our business strategies or the interests of our other stockholders. Responding to such actions can be costly and time-consuming, disrupt our business and operations and divert the attention of our board of directors, management and employees from the pursuit of our business strategies. Such activities could interfere with our ability to execute our strategic plan. Activist stockholders or others may create perceived uncertainties as to the future direction of our business or strategy which may be exploited by our competitors and may make it more difficult to attract and retain qualified personnel and potential customers, and may affect our relationships with current customers, vendors, investors and other third parties. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and our board of directors. The perceived uncertainties as to our future direction also could affect the market price and volatility of our securities.

Anti-takeover provisions in our charter documents and under the General Corporation Law of the State of Delaware could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our management.

Provisions in our amended and restated certificate of incorporation and our bylaws may delay or prevent an acquisition of us or a change in our management. These provisions impact the ability of the board of directors to issue preferred stock without stockholder approval. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"), which prohibits stockholders owning in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired more than 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Although we believe these provisions collectively will provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove then-current management by making it more difficult for stockholders to replace members of the board of directors, which is responsible for appointing the members of management.

Anti-takeover provisions in our charter documents could discourage, delay or prevent a change in control of us and may affect the trading price of our common stock.

Our corporate documents and the DGCL contain provisions that may enable our board of directors to resist a change in control of us even if a change in control were to be considered favorable by our stockholders. These provisions:

- require a 66 and 2/3% stockholder vote to remove directors, who may only be removed for cause;
- authorize our board of directors to issue "blank check" preferred stock and to determine the rights and preferences of those shares, which may be senior to our common stock, without prior stockholder approval;
- establish advance notice requirements for nominating directors and proposing matters to be voted on by stockholders at stockholders' meetings;

- prohibit our stockholders from calling a special meeting and prohibit stockholders from acting by written consent;
- require a 66 and 2/3% stockholder vote to effect certain amendments to our certificate of incorporation and bylaws; and
- prohibit cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates.

These provisions could discourage, delay or prevent a transaction involving a change in control. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause us to take other corporate actions our stockholders desire.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to an alternative forum, the Court of Chancery

of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws or any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein and the claim not being one which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or for which the Court of Chancery does not have subject matter jurisdiction. Our amended and restated certificate of incorporation provides that state and federal courts will have concurrent jurisdiction for actions arising under the Securities Act of 1933, as amended (the "Securities Act"), and the exclusive forum provision will not apply to suits brought to enforce duties and liabilities created by the Exchange Act or any other claims for which the federal courts have exclusive jurisdiction. Any person purchasing or otherwise acquiring any interest in any shares of our common stock shall be deemed to have notice of and to have consented to this provision of our amended and restated certificate of incorporation. This choice of forum provision may limit our stockholders' ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents even though an action, if successful, might benefit our stockholders. Stockholders who do bring a claim in the Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Delaware. The Court of Chancery may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find this provision of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could have a material adverse effect on our business, financial condition or results of operations.

Risks Related to Ownership of Our Common Stock

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

For as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

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We will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter after we have been a reporting company in the United States for at least 12 months, (ii) the end of the fiscal year in which we have total annual gross revenue of \$1.07 billion or more during such fiscal year, (iii) the date on which we issue more than \$1 billion in non-convertible debt in a three-year period or (iv) February 7, 2029.

If we are unable to implement and maintain effective internal control over financial reporting investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

As a public company, we will be required to maintain internal control over financial reporting for the year ending March 31, 2025 and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act") requires that we evaluate and determine the effectiveness of our internal control over financial reporting and, beginning with our annual report for the fiscal year ending March 31, 2025, provide a management report on the internal controls over financial reporting, which must be attested to by our independent registered public accounting firm to the extent we decide not to avail ourselves of the exemption provided to an emerging growth company, as defined by the Jumpstart Our Business Startups Act. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our consolidated financial statements may be materially misstated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, if we are unable to assert that our internal control over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, if and when required, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation of our common stock, if any, will be your sole source of gain.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future financing agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be an investor's sole source of gain for the foreseeable future.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

On February 12, 2024, we consummated the initial public offering of our common stock for aggregate approximate net proceeds of \$6,009, after deducting underwriting discounts and commissions and estimated offering expenses. Based upon our current operating plan and assumptions, we expect that the net proceeds from the initial public offering and our existing cash balances and expected cash flows from operations, alongside the continuance of our existing financing arrangements, and the automatic conversion of the outstanding balance of the Notes upon the closing of the initial public offering will be sufficient to fund our operations for at least the next 12 months, excluding financing to support production (i.e. timing of working capital). However, our operating plan may change, and our assumptions may prove to be wrong, as a result of many factors currently unknown to us, and we could use our available capital resources sooner than we expect. We may need to seek additional funds sooner than planned, through public or private equity or debt financings or other third-party funding or a combination of these approaches. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or based upon specific strategic considerations.

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Any additional capital-raising efforts may divert our management's attention from the operation of our business. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we are unable to obtain sufficient amounts of additional capital, when and if we require it, we may be required to reduce the scope of our planned development, which could harm our business, financial condition and results of operations.

If we raise additional capital through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant

dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when and if we require it, our ability to continue to support our business growth, and to respond to business challenges could be significantly impaired.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our 2021 Equity Incentive Plan, could result in additional dilution of the percentage ownership of our stockholders.

We expect that significant additional capital will be needed in the future to continue our planned operations. To raise capital, we may sell substantial amounts of common stock or securities convertible into or exchangeable for common stock. These future issuances of common stock or common stock-related securities, together with the exercise of outstanding options and any additional shares issued in connection with acquisitions, if any, may result in material dilution to our investors. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights, preferences and privileges senior to those of holders of our common stock.

Pursuant to the 2021 Plan, the plan administrator is authorized to grant equity-based incentive awards to our directors, executive officers and other employees and service providers. As of June 26, 2024, there were 1,705,207 shares of common stock reserved for issuance in connection with outstanding awards granted under the 2021 Plan and 2,519,750 shares of common stock were available for future issuance under the 2021 Plan. Future equity incentive grants and issuances of common stock under awards outstanding under the 2021 Plan may result in dilution to our stockholders.

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

We will face increased legal, accounting, administrative and other costs and expenses as a public company that we did not incur as a private company. In addition, costs have been incurred in the years ended March 31, 2024 and 2023 in preparation of becoming a public company. The Sarbanes-Oxley Act, including the requirements of Section 404, as well as new rules and regulations subsequently implemented by the SEC and the Public Company Accounting Oversight Board impose additional reporting and other obligations on public companies. We expect that compliance with these public company requirements will increase our costs and make some activities more time-consuming. A number of those requirements will require us to carry out activities we have not done previously. For example, we will adopt new internal controls and disclosure controls and procedures. In addition, we will incur additional expense associated with our SEC reporting requirements. Furthermore, if we identify an issue in complying with those requirements (for example, if we or our accountants identify a material weakness or significant deficiency in our internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect us, our reputation or investor perceptions of us. We also expect that it will be difficult and expensive to obtain director officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and train qualified people to serve on our board of directors or as executive officers. Advocacy efforts by stockholders and third parties may also prompt even more changes in corporate governance and reporting requirements. We expect that the additional reporting and other obligations imposed on us by these rules and regulations will increase our legal and financial compliance costs and administrative fees significantly. These increased costs will require us to divert a significant amount of money that we could otherwise use to expand our business and achieve our strategic objectives.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our common stock adversely, the price and trading volume of our common stock could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us, our business, our market or our competitors. If any of the analysts who cover us or may cover us in the future change their recommendation regarding our common stock adversely, or provide more favorable relative recommendations about our competitors, the price of our common stock would likely decline. If any analyst who covers us or may cover us in the future were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the price or trading volume of our common stock to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. Cybersecurity

Risk management and strategy

We recognize the critical importance of developing, implementing, and maintaining robust cybersecurity measures to safeguard our information systems and protect the confidentiality, integrity, and availability of our data.

Managing Material Risks & Integrated Overall Risk Management

We have strategically integrated cybersecurity risk management into our broader risk management framework to promote a company-wide culture of cybersecurity risk management. This integration ensures that cybersecurity considerations are an integral part of our decision-making processes at every level. Our management team works closely with our IT department to continuously evaluate and address cybersecurity risks in alignment with our business objectives and operational needs.

Oversee Third-party Risk

Because we are aware of the risks associated with third-party service providers, we have implemented stringent processes to oversee and manage these risks. We conduct thorough security assessments of all third-party providers before engagement and maintain ongoing monitoring to ensure compliance with our cybersecurity standards. The monitoring includes annual assessments of the SOC reports (or international equivalent) of our providers and implementing complementary controls. This approach is designed to mitigate risks related to data breaches or other security incidents originating from third parties.

Risks from Cybersecurity Threats

We have not encountered cybersecurity challenges that have materially impaired our operations or financial standing.

ITEM 2. PROPERTIES

Our corporate headquarters is located in London, England where we lease office space under a lease that expires in April 2025. In addition to our corporate headquarters, we have an office in Hong Kong, where we lease office space that expires in February 2026.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of our legal proceedings, refer to Note 17 “Commitments and Contingencies,” in the notes to our audited consolidated financial statements of this Annual Report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Market Information

Our common stock trades on The New York Stock Exchange (“NYSE”) under the symbol “PMNT.”

Holders of Common Stock

As of June 26, 2024, there were approximately 218 holders of record of our common stock. These holders of record include depositories that hold shares of stock for brokerage firms which, in turn, hold shares of stock for numerous beneficial owners.

Dividends

We have never declared or paid dividends. We do not intend to pay cash dividends on our common stock for the foreseeable future, but currently intend to retain any future earnings to fund the development and growth of our business. The payment of dividends if any, on our common stock will rest solely within the discretion of our board of directors and will depend, among other things, upon our earnings, capital requirements, financial condition, and other relevant factors.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6. [RESERVED]

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

The following discussion and analysis of our results of operations and financial condition for the fiscal years ended March 31, 2024 and 2023, should be read in conjunction with our consolidated financial statements and the related notes and the other financial information that are included elsewhere in this Annual Report. This discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations, and intentions. The following discussion contains forward-looking statements that involve risks and uncertainties such as our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements below. Factors that could cause or contribute to those differences in our actual results include, but are not limited to, those discussed below and those discussed elsewhere within this Annual Report, particularly in the section entitled “Cautionary Note Regarding Forward-Looking Statements” and the Item entitled “Risk Factors.”

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Overview

Perfect Moment is a high-performance, luxury skiwear and lifestyle brand that fuses technical excellence with fashion-led designs. We create apparel and products that feature what we believe is an unmatched combination of fashion, form, function and fun for women, men and children.

Across all revenue channels, Perfect Moment distributes to over 60 countries. We design our products in-house and work with a variety of suppliers to manufacture materials and finished goods. Our collections are worn by an evolving list of celebrities and influencers whose perfect moments are captured across a range of social media platforms.

Revenue

Total revenue for the year ended March 31, 2024, was \$24,443 compared to \$23,438 for the year ended March 31, 2023, an increase of \$1,005 or 4.3%. The increase is primarily attributed to an increase in ecommerce revenue of \$1,833 or 21.4% versus the prior year. The increase in ecommerce is attributed to enhanced brand awareness and the Company's focus on ecommerce. The overall increase is offset by a decrease in wholesale revenue of \$828 or 5.6%. The decrease is attributed to higher purchases from our wholesale customers in fiscal year 2023 due to the post COVID-19 rebound.

Ecommerce

The Company has deployed strategies across the entire sales and marketing funnel as we focus on building a direct relationship with our customer, which we believe is an important step of following our customer from the ski slopes, to après, to the chalet, and eventually home expanding our product offering across all seasons.

We remain one of the most followed luxury ski brands globally and increased our followers across all social media platforms (Instagram, Facebook (Meta) and TikTok) by 19% from March 31, 2023 through March 31, 2024. The number of unpaid celebrities and influencers driving the top of our funnel is extraordinary for a company of our size. The strength at the top of the funnel provides opportunities to move our customers through the funnel that not only leads to sales but more importantly allows us to build a community and ultimately customer loyalty.

For the year ended March 31, 2024, our digital strategies have aligned our customers with the expectations of a luxury brand allowing us to reach new milestones. Our focus for fiscal year 2024 was to drive full price retail by reducing the number of products on discount and shortening our

discount windows. The strategy was deployed throughout the year including Black Friday where we discounted a smaller product range than in prior years while providing our customers with a balance between full price and promotional items. The result was our biggest Black Friday as we delivered \$1,833 of gross sales, a 52% increase versus the prior year, while achieving higher margins.

Gross Profit and Margin

Our gross profit for the year ended March 31, 2024 was \$9,231 compared to \$8,756 for the year ended March 31, 2023, an increase of \$475 or 5.4%. Our gross margins were 37.8% and flat compared to the 37.4% achieved in the prior year. The increase was primarily attributed to strategic changes in ecommerce driven by less discounting and improvements in the supply chain with Global-E, offset by a decrease in wholesale margin as well as a shift in revenue to lower margin ecommerce revenue.

Improving our gross margins in ecommerce was a focus in fiscal year 2024, with anticipated improvements to our gross margins in fiscal year 2025. Currently, all ecommerce orders are dispatched from a third-party distribution center in the United Kingdom and in most instances the Company is paying duties to cross international borders. Compounding the margin dilution is the fact we are paying duties at full retail and not at a transfer price. We plan on opening third party operated distribution centers in key markets to lower our duty costs. The local distribution centers will improve our customer experience, lower our duty cost plus reduce outbound and return shipping cost. Our first third party distribution center outside of the United Kingdom will be in the United States in FY24.

We anticipate our ecommerce margins to surpass wholesale margins in FY26.

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Summary of Key Strategies to Improve Margin

- *Shift towards direct-to-consumer revenue (such as ecommerce and physical retail).* We expect that rebalancing our sales from wholesale to direct to consumer, coupled with the other margin initiatives would result in a double-digit percentage point improvement in our gross margin, due to channel mix, over time.
- *Reducing product range within skiwear.* We believe the current range offers too much choice, and yields poorer margins, resulting from a lack of economies of scale and higher levels of markdown and discounts.
- *Review and modify supplier base.* We are expecting our supplier base to evolve as we source fabrics and trims more efficiently and introduce new finished good suppliers with better commercial terms (such as lower labor costs or better duty rates due to factories being based in the EU, UK, or Vietnam).
- *Review and revise price positioning.* We will continue reviewing our selling prices. We are expecting to introduce better discipline and processes to assess price positioning with a focus on margin by each product, country of manufacture and country of selling. We expect to raise selling prices to improve the gross margin over time as part of the range development process and will monitor price elasticity. We believe prices are relatively in-elastic for our industry and our customer segment, and that pricing increases are generally expected by customers annually for luxury goods.
- *Focusing on reducing costs relating to crossing borders.* Operating a global business requires crossing borders with products resulting in high costs for freight, duty, couriers and other handling costs. Perfect Moment has grown very quickly and as a result has not been able to focus on crossing borders in a cost-effective way. We are focused on reducing these costs and expect to see savings over time in freight (for example by using less air freight and more sea freight), lowering duty costs (for example moving production to countries with lower tariffs and opening third party logistic hubs) and reducing broker fees through better processes.

Our Business Strategy

Perfect Moment sits at the intersection of three large and growing markets (luxury ski apparel, premium outerwear and athleisure and lifestyle). Based on the characteristics of these respective markets, we believe we have the right brand profile, geographic footprint, target demographic, marketing tools and operational expansion plan to gain significant market share. We believe we are also well-positioned to drive sustainable growth and profitability by executing on the following strategies:

Grow Brand Awareness and Attract New Customers

Building brand awareness among potential new customers and strengthening our connections with those who already know us will be a key driver of our growth. While we believe our brand has achieved substantial traction globally and those who have experienced our products demonstrate loyalty, our presence is relatively nascent in many of our markets. We believe we have a significant opportunity to increase brand awareness and attract new customers to Perfect Moment through word of mouth, brand marketing and performance marketing.

In the past, Perfect Moment's strong skiing heritage has been used to engage with a core ski audience for whom we believe the combination of technical performance and retro inspired designs resonate strongly. We believe the nature of skiing as a largely affluent, international pursuit means there is a large opportunity in aspirational, lifestyle-led social media engagement. We believe Perfect Moment has captured this social media opportunity to great effect, combining the style and form of the brand with celebrities, influencers, top-tier editorial, collaborations and luxury locations to create a distinct, fun and engaging aspirational lifestyle narrative. Beyond social media, we believe Perfect Moment has been able to deploy this same core brand proposition and narrative to direct digital marketing and traditional media, elevating brand profile and driving high levels of engagement simultaneously. Perfect Moment has also been able to build an effective online marketing engine driving large volumes of direct, organic search and paid search traffic to our ecommerce website, www.perfectmoment.com.

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Perfect Moment expects to continue its approach to social media, building its follower base through a similar and evolving mix of celebrities, influencers, editorials and locations. It also expects to continue to pursue and scale the effective search engine optimization and paid search strategies which have contributed to online sales growth, as well as direct marketing and customer engagement via direct customer communications. Perfect Moment is developing plans to leverage a new Perfect Moment owned physical store network to deepen its brand identity and profile, as well as drive higher levels of loyalty and engagement at the local level.

Brand marketing and performance marketing also work together to drive millions of visits to our digital platforms. Brand marketing includes differentiated content, our network of ambassadors, and social media, all of which result in what we believe is outsized engagement with our community. Our performance marketing efforts are designed to drive customers from awareness to consideration to conversion. These efforts include retargeting, paid search and product listing advertisements, paid social media advertisements, search engine optimization and personalized email. We believe our highly productive, diversified strategy generates a significant return on brand equity, driving sales and building a growing customer database.

We approach this strategy as a funnel, with brand awareness at the top and customer conversion at the bottom, allocating resources across the top, middle and bottom, and measuring returns on these respective investments.

Accelerate Digital Growth

Having used the wholesale channel to establish our brand globally, we believe we will become less reliant on wholesale partners during the next 5 years by committing more resources to our direct-to-consumer strategy and accelerating our digital growth. We believe technology and partnerships are the key underpinning factors in any ecommerce business and as such we will continue to enhance customer experience, focusing on mobile as the dominant growth channel and leveraging the emerging benefits of social and conversational commerce.

Pursue International Expansion and Enter New Markets

We believe there is an opportunity to increase penetration across our existing markets and selectively enter new regions. Although the Perfect Moment brand is recognized globally, our past investments have been focused on North America, the United Kingdom and the EU and have driven revenue growth in the United States during the past fiscal year.

While we expect the majority of our near-term growth to continue to come from the United States, the United Kingdom and the EU, we believe there is a tremendous opportunity over the long term throughout the rest of the world. In the fiscal year ended March 31, 2024, we increased our outreach in what we believe are the most promising countries in continental Europe. As part of the plan to enter new markets, we will start with China, as we seek to enhance our ability to serve our international customers and further establish Perfect Moment as a global brand.

We believe there is a significant opportunity beyond our existing markets, with China representing the next market opening for Perfect Moment. China is projected to become the largest winter sports market, with people participating expected to reach 50 million by 2025 with 1,000 ski resorts to be open by 2030, according to reports by Daxue Consulting and Capital Mind. We allocated a small amount of inventory to test the Chinese market directly in November 2024 on Tmall, using local partners to operate, with a digital approach to selling. We were originally forecasting to run losses with respect to such activities for two years, then become profitable from the third year of such activities, with China representing less than 10% of our revenue by 2027. The data we now have on this small test has led to exploring partnership models such as a Joint Venture, where we could benefit for local distribution, market expertise and financial support for inventory and marketing. We still believe the most significant hurdle to overcome with respect to our plan to enter the Chinese market is liquidity to fund the initial operating losses.

In order to offer a more localized experience to customers internationally, we intend to offer market-specific languages, currency and content, as well as strategic international shipping and distribution hubs. We plan to leverage our social media strategy and expand our network of social media ambassadors to grow our brand awareness globally.

Enhance Our Wholesale Network

Although in the next 5 years we will be mainly focused on accelerating digital growth and our direct-to-consumer channel, we still intend to continue broadening customer access and strengthening our global foothold in new and existing markets by strategically expanding our wholesale network and deepening current relationships. In all of our markets, we have an opportunity to increase sales by adding new wholesale partners and increasing volume in existing retailers. Additionally, we are focused on strengthening relationships with our retail partners through broader offerings, exclusive products and shop-in-shop formats, which are dedicated spaces within another company's retail store on a short-term rental basis. We believe our retail partners have a strong incentive to showcase our brand as our products drive customer traffic and consistent full-price sell-through in their stores.

Broaden Our Product Offering

Continuing to enhance and expand our product offering represents a meaningful growth driver for Perfect Moment. We expect that broadening our product line will allow us to strengthen brand loyalty with the existing Perfect Moment customer base, drive higher penetration in our existing markets and expand our appeal across new geographies. We intend to continue developing our offering through the following strategies.

Elevate Fall and Winter. Perfect Moment will continue to focus on quality materials and distinctive designs to create luxury products which aim to deliver technical performance and style impact. However, believing that people want to bring the functionality of our ski apparel into their everyday lives, Perfect Moment is broadening the product range beyond the core "on-slope" skiwear to encompass less technical lifestyle products and a wide range of exceptional products for any occasion, including all year-round accessories.

Expand Spring and Summer. We intend to continue building our successful Spring and Summer collections in categories such as surfwear, activewear, loungewear and swimwear. We believe offering inspiring new and complementary product categories that are consistent with our values of heritage, functionality and quality and can become part of our core business represents an opportunity to develop a closer relationship with our customers and expand our addressable market. In June 2024, we launched an Ibiza-inspired Summer Capsule Collection across our global eCommerce channels. The collection was highlighted in a photoshoot published in British Vogue featuring photographer, Grace Burns, and models Stella Jones and Paloma Baygual wearing items from the collection.

We believe this strategy will deliver several benefits:

- *Increased Revenues.* We expect that cross-over into adjacent product markets will increase sales by allowing us to sell outerwear, lifestyle products, activewear and swimwear to non-skiers and cross-sell lifestyle and "off-slope" products to existing skiwear customers in a winter setting.
- *Reduced Seasonality.* We expect that sales of new lifestyle products as well as activewear and swimwear products will be less concentrated in the winter months and increase revenue from new and existing customers as we grow brand awareness.
- *Improved Margins.* We believe that our margins will be improved by this strategy as modest price increases across the existing range increase margins dollar for dollar. A greater use of high-margin luxury materials such as cashmere will support price and margin increases, while a move towards more less technically-complex lifestyle pieces will also drive margin improvement. Full price sales with limited promotional activity will further improve margins.

During the fiscal year ended March 31, 2024, we restructured and invested in our design, product development, merchandizing and production teams to create a pathway to execute this underpinning strategy. We launched our first spring / summer capsule encapsulating our new strategy at the end of Q1 FY25. We plan to then gradually increase our product offering as we evaluate demand, supply and profitability.

Establish Perfect Moment Owned Physical Retail

Perfect Moment has grown to date without a Perfect Moment owned physical stand-alone store presence. Sales growth has been driven by our wholesale network and online offering. As part of our growth strategy, we believe opening directly operated stores in strategically selected major cities and pop-up stores in strategic ski resorts and high-traffic city locations would provide an excellent opportunity to generate sales in key locations, providing a luxury in-store experience, reflecting the character of the brand and providing an experiential contact point for customers.

As our product range expands, we see the potential to further grow our community with a physical presence by opening directly operated stores. We already have a physical presence in department stores, operated under wholesale arrangements. Operating Perfect Moment owned stores would provide our community a home for the brand and act as a beacon for new or potential customers, but they also add extra complexity and risk. In order to test our retail model, we plan to first establish pop-up locations. We evaluate each potential store location based on lease availability and projected viability, and plan to open popups in the fiscal year ending March 31, 2025 and year-round stores beginning the fiscal year ending March 31, 2027.

Segment Reporting

The Company applies ASC Topic 280, Segment Reporting, in determining reportable segments for its financial statement disclosure. The Chief Operating Decision Maker has been identified as the Chief Executive Officer. The Company reports segments based on the financial information it uses in assessing performance and deciding how to allocate resources. Management has determined that the Company operates in one business segment, product sales. Key financial measures including but not limited to gross profit, Adjusted EBITDA and net loss are not reported at a disaggregated level for wholesale and ecommerce and resource allocation decisions to the business strategy are not made based solely on our key financial measures.

Geographic Concentration

Although we are organized fundamentally as one business segment, our revenue is primarily split between three geographic areas: the United States, Europe and the United Kingdom. Customers in these regions are served by our leadership and operations teams in the United Kingdom and our production team in Hong Kong.

The table below reflects total net revenues attributed to Europe (excluding the United Kingdom), United States, United Kingdom, and the rest of the world:

	Years Ended			
	March 31, 2024		March 31, 2023	
Europe (excluding United Kingdom)	\$	7,909	32%	\$ 7,233 31%
United States		9,935	41%	10,348 44%
United Kingdom		4,845	20%	4,269 18%
Rest of the World		1,754	7%	1,588 7%
Total Revenues	\$	24,443		\$ 23,438

Supplier concentration

In the years ended March 31, 2024 and 2023, the largest single supplier of manufactured goods, Everich Garments Group Ltd., produced 75% and 72%, respectively, of the Company's products. In the years ended March 31, 2024 and 2023, the largest fabric supplier, Toray International Inc., supplied 79% and 70%, respectively, of the fabric used to manufacture the Company's products.

The Company has contracted with additional suppliers to lower our concentration risk, improve margins, and establish better payment terms.

Customer concentration

For the twelve months ended March 31, 2024, we had one customer that accounted for approximately 13% or \$3,168 of total revenues individually and in aggregate. There was no accounts receivable balance for this customer as of March 31, 2024. The Company has ended its wholesale relationship with this customer as part of a broader strategy to enhance our relationships with our entire customer base.

For the twelve months ended March 31, 2023, we had one customer that accounted for approximately 12% or \$2,786 of total revenues individually and in aggregate. The related accounts receivable balance for this customer was approximately \$41 as of March 31, 2023.

Key Financial Measures

We use the following US GAAP and non-US GAAP financial measures to assess the progress of our business, make decisions on where to allocate time and investment and assess then near-term and longer-term performance of our business:

	Years ended March 31,	
	2024 (unaudited)	2023 (unaudited)
<i>(Amounts in thousands, except percentages)</i>		
Key Financial Measures		
Net revenue		
Wholesale	\$ 14,060	\$ 14,888
Ecommerce	10,383	8,550
Total net revenue	24,443	23,438
Gross profit	9,231	8,756
Gross margin (1)	37.8%	37.4%
Loss from operations	(7,675)	(8,625)
Net loss	\$ (8,722)	\$ (10,305)
Adjusted EBITDA (2)	\$ (5,932)	\$ (2,520)

(1) Gross margin is defined as gross profit as a percentage of total net revenue.

(2) We define "Adjusted EBITDA" as net loss excluding interest expense, income tax benefit (expense), depreciation and amortization and stock-based compensation expense. Adjusted EBITDA is a measure that is not defined in US GAAP. For further information about how we calculate Adjusted EBITDA, the limitations of its use and a reconciliations to the most comparable US GAAP measure.

Results of Operations

The following table sets forth our results of operations for the years ended March 31, 2024 and 2023.

	Years ended March 31,		
	2024	2023	Change
(Amounts in thousands)			
Statements of operations data:			
Net revenue			
Wholesale	\$ 14,060	\$ 14,888	\$ (828)
Ecommerce	10,383	8,550	1,833
Total Revenue	24,443	23,438	1,005
Cost of goods sold	15,212	14,682	530
Gross profit	9,231	8,756	475
Operating expenses			
Selling, general and administrative expenses	12,122	12,369	(247)
Marketing and advertising expenses	4,784	5,012	(228)
Total operating expenses	16,906	17,381	(475)
Loss from operations	(7,675)	(8,625)	950
Interest expense	(1,311)	(1,840)	529
Foreign currency transactions gains	264	39	225
Loss before income taxes	(8,722)	(10,426)	1,704
Income tax benefit	-	121	(121)
Net Loss	(8,722)	(10,305)	1,583
Other comprehensive (losses) gains			
Foreign currency translation (losses) gains	(288)	303	(591)
Comprehensive loss	\$ (9,010)	\$ (10,002)	\$ 992

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Revenue

Total revenue for the year ended March 31, 2024, was \$24,443 compared to \$23,438 for the year ended March 31, 2023, an increase of \$1,005 or 4.3%. The increase is primarily attributed to an increase in ecommerce revenue of \$1,833 or 21.4% versus the prior year. The increase in ecommerce is attributed to our continued focus of enhancing brand awareness to drive ecommerce sales. The overall increase is offset by a decrease in wholesale revenue of \$828 or 5.6%. The decrease is attributed to higher purchases from our wholesale customers in fiscal year 2023 due to the post Covid rebound.

Cost of goods sold

Cost of goods sold for the year ended March 31, 2024 was \$15,212 compared to \$14,682 for the year ended March 31, 2023, an increase of \$530 or 3.6%. The change in cost of goods sold is primarily attributed to an increase in revenues.

Gross profit and gross margin

Our gross profit for the year ended March 31, 2024 was \$9,231 compared to \$8,756 for the year ended March 31, 2023, an increase of \$475 or 5.4%.

Our gross margins were 37.8% and flat compared to the 37.4% achieved in the prior year. The increase was primarily attributed to strategic changes in ecommerce driven by less discounting and improvements in the supply chain with Global-E, offset by a decrease in wholesale margin as well as a shift in revenue to lower margin ecommerce revenue.

We anticipate our ecommerce margins to surpass wholesale margins in FY26.

Selling, general and administrative expenses ("SG&A")

SG&A expenses consist of personnel related expenses, stock compensation expense, legal and professional fees, depreciation and amortization and other selling, general and administrative expenses, including information technology, property related expenses, travel and product sample costs.

SG&A expenses for the year ended March 31, 2024 were \$12,122 compared to \$12,369 for the year ended March 31, 2023, a decrease of \$247 or 2.0%. The decrease is primarily attributed to a decrease in stock compensation expense of \$3,297 offset by an increase in labor of \$965 to support growth and the listing on NYSE American, plus increases in legal \$354, travel \$269, audit fees \$214, commissions \$179, customer bankruptcies \$178, postage \$166, design samples \$161, information technology \$128, and insurance costs \$116.

Marketing and advertising expense

Marketing and advertising expenses for the year ended March 31, 2024 were \$4,784 compared to \$5,012 for the year ended March 31, 2023, a decrease of \$228 or 4.6%. The decrease is primarily attributed to a decrease in stock based expenses of \$1,483 offset by investments in brand awareness totaling \$1,255 to drive ecommerce revenues and sell-through, which included a collaboration with Soho House that included participating in the grand opening of their Portland Soho House, Verbier advertising and events, photoshoots, and digital marketing.

FY24 | April 1, 2023 – March 3, 2024 Key Metrics

- Total Global unique visitors per month ("UVPM") (Digital): 8,005,510,160
- Total Global Circulation (Print): 100,888,018
- Total PR Value of Print & Digital Coverage (Not Social): \$30,979,755.00

Marketing and Brand Highlights – Ski Season Q3 & Q4

- The total social audience reached by content posted by global key opinion leaders (KOLs)¹ about Perfect Moment was more than 296.6 million during the period. This represents the total combined followers of the celebrities, influencers, models, media publications, and fashion industry notables who organically posted about the brand during the quarter globally.
- The total UVPM reached more than 7.5 billion during the period. This is the combined sum of UVPM reached by all global digital media coverage achieved during the quarter.
- Hosted several brand events across the U.S. and Europe that included top fashion models and social media influencers with collective reach of more than 71 million followers.
- Received broad media coverage during the quarter, including features in both US and British Vogue, Esquire, ELLE, Harper's BAZAAR, Forbes, WWD, Travel & Leisure, WhoWhatWear and accolades from Condé Nast Traveler, Town & Country, NY Magazine, Glamour, Evening Standard, GQ, Rolling Stone, and Haute Living Magazine (LA and Miami).
- Marfa Stance & Perfect Moment collaborated to create a 4-piece buildable and adaptable capsule collection comprising of two jacket styles and two accessories. The exclusive collection was gifted globally and received recognition in three separate stories by British Vogue reaching more than 3 million digital readers per month.
- Featured on the front cover of Modern Luxury Aspen's Holiday 2023/Winter 2024 issue, featuring model Kate Love wearing exclusively Perfect Moment. Included an eight-page fashion feature with Kate Love styled in Perfect Moment's autumn/winter 2023 (AW23) collection, and a two-page profile feature with Jane Gottschalk our Chief Creative Officer. As the top luxury fashion publication in Aspen, Modern Luxury Aspen has 50,000 print subscribers and more than 1.1 million digital readers per month.

Note¹: The company defines a key opinion leader (KOL) as a person who is considered an expert on a certain topic and whose opinions are respected by the public due to their trajectory and the reputation they have built. They are typically identified by their reach, social media following and stature. KOL may include but is not limited to celebrities, social media influencers, fashion models, contributors to media publications, and noted members of the fashion industry. There is no official listing or accreditation of KOLs, so the term is subjective, and therefore the list and definition may vary from company to company. The source of the KOLs, social media and audience reach statistics provided in this release are reports by the company's public relations firm. No reliance should be made upon their accuracy or timeliness.

Foreign currency transactions gains

Foreign currency transactions gains increased by \$225, from \$39 for the year ended March 31, 2023, to \$264 for the year ended March 31, 2024, mainly driven by fluctuations in the U.S. dollar to the U.K. pound sterling exchange rate.

Foreign currency translation gains (losses)

Foreign currency translation gains (losses) result from the process of translating the financial statements of our foreign entities' functional currency into USD. Foreign currency translation losses decreased unfavorably by \$591, a gain of \$303 during the year ended March 31, 2023 to a loss of \$288 during the year ended March 31, 2024, mainly driven by fluctuations in the US dollar to the UK pound sterling exchange rate.

Use of Non-GAAP Measures - Adjusted EBITDA

In addition to our results under generally accepted accounting principles ("GAAP"), we present Adjusted EBITDA as a supplemental measure of our performance. However, Adjusted EBITDA is not a recognized measurement under GAAP and should not be considered as an alternative to net income, income from operations or any other performance measure derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of liquidity. We define Adjusted EBITDA as net income (loss), plus interest expense, depreciation and amortization and stock-based compensation.

Management considers our core operating performance to be that which our managers can affect in any particular period through their management of the resources that affect our underlying revenue and profit generating operations in that period. Non-GAAP adjustments to our results prepared in accordance with GAAP are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

	<i>For the Years ended</i>	
	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Net income / (loss), as reported	\$ (8,722)	\$ (10,305)
Adjustments:		
Interest expense	1,311	1,840
Stock compensation expense	739	4,036
Amortization of stock-based marketing services	185	1,483
Depreciation and amortization	555	547
Income tax benefit	-	(121)
Total EBITDA adjustments		
Adjusted EBITDA	<u>\$ (5,932)</u>	<u>\$ (2,520)</u>

The \$3,412 decrease in Adjusted EBITDA for the year ended March 31, 2024 compared to the same period in 2023, was primarily driven by an increase in investments in brand awareness totaling \$1,255 to drive ecommerce revenues and wholesale sell-through, which included a collaboration with Soho House, Verbier advertising and events, an increase in labor of \$965 to support growth and listing on NYSE American, plus increases in legal \$354, travel \$269, audit fees \$214, commissions \$179, customer bankruptcies \$178, postage \$166, design samples \$161, information technology \$128, and insurance costs \$116, offset by an increase in gross profit of \$475.

We present adjusted EBITDA because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Adjusted EBITDA in developing our internal budgets, forecasts, and strategic plan; in analyzing the effectiveness of our business strategies in evaluating potential acquisitions; and in making compensation decisions and in communications with our board of directors concerning our financial performance. Adjusted EBITDA has limitations as an analytical tool, which includes, among others, the following:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect future interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and the Adjusted EBITDA does not reflect any cash requirements for such replacements.

Seasonality and Quarterly Trends

Our business is seasonal with revenue concentrated in northern hemisphere countries. Revenue is elevated in the quarters ending September 30, December 31 and March 31 driven by sales of ski and outerwear through the fall and winter months. In the quarter ending June 30 sales are driven by swimwear and activewear. Our growth rate fluctuates quarter-on-quarter as a result of the seasonality of our business. We expect this fluctuation to continue. In addition to seasonality, quarter-on-quarter results are expected to be impacted by the timing of goods production and delivery, promotional activities and the addition of new products and geographies as the business grows. The business is also subject to the impact of economic cycles that influence retail apparel trends.

Liquidity and Capital Resources

As of March 31, 2024, we had cash and cash equivalents of \$7,910 and an accumulated deficit of \$48,977. Historically, Perfect Moment has generated negative cash flows from operations and has primarily financed its operations through private sales of equity securities, debt and working capital finance. Overall, cash and cash equivalents and restricted cash, in aggregate, increased by \$3,198 million, from \$4,712 million as of March 31, 2023 to \$7,910 million as of March 31, 2024. This increase is primarily due to net proceeds from financing activities totaling \$8,162 from the sale of our common stock offset by net cash used in operating activities totaling \$4,453.

During May 2023 to August 2023, the Company issued and sold 409,050 shares of common stock to accredited investors in an equity financing at a purchase price of \$6.00 per share for an aggregate consideration of \$2,179, net of broker fees and expenses of approximately \$275.

On February 7, 2024, the company entered into an underwriting agreement with ThinkEquity LLC, as representative (the "Representative") of the several underwriters identified therein, relating to the Company's initial public offering (the "IPO") of 1,334,000 shares of the Company's common stock, par value \$0.0001 per share. The Company previously filed the form of underwriting agreement as an exhibit to the Company's registration statement on Form S-1, as amended from time to time (File No. 333-274913), which was declared effective by the Securities and Exchange Commission on February 7, 2024. The price per share to the public was \$6.00 generating gross proceeds of \$8,004. The Company also granted the Underwriters a 45-day option to purchase up to 200,100 additional shares of Common Stock on the same terms and conditions for the purpose of covering any over-allotments in connection with the IPO.

The number of shares of common stock outstanding after this offering was 15,578,449 as of February 7, 2024, that included the previously issued and outstanding of 5,233,402, the 1,334,000 shares issued as part of this offering plus (i) the automatic conversion of all outstanding shares of our Series A convertible preferred stock into 5,323,782 shares of common stock, (ii) the automatic conversion of all outstanding shares of our Series B convertible preferred stock into 1,189,998 shares of common stock and (iii) the automatic conversion, in connection with the closing of this offering (closing on February 12, 2024), of \$10,002 in principal amount plus accrued interest in the amount of \$1,985 under our 8% senior subordinated secured convertible promissory notes (the "2021 Notes") and our 8% senior subordinated secured convertible promissory notes (the "2022 Notes" and, together with the 2021 Notes, the "Notes"), at 80% of the initial public offering price into an aggregate of 2,497,267 shares of common stock.

On February 12, 2024, the Company consummated the IPO and issued 1,334,000 shares of Common Stock for aggregate net proceeds of approximately \$6,009, after deducting underwriting discounts and commissions and estimated offering expenses. The Company intends to use the proceeds for general corporate purposes, including working capital, sales and marketing activities and general and administrative matters. Concurrently with the closing of the IPO, the Company also issued warrants to purchase up to 66,700 shares of Common Stock to the Representative and its designees, at an exercise price of \$7.50 per share (the "Underwriter Warrants"). The Underwriter Warrants are exercisable beginning on August 5, 2024, and expire on February 7, 2029.

On March 15, 2021, the Company entered into a securities purchase agreement with accredited investors pursuant to which it issued 8% Secured Convertible Promissory Notes (also referred to herein as the "2021 Notes") with an aggregate principal amount of \$6.0 million (such financing, the "2021 Debt Financing"). During April to July 2022, further 8% Secured Convertible Promissory Notes (also referred to herein as the "2022 Notes" and, together with the 2021 Notes, the "Notes"), that rank pari passu to the original convertible debt financing, were issued to accredited investors with an aggregate principal amount of \$4.00 million (such financing, the "2022 Debt Financing"). The maturity date for the Notes issued in the 2021 Debt Financing and the 2022 Debt Financing is February 15, 2024. The outstanding balance of the Notes will convert automatically upon the closing of a firm commitment underwritten public offering of our common stock with aggregate gross proceeds of at least \$8.0 million and simultaneous listing on a national stock exchange (such transaction, a "Qualified IPO"), at a conversion price equal to 80% of the offering price to the public in such Qualified IPO.

On February 12, 2024, \$10,002 in principal amount plus accrued interest in the amount of \$1,985 automatically converted into Company common stock, at 80% of the initial public offering price into an aggregate of 2,497,267 shares of common stock (see Note 13 of the financial statements).

The Company, through PMA, has a trade finance facility extended on goods for which letters of credit are issued to the Company's suppliers by HSBC. As of March 31, 2024 and March 31, 2023, the outstanding balance under the trade finance facility was \$0 and \$26, respectively, and the Company had an available trade finance facility of \$5.00 million. As of March 31, 2024, there were no outstanding pledged letters of credit by HSBC. The trade finance facility does not become the Company's responsibility until the Company receives the manufactured clothing goods from suppliers. Once drawn, the company has 120 days credit on the loan before repayment is due. For drawings in Hong Kong dollars, the interest rate equals HIBOR plus 3.0%, and for drawings in U.S. dollars, the interest rate equals SOFR plus 3.3%. The trade finance facility was originally secured by a standby

documentary credit for \$1.0 million from UBS Switzerland AG and a personal guarantee to the value of \$4.0 million from the Chairman of our board of directors, Max Gottschalk, and a 3,150 corporate guarantee from Perfect Moment (UK) Limited. The UBS standby documentary credit expired on April 30, 2023 and the facility was then secured by charge over cash deposits equal to the amount of the facility used at any given moment in time in addition to the aforementioned personal and corporate guarantees. On May 31, 2023, the UBS standby documentary credit was reinstated for \$1.0 million, which standby documentary credit was secured by a guarantee from Joachim Gottschalk & Associates, Ltd. ("JGA"). The UBS standby documentary credit was extended on November 26, 2023 through January 26, 2024 at a 10% interest rate. The JGA guarantee is in addition to the \$4.0 million personal guarantee of the trade finance facility by Mr. Gottschalk. The UBS standby documentary credit was not extended and the 3,150 corporate guarantee from Perfect Moment (UK) Limited was replaced with a 2,000 corporate guaranteed from Perfect Moment, Limited.

The JGA guarantee accrued interest between 8% and 10% per annum, payable by the Company. The interest charged for the twelve months ended March 31, 2024 was \$56. During the year ended March 31, 2024, the Company utilized \$1,847 of borrowings under the facility, all of which was repaid by March 31, 2024. The trade finance facility is also secured by a guarantee by Perfect Moment Ltd. in the amount of \$2.0 million.

We expect operating losses and negative cash flows from operations to continue into the foreseeable future as we continue to invest in growing our business and expanding our infrastructure. Our primary uses of cash include personnel and marketing expenditures, inventory, capital investment and expenditures in technology and incremental expenses arising from distribution center operating costs to support our operations and our growth.

As of March 31, 2024, our cash and cash equivalents and restricted cash are mainly held in U.S. dollar, U.K. pound sterling, Hong Kong dollar, and euro cash accounts with high credit quality financial institutions. As a result of the seasonality of our business, we typically draw down on our trade finance facilities during summer, fall and early winter to meet a large proportion of the cost of goods associated with the manufacture of our fall/winter collection. Trade finance and debt factoring facilities support our working capital cycle through to the late fall/winter season when wholesale receivables are paid and ecommerce revenues increase.

Our ability to fund inventory, capital expenditures, and growth will depend on our ability to generate cash in the future. Our future ability to generate cash from operations is, to a certain extent, subject to general economic, financial, competitive, regulatory and other conditions. Based on our current level of operations, we believe our existing cash balances and expected cash flows from operations, alongside the continuance of our existing financing arrangements, will be sufficient to meet our operating requirements for at least the next 12 months, excluding financing to support production (i.e. timing of working capital). We may seek additional or alternative debt and equity financing to that set out above. If we raise equity financing, our shareholders may experience significant dilution of their ownership interests. If we conduct additional debt financing, the terms of such debt financing may be similar or more restrictive than the terms of our current financing arrangements and we would have additional debt service obligations. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations could be harmed. See the sections below titled "Risk Factors – Risks Related to Ownership of Our Common Stock – Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our 2021 Equity Incentive Plan, could result in additional dilution of the percentage ownership of our stockholders" and "Risk Factors – Risks Related to Our Business, Our Brand, Our Products and Our Industry – We have a history of losses, expect to continue to incur losses in the near term and may not achieve or sustain profitability in the future, and as a result, our management has identified and our auditors reported that there is a substantial doubt about our ability to continue as a going concern."

The report of our independent registered public accounting firm that accompanies our audited consolidated financial statements contains for the fiscal years ended March 31, 2024 and March 31, 2023, includes a going concern explanatory paragraph in which such firm expressed that there is substantial doubt about our ability to continue as a going concern. Our consolidated financial statements contained in this Annual Report do not include any adjustments that might result if we are unable to continue as a going concern. If we are unable to continue as a going concern, holders of our securities might lose their entire investment. As discussed above, although we plan to attempt to raise additional capital through one or more private placements or public offerings, the doubts raised relating to our ability to continue as a going concern may make our shares an unattractive investment for potential investors. These factors, among others, may make it difficult to raise any additional capital and may cause us to be unable to continue to operate our business.

The following table shows summary consolidated cash flow information for the periods presented:

	Years ended March 31,	
	2024	2023
<i>(Amounts in thousands)</i>		
Consolidated statement of cash flow data:		
Net cash used in operating activities	\$ (4,453)	\$ (3,510)
Net cash used in investing activities	(211)	(249)
Net cash provided by financing activities	\$ 8,162	\$ 6,930

Cash Flows from Operating Activities

During the year ended March 31, 2024, operating activities used \$4,453 in cash and cash equivalents primarily resulting from a net loss of \$8,722, offset by non-cash charges of \$3,167 and a net cash inflow from changes in operating assets and liabilities of \$1,102.

The changes in operating assets and liabilities during the year ended March 31, 2024 consisted primarily of a \$1,304 increase in accrued expenses, a \$295 increase in trade payables, and a \$240 increase in unearned revenue, offset by a \$349 increase in inventory, a \$238 increase in accounts receivable, a \$219 increase in prepaid expense and other current assets, and a \$106 decrease in operating leases.

During the year ended March 31, 2023, operating activities used \$3,510 in cash and cash equivalents, primarily resulting from a net loss of \$10,305, offset by non-cash charges of \$8,555 and a net cash outflow from changes in operating assets and liabilities of \$1,760.

The changes in operating assets and liabilities during the year ended March 31, 2023 consisted primarily of a \$812 increase in inventories, \$759 decrease in accounts payables, a \$519 increase in trade receivables, and a \$515 decrease in unearned revenue, offset by a \$514 increase in accrued expenses, and a \$321 decrease in prepaid and other current assets.

Cash Flows from Investing Activities

Cash used in investing activities was \$211 in the year ended March 31, 2024 and \$249 in the year ended March 31, 2023, a decrease of \$38, primarily due to a reduction of software and website development capital expenditures.

Cash Flows from Financing Activities

Net cash obtained from financing activities during the year ended March 31, 2024 was \$8,162, resulting from \$6,009 in net proceeds from our initial public offering, \$2,179 in net proceeds from the issuance of common shares and \$1,847 in net proceeds from trade finance facilities, offset by \$1,873 in repayment of trade finance facilities.

Net cash obtained from financing activities during the year ended March 31, 2023 was \$6,930, primarily attributed to net proceeds from the issuance of Series B preferred stock totaling \$5,200, net proceeds from debt financing totaling \$2,555, offset by the repayment of shareholder loans of \$565 and repayment of trade finance facilities of \$239.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of those consolidated financial statements requires our management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenue generated, and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of asset and liabilities that are not readily apparent from other sources. Significant estimates inherent in the preparation of the consolidated financial statements include reserves for uncollectible accounts receivables; realizability of inventory; customer returns; useful lives and impairments of long-lived tangible and intangible assets; accounting for income taxes and related uncertain tax positions; and the valuation of stock-based compensation awards. Actual results may differ from these judgments and estimates under different assumptions or conditions and any such differences may be material.

We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Revenue recognition

The majority of the Company's revenue is recognized at a point in time based on the transfer of control. In addition, the majority of the Company's contracts do not contain variable consideration and contract modifications are minimal. The majority of the Company's revenue arrangements generally consists of a single performance obligation to transfer promised goods. Revenue is reported net of markdowns, discounts and sales taxes collected from customers on behalf of taxing authorities. Revenue is also presented net of an allowance for expected returns where contracts include the right of return.

We estimate returns on an ongoing basis to estimate the consideration from the customer that we expect to ultimately receive. Consideration in determining our estimates for returns may include agreements with customers, the Company's return policy and historical and current trends. We record the returns as a reduction to net sales in our consolidated statements of operations and the recognition of a provision for returns within accrued expenses in our consolidated balance sheets and the estimated value of inventory expected to be returned as an adjustment to inventories, net.

Revenue is comprised of direct-to-consumer ecommerce revenue through the Company's website and revenue related to wholesalers.

Revenue is recognized when performance obligations are satisfied through the transfer of control of promised goods to the Company's customers. Control transfers once a customer has the ability to direct the use of, and obtain substantially all of the benefits from, the product. This includes the transfer of legal title, physical possession, the risks and rewards of ownership, and customer acceptance. For direct-to-consumer ecommerce revenue, the Company receives payment before the customer receives the promised goods. Revenue is only recognized once the goods have been delivered to the customer. Sales to wholesale customers are recognized when the customer has control which will depend on the agreed upon International Commercial Terms ("inco-terms"). For inventories sold on consignment to wholesalers, the Company records revenue when the inventory is sold to the third-party customer by the wholesaler. The Company may issue merchant credits, which are essentially refund credits. The merchant credits are initially deferred and subsequently recognized as revenue when tendered for payment.

The Company's business is significantly affected by the pattern of seasonality common to most retail apparel businesses. Historically, the Company has recognized a significant portion of its revenue in the fourth fiscal quarter of each year as a result of increased net revenue during the ski season.

Accounts receivable

Accounts receivable primarily arise out of sales to wholesale accounts and ecommerce partners. The allowance for doubtful accounts represents management's best estimate of probable credit losses in accounts receivable using the incurred loss methodology. Receivables are written off against the allowance when management believes that it is probable the amount receivable will not be recovered. Additionally, the Company records higher allowances in the first and third quarters following its peak sales seasons after the Company determines it to be probable that it will not collect the related receivables.

Inventories

Inventories, consisting of finished goods, inventories in transit, and raw materials, are initially recognized at cost and subsequently measured at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis and is comprised of all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The Company periodically reviews its inventories and makes a provision as necessary to appropriately value goods that are obsolete, have quality issues, or are damaged. The amount of the provision is equal to the difference between the cost of the inventory and its net realizable value based upon assumptions about product quality, damages, future demand, selling prices, and market conditions. If changes in market conditions result in reductions in the estimated net realizable value of its inventory below its previous estimate, the Company would increase its provision in the period in which it made such a determination.

In addition, the Company provides for inventory shrinkage based on historical trends from actual physical inventory counts. Inventory shrinkage

estimates are made to reduce the inventory value for lost or stolen items. The Company performs a physical inventory at least count once a year and adjusts the shrinkage reserve accordingly.

Stock-based compensation

The Company maintains the 2021 Plan, which provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock units and performance units and performance shares to employees, directors and consultants of the Company or any parent or subsidiary of the Company. The purpose of the 2021 Plan is to enable the Company to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants of the Company or any parent or subsidiary of the company, and to promote the success of the Company's business. The Company has historically granted stock options to non-employees in exchange for the provision of services, both under the 2021 Plan and outside of the 2021 Plan.

The Company accounts for such awards based on ASC 505 and 718, whereby the value of the award is measured on the date of grant and recognized as compensation expense on a straight-line basis over the vesting period. The Company measures fair value as of the grant date for options and warrants using the Black Scholes option pricing model and for common share awards using a weighted average of the Black Scholes method and probability-weighted expected return method (PWERM).

The inputs into the Black Scholes option pricing model are subjective and generally require significant judgment. The fair value of the shares of common and preferred stock has historically been determined by the Company's management with the assistance of third-party specialists as there was no public market for the common stock. The fair value is obtained by considering a number of objective and subjective factors, including the valuation of comparable companies, sales of preferred stock to unrelated third parties, projected operating and financial performance, the lack of liquidity of common and preferred stock and general and industry specific economic outlook, amongst other factors. The expected term represents the period that the Company's stock options are expected to be outstanding and is determined using the simplified method (based on the mid-point between the vesting date and the end of the contractual term) as the Company's stock option exercise history does not provide a reasonable basis upon which to estimate expected term. Because the Company is privately held and does not have an active trading market for its common and preferred stock for a sufficient period of time, the expected volatility was estimated based on the average volatility for comparable publicly traded companies, over a period equal to the expected term of the stock option grants. The risk-free rate assumption is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option. The Company has never paid dividends on its common stock and does not anticipate paying dividends on common stock in the foreseeable future. Therefore, the Company uses an expected dividend yield of zero.

Recent Accounting Pronouncements

For recent accounting pronouncements, see Note 2 of our audited consolidated financial statements included in this Annual Report.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily include:

Interest rate risk

The fair value of our cash equivalents, held primarily in cash deposits, have not been significantly impacted by increases or decreases in interest rates to date, due to the short-term nature of these instruments. The interest expense associated with our letter of credit trade finance facility and debt factoring facilities are composed of a fixed spread over HIBOR or SOFR. The fee associated with revenue financing is fixed and the interest rate on our convertible bridge loan is accrued at a fixed rate also. We are exposed to interest rate risk where the interest expense associated with our financing arrangements is depending upon HIBOR or SOFR, a floating reference rate, or in the event that the fixed interest rate associated with our financing arrangements is increased upon roll-over of the financing arrangement at its contractual maturity. Fluctuations in interest rates have not been significant to date. We do not expect that interest rates will have a material impact on our results of operations, owing to the size and short-term nature of the floating rate financing arrangements.

Inflation risk

We are beginning to observe increases in our costs of goods sold, in particular, transportation costs. If these cost increases are sustained and we become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability to do so could harm our business, results of operations or financial condition.

Foreign exchange risk

To date, revenue has primarily been generated in U.S. dollar, U.K. pound sterling and euro. As a result, our revenue may be subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in U.K. pound sterling and euros relative to the U.S. dollar. Our foreign exchange risk is less pronounced for our cost of sales as to our cost of goods sold being predominantly U.S. dollar denominated. Our selling, general and administrative expenses are primarily made up of U.S. dollar, Hong Kong dollar, U.K. pound sterling and euro amounts. Although a portion of our non-U.S. dollar costs offset non-U.S. dollar revenue, a currency mismatch arises as to the amount and timing of our different currency cash flows. To date, we have not hedged our foreign currency exposure. We will continue to monitor the impact of foreign exchange risk and review whether to implement a hedging strategy to minimize this risk in future accounting periods. Hedging strategies where implemented, are unlikely to completely mitigate this risk. To the extent that foreign exchange risk is not hedged it may result in harm to our business, results of operations and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the financial statements, which begin on page F-1 of this Annual Report.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the period covered by this Annual Report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Management's Report on Internal Controls Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

ITEM 9B. OTHER INFORMATION

Insider Trading Arrangements

During the three months ended March 31, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Item 408(a) of Regulation S-K under the Exchange Act.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

- (a) Not applicable.
- (b) Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors

The following table sets forth the names, ages and positions of our current executive officers and directors:

Name	Age	Position
Executive Officers		
Mark Buckley	43	Chief Executive Officer and Director
Jeff Clayborne	53	Chief Financial Officer
Jane Gottschalk	51	Chief Creative Officer and Director
Non-Executive Directors		
Max Gottschalk	52	Chairman of the Board of Directors
Andre Keijsers	58	Director
Berndt Hauptkorn	56	Director
Tracy Barwin	45	Director
Tim Nixdorff	39	Director

Directors are elected to serve until the next annual meeting of stockholders and until their successors are elected and qualified. Directors are elected by a plurality of the votes cast at the annual meeting of stockholders and hold office until the expiration of the term for which he or she was elected and until a successor has been elected and qualified.

A majority of the authorized number of directors constitutes a quorum of the board of directors for the transaction of business. The directors must be present at the meeting to constitute a quorum. However, any action required or permitted to be taken by the board of directors may be taken without a meeting if all members of the board of directors individually or collectively consent in writing to the action.

Executive officers are appointed by the board of directors and serve at its pleasure.

Executive Officers

Mark Buckley – Chief Executive Officer and Director

Mr. Buckley has served as our Chief Executive Officer and as a member of our board of directors since November 2022. Mr. Buckley also served as our acting Chief Financial Officer from November 2022 until October 2023. Since November 2022, he has also served as the Chief Financial Officer of PMUK, and since January 2023, he has also served as the Chief Financial Officer of PMA. Since August 2022, he has also been serving as a director at 3rd Rock Private Limited, a rock-climbing clothing company based in the United Kingdom. From February 2020 to October 2022, Mr. Buckley served as Chief Financial Officer of Rapha Racing Limited, a producer and retailer of cycling clothing, where he served as Finance Director from October 2016 to February 2020 prior to becoming the Chief Financial Officer. From October 2011 to October 2016, Mr. Buckley worked at Burberry Limited, the global luxury brand, where he held various roles before becoming the Director of Financial Planning Analysis in April 2015. Before that, from April 2000 to October 2011 Mr. Buckley worked at Marks and Spencer Group plc, a major British multinational retailer, including a 17-month secondment to Woolworths in South Africa. Mr. Buckley qualified as an accountant in 2004 from the Association of Chartered Certified Accountants. We believe that Mr. Buckley is qualified to serve as a member of our board of directors due to the perspective and experience he brings as our Chief Executive Officer and former acting Chief Financial Officer.

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Jeff Clayborne – Chief Financial Officer

Mr. Clayborne has served as our Chief Financial Officer since October 2023. Since July 2023, Mr. Clayborne has served as a financial advisor at Healthy Extracts Inc. From March 2022 to March 2023, Mr. Clayborne served as Chief Financial Officer of SONDORS, Inc., where he prepared the company for a Nasdaq listing; facilitated the hiring of the senior management team, brought accounting in-house, eliminated material control weaknesses, negotiated all supply chain contracts, established a human resource function, and negotiated bridge financing. From March 2023 to June 2023, Mr. Clayborne served as a financial advisor at SONDORS, Inc. Mr. Clayborne served as Chief Financial Officer and Treasurer of Verb Technology Company, Inc. (Nasdaq: VERB, VERBW) from July 2016 to January 2022, where he facilitated an uplist from the OTCQB Markets Group to Nasdaq and the acquisition and integration of Sound Concepts Inc., participated in various equity and debt financings, built out the finance and accounting teams, and implemented NetSuite. Mr. Clayborne served as Chief Financial Officer of and a consultant with Breath Life Healing Center from August 2015 to July 2016. From September 2014 to August 2015, he served as Vice President of Business Development of Incroud, Inc and from May 2012 to September 2014, Mr. Clayborne served as President of Blast Music, LLC. Prior to this, Mr. Clayborne was employed by Universal Music Group where he served as Vice President, Head of Finance & Business Development for Fontana, where he managed the financial planning and analysis of the sales and marketing division and led the business development department. He also served in senior finance positions at The Walt Disney Company, including Senior Finance Manager at Walt Disney International, where he oversaw financial planning and analysis for the organization in 37 countries. Mr. Clayborne began his career as a CPA at McGladrey & Pullen LLP (now, RSM US LLP), then at KPMG Peat Marwick (now, KPMG). He brings with him more than 25 years of experience in all aspects of strategy, finance, business development, negotiation, and accounting. Mr. Clayborne earned his Master of Business Administration from the University of Southern California, with high honors, and his Bachelor of Science in Accountancy from Northern Illinois University.

Jane Gottschalk – Chief Creative Officer and Director

Ms. Gottschalk has served as our Chief Creative Officer since September 2022, as a member of our board of directors since March 2021 and as a member of PMA's board of directors since May 2012. From July 2017 to September 2022, Ms. Gottschalk served as the Creative Director of PMUK, and since September 2022, Ms. Gottschalk has served, and is serving, as the Chief Creative Officer of PMUK. From May 2012 to September 2022, she served as Creative Director of PMA, and since September 2022, she has served, and is serving, as Chief Creative Officer of PMA. Since August 2011, Ms. Gottschalk is also serving as Director of Jing Holdings Limited, a holding company that operates Jax Coco, a leading coconut water brand, and from September 2012 to May 2023 served as Director of Jax Coco UK Limited. Ms. Gottschalk holds a B.A. from University of Kent. Ms. Gottschalk is the wife of Max Gottschalk, the Chairman of our board of directors. We believe that Ms. Gottschalk is qualified to serve as a member of our board of directors due to the perspective and experience she brings as our Chief Creative Officer and her creative, innovative and entrepreneurial attributes that provide valuable insight to our board and are aligned with our unique culture.

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Non-Executive Directors

Max Gottschalk – Chairman of the Board of Directors

Mr. Gottschalk has served as the Chairman of our board of directors since March 2021, a member of PMA's board of directors since May 2012 and a member of PMUK's board of directors since July 2017. Since April 2022, Mr. Gottschalk has been serving as Director at Nurture Brands Limited, a plant based food and beverage business. Since November 2021, Mr. Gottschalk has been serving as Director at various holding entities for investments of the Hycap Fund, an energy transition private equity fund that invests in the hydrogen ecosystem. Since August 2011, Mr. Gottschalk has also been serving as Director of Jing Holdings Limited, a holding company that operated Jax Coco, a leading coconut water brand that was acquired by Nurture Brands Limited in 2022, and from August 2019 to May 2023 served as Director of Jax Coco UK Limited. Mr. Gottschalk is also the Co-Founder of and since December 2020 has been serving as a Partner and Director at Ocean 14 Capital Ltd., a private equity fund investing in emerging companies and technology to help protect and sustain our oceans. Since September 2019, Mr. Gottschalk has been serving as Director at Aeon Investment Limited, a credit-focused investment company, based in London. Mr. Gottschalk is also the Founder of and since December 2015 has been serving as the Chief Executive Officer and Director at Vedra Partners Ltd., a multi-family office with operations in London and Switzerland. In addition, Mr. Gottschalk is the Co-Founder of and from January 2021 to April 2023 served as a Partner and Director at Hydrogen Equity Partners Ltd., an investment management firm with a focus on new hydrogen energy sources. Mr. Gottschalk also co-founded Gottex Fund Management in 1998, a global asset management company that he built and brought to market in 2007 on the Swiss stock exchange. Prior to Gottex, he ran Bear Stearns's fixed income derivatives hedge fund sales team in New York. Mr. Gottschalk holds a B.A. in Finance from the McIntire School of Commerce at the University of Virginia. We believe that Mr. Gottschalk is qualified to serve as a member of our board of directors due to his extensive leadership and business experience as an entrepreneur and investor, as well as his service on other boards of directors.

Andre Keijzers – Director

Mr. Keijzers has served as a member of our board of directors since October 2023. Since May 2016, Mr. Keijzers has been serving as Director of PMA, and from July 2017 to September 2019, Mr. Keijzers served as Director of PMUK. Since October 2020, Mr. Keijzers has been serving as the Chief Executive Officer and a Director of Van Lanschot Kempen Investment Management (UK) Ltd, an investment management company and the regulated UK subsidiary of Dutch-listed Van Lanschot Kempen N.V. From January 2017 to July 2019, Mr. Keijzers was a senior partner at Vedra Partners Ltd., a multi-family office with operations in London and Switzerland. Prior to that, Mr. Keijzers served as the Chief Financial Officer of Kings Rock Global Investment

Partners Ltd from April to December 2016, and the Chief Financial Officer and Director of Fansz Ltd., a social media technology company, from April to December 2015. Fansz Ltd. filed for liquidation in January 2016. From 2008 to 2015, Mr. Keijsers was a member of the Executive Committee and the Head of M&A of Gottex Fund Management, a global asset management company. From 2001 to 2007, Mr. Keijsers served as the Chief Financial Officer of Swapstream, an electronic trading platform for interest rate swaps and a subsidiary of CME Group Inc. (Nasdaq: CME). Mr. Keijsers is the founder of Arnhem Consulting Limited, through which he provides financial and corporate governance advice to companies. From February 2017 until October 2023, Arnhem Consulting Limited provided consulting services to PMA. Since August 2019, Mr. Keijsers has been serving as Director of Pinkhurst Lane Ltd. Since November 2018, Mr. Keijsers has also been serving as Director of TGR1.618 Ltd, Iris Audio Technologies Ltd, Iris Audio Engineering Ltd and Iris Clarity Ltd. From May 2016 to September 2019, Mr. Keijsers served as Director of Jing Holdings Limited, a holding company that operates Jax Coco UK Limited, a leading coconut water brand, and from May 2016 to August 2019, he served as Director of Jax Coco UK Limited. Mr. Keijsers was an Equity Sales Associate at ABN AMRO Bank N.V. from 1991 to 1994 and Associate Director of Equity Sales at UBS from 1994 to 1996. Mr. Keijsers received a doctorandus degree in Computer Science from the Radboud University, Nijmegen, Netherlands. We believe that Mr. Keijsers is qualified to serve as a member of our board of directors due to his extensive leadership, financial and corporate governance experience, his understanding of the Company's operations, as well as his service on other boards of directors.

Berndt Hauptkorn – Director

Mr. Hauptkorn has served as a member of our board of directors since October 2023. Since September 2015, Mr. Hauptkorn has been serving as President Europe Region of Chanel SAS (Paris), Chanel's European division, where he oversees all business units (e.g., fashion, fragrance and beauty, watches and jewelry), employee teams, and sales, service and experience channels across Europe, the Middle East, India and Africa. Since January 2019, Mr. Hauptkorn has been serving as Global Markets Officer of Chanel Ltd (London), where he is responsible for the cross-regional coordination of all Region Presidents at Chanel. Since September 2015, Mr. Hauptkorn has been serving as Director at various Chanel entities: (i) Chairman at Chanel Denmark ApS (Denmark), (ii) Chairman at Chanel Norway AS (Norway), (iii) Chairman at Chanel Sweden AB (Sweden), (iv) Executive Director at Chanel s.r.o. (Czech Republic), (v) Director at CHANEL s.r.o., organizačká zložka, a branch of Chanel s.r.o. (Slovakia), (vi) Manager at Chanel Moda ve Lüks Tüketim Ürünleri Limited Sirketi (Turkey) and (vii) Director at Chanel spoločnosť s obmedzenou zodpovednosťou (Poland). Prior to his roles at Chanel, from June 2012 to August 2015, Mr. Hauptkorn served as Chief Executive Officer of Uniqlo Europe and as Global Officer and Senior Vice President of Uniqlo's Fast Retailing Group. Since March 2019, Mr. Hauptkorn has been serving as a Board Member of the European Brands Association (AIM), an organization that represents manufacturers of branded consumer goods in Europe on key issues, where he represents Chanel interests. Since November 2018, Mr. Hauptkorn has also been serving as a senior advisor to the founders and directors of LUKSO Blockchain. From August 2007 to December 2009, Mr. Hauptkorn served as Group Chief Executive Officer of Labelux Group, and from November 2009 to January 2012, Mr. Hauptkorn served as Global Chief Executive Officer of Bally International. From March 1998 to July 2007, Mr. Hauptkorn held various roles, including Principal, at the Boston Consulting Group (BCG), where he provided retail, branding, media and private equity consulting services to companies. From August 1994 to August 1997, Mr. Hauptkorn served as an Account Director at AHEAD Marketing + Kommunikation, a full-service advertising and marketing agency. Mr. Hauptkorn holds a Diplom-Kaufmann (similar to an MBA) in Business Administration from Friedrich-Alexander-University of Erlangen-Nurnberg and a Dr. rer. pol. (similar to a PhD) in Business Administration, Law, Economics and Philosophy from Friedrich-Alexander-University of Erlangen-Nurnberg. We believe that Mr. Hauptkorn is qualified to serve as a member of our board of directors due to his broad and extensive experience in the fashion industry, his leadership and operational management experience, and his experience on other boards of directors.

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Tracy Barwin – Director

Ms. Barwin has served as a member of our board of directors since November 2022. Ms. Barwin has also provided consulting services to the Company as the acting Ecommerce Director, since November 2022. Since November 2022, Ms. Barwin also serves as Founder and Director of Tracy B Ltd., a professional services company. From May 2022 until November 2022, Ms. Barwin was not actively engaged in business activities. Ms. Barwin was Executive Vice President at Hunter Boot Limited from May 2017 until May 2022, overseeing their direct-to-consumer business which included retail, ecommerce, shop-in-shops and pop-up stores. Prior to becoming Executive Vice President at Hunter Boot Limited, Ms. Barwin worked at Uniqlo, a large global SPA clothing retailer, where she held the position of Director of Customer Experience, from September 2010 to April 2017. Ms. Barwin held various roles at Myla, a luxury lingerie company, and Nike, Speedo and Hilton hotels, from 2001 to 2010 across digital, ecommerce and customer experience functions. Ms. Barwin holds a B.A. Honors degree in Modern History and Politics from Manchester University and later enhanced this degree with a post graduate diploma from The Chartered Institute of Marketing. We believe that Ms. Barwin is qualified to serve as a member of our board of directors due to the perspective and experience she brings across the fashion and retail brands she has worked across, specifically her direct-to-consumer experience as well as her experience on other boards of directors.

Tim Nixdorff – Director

Mr. Nixdorff has served as a member of our board of directors since January 2024. Since January 2024, Mr. Nixdorff has been serving as Chief Executive Officer and a member of the board of directors of GORE Technologies AG, an investment company. Since August 2023, Mr. Nixdorff has also been serving as Chief Operating Officer of Neon Equity AG, an investment company. From August 2022 until May 2023, Mr. Nixdorff served as Chief Marketing Officer of Rag & Bone, a fashion brand. Prior to that, Mr. Nixdorff served as Chief Executive Officer of Galvan London Ltd., a luxury fashion brand, from May 2020 until July 2022; he also served as a member of the board of directors of Galvan London Ltd. from June 2020 until August 2022. From January 2018 until April 2020, Mr. Nixdorff served as Managing Director of BEJOND Germany GmbH, a marketing consulting firm. Mr. Nixdorff holds a Master of Science degree in Economics from Technical University of Dortmund and a Bachelor of Arts degree in Business Administration from University of Duisburg-Essen. We believe that Mr. Nixdorff is qualified to serve as a member of our board of directors due to the management and consulting experience he acquired as an officer of companies in the fashion, marketing and investment industries as well as his experience on other boards of directors.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers have, during the past ten years, been involved in any legal proceedings described in subparagraph (f) of Item 401 of Regulation S-K.

Board of Directors and Corporate Governance

When considering whether directors have the experience, qualifications, attributes and skills to enable the board of directors to satisfy its oversight responsibilities effectively considering our business and structure, the board of directors focuses primarily on the information discussed in each of the directors' individual biographies as set forth above.

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The board of directors periodically reviews relationships that directors have with our company to determine whether the directors are independent. Directors are considered "independent" as long as they do not accept any consulting, advisory or other compensatory fee (other than director fees) from us, are not an affiliated person of our company or our subsidiaries (e.g., an officer or a greater than 10% stockholder) and are

independent within the meaning of applicable United States laws and regulations and the NYSE American Company Guide. In this latter regard, the board of directors uses the NYSE American Company Guide (specifically, NYSE American Company Guide Section 803(a)(2)) as a benchmark for determining which, if any, of our directors are independent, solely in order to comply with applicable SEC disclosure rules.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which will operate pursuant to its respective charter. The composition of each committee and its respective charter became effective upon the listing of our common stock on NYSE American, and copies of each charter will be posted on the corporate governance section of our website at www.perfectmoment.com. Each committee has the composition and responsibilities described below. Our board of directors may establish other committees from time to time.

NYSE American permits a phase-in period of up to one year for an issuer registering securities in an initial public offering to meet the audit committee, compensation committee and nominating and corporate governance committee independence requirements. Under the initial public offering phase-in period, only one member of each committee is required to satisfy the heightened independence requirements at the time of the listing of our common stock on the NYSE American, a majority of the members of each committee must satisfy the heightened independence requirements within 90 days following the listing, and all members of each committee must satisfy the heightened independence requirements within one year from the listing.

Audit Committee

Andre Keijsers, Berndt Hauptkorn and Tracy Barwin serve on the audit committee, which is chaired by Andre Keijsers. Our board of directors has determined that Andre Keijsers, Berndt Hauptkorn and Tracy Barwin are "independent" for audit committee purposes as that term is defined in the rules of the SEC and the NYSE American Company Guide, and each member has sufficient knowledge in financial and auditing matters to serve on the audit committee. Our board of directors has designated Andre Keijsers as an "audit committee financial expert," as defined under the applicable rules of the SEC. We intend to comply with the applicable independent requirements for all members of the audit committee within the time periods specified under such rules.

The audit committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing the overall audit plan with our independent registered public accounting firm and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and our independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting;

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- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- recommending based upon the audit committee's review and discussions with management and our independent registered public accounting firm whether our audited financial statements shall be included in our Annual Report on Form 10-K;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement;
- reviewing all related person transactions for potential conflict of interest situations and approving all such transactions; and
- reviewing quarterly earnings releases.

Compensation Committee

Max Gottschalk, Andre Keijsers and Tim Nixdorff serve on the compensation committee, which is chaired by Andre Keijsers. Our board of directors has determined that Andre Keijsers and Tim Nixdorff are "independent" as defined in the NYSE American Company Guide and each member is a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act. We intend to comply with the applicable independent requirements for all members of the compensation committee within the time periods specified under such rules.

The compensation committee's responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer;
- evaluating the performance of our chief executive officer in light of such corporate goals and objectives and determining the compensation of our chief executive officer;
- reviewing and approving the compensation of our other executive officers;
- reviewing and establishing our overall management compensation, philosophy and policy;
- overseeing and administering our compensation and similar plans;
- evaluating and assessing potential and current compensation advisors in accordance with the independence standards identified in the NYSE American Company Guide;
- retaining and approving the compensation of any compensation advisors;
- reviewing and making recommendations to our board of directors about our policies and procedures for the grant of equity-based awards;

- evaluating and making recommendations to the board of directors about director compensation;
- preparing the compensation committee report required by SEC rules, if and when required, to be included in our annual proxy statement; and
- reviewing and approving the retention or termination of any consulting firm or outside advisor to assist in the evaluation of compensation matters.

Nominating and Corporate Governance Committee

Max Gottschalk, Andre Keijsers, Berndt Hauptkorn and Tim Nixdorff will serve on the nominating and corporate governance committee, which will be chaired by Andre Keijsers. Our board of directors has determined that Andre Keijsers, Berndt Hauptkorn and Tim Nixdorff are "independent" as defined in the NYSE American Company Guide. We intend to comply with the applicable independent requirements for all members of the nominating and corporate governance committee within the time periods specified under such rules.

The nominating and corporate governance committee's responsibilities include:

- developing and recommending to the board of directors criteria for board and committee membership;
- establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by stockholders;
- reviewing the size and composition of the board of directors to ensure that it is composed of members containing the appropriate skills and expertise to advise us;
- identifying individuals qualified to become members of the board of directors;
- recommending to the board of directors the persons to be nominated for election as directors and to each of the board's committees;
- developing and recommending to the board of directors a code of business conduct and ethics and a set of corporate governance guidelines; and
- overseeing the evaluation of our board of directors and management.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics 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. We provide a copy of our code of ethics can be found on our website <https://investors.perfectmoment.com/corporate-governance>. We intend to disclose future amendments to, or waivers of, our Code, as and to the extent required by SEC regulations, at the same location on our website identified above or in public filings.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is currently or has been within the past three years one of our officers or an employee. None of our executive officers currently serves, or has served during the last year, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Corporate Governance Guidelines

We have adopted corporate governance guidelines, that serve as a flexible framework within which our board of directors and its committees operate. These guidelines cover a number of areas including the size and composition of the board, board membership criteria and director qualifications, director responsibilities, board agenda, meetings of independent directors, committee responsibilities and assignments, board member access to management and independent advisors, director communications with third parties, director compensation, and management succession planning. A copy of our corporate governance guidelines is available on our website at <https://www.investors.perfectmoment.com>.

Conflicts of Interest

We comply with applicable state law with respect to transactions (including business opportunities) involving potential conflicts. Applicable state corporate law requires that all transactions involving our company and any director or executive officer (or other entities with which they are affiliated) are subject to full disclosure and approval of the majority of the disinterested independent members of our board of directors, approval of the majority of our stockholders or the determination that the contract or transaction is intrinsically fair to us. More particularly, our policy is to have any related party transactions (i.e., transactions involving a director, an officer or an affiliate of our company) be approved solely by a majority of the disinterested independent directors serving on the board of directors.

Family Relationships

Max Gottschalk, the Chairman of our board of directors, and Jane Gottschalk, and our Chief Creative Officer and a member of our board of directors, are husband and wife. There are no other family relationships among any of the directors or executive officers.

ITEM 11. EXECUTIVE COMPENSATION

Director Compensation

During the fiscal year ended March 31, 2024, we paid cash and equity-based compensation to our non-employee directors for their service on our board of directors. We have reimbursed and will continue to reimburse all of our non-employee directors for their reasonable out-of-pocket expenses incurred in attending board of directors and committee meetings.

As of March 31, 2024, our non-employee directors held 158,400 outstanding option awards to purchase or to be issued our common stock.

As of March 31, 2024, Jane Gottschalk, our current Chief Creative Officer and a member of our board of directors, who was a non-employee

director until August 2022, held options to purchase 68,172 shares of our common stock. We granted options to purchase 30,000 shares of our common stock each (for a total of 120,000 shares of our common stock) to Andre Keijsers, Tracy Barwin, Berndt Hauptkorn and Tim Nixdorff, our four independent directors, pursuant to and upon the terms and conditions of their Independent Director Agreements with us, vesting over a period of three years from the effective date of each such Independent Director Agreement. On March 5, 2024 we granted an additional 6,000 options to purchase our common stock to Berndt Hauptkorn and Tim Nixdorff, vesting over a period of three years from the effective date of each such Independent Director Agreement. On March 5, 2024 we granted an additional 13,200 options to purchase our common stock to Andre Keijsers and Tracy Barwin, vesting over a period of three years from the effective date of each such Independent Director Agreement.

We have implemented a compensation plan for our non-employee directors, such that non-employee directors will receive an annual cash retainer and/or an annual grant of stock options. Our committee chairpersons will not receive certain additional retainer fees. Our directors who are also our employees or officers will not receive any compensation specifically related to their activities as directors, other than reimbursement for expenses incurred in connection with their attendance at meetings.

Compensation to our board of directors will be reviewed annually, and changes will be recommended by the compensation committee and approved by our board of directors.

Board compensation will be reviewed annually, and changes will be recommended by the compensation committee and approved by our board of directors.

Director Compensation Table

The following table discloses the cash fees, bonuses and stock awards and total compensation earned, paid or awarded to each of our non-employee directors during the fiscal year ended March 31, 2024. Columns disclosing compensation under the headings "Non-Equity Incentive Plan Compensation," and "Change in Pension Value and Nonqualified Deferred Compensation Earnings" are not included because no compensation in these categories was awarded to, earned by or paid to our non-employee directors in the fiscal year ended March 31, 2024. The dollar amounts shown are in U.S. dollars. The amounts originally in British pounds were converted to U.S. dollars for this table using the average of the average exchange rates for each fiscal month during the applicable fiscal year. Applying this formula to the fiscal year ended March 31, 2024, £1.00 was equal to \$1.2569.

Name ⁽¹⁾	Fees Earned or Paid in Cash (\$)	Bonus (\$)	Option Awards ⁽²⁾ (\$)	Total (\$)
Max Gottschalk	180,994	100,000	175,778	456,772 ⁽³⁾
Tracy Barwin	141,763	-	170,454	312,217 ⁽⁴⁾
Andre Keijsers	48,554	-	170,454	219,008 ⁽⁵⁾
Berndt Hauptkorn	25,000	-	142,045	167,045 ⁽⁶⁾
Tim Nixdorff	12,500	-	142,045	154,545 ⁽⁷⁾

(1) Mark Buckley, a Director and Chief Executive Officer and Jane Gottschalk a Director and Chief Creative Officer during the fiscal year ending March 31, 2024, are not included in this table as they were employees, and, thus, received no compensation for their services as a director. The compensation received by Mr. Buckley and Ms. Gottschalk as employees are disclosed in the section entitled "Executive Compensation – Summary Compensation Table" appearing elsewhere in this Annual Report.

(2) For valuation assumptions on stock option awards, refer to Note 13 of our audited consolidated financial statements for the year ended March 31, 2024 of this Annual Report. The disclosed amounts reflect the fair value of the stock option awards that were granted during the fiscal year ended March 31, 2024 in accordance with FASB ASC Topic 718.

(3) The amount reported for Mr. Gottschalk represents (i) consulting fees paid to him pursuant to the terms of his consulting agreement (ii) reflects incentive bonus paid for successful initial public offering plus listing on NYSE American and (iii) stock options to purchase 50,000 shares of our common stock.

(4) The amount reported for Ms. Barwin represents (i) advisory fees paid to her pursuant to the terms of her consulting agreement for providing advisory services from April 2023 to October 22, 2023 plus her director fees from October 23, 2023 to March 31, 2024 (ii) stock options to purchase 42,300 shares of our common stock.

(5) The amount reported for Mr. Keijsers represents (i) advisory fees paid to him pursuant to the terms of our consulting agreement with Arnhem Consulting Limited for providing advisory services from April 2023 to October 22, 2023 plus his director fees from September 15, 2023 to March 31, 2024, (ii) stock options to purchase 42,300 shares of our common stock.

(6) The amount reported for Berndt Hauptkorn represents (ii) his director fees from September 15, 2023 to March 31, 2024, (ii) stock options to purchase 36,000 shares of our common stock.

(7) The amount reported in this column for Tim Nixdorff represents (i) his director fees from January 1, 2024 to March 31, 2024, (ii) stock options to purchase 36,000 shares of our common stock.

Consulting Agreements

Max Gottschalk

We, through PMA, are party to a consulting agreement with Max Gottschalk, dated May 15, 2019, which continues until terminated in accordance with its terms, during which Mr. Gottschalk is entitled to receive fees for services rendered amounting to £8,000 per month from April 2021 to November 2022 and £12,000 per month since December 2022. These amounts are in lieu of any other cash payments or equity awards Mr. Gottschalk may otherwise have been entitled to receive as a member of our board of directors.

Tracy Barwin

We were party to a consulting agreement with Tracy Barwin, dated November 18, 2022, pursuant to which Ms. Barwin was entitled to receive £1,500 per day for services rendered with a minimum commitment of two days per month. These amounts were in lieu of any other cash payments or equity awards Ms. Barwin may otherwise have been entitled to receive as a member of our board of directors. The consulting agreement with Ms. Barwin was terminated in October 2023 and replaced by an independent director agreement, described below under “— Independent Director Compensation.”

Arnhem Consulting Limited (Andre Keijzers)

We, through PMA, were party to a consulting agreement with Arnhem Consulting Limited (“Arnhem”), a company controlled by Andre Keijzers, dated February 28, 2017, pursuant to which Arnhem was entitled to receive £3,200 per month for services rendered. The consulting agreement was terminated in October 2023 as a result of Mr. Keijzers becoming a director of the Company.

Independent Director Compensation

Andre Keijzers

On September 15, 2023, we entered into an Independent Director Agreement with Andre Keijzers, pursuant to which Mr. Keijzers will receive an annual cash fee of \$50,000, and an initial grant of stock options to purchase 30,000 shares of our common stock pursuant to the 2021 Plan. On March 5, 2024, we granted Mr. Keijzers an additional 13,200 stock options for services to be rendered. We will pay the annual cash compensation fee to Mr. Keijzers in monthly installments no later than the 15th of each such calendar month, commencing on October 23, 2023, pro-rated for the initial and last payments, if applicable. The options will vest annually over a four-year period starting from the agreement date, with such vesting subject to Independent Director Agreement not having been terminated at the time of vesting and the other terms and conditions of the 2021 Plan or successor plan as well as the applicable stock option agreement between us and Mr. Keijzers. The options will have an exercise price equal to the Fair Market Value (as defined in the 2021 Plan) as of the date on which the options will be granted and an exercise period of five years from the date of the Independent Director Agreement. We will also reimburse Mr. Keijzers for pre-approved reasonable business-related expenses incurred in good faith in connection with the performance of his duties for us. As also required under the Independent Director Agreement, we have separately entered into standard indemnification agreements with Mr. Keijzers.

Berndt Hauptkorn

On September 15, 2023, we entered into an Independent Director Agreement with Berndt Hauptkorn, pursuant to which Mr. Hauptkorn will receive an annual cash fee of \$50,000, and an initial grant of stock options to purchase 30,000 shares of our common stock pursuant to the 2021 Plan. On March 5, 2024, we granted Mr. Hauptkorn an additional 6,000 stock options for services to be rendered. We will pay the annual cash compensation fee to Mr. Hauptkorn in monthly installments no later than the 15th of each such calendar month, commencing on October 23, 2023, pro-rated for the initial and last payments, if applicable. The options will vest annually over a four-year period starting from the agreement date, with such vesting subject to Independent Director Agreement not having been terminated at the time of vesting and the other terms and conditions of the 2021 Plan or successor plan as well as the applicable stock option agreement between us and Mr. Hauptkorn. The options will have an exercise price equal to the Fair Market Value (as defined in the 2021 Plan) as of the date on which the options will be granted and an exercise period of five years from the date of the Independent Director Agreement. We will also reimburse Mr. Hauptkorn for pre-approved reasonable business-related expenses incurred in good faith in connection with the performance of his duties for us. As also required under the Independent Director Agreement, we have separately entered into standard indemnification agreements with Mr. Hauptkorn.

Tim Nixdorff

On January 18, 2024, we entered into an Independent Director Agreement with Tim Nixdorff, pursuant to which Mr. Nixdorff will receive an annual cash fee of \$50,000, and an initial grant of stock options to purchase 30,000 shares of our common stock pursuant to the 2021 Plan. On March 5, 2024, we granted Mr. Nixdorff an additional 6,000 stock options for services to be rendered. We will pay the annual cash compensation fee to Mr. Nixdorff in monthly installments no later than the 15th of each such calendar month, commencing on October 23, 2023, pro-rated for the initial and last payments, if applicable. The options will vest annually over a four-year period starting from the agreement date, with such vesting subject to Independent Director Agreement not having been terminated at the time of vesting and the other terms and conditions of the 2021 Plan or successor plan as well as the applicable stock option agreement between us and Mr. Nixdorff. The options will have an exercise price equal to the Fair Market Value (as defined in the 2021 Plan) as of the date on which the options will be granted and an exercise period of five years from the date of the Independent Director Agreement. We will also reimburse Mr. Nixdorff for pre-approved reasonable business-related expenses incurred in good faith in connection with the performance of his duties for us. As also required under the Independent Director Agreement, we have separately entered into standard indemnification agreements with Mr. Nixdorff.

Tracy Barwin

On October 23, 2023, we entered into an Independent Director Agreement with Tracy Barwin, pursuant to which Ms. Barwin will receive an annual cash fee of \$50,000, and an initial grant of stock options to purchase 30,000 shares of our common stock pursuant to the 2021 Plan. On March 5, 2024, we granted Mr. Keijzers an additional 13,200 stock options for services to be rendered. We will pay the annual cash compensation fee to Ms. Barwin in monthly installments no later than the 15th of each such calendar month, commencing on October 23, 2023, pro-rated for the initial and last payments, if applicable. The options will vest annually over a four-year period starting from the agreement date, with such vesting subject to Independent Director Agreement not having been terminated at the time of vesting and the other terms and conditions of the 2021 Plan or successor plan as well as the applicable stock option agreement between us and Ms. Barwin. The options will have an exercise price equal to the Fair Market Value (as defined in the 2021 Plan) as of the date on which the options will be granted and an exercise period of five years from the date of the Independent Director Agreement. We will also reimburse Ms. Barwin for pre-approved reasonable business-related expenses incurred in good faith in connection with the performance of her duties for us. As also required under the Independent Director Agreement, we have separately entered into standard indemnification agreements with Ms. Barwin.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth, for each non-employee director, certain information concerning outstanding option awards as of March 31, 2024:

Name	Number of securities underlying unexercised options (exercisable) (#)	Number of securities underlying unexercised options (unexercisable) (#)	Option exercise price (\$)	Option expiration date
Max Gottschalk	-	50,000	4.10	March 4, 2029 ⁽¹⁾

Tracy Barwin	-	43,200	4.10	March 4, 2034 ⁽¹⁾
Andre Keijsers	-	43,200	4.10	March 4, 2034 ⁽¹⁾
Berndt Hauptkorn	-	36,000	4.10	March 4, 2034 ⁽¹⁾
Tim Nixdorff	-	36,000	4.10	March 4, 2034 ⁽¹⁾

(1) 25% vesting on the first, second, third, and fourth anniversaries from director start date.

Executive Compensation

Named Executive Officers

Our named executive officers for the fiscal year ended March 31, 2024 set forth in this annual report (the "Named Executive Officers") are Mark Buckley, Jane Gottschalk and Jeff Clayborne.

Summary Compensation Table

The following table summarizes the compensation of our Named Executive Officers during the fiscal year ended March 31, 2024.

The dollar amounts shown are in U.S. dollars. The amounts originally in British pounds were converted to U.S. dollars for this table using the average of the average exchange rates for each fiscal month during the applicable fiscal year. Applying this formula to the fiscal year ended March 31, 2024, £1.00 was equal to \$1.2569.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Mark Buckley	2024	314,225 ⁽¹⁾	187,916 ⁽²⁾	1,230,000 ⁽³⁾	-	2086 ⁽⁴⁾	1,734,227
Chief Executive Officer	2023	121,511 ⁽⁵⁾	-	-	-	398 ⁽⁴⁾	121,909
Jeff Clayborne ⁽¹⁾	2024	83,344 ⁽⁶⁾	-	-	1,183,706 ⁽⁷⁾	-	1,267,050
Chief Financial Officer							
Jane Gottschalk	2024	251,380 ⁽¹⁾	187,916 ⁽²⁾	-	1,054,668 ⁽⁸⁾	-	1,493,964
Chief Creative Officer	2023	140,642 ⁽⁵⁾	-	-	-	48,220 ⁽⁹⁾	224,022

(1) Reflects actual earnings for the fiscal year ended March 31, 2024.

(2) On February 12, 2024, we paid a bonus for the successful initial public offering and listing on NYSE American.

(3) On March 5, we granted Mr. Buckley a restricted stock unit totaling \$1,230,000 payable in 300,000 shares of our common stock pursuant to the terms of his employment agreement. The restricted stock unit vests equally over four years on the anniversary date of his contractual start date. The price per share as reported by NYSE American on the day of issuance was \$4.10 and was used to calculate fair market value.

(4) The amount reported in this column for Mr. Buckley represents PMUK contributions to the United Kingdom's National Employment Savings Trust.

(5) Reflects actual earnings for the fiscal year ended March 31, 2023, which may differ from approved 2023 base salary due to start date.

(6) Reflects actual earnings for the fiscal year ended March 31, 2024, which may differ from approved 2023 base salary due to start date.

(7) On March 5, 2024, we granted Mr. Clayborne a stock option to purchase up to 300,000 shares of our common stock pursuant to his employment agreement at an exercise price of \$4.10 per share. The option is not currently vested and will vest equally over four years from his contractual start day and will expire on March 4, 2034.

(8) On March 5, 2024, we granted Ms. Gottschalk a stock option to purchase up to 300,000 shares of our common stock at an exercise price of \$4.10 per share. The option is not currently vested and will vest equally over four years from July 18, 2023, and will expire on March 4, 2029.

(9) The amount reported in this column for Ms. Gottschalk represents consulting fees paid to her pursuant to the terms of her consulting agreement for the five-month period from April 2022 to August 2022. Effective September 1, 2022, Ms. Gottschalk became an employee of PMUK.

Employment Agreements

Named Executive Officers

Mark Buckley

On October 21, 2022, we entered into a Contract of Employment, through PMUK, for Mr. Buckley to serve as our Chief Executive Officer and our former acting Chief Financial Officer, commencing November 7, 2022. Mr. Buckley served as acting Chief Financial Officer until October 2023. Pursuant to the terms of the agreement, Mr. Buckley is entitled to receive an annual base salary of £250,000 and is eligible to receive performance-based bonuses, and is entitled to receive, but has not yet been granted, options to purchase 300,000 shares of our common stock, vesting over a period of 4 years. The options were to be granted at \$0.01, which is below fair market value, therefore, the Company issued Mr. Buckley RSUs under the same terms and conditions of the options. In connection with his employment, Mr. Buckley also serves as a member of our board of directors.

Either we or Mr. Buckley may terminate for any reason upon 3 months' prior written notice. We may also, at our sole discretion, terminate the agreement at any time and with immediate effect by paying Mr. Buckley an amount equal to the base salary he would have been entitled to receive during the notice period. In addition, we may terminate the agreement without notice if there is (a) serious or persistent breach of any terms of his employment (b) gross misconduct or any conduct tending to bring himself or us into disrepute or (c) acts of dishonesty, whether relating to us, an employee, a customer or otherwise.

Mr. Buckley provides that he will be subject to certain non-solicitation provisions relating to customers, suppliers and/or employees of the Company during his employment and for a 12-month period following the termination of his employment.

As of March 31, 2024, Mr. Buckley held 75,000 shares of our common stock.

On September 7, 2022, we entered into a Contract of Employment, through PMUK, for Ms. Gottschalk to serve as our Chief Creative Officer commencing September 1, 2022. Pursuant to the terms, Ms. Gottschalk is entitled to receive an annual base salary of £200,000 and was eligible to receive a guaranteed bonus of £50,000 payable on the first anniversary of her employment. Ms. Gottschalk has waived her right to receive such bonus. Future bonuses are dependent upon individual and company performance.

Either we or Ms. Gottschalk may terminate the Contract of Employment for any reason upon 3 months' prior written notice. We may also, at our sole discretion, terminate the agreement at any time and with immediate effect by paying Ms. Gottschalk an amount equal to the base salary she would have been entitled to receive during the notice period. In addition, we may terminate the agreement without notice if there is (a) serious or persistent breach of any terms of his employment (b) gross misconduct or any conduct tending to bring herself or us into disrepute or (c) acts of dishonesty, whether relating to us, an employee, a customer or otherwise.

Ms. Gottschalk provides that she will be subject to certain non-solicitation provisions relating to customers, suppliers and/or employees of the Company during her employment and for a 12-month period following the termination of her employment.

As of March 31, 2024, Ms. Gottschalk held options to purchase 368,172 shares of our common stock.

Other Executive Officers

Jeff Clayborne

On October 20, 2023 (the "Effective Date"), we entered into an Employment Agreement for Mr. Clayborne to serve as our Chief Financial Officer, commencing as of such date, which was amended on January 22, 2024. Pursuant to the terms, Mr. Clayborne is entitled to receive an annual base salary of \$275,000 and is eligible to receive an annual bonus; provided, however, that the decision to provide any annual bonus and the amount and terms of any annual bonus will be in the sole and absolute discretion of our board of directors and the compensation committee.

Mr. Clayborne is also eligible to participate in the 2021 Plan and pursuant to his employment, is entitled to receive, subject to approval by our board of directors, options to purchase 300,000 shares of our common stock on the Effective Date, vesting annually over four years in equal installments, with the first vesting on the first anniversary of the Effective Date, with an exercise price equal to the Fair Market Value (as defined in the 2021 Plan) as of the date on which the options will be granted, which stock options will expire five years from the Effective Date.

The agreement will continue until the second anniversary thereof, unless terminated earlier; provided that, on such second anniversary of the Effective Date and each annual anniversary thereafter, the agreement will be automatically extended, upon the same terms and conditions, for successive one-year periods, unless either party provides written notice of its intention not to extend the term of the agreement at least 30 days prior to the applicable anniversary date.

Either we or Mr. Clayborne may terminate the agreement for any reason upon 30 days' advance written notice. If Mr. Clayborne's employment is terminated upon either party's failure to renew the agreement, by us for Cause (as defined in the agreement) or by Mr. Clayborne without Good Reason (as defined in the agreement), Mr. Clayborne will be entitled to receive (i) any accrued but unpaid base salary and accrued but unused vacation, (ii) any earned but unpaid annual bonus with respect to any completed calendar year immediately preceding the termination date (provided that, if Mr. Clayborne's employment is terminated by us for Cause, then any such accrued but unpaid annual bonus will be forfeited), (iii) reimbursement for unreimbursed business expenses properly incurred by Mr. Clayborne and (iv) such employee benefits (including equity compensation), if any, to which Mr. Clayborne may be entitled under our employee benefit plans as of the termination date (clauses (i) through (iii), the "Accrued Amounts"). If Mr. Clayborne's employment is terminated by us without Cause or by Mr. Clayborne for Good Reason, Mr. Clayborne will be entitled to the Accrued Amounts and, subject to the terms and conditions of the agreement, including Mr. Clayborne's execution of a release of claims, Mr. Clayborne will be entitled to receive continued base salary for three months plus a lump sum payment of \$13,300. In addition, all stock options granted to Mr. Clayborne that are scheduled to vest at the end of the annual vesting period in which such termination occurs will immediately vest upon the termination date; all other, unvested options will be terminated upon such termination date.

Mr. Clayborne's agreement provides that he will be subject to certain non-competition provisions and non-solicitation provisions relating to customers and/or employees of the Company during his employment and for a one-year period following the termination of his employment. The agreement also includes provisions governing Company confidential information and indemnification rights.

As of March 31, 2024, Mr. Clayborne held options to purchase 300,000 shares of our common stock

UK National Employment Savings Trust

Our subsidiary in the United Kingdom, PMUK, is required by the applicable local laws and regulations to make contributions to the United Kingdom's National Employment Savings Trust for all eligible personnel, including Mark Buckley, our Chief Executive Officer and former acting Chief Financial Officer. During the fiscal year ended March 31, 2024 and March 31, 2023, we contributed £1,660 and £330, respectively to the National Employment Savings Trust for Mr. Buckley.

2021 Equity Incentive Plan

The board of directors and stockholders adopted our 2021 Equity Incentive Plan on August 24, 2021. Our 2021 Equity Incentive Plan, as amended (the "2021 Plan"), provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), to our employees and our parent and subsidiary corporations' employees, and for the grant of non-statutory stock options, stock appreciation rights, restricted stock, RSUs, performance units, and performance shares to our employees, directors, and consultants and our parent and subsidiary corporations' employees and consultants. As of June 26, 2024, there were 4,299,957 shares of our common stock granted or available for grant under the 2021 Plan of which 1,496,807 are allocated to employees and consultants (vested and non-vested), 208,400 are allocated to Directors (vested and non-vested), and 2,519,750 were unallocated.

Authorized Shares

The number of shares of our common stock available for issuance under the 2021 Plan also includes an annual increase on the first day of each fiscal year beginning with the fiscal year ending March 31, 2025 and ending on (and including) the fiscal year ending March 31, 2031, in an amount equal to the least of:

- 500,000 shares of our common stock; or
- such number of shares of our common stock as the administrator may determine.

If an award granted under the 2021 Plan expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an exchange program or, with respect to restricted stock, RSUs, performance units, or performance shares, is forfeited to, or repurchased by, us due to failure to vest, then the unpurchased shares (or for awards other than stock options or stock appreciation rights, the forfeited or repurchased shares) which were subject thereto will become available for future grant or sale under the 2021 Plan (unless the 2021 Plan has terminated). With respect to stock appreciation rights, only the net shares actually issued will cease to be available under the 2021 Plan and all remaining shares under stock appreciation rights will remain available for future grant or sale under the 2021 Plan (unless the 2021 Plan has terminated). Shares that actually have been issued under the 2021 Plan under any award will not be returned to the 2021 Plan; provided, however, that if shares issued pursuant to awards of restricted stock, RSUs, performance shares, or performance units are repurchased or forfeited to us due to failure to vest, such shares will become available for future grant under the 2021 Plan. Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award will become available for future grant or sale under the 2021 Plan. To the extent an award is paid out in cash rather than shares, the cash payment will not result in a reduction in the number of shares available for issuance under the 2021 Plan.

Plan Administration

The board of directors or one or more committees appointed by the board of directors will administer the 2021 Plan. In addition, if we determine it is desirable to qualify transactions under the 2021 Plan as exempt under Rule 16b-3, such transactions will be structured with the intent that they satisfy the requirements for exemption under Rule 16b-3. Subject to the provisions of the 2021 Plan, the administrator has the power to administer the 2021 Plan and make all determinations deemed necessary or advisable for administering the 2021 Plan, including the power to determine the fair market value of our common stock, select the service providers to whom awards may be granted, determine the number of shares covered by each award, approve forms of award agreement for use under the 2021 Plan, determine the terms and conditions of awards (including the exercise price, the time or times when the awards may be exercised, any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any award or the shares relating thereto), construe and interpret the terms of the 2021 Plan and awards granted under it, prescribe, amend, and rescind rules and regulations relating to the 2021 Plan, including creating sub-plans, and modify or amend each award, including the discretionary authority to extend the post-termination exercisability period of awards (provided that no option or stock appreciation right will be extended past its original maximum term), temporarily suspend the exercisability of an award if the administrator deems such suspension to be necessary or appropriate for administrative purposes, and to allow a participant to defer the receipt of payment of cash or the delivery of shares that would otherwise be due to such participant under an award. The administrator may institute and determine the terms of an exchange program under which (i) outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have a higher or lower exercise price or different terms), awards of a different type and/or cash, (ii) participants would have the opportunity to transfer any outstanding awards to a financial institution or other person or entity selected by the administrator, and/or (iii) the exercise price of an outstanding award is increased or reduced. The administrator's decisions, determinations, and interpretations are final and binding on all participants.

Stock Options

Stock options may be granted under the 2021 Plan in such amounts as the administrator will determine in accordance with the terms of the 2021 Plan. The exercise price of options granted under the 2021 Plan must at least be equal to the fair market value of our common stock on the date of grant. The term of an option will be stated in the award agreement, and in the case of an incentive stock option, may not exceed 10 years. With respect to any participant who owns stock representing more than 10% of the voting power of all classes of our outstanding stock, the term of an incentive stock option granted to such participant must not exceed five years and the exercise price must equal at least 110% of the fair market value on the date of grant. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, shares, or other property acceptable to the administrator, as well as other types of consideration permitted by applicable law. After a participant ceases to provide service as an employee, director, or consultant, he or she may exercise his or her option for the period of time stated in his or her award agreement. In the absence of a specified time in an award agreement, if the cessation of service is due to death or disability, the option will remain exercisable for 12 months. In all other cases, in the absence of a specified time in an award agreement, the option will remain exercisable for three months following the cessation service. An option may not be exercised later than the expiration of its term. Subject to the provisions of the 2021 Plan, the administrator determines the other terms of options.

Stock Appreciation Rights

Stock appreciation rights may be granted under the 2021 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our common stock between the exercise date and the date of grant. Stock appreciation rights will expire upon the date determined by the administrator and set forth in the award agreement. After a participant ceases to provide service as an employee, director, or consultant, he or she may exercise his or her stock appreciation right for the period of time stated in his or her award agreement. In the absence of a specified time in an award agreement, if cessation of service is due to death or disability, the stock appreciation rights will remain exercisable for 12 months. In all other cases, in the absence of a specified time in an award agreement, the stock appreciation rights will remain exercisable for three months following the cessation of service. However, in no event may a stock appreciation right be exercised later than the expiration of its term. Subject to the provisions of the 2021 Plan, the administrator determines the other terms of stock appreciation rights, including when such rights become exercisable and whether to pay any increased appreciation in cash, shares of our common stock, or a combination thereof, except that the per share exercise price for the shares to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value per share on the date of grant.

Restricted Stock

Restricted stock may be granted under the 2021 Plan. Restricted stock awards are grants of shares of our common stock that vest in accordance with terms and conditions established by the administrator (if any). The administrator will determine the number of shares of restricted stock granted to any employee, director, or consultant and, subject to the provisions of the 2021 Plan, will determine any terms and conditions of such awards. The administrator may impose whatever conditions to vesting it determines to be appropriate (for example, the administrator may set restrictions based on the achievement of specific performance goals or continued service to us); provided, however, that the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

Restricted Stock Units

RSUs may be granted under the 2021 Plan. RSUs are bookkeeping entries representing an amount equal to the fair market value of one share of our common stock. Subject to the provisions of the 2021 Plan, the administrator determines the terms and conditions of RSUs, including the vesting criteria, and the form and timing of payment. The administrator may set vesting criteria based upon the achievement of company-wide, divisional, business unit, or individual goals (including continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator in its discretion. The administrator, in its sole discretion, may pay earned RSUs in the form of cash, in shares, or in some combination thereof. Notwithstanding the foregoing, the administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to

receive a payout.

Performance Units and Performance Shares

Performance units and performance shares may be granted under the 2021 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish performance objectives or other vesting provisions in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants. The administrator may set performance objectives based upon the achievement of company-wide, divisional, business unit, or individual goals (including continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator in its discretion. After the grant of a performance unit or performance share, the administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such performance units or performance shares. Performance units will have an initial dollar value established by the administrator on or prior to the date of grant. Performance shares will have an initial value equal to the fair market value of our common stock on the date of grant. The administrator, in its sole discretion, may pay earned performance units or performance shares in the form of cash, in shares, or in some combination thereof.

Non-Employee Directors

The 2021 Plan provides that all outside (non-employee) directors will be eligible to receive all types of awards (except for incentive stock options) under the 2021 Plan. In order to provide a maximum limit on the awards that can be made to our non-employee directors, the 2021 Plan provides that in any given fiscal year, a non-employee director may not be paid, issued, or granted equity awards (including awards issued under the 2021 Plan) with an aggregate value (the value of which will be based on their grant date fair value determined in accordance with U.S. generally accepted accounting principles) and any other compensation (including without limitation any cash retainers or fees) that, in the aggregate, exceed \$500,000 (excluding awards or other compensation paid or provided to him or her as a consultant or employee). The maximum limits do not reflect the intended size of any potential grants or a commitment to make grants to our outside directors under the 2021 Plan in the future.

Non-Transferability of Awards

Unless the administrator provides otherwise, the 2021 Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime. If the administrator makes an award transferable, such award will contain such additional terms and conditions as the administrator deems appropriate.

Certain Adjustments

In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the 2021 Plan, the administrator will adjust the number and class of shares that may be delivered under the 2021 Plan and/or the number, class, and price of shares covered by each outstanding award, and the numerical share limits set forth in the 2021 Plan.

Dissolution or Liquidation

In the event of our proposed dissolution or liquidation, the administrator will notify participants as soon as practicable prior to the effective date of such proposed transaction and all awards will terminate immediately prior to the consummation of such proposed transaction.

Merger or Change in Control

The 2021 Plan provides that in the event of our merger with or into another corporation or entity or a change in control (as defined in the 2021 Plan), each outstanding award will be treated as the administrator determines, including, without limitation, that (i) awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices, (ii) upon written notice to a participant, that the participant's awards will terminate upon or immediately prior to the consummation of such merger or change in control, (iii) outstanding awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon consummation of such merger or change in control and, to the extent the administrator determines, terminate upon or immediately prior to the effectiveness of such merger or change in control, (iv) (A) the termination of an award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such award or realization of the participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the administrator determines in good faith that no amount would have been attained upon the exercise of such award or realization of the participant's rights, then such award may be terminated by us without payment), or (B) the replacement of such award with other rights or property selected by the administrator in its sole discretion, or (v) any combination of the foregoing. The administrator will not be obligated to treat similarly all awards, all awards a participant holds, all awards of the same type, or all portions of awards.

In the event that the successor corporation does not assume or substitute for the award (or portions thereof), the participant will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights (or portions thereof) that is not assumed or substituted for, all restrictions on restricted stock, RSUs, performance shares, and performance units (or portions thereof) not assumed or substituted for will lapse, and, with respect to such awards with performance-based vesting (or portions thereof) not assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met, in all cases, unless specifically provided otherwise under the applicable award agreement or other written agreement between the participant and us or any parent or subsidiary. Additionally, in the event an option or stock appreciation right (or portions thereof) is not assumed or substituted for in the event of a merger or change in control, the administrator will notify each participant in writing or electronically that the option or stock appreciation right (or its applicable portion), as applicable, will be exercisable for a period of time determined by the administrator in its sole discretion, and the option or stock appreciation right (or its applicable portion), as applicable, will terminate upon the expiration of such period.

With respect to awards granted to an outside director, in the event of a change in control, the outside director's options and stock appreciation rights, if any, will vest fully and become immediately exercisable, all restrictions on his or her restricted stock and RSUs will lapse, and, with respect to awards with performance-based vesting, all performance goals or other vesting requirements for his or her performance shares and units will be deemed achieved at 100% of target levels and all other terms and conditions met, in all cases, unless specifically provided otherwise under the applicable award agreement or other written agreement between the participant and us or any parent or subsidiary.

The following table sets forth, for each executive officer, certain information concerning outstanding restricted stock awards as of March 31, 2024:

Name	Number of securities underlying unvested restricted stock awards (#)	Fair Value (\$)	Vest date
Mark Buckley	225,000	4.10	November 7, 2026 ⁽¹⁾

(1) Fully vests on the fourth anniversary from contractual start date.

The following table sets forth, for each executive officer, certain information concerning outstanding option awards as of March 31, 2024:

Name	Number of securities underlying unexercised options (exercisable) (#)	Number of securities underlying unexercised options (unexercisable) (#)	Option exercise price (\$)	Option expiration date
Jane Gottschalk	68,172	-	3.50	January 1, 2027 ⁽¹⁾
Jane Gottschalk	-	300,000	4.10	March 4, 2029 ⁽²⁾
Jeff Clayborne	-	300,000	4.10	March 4, 2034 ⁽³⁾

(1) All shares have fully vested.

(2) 25% vest on the first, second, third, and fourth anniversaries from July 18, 2023.

(3) 25% vest on the first, second, third, and fourth anniversaries from contractual start date.

Clawback Policy

Awards are subject to the Company's clawback policy, which was adopted on January 19, 2024 pursuant to Section 811 of the NYSE American Company Guide, Section 10D of the Exchange Act, and Rule 10D-1 promulgated under the Exchange Act (the "Clawback Policy"). The Clawback Policy requires us to recoup incentive-based compensation from current and former executive officers in the event of an accounting restatement, subject to certain exceptions set forth in the policy. In addition, our board of directors, acting as the administrator of the Clawback Policy (such administrator to be the Compensation Committee if so designated by the board of directors) also may specify in an award agreement that the participant's rights, payments, and benefits with respect to an award will be subject to reduction, cancellation, forfeiture, recoupment, reimbursement, or reacquisition upon the occurrence of certain specified events. The administrator of the Clawback Policy may require a participant to forfeit, return, or reimburse us all or a portion of the award and any amounts paid under the award pursuant to the terms of the Clawback Policy or applicable laws.

Amendment; Termination

The administrator has the authority to amend, alter, suspend, or terminate the 2021 Plan provided such action does not materially impair the existing rights of any participant. The 2021 Plan will automatically terminate in 2031, unless terminated sooner.

Enterprise Management Incentive Sub-Plan

The 2021 Plan includes an Enterprise Management Incentive Sub-Plan for the purpose of granting options to participants residing in the United Kingdom in compliance with the laws of the United Kingdom.

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

Equity Compensation Plan Information

The board of directors and stockholders adopted our 2021 Equity Incentive Plan on August 24, 2021. The 2021 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, to our employees and our parent and subsidiary corporations' employees, and for the grant of non-statutory stock options, stock appreciation rights, restricted stock, RSUs, performance units, and performance shares to our employees, directors, and consultants and our parent and subsidiary corporations' employees and consultants. As of June 26, 2024, there were 4,299,957 shares of our common stock granted or available for grant under the 2021 Plan.

The following information is as of March 31, 2024.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in third column)
Equity compensation plans approved by securityholders	1,197,012	\$ 3.94	2,527,944
Equity compensation plans not approved by securityholders	136,344	\$ 0.01	-
Total	1,333,356	\$ 3.54	2,527,944

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information regarding the beneficial ownership of our common stock as of June 26, 2024 for each person, or group of affiliated persons, known to us to beneficially own more than 5% of the common stock. The common stock is our only class of voting securities

which is currently outstanding.

Beneficial ownership of our common stock is determined under the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power, or of which a person has a right to acquire ownership at any time within 60 days of the date of this Annual Report. Except as indicated by footnote, and subject to applicable community property laws, we believe the persons identified in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

In the following table, percentage ownership is based on 15,653,449 shares of our common stock outstanding as of June 26, 2024. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options or other convertible securities held by that person or entity that are currently exercisable or releasable or that will become exercisable or releasable within 60 days of June 26, 2024. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Title of Class	Name and address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Common stock	Mark Tompkins ⁽¹⁾	1,040,000	6.2%

(1) The address of Mr. Tompkins is App 1, Via Guidino 23, 6900 Lugano-Paradiso, Switzerland.

Security Ownership of Management

The following table sets forth certain information regarding the beneficial ownership of our common stock as of June 26, 2024 for each of our directors, named executive officers, and all of our directors and executive officers as a group.

Unless otherwise indicated, the address of each of the following persons is 307 Canalot Studios, 222 Kensal Rd, London W10 5BN, United Kingdom, and each such person has sole voting and investment power with respect to the shares set forth opposite his, her or its name.

Title of Class	Name and address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Common stock	Named Executive Officers and Directors:		
	Max Gottschalk ⁽²⁾	3,898,488	24.7%
	Mark Buckley ⁽³⁾	92,000	*
	Jeff Clayborne ⁽⁴⁾	416	*
	Jane Gottschalk ⁽⁵⁾	3,898,488	24.7%
	Andre Keijzers ⁽⁶⁾	14,645	*
	Berndt Hauptkorn ⁽⁷⁾	1,600	*
	Tracy Barwin ⁽⁸⁾	83	*
	Tim Nixdorff ⁽⁹⁾	1,600	*
	All directors and executive officers as a group (8 persons)	4,008,832	25.4%

* Less than 1%.

(2) Consists of (i) 3,479,491 shares of common stock held of record by Fermain; (ii) 242,625 shares of common stock held of record by JGA; (iii) 16,600 shares of common stock issuable held directly; (iv) 16,600 shares of common stock held by Mr. Gottschalk's spouse, Jane Gottschalk; (v) 143,172 shares of common stock issuable upon the exercise of stock options by Mr. Gottschalk's spouse, Jane Gottschalk; (vi) The total excludes 50,000 shares of our common stock underlying stock options not exercisable within 60 days of June 26, 2024; and (vii) The total excludes 225,000 shares of our common stock underlying stock options not exercisable within 60 days of June 26, 2024 held by Mr. Gottschalk's spouse, Jane Gottschalk.

(3) Consists of 92,000 shares of common stock held directly. The total excludes 225,000 restricted stock units that will not vest within 60 days of June 26, 2024.

(4) Consists of 418 shares of common stock held directly. The total excludes 300,000 shares of our common stock underlying stock options not exercisable within 60 days of June 26, 2024.

(5) Consists of (i) 3,479,491 shares of common stock held of record by Fermain; (ii) 242,625 shares of common stock held of record by JGA; (iii) 16,600 shares of common stock issuable held directly; (iv) 68,172 shares of common stock issuable upon the exercise of stock options; (v) 75,000 shares of common stock issuable upon the exercise of stock options that will vest within 60 days of June 26, 2024; (vi) 16,600 shares of common stock held by Ms. Gottschalk's spouse, Max Gottschalk; (vii) The total excludes 225,000 shares of our common stock underlying stock options not exercisable within 60 days of June 26, 2024; and (viii) The total excludes 50,000 shares of our common stock underlying stock options not exercisable within 60 days of June 26, 2024 held by Ms. Gottschalk's spouse, Max Gottschalk.

(6) Consists of 14,645 shares of common stock held directly. The total excludes 43,200 shares of our common stock underlying stock options not exercisable within 60 days of June 26, 2024.

(7) Consists of 1,600 shares of common stock held directly. The total excludes 36,000 shares of our common stock underlying stock options not exercisable within 60 days of June 26, 2024.

(8) Consists of 83 shares of common stock held directly. The total excludes 43,200 shares of our common stock underlying stock options not exercisable within 60 days of June 26, 2024.

(9) Consists of 1,600 shares of common stock held directly. The total excludes 36,000 shares of our common stock underlying stock options not exercisable within 60 days of June 26, 2024.

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

Transactions with Related Persons

We follow ASC 850, Related Party Disclosures, for the identification of related parties and disclosure of related party transactions. When and if we contemplate entering into a transaction in which any executive officer, director, nominee, or any family member of the foregoing would have a direct or indirect interest, regardless of the amount involved, the terms of such transaction are to be presented to our full board of directors (other than any interested director) for approval, and documented in the board minutes.

SEC regulations define the related person transactions that require disclosure to include any transaction, arrangement or relationship in which the amount involved exceeds the lesser of \$120,000 or one percent of the average of the Company's total assets at year-end for the last two completed fiscal years (\$68,130) in which we were or are to be a participant and in which a related person had or will have a direct or indirect material interest. A related person is: (i) an executive officer, director or director nominee of the company, (ii) a beneficial owner of more than 5% of our common stock, (iii) an immediate family member of an executive officer, director or director nominee or beneficial owner of more than 5% of our common stock, or (iv) any entity that is owned or controlled by any of the foregoing persons or in which any of the foregoing persons has a substantial ownership interest or control.

In addition to the executive officer and director compensation arrangements discussed in "Executive Compensation," the following is a description of all related person transactions that occurred during the fiscal year ended March 31, 2024.

Consulting Agreements with Directors

Certain directors of the Company and its subsidiaries provided consulting and advisory services to the Company, as non-employees, recognized in selling, general and administrative expenses in our consolidated financial statements contained elsewhere in this Annual Report. As of March 31, 2024, none of these expenses were unpaid. As of March 31, 2023, \$22 of such expenses was unpaid and included in accrued expenses in our consolidated financial statements contained elsewhere in this Annual Report.

Below are the directors of the Company and its subsidiaries, that provided consulting and advisory services during the year.

	Years ended March 31,	
	2024	2023
<i>(Amounts in thousands)</i>		
Max Gottschalk	\$ 181	\$ 135
Jane Gottschalk	-	48
Tracy Barwin	121	89
Andreas Keijzers	22	48
Total	\$ 324	\$ 320

Max Gottschalk

We, through PMA, are party to a consulting agreement with Max Gottschalk, dated May 15, 2019, which continues until terminated in accordance with its terms, during which Mr. Gottschalk is entitled to receive fees for services rendered amounting to £8,000 per month from April 2021 to November 2022 and £12,000 per month since December 2022. These amounts are in lieu of any other cash payments Mr. Gottschalk may otherwise have been entitled to receive as a member of our board of directors.

Tracy Barwin

We were party to a consulting agreement with Tracy Barwin, dated November 18, 2022, pursuant to which Ms. Barwin was entitled to receive £1,500 per day for services rendered with a minimum commitment of two days per month. These amounts were in lieu of any other cash payments or equity awards Ms. Barwin may otherwise have been entitled to receive as a member of our board of directors. The consulting agreement with Ms. Barwin was terminated in October 2023 and replaced by an independent director agreement.

Arnhem Consulting Limited (Andre Keijzers)

We, through PMA, were party to a consulting agreement with Arnhem Consulting Limited ("Arnhem"), a company controlled by Andre Keijzers, dated February 28, 2017, pursuant to which Arnhem was entitled to receive £1,200 per month for services rendered. The consulting agreement with Mr. Keijzers was terminated in September 2023 and replaced by an independent director agreement.

Review, Approval or Ratification of Transactions with Related Parties

Our board of directors reviews and approves transactions with directors, officers and holders of five percent or more of our voting securities and their affiliates, each a related party. The material facts as to the related party's relationship or interest in the transaction are disclosed to our board of directors prior to their consideration of such transaction, and the transaction is not considered approved by our board of directors unless a majority of the directors who are not interested in the transaction approve the transaction. Further, when stockholders are entitled to vote on a transaction with a related party, the material facts of the related party's relationship or interest in the transaction are disclosed to the stockholders, who must approve the transaction in good faith.

We have adopted a written related party transactions policy that such transactions must be approved by our audit committee or another independent body of our board of directors.

Director Independence

As our common stock is currently listed for trading on the NYSE American, we have evaluated independence in accordance with the rules of the NYSE American Company Guide and the SEC with respect to each director and director nominee. Our board of directors undertook a review of the independence of its members and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. Based upon the information requested from and provided by each director concerning their background, employment, and affiliations, including family relationships, our Board has determined that each of the following non-employee directors are independent as that term is defined under the rules of the NYSE American Company Guide.

In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of capital stock by each non-employee director, and the transactions involving their affiliates described in this Annual Report.

All of the members of the Audit, Nomination, and Compensation Committees are also independent.

Based on these standards, our board of directors determined Mark Buckley, Jeff Clayborne, Jane Gottschalk, and Max Gottschalk were not independent.

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The following table shows the fees that we paid for audit and other services provided by Weinberg & Company, P.A. and CohnReznick LLP, our independent registered public accounting firms for fiscal years ended 2024 and 2023, respectively.

Fees	2024	2023
Audit Fees	\$ 266	\$ 80
Audit Related Fees	37	-
Other Fees related to initial public offering	177	21
Total Fees	\$ 480	\$ 101

Audit Fees — This category includes the audit of our annual financial statements and services that are normally provided by the independent auditors in connection with engagements for those fiscal years.

Audit-Related Fees — This category consists of assurance and related services by the independent auditor that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under “Audit Fees”.

All Other Fees — This category consists of fees for other miscellaneous items.

Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures to oversee the external audit process and pre-approves all services provided by our independent registered public accounting firm. All of the above services and fees were reviewed and approved by our board of directors or Audit Committee, as applicable, before the respective services were rendered.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

Reference is made to the financial statements attached beginning on page F-1 of this Annual Report.

(a)(2) Financial Statement Schedules

None.

(a)(3) Exhibits

Reference is made to the exhibits listed on the Index to Exhibits.

ITEM 16. FORM 10-K SUMMARY

None.

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Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Perfect Moment Ltd and Subsidiaries (the "Company") as of March 31, 2024 and 2023, the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the years then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2024 and 2023, and the results of its consolidated operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2, the Company incurred recurring losses, had a net loss and used cash in operations during the year ended March 31, 2024, and the Company had an accumulated deficit at March 31, 2024. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2 to the consolidated financial statements. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

We have served as the Company's auditor since 2023.

/s/ Weinberg & Company, P.A.
Weinberg & Company, P.A.
Los Angeles, California
July 1, 2024

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PERFECT MOMENT LTD. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (Amounts in thousands, except share per share data)

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,910	\$ 4,712
Accounts receivable, net	1,035	997
Inventories, net	2,230	2,262
Prepaid and other current assets	742	708
Total current assets	\$ 11,917	\$ 8,679
Operating lease right-of-use assets	143	297
Property and equipment, net	502	833
Other non-current assets	47	12
Total assets	\$ 12,609	\$ 9,821
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Trade payables	\$ 1,584	\$ 1,289
Accrued expenses	2,697	1,390
Trade finance facility	-	26
Convertible debt obligations	-	10,770
Operating lease liability, current	101	299
Unearned revenue	420	180
Total current liabilities	\$ 4,802	\$ 13,954
Long Term liabilities:		
Operating lease liability, non-current	44	8
Total liabilities	\$ 4,846	\$ 13,962

Commitments and contingencies

Stockholders' equity (deficit)

Common stock, \$0.0001 par value, 100,000,000 shares authorized: 15,653,449 and 4,824,352 shares issued and outstanding as of March 31, 2024 and March 31, 2023, respectively				\$	1	\$	-
Series A and Series B convertible preferred stock; \$0.0001 par value; 10,000,000 share authorized: 0 and 6,513,780 shares issued and outstanding as of March 31, 2024 and March 31, 2023, respectively					-		1
Additional paid-in-capital					56,824		35,910
Accumulated other comprehensive (loss)/income					(85)		203
Accumulated deficit					(48,977)		(40,255)
Total stockholders' equity (deficit)				\$	7,763	\$	(4,141)
Total liabilities and stockholders' equity (deficit)				\$	12,609	\$	9,821

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

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PERFECT MOMENT LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)
(Amounts in thousands, except share and per share data)

	Year Ended March 31, 2024	Year Ended March 31, 2023
Revenue, net		
Wholesale	\$ 14,060	\$ 14,888
Ecommerce	10,383	8,550
Total Revenue, net	24,443	23,438
Cost of goods sold	15,212	14,682
Gross profit	9,231	8,756
Operating expenses:		
Selling, general and administrative expenses	12,122	12,369
Marketing and advertising expenses	4,784	5,012
Total operating expenses	16,906	17,381
Loss from operations	(7,675)	(8,625)
Other income (expense), net		
Interest expense	(1,311)	(1,840)
Foreign currency transactions gains	264	39
Total other income (expense), net	(1,047)	(1,801)
Loss before income tax provision	(8,722)	(10,426)
Income tax provision	-	121
Net Loss	(8,722)	(10,305)
Other comprehensive (losses) gains		
Foreign currency translation (loss) gains	(288)	303
Comprehensive loss	\$ (9,010)	\$ (10,002)
Basic and diluted loss per share	\$ (1.34)	\$ (2.16)
Basic and Diluted weighted-average number of shares outstanding	6,518,960	4,767,777

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

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PERFECT MOMENT LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
For the Years Ended March 31, 2024 and 2023
(Amounts in thousands, except share data)

	Preference Shares						Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Series A		Series B		Common Shares					
	Convertible		Convertible							
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance - March 31, 2022	5,323,782	\$ 1	-	\$ -	3,749,352	\$ -	\$ 26,674	\$ (100)	\$ (29,950)	\$ (3,375)

Stock compensation expense for employee vested options	-	-	-	-	-	-	241	-	-	241
Issuance of common stock to consultants	-	-	-	-	1,075,000	-	3,795	-	-	3,795
Issuance of preference shares for cash	-	-	1,189,998	-	-	-	5,200	-	-	5,200
Foreign currency translation adjustment	-	-	-	-	-	-	-	303	-	303
Net loss	-	-	-	-	-	-	-	-	(10,305)	(10,305)
Balance - March 31, 2023	<u>5,323,782</u>	<u>\$ 1</u>	<u>1,189,998</u>	<u>\$ -</u>	<u>4,824,352</u>	<u>\$ -</u>	<u>\$ 35,910</u>	<u>\$ 203</u>	<u>\$ (40,255)</u>	<u>\$ (4,141)</u>
Stock compensation expense for employee vested RSUs and options	-	-	-	-	75,000	-	739	-	-	739
Issuance of common stock for cash	-	-	-	-	409,050	-	2,179	-	-	2,179
Sale of common stock from public offering	-	-	-	-	1,334,000	-	6,009	-	-	6,009
Issuance of common stock upon conversion of convertible debt and accrued interest	-	-	-	-	2,497,267	-	11,987	-	-	11,987
Issuance of common stock upon conversion of series A convertible stock	(5,323,782)	(1)	-	-	5,323,782	1	-	-	-	-
Issuance of common stock upon conversion of series B convertible stock	-	-	(1,189,998)	-	1,189,998	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	(288)	-	(288)
Net loss	-	-	-	-	-	-	-	-	(8,722)	(8,722)
Balance - March 31, 2024	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>15,653,449</u>	<u>\$ 1</u>	<u>\$ 56,824</u>	<u>\$ (85)</u>	<u>\$ (48,977)</u>	<u>\$ 7,763</u>

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

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PERFECT MOMENT LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	For the Year Ended	
	March 31, 2024	March 31, 2023
Operating Activities:		
Net loss	\$ (8,722)	\$ (10,305)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	555	547
Bad debt expense	217	80

Inventory reserve	382	374
Unrealized foreign exchange (gain) loss	(128)	334
Stock based compensation – employees	739	241
Stock based compensation – legal and consulting services	-	3,795
Amortization of stock-based marketing services	185	1,483
Amortization of convertible debt finance costs	492	941
Accrued interest	725	760
Effect of changes in assets and liabilities:		
Accounts receivable	(238)	(519)
Inventories	(349)	(812)
Prepaid and other current assets	(219)	321
Operating lease right of use asset	268	184
Other non-current assets	(37)	-
Operating lease right-of-use liability	(162)	(174)
Trade payables	295	(759)
Accrued expenses	1,304	514
Unearned revenue	240	(515)
Net cash used in operating activities	(4,453)	(3,510)
Investing Activities:		
Purchases of property and equipment	(211)	(249)
Net cash used by investing activities	(211)	(249)
Financing Activities:		
Proceeds from initial public offering	6,009	-
Proceeds from sale of common stock	2,179	-
Proceeds from issuance of preference shares, net	-	5,200
Proceeds from convertible debt obligations, net	-	2,555
Repayment of shareholder loans	-	(565)
Proceeds from trade finance facility	1,847	4,132
Repayment of trade finance facility	(1,873)	(4,371)
Repayment of other borrowings, net	-	(21)
Net cash provided by financing activities	8,162	6,930
Effect of Exchange Rate Changes on Cash	(300)	(34)
Net change in cash	3,198	3,137
Cash - beginning of period	4,712	1,575
Cash - end of period	\$ 7,910	\$ 4,712
Supplemental disclosures of cash flow information:		
Interest paid on borrowings and bank loans	\$ 107	\$ 139
Corporation tax received	\$ -	\$ 121
Supplemental disclosure of non-cash investing and financing activities:		
Conversion of convertible debt and accrued interest to common stock	\$ 11,987	\$ -
Recognition of operating lease right of use assets and lease obligations	\$ 198	\$ 404
Write-off of expired operating lease right-of-use assets and lease obligations	53	-
Offset of deferred offering costs to proceeds received	\$ 1,169	\$ -

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

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PERFECT MOMENT LTD AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of operations

Perfect Moment Ltd., a Delaware corporation ("Perfect Moment" or "PML" and, together with its subsidiaries unless the context otherwise requires, the "Company"), is an owner and operator of a luxury fashion brand that offers ski, surf, and activewear collections under the brand name Perfect Moment. The Company's collections are sold directly to customers through ecommerce, sales to wholesale accounts and through other sales partnerships.

Basis of presentation

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and present the consolidated financial position, income (loss), comprehensive income (loss), and cash flows of the Company and its wholly owned subsidiaries. The figures in the notes to the financials are presented in thousands, therefore the 000's are removed.

Principles of consolidation

These consolidated financial statements include the accounts of Perfect Moment Ltd. and its wholly owned subsidiaries; Perfect Moment Asia Limited ("PMA"), Perfect Moment (UK) Limited ("PMUK"), Perfect Moment USA, Inc., ("PMUSA") and Perfect Moment TM Sarl. All intercompany balances and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business.

Through March 31, 2024, the Company has funded its operations with proceeds from the sale of common stock from the initial public offering and the issuance of common stock, alongside existing trade, invoice and shareholder financing arrangements. The Company has incurred recurring losses, including a net loss of \$8,722 for the year ended March 31, 2024 and used cash in operations of \$ 4,453 during that period. As of March 31, 2024, the Company had an accumulated deficit of \$48,977.

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These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying Consolidated Financial Statements do not include any adjustments as a result of this uncertainty. Management's plans to alleviate the conditions that raise substantial doubt include:

- Taking out short-term loans and debt factoring to assist with working capital shortfalls
- Exploring sources of long-term funding in the private markets and additional equity financing
- Closely monitoring the collection of debts
- Strategies and plans in place to deliver improved margins in the next financial year

The Company's ability to continue as a going concern for 12 months from the date these Consolidated Financial Statements were available to be issued is dependent upon its ability to generate sufficient cash flows from operations to meet its obligations, which it has not been able to accomplish to date, and to obtain additional capital financing. No assurance can be given that the Company will be successful in these efforts mentioned above.

During the year ended March 31, 2024, the Company generated net proceeds totaling \$ 8,188 from the sale of our common stock and converted all outstanding convertible debt obligations to equity as part of our initial public offering ("IPO").

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Management continually evaluates the estimates and judgments it uses. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believe will materially affect the methodology or assumptions utilized in making these estimates and judgments in these financial statements. Significant estimates inherent in the preparation of the consolidated financial statements include reserves for uncollectible accounts receivables, realizability of inventory; customer returns; useful lives and impairments of long-lived tangible and intangible assets; realization of deferred tax assets and related uncertain tax positions; and the valuation of stock-based compensation awards. Actual results may differ from these judgements and estimates under different assumptions or conditions and any such differences may be material.

Revenue Recognition

The majority of the Company's revenue is recognized at a point in time based on the transfer of control. In addition, the majority of the Company's contracts do not contain variable consideration and contract modifications are minimal. The majority of the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods. Revenue is reported net of markdowns, discounts and sales taxes collected from customers on behalf of taxing authorities. Revenue is also presented net of an allowance for expected returns where contracts include the right of return.

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The Company estimates returns on an ongoing basis to estimate the consideration from the customer that the Company expects to ultimately receive. Consideration in determining the Company's estimates for returns may include agreements with customers, the Company's return policy and historical and current trends. The Company records the returns as a reduction to net sales in its consolidated statements of operations and the recognition of a provision for returns within accrued expenses in its consolidated balance sheets and the estimated value of inventory expected to be returned as an adjustment to inventories, net. As of March 31, 2024 and 2023, the returns provision was \$346 and \$366, respectively.

Revenue is comprised of direct-to-consumer ecommerce revenue through the Company's website and revenue related to wholesalers. The following table details the revenue split:

	March 31, 2024	March 31, 2023
Wholesale revenues	\$ 14,060	\$ 14,888
Ecommerce revenues	10,383	8,550
Total Revenues	\$ 24,443	\$ 23,438

Revenue is recognized when performance obligations are satisfied through the transfer of control of promised goods to the Company's customers. Control transfers once a customer has the ability to direct the use of, and obtain substantially all of the benefits from, the product. This includes the transfer of legal title, physical possession, the risks and rewards of ownership, and customer acceptance. For direct-to-consumer ecommerce revenue, the Company receives payment before the customer receives the promised goods. Revenue is only recognized once the goods have been delivered to the customer. Sales to wholesale customers are recognized when the customer has control which will depend on the agreed upon International Commercial Terms ("inco-terms"). For inventories sold on consignment to wholesalers, the Company records revenue when the inventory is sold to the third-party customer by the wholesaler. The Company may issue merchant credits, which are essentially refund credits. The merchant credits are initially deferred and subsequently recognized as revenue when tendered for payment.

Cost of goods sold

Cost of goods sold includes the cost of purchased merchandise, which includes:

- acquisition and production costs including raw material and labor as applicable;

- the cost incurred to deliver inventory to the Company's third-party distribution centers including freight, non-refundable taxes, duty, and other landing costs;
- the service fees of the Company's third-party fulfillment and distribution centers; and
- reserves for inventory.

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Accounts receivable

Accounts receivable primarily arise out of sales to wholesale accounts and ecommerce partners. The allowance for doubtful accounts represents management's best estimate of probable credit losses in accounts receivable using the incurred loss methodology. Receivables are written off against the allowance when management believes that it is probable the amount receivable will not be recovered. Additionally, the Company records higher allowances in the first and third quarters following its peak sales seasons after the Company determines it to be probable that it will not collect the related receivables. As of March 31, 2024 and 2023, the Company had \$558 and \$341, respectively, in allowances for doubtful accounts. Accounts Receivable, net of allowances, as of March 31, 2024 and 2023 was \$1,035 and \$997, respectively.

Geographic concentration

Although the Company is organized fundamentally as one business segment, the Company's revenues are primarily split between three geographic areas: the U.S., Europe and the United Kingdom (the "U.K."). Customers in these regions are served by our leadership, production and operations teams in the U.K. and Hong Kong.

The table below reflects total net revenues attributed to Europe (excluding the United Kingdom), United States, United Kingdom, and the rest of the world:

	Year Ended			
	March 31, 2024		March 31, 2023	
Europe (excluding United Kingdom)	\$	7,909	32%	\$ 7,233 31%
United States		9,935	41%	10,348 44%
United Kingdom		4,845	20%	4,269 18%
Rest of the World		1,754	7%	1,588 7%
Total Revenues	\$	24,443		\$ 23,438

The long-lived assets of the Company primarily relate to property and equipment, intangible assets and operating lease right-of-use assets in the U.K. and Hong Kong. Total long-lived assets as of March 31, 2024 were \$557 and \$98 in the U.K. and Hong Kong, respectively. As of March 31, 2023, total long-lived assets were \$1,086 in the UK and \$56 in Hong Kong.

Supplier concentration

For the years ended March 31, 2024 and 2023, the largest single supplier of manufactured goods, Everich Garments Group Ltd., produced 75% and 72%, respectively, of the Company's products. For the years ended March 31, 2024 and 2023, the largest fabric supplier, Toray International Inc., supplied 79% and 70%, respectively, of the fabric used to manufacture the Company's products.

Customer concentration

For the twelve months ended March 31, 2024, we had one customer that accounted for approximately 13% or \$3,168 of total revenues individually and in aggregate. There was no accounts receivable balance for this customer as of March 31, 2024. The Company has ended its wholesale relationship with this customer as part of a broader strategy to enhance our relationships with our entire customer base.

For the twelve months ended March 31, 2023, we had one customer that accounted for approximately 12% or \$2,786 of total revenues individually and in aggregate. The related accounts receivable balance for this customer was approximately \$41 as of March 31, 2023.

Accounts receivable

For the twelve months ended March 31, 2024, we had two customers that accounted for approximately 27% of total accounts receivable. For the twelve months ended March 31, 2023, we had one customer that accounted for approximately 18% of total accounts receivable.

Accounts payable

On March 31, 2024, the three largest accounts payable accounts to our vendors represented 15%, 7% and 6%, respectively. On March 31, 2023, the three largest accounts payable accounts to our vendors represented 56%, 5% and 3%, respectively.

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Property and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost consists of purchase price, conversion cost and estimated cost of dismantling and restoration. Expenditure such as repairs and maintenance, overhaul costs and borrowing costs are normally charged to profit or loss when they are incurred. Expenditures resulting in increases in the future economic benefits of the property, plant and equipment are capitalized.

Software & Website Development costs are for applications and software with respect to operating our business. For such projects, planning cost and other costs related to the preliminary project stage, as well as costs incurred for post-implementation activities, are expensed as incurred. We capitalize costs incurred during the application development phase only when we believe it is probable the development will result in new or additional functionality. The types of costs capitalized during the application development phase include fees incurred with third parties for consulting, programming and other development activities performed to complete the software or website. We amortize the assets on a straight-line basis over an estimated useful life of three years. If we identify any software or website to be abandoned, the cost less the accumulated amortization, if any, is recorded as amortization expense.

The residual values and useful lives of the property, plant and equipment are reviewed when there are indications that the residual value or

useful life of an asset has significantly changed following the end of the previous reporting period. If necessary, the residual value, depreciation method or useful life of that asset is amended prospectively to reflect the new expectation. The following estimated useful lives are used for the depreciation of property, plant and equipment:

	Useful Life	Method
Furniture and Fixtures	5 years	Straight-line
Office Equipment	3-5 years	Straight-line
Leasehold Improvements	5 years	Straight-line
Software & Website Development	3 years	Straight-line
Computer Equipment	3 years	Straight-line

Leases

At lease commencement, which is generally when the Company takes possession of the asset, the Company records a lease liability and corresponding right-of-use asset. Lease liabilities represent the present value of minimum lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the Company's incremental borrowing rate as of lease commencement. Minimum lease payments include base rent, fixed escalation of rental payments, and rental payments that are adjusted periodically depending on a rate or index. Non-lease components are generally services that the lessor performs for the Company associated with the leased asset, such as common area maintenance.

Right-of-use assets represent the right to control the use of the leased asset during the lease and are initially recognized in an amount equal to the lease liability. In addition, prepaid rent, initial direct costs, and adjustments for lease incentives are components of the right-of-use asset. Over the lease term, the lease expense is amortized on a straight-line basis beginning on the lease commencement date. A right-of-use asset and lease liability are not recognized for leases with an initial term of 12 months or less, and the lease expense is recognized on a straight-line basis over the lease term. As of March 31, 2024 and March 31, 2023, the Company has four property leases, which are all accounted for as operating leases under ASC 842. Short-term leases are accounted for under the short-term lease practical expedient of ASC 842.

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Long-Lived Assets

Long-lived assets held for use, including intangible assets with finite lives, right-of-use assets and property, plant and equipment, are evaluated for impairment when the occurrence of events or a change in circumstances indicates that the carrying value of the assets may not be recoverable as measured by comparing their carrying value to the estimated undiscounted future cash flows generated by their use and eventual disposition. Impaired assets are recorded at fair value, determined principally by discounting the future cash flows expected from their use and eventual disposition. Reductions in asset values resulting from impairment valuations are recognized in income in the period that the impairment is determined. No impairment of long-lived assets was required for the years ended March 31, 2024 and 2023.

Income Taxes

The Company follows the liability method with respect to accounting for income taxes. Deferred income tax assets and liabilities are determined based on the temporary differences between the carrying amounts and the tax bases of assets and liabilities, and for tax losses, tax credit carryforwards, and other tax attributes. Deferred income tax assets and liabilities are measured using enacted tax rates, for the appropriate tax jurisdiction, which are expected to be in effect when these differences are anticipated to reverse.

Deferred income tax assets are reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The evaluation as to the likelihood of realizing the benefit of a deferred income tax asset is based on the timing of scheduled reversals of deferred tax liabilities, taxable income forecasts, and tax-planning strategies. The recognition of a deferred income tax asset is based upon several assumptions and forecasts, including current and anticipated taxable income, the utilization of previously unrealized non-operating loss carryforwards, and regulatory reviews of tax filings.

The Company evaluates its tax filing positions and recognizes tax benefits that are considered more likely than not to be sustained upon examination by the relevant taxing authorities based on the technical merits of the position. This determination requires the use of significant judgment. Income tax expense is adjusted in the period in which an uncertain tax position is effectively settled, the statute of limitations expires, facts or circumstances change, tax laws change, or new information becomes available. The Company's policy is to recognize interest expense and penalties related to income tax matters separately as an income or expense item.

Selling, general and administrative expenses

Selling, general and administrative expenses consist of all operating costs not otherwise included in cost of goods sold or marketing and advertising expenses. The Company's selling, general and administrative expenses include personnel costs, sales commissions, recruitment fees, legal and professional fees, information technology, accounting, travel and lodging, occupancy costs and depreciation and amortization.

Foreign currency

Foreign currency transactions denominated in a currency other than an entity's functional currency are remeasured into the functional currency using the spot rate at the date of the transaction with any resulting gains and losses recognized in operating expenses except for gains and losses arising on intercompany foreign currency transactions that are of a long-term investment nature, which are recorded as a foreign currency translation adjustment in other comprehensive income or loss

The functional currency for each entity included in these Consolidated Financial Statements that is domiciled outside of the United States is generally the applicable local currency. Assets and liabilities of each foreign entity are translated into U.S. dollars at the exchange rate in effect on the balance sheet date. Revenue and expenses are translated on a monthly basis using the average rate for that month as a close approximation. Unrealized translation gains and losses are recorded as a foreign currency translation adjustment, which is included in other comprehensive income or loss, which is a component of accumulated other comprehensive income or loss included in stockholders' equity (deficit).

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Stock-based compensation

The Company accounts for equity based awards based on ASC 505 and 718, whereby the value of the award is measured on the date of grant and recognized as compensation expense on a straight-line basis over the vesting period.

The Company measures fair value as of the grant date for options and warrants using the Black Scholes option pricing model and for common share awards using a weighted average of the Black Scholes method and probability-weighted expected return method (PWERM).

The inputs into the Black Scholes option pricing model are subjective and generally require significant judgment. The fair value of the shares of common and preferred stock has historically been determined by the Company's management with the assistance of third-party specialists as there was no public market for the common stock. The fair value is obtained by considering a number of objective and subjective factors, including the valuation of comparable companies, sales of preferred stock to unrelated third parties, projected operating and financial performance, the lack of liquidity of common and preferred stock and general and industry specific economic outlook, amongst other factors. The expected term represents the period that the Company's stock options are expected to be outstanding and is determined using the simplified method (based on the mid-point between the vesting date and the end of the contractual term) as the Company's stock option exercise history does not provide a reasonable basis upon which to estimate expected term. Because the Company was privately held for a portion of the periods covered by these financial statements and historically did not have an active trading market for its common and preferred stock for a sufficient period of time, the expected volatility was estimated based on the average volatility for comparable publicly traded companies, over a period equal to the expected term of the stock option grants. The Company listing on NYSE American on February 8, 2024 and now uses the closing price on the day of grant to determine FMV and for the stock options issued in Q4 2024 the company used the average of five similar companies based by one or all the following factors to determine volatility: industry, revenue, market capitalization. The risk-free rate assumption is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option. The Company has never paid dividends on its common stock and does not anticipate paying dividends on common stock in the foreseeable future. Therefore, the Company uses an expected dividend yield of zero.

Income / loss per share of common stock

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share is computed by dividing the net income applicable to common stockholders by the weighted average number of shares of common stock outstanding plus the number of additional shares of common stock that would have been outstanding if all dilutive potential shares of common stock had been issued using the treasury stock method. Potential shares of common stock are excluded from the computation when their effect is antidilutive. The dilutive effect of potentially dilutive securities is reflected in diluted net income per share if the exercise prices were lower than the average fair market value of common stock during the reporting period.

Potentially dilutive stock options and securities as presented in the table below were excluded from the computation of diluted net income (loss) per share, because the effect would be anti-dilutive. As the Company incurred losses in the years ended March 31, 2024 and 2023, basic and diluted weighted-average shares are the same in the loss per share calculation, in accordance with ASC 260-10-45-20.

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	March 31, 2024	March 31, 2023
Options to acquire common stock	1,108,356	299,957
Restricted stock units to acquire stock	225,000	-
Warrants to acquire common stock	66,700	-
Series A convertible preferred stock	-	5,323,782
Series B convertible preferred stock	-	1,189,998
Convertible debt financing	-	2,815,463
	<u>1,400,056</u>	<u>9,629,200</u>

On February 12, 2024, all outstanding shares of our Series A and Series B convertible preferred stock were automatically converted into 5,323,782 and 1,189,998 shares of common stock, respectively, in connection with the closing of the initial public offering. The \$ 10,002 in principal amount plus accrued interest in the amount of \$1,985 automatically converted into Company common stock, at 80% of the initial public offering price into an aggregate of 2,497,267 shares of common stock (see note 11).

Fair Value of Financial Instruments

The Company follows the guidance of FASB ASC 820 and ASC 825 for disclosure and measurement of the fair value of its financial instruments. FASB ASC 820 establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The three (3) levels of fair value hierarchy defined by ASC 820 are described below:

- Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3: Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amount of the Company's financial assets and liabilities, such as cash and cash equivalents, prepaid expenses, and accounts payable and accrued expenses approximate their fair value due to their short-term nature. The carrying values of capital lease obligations and debt obligations approximate their fair values due to the fact that the interest rates on these obligations are based on prevailing market interest rates. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Segment Reporting

Accounting Standards Codification ("ASC") Topic 280, "Disclosures about Segments of an Enterprise and Related Information" establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to stockholders. Management has determined that the Company operates in one business segment, product sales.

Reclassifications

The Company has reclassified broker commission costs amounting to \$ 687 previously classified as cost of sales for the year ended March 31, 2023 to selling, general and administrative expenses to conform to current year presentation.

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Recently Issued Accounting Pronouncements

In September 2022, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2022-04, "Disclosure of Supplier Finance Program Obligations" ("ASU 2022-04"). ASU 2022-04 requires entities to disclose the key terms of supplier finance programs they use in connection with the purchase of goods and services, along with the amount of obligations outstanding at the end of each period and an annual roll forward of such obligations. This standard does not affect the recognition, measurement, or financial statement presentation of supplier finance program obligations. ASU 2022-04 is effective for the Company for the year ending March 31, 2024 and is to be applied retrospectively to all periods in which a balance sheet is presented. The annual roll forward disclosure is not required to be made until the year ending March 31, 2025 and is to be applied prospectively. The Company doesn't believe the adoption will have a material effect on the financial statements. Other than the new disclosure requirements, ASU 2022-04 will not have an impact on the Company's consolidated financial statements.

In March 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2024-01 to amend the guidance in Accounting Standards Codification ("ASC") 718 *Compensation—Stock Compensation (Topic 718)*. Some entities compensate employees or other service providers by granting profits interest awards, which generally give the grantee an opportunity to participate in future profits and/or equity appreciation of the entity but do not give them rights to existing net assets of the entity. ASU 2024-01 adds an example showing how to apply the scope guidance in ASC 718 to determine whether profits interests and similar awards should be accounted for as share-based payment arrangements. The ASU is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company does not currently anticipate that the guidance will have a material impact on its financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure*, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expense categories that are regularly provided to the chief operating decision maker and included in each reported measure of a segment's profit or loss. The update also requires all annual disclosures about a reportable segment's profit or loss and assets to be provided in interim periods and for entities with a single reportable segment to provide all the disclosures required by ASC 280, *Segment Reporting*, including the significant segment expense disclosures. This standard will be effective for the Company on January 1, 2024 and interim periods beginning in fiscal year 2025, with early adoption permitted. The updates required by this standard should be applied retrospectively to all periods presented in the financial statements. The Company does not expect this standard to have a material impact on its results of operations, financial position or cash flows.

ASUs recently issued but not listed above were assessed and determined to be either not applicable or are expected to have minimal impact on the consolidated financial position or results of operations.

3. INVENTORIES

Inventories are initially measured at cost and subsequently measured at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. The following table details the primary categories for the periods presented.

	March 31, 2024	March 31, 2023
	\$'000	\$'000
Finished goods	\$ 2,680	\$ 2,685
Raw materials	721	585
Goods in transit	14	-
Finished goods on consignment	205	-
Total inventories	3,620	3,270
Inventory reserve	(1,390)	(1,008)
Total inventories, net	\$ 2,230	\$ 2,262

Third-party services are used to warehouse and distribute inventory. Per the terms of one third-party service contract, a lien may be placed on the Company's inventory if the Company fails to make a payment for services within 30 days from the date the third-party supplier notifies the Company of an outstanding payment.

4. PREPAID AND OTHER CURRENT ASSETS

Amounts recorded in prepaid and other current assets are expected to be realized within one year. The following table describes the major items for the periods presented.

	March 31, 2024	March 31, 2023
	\$'000	\$'000
Deposits and prepayments	436	150
Prepaid marketing costs	-	185
Other receivables	306	373
Total	742	708

Prepaid marketing costs relate to the provision of marketing services to be provided over an 18-month service period by two non-employees.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	March 31, 2024	March 31, 2023
	\$'000	\$'000
Furniture and Fixtures	\$ 177	\$ 177
Office Equipment	57	52
Leasehold Improvements	29	29
Software and Website Development	1,886	1,676
Computer Equipment	121	91

Property and equipment, gross	2,270	2,025
Accumulated depreciation	(1,768)	(1,192)
Property and equipment, net	\$ 502	\$ 833

Depreciation expense related to property, plant and equipment was \$ 555 million and \$547 million in the years ended March 31, 2024 and 2023, respectively.

6. LEASES

The Company has obligations under operating leases for its offices. As of March 31, 2024 and 2023, the lease terms of the various leases are less than 24 months. The majority of the Company's leases include renewal options at the sole discretion of the Company. In general, it is not reasonably certain that lease renewals will be exercised at lease commencement and therefore lease renewals are not included in the lease term.

The following table details the Company's net lease expense. The variable lease expenses disclosed below include contingent rent payments and other non-fixed lease related costs, including common area maintenance, property taxes, and landlord's insurance.

Lease expense	Years Ended	
	March 31, 2024	March 31, 2023
	\$'000	\$'000
Net lease expense:		
Operating lease expense	\$ 299	\$ 210
Total lease expense	\$ 299	\$ 210
Weighted-average remaining lease term - Years	1.53	0.96
Weighted-average discount rate	5%	9%
Balance sheet classification	March 31, 2024	March 31, 2023
	\$'000	\$'000
Right-of-use assets	\$ 143	\$ 297
Current lease liabilities	\$ 101	\$ 299
Non-current lease liabilities	44	8
	\$ 145	\$ 307

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Maturity of lease liabilities	March 31, 2024	
	\$'000	\$'000
Within one year	\$ 109	\$ 318
Within one to two years	45	9
Total lease payments	154	327
Discount rate	(9)	(20)
Present value of lease liabilities	\$ 145	\$ 307

7. ACCRUED EXPENSES

	March 31, 2024	
	\$'000	\$'000
Accrued expenses	\$ 1,002	\$ 606
Returns provision	298	366
Accrued import duties	294	-
Merchant credit	63	61
Indirect taxes	1,040	357
Total	\$ 2,697	\$ 1,390

The returns provisions are comprised of returns due from both wholesale and partner customers and direct-to-consumer customers.

8. TRADE FINANCE FACILITY

	March 31, 2024	
	\$'000	\$'000
Trade finance facility	\$ -	\$ 26
Total	\$ -	\$ 26

The Company, through PMA, has a trade finance facility extended on goods for which letters of credit are issued to the Company's suppliers by HSBC. As of March 31, 2024 and March 31, 2023, the outstanding balance under the trade finance facility was \$0 and \$26, respectively, and the Company had an available trade finance facility of \$5.0 million. As of March 31, 2024, there were no outstanding pledged letters of credit by HSBC. The trade finance facility does not become the Company's responsibility until the Company receives the manufactured clothing goods from suppliers. Once drawn, the company has 120 days credit on the loan before repayment is due. For drawings in Hong Kong dollars, the interest rate equals HIBOR plus 3.0%, and for drawings in U.S. dollars, the interest rate equals SOFR plus 3.3%. The trade finance facility was originally secured by a standby documentary credit for \$1.0 million from UBS Switzerland AG and a personal guarantee to the value of \$ 4.0 million from the Chairman of our board of directors, Max Gottschalk, and a \$3,150 corporate guarantee from Perfect Moment (UK) Limited. The UBS standby documentary credit expired on April 30, 2023 and the facility was then secured by charge over cash deposits equal to the amount of the facility used at any given moment in time in addition to the aforementioned personal and corporate guarantees. On May 31, 2023, the UBS standby documentary credit was reinstated for \$1.0 million, which standby documentary credit was secured by a guarantee from Joachim Gottschalk & Associates, Ltd. ("JGA"). The UBS standby documentary credit was extended on November 26, 2023 through January 26, 2024 at a 10% interest rate. The JGA guarantee is in addition to the \$4.0 million personal guarantee of the trade finance facility by Mr. Gottschalk. The UBS standby documentary credit was not extended and the \$3,150 corporate guarantee from Perfect Moment (UK) Limited was replaced with a \$ 2,000 corporate guarantee from Perfect Moment, Limited. The JGA guarantee accrued interest between 8% and 10% per annum, payable by the Company. The Company utilized \$ 1,847 of borrowings under the facility, all of which was repaid by March 31, 2024. The trade finance facility is also secured by a guarantee by Perfect Moment

Ltd. in the amount of \$2.0 million.

The interest paid on the JGA personal guarantee for the years ended March 31, 2024 and 2023 was \$ 56 and \$33, respectively.

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9. CONVERTIBLE DEBT OBLIGATIONS

	December 31, 2023	March 31, 2023
	\$'000	\$'000
Convertible debt	\$ -	\$ 11,262
Unamortized debt discount	-	(492)
Total Convertible debt obligations	\$ -	\$ 10,770

In March 2021, the Company entered into an arrangement whereby the Company completed convertible debt financing ("2021 Debt Financing"), from 47 investors, for gross proceeds of \$6,000, less \$841 of debt issuance costs, at an 8% interest rate to provide working capital for its operations. Between April and July 2022, the Company received further convertible debt financing ("2022 Debt Financing") from 47 investors with gross proceeds of \$4,000, less \$531 of debt issuance costs, that rank pari passu to the 2021 Debt Financing at an 8% interest rate. The debt issuance costs were amortized over the life of the convertible debt. The Company's convertible debt obligations are secured by a security interest over the assets of Perfect Moment Ltd. and its subsidiaries.

The 2021 Debt Financing had a maturity date of December 15, 2023. In December 2023 and January 2024, the maturity date of all convertible promissory notes was extended to February 14, 2024. Upon the closing of an IPO, prior to the redemption date, the convertible debt was convertible into the Company's common stock at a conversion price equal to 80% of the public offering price of the Company's common stock in the IPO. The 2021 Debt Financing had a maturity date of December 15, 2023. In December 2023 and January 2024, the maturity date of all convertible promissory notes was extended to February 14, 2024.

As of March 31, 2023, the convertible debt obligations comprised gross proceeds of 10,002 and accrued interest of \$1,260. On February 12, 2024, \$10,002 in principal amount plus accrued interest in the amount of \$ 1,985 automatically converted into the Company's common stock, at 80% of the initial public offering price into an aggregate of 2,497,267 shares of common stock (see note 10).

The unamortized debt discount is the related arrangement fees that are being amortized against the convertible debt obligations on the consolidated balance sheets. As of March 31, 2023, the balance of unamortized debt discount was \$492. Upon closing of the IPO in February 2024, the unamortized balance of debt discount of \$492 was charged to interest expense.

10. COMMON STOCK

Common stock

The following were Common Stock transactions during the year ended March 31, 2024:

Sale of common stock from private placement

During May to August 2023, the Company issued 409,050 shares of common stock at a par value of \$ 0.0001 and a purchase price of \$6.00 per share. The total net proceeds were \$2,179, net of broker fees and expenses. The holders of the common stock shall be entitled to cast one vote for each share held at all stockholder meetings and have no right to subscribe to or purchase any new or additional issue of shares.

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Shares and Warrants Issued as Part of the Company's Underwritten Public Offering

On February 7, 2024, the company entered into an underwriting agreement with ThinkEquity LLC, as representative (the "Representative") of the several underwriters identified therein, relating to the Company's initial public offering (the "IPO") of 1,334,000 shares of the Company's common stock, par value \$0.0001 per share. The Company previously filed the form of underwriting agreement as an exhibit to the Company's registration statement on Form S-1, as amended from time to time (File No. 333-274913), which was declared effective by the Securities and Exchange Commission on February 7, 2024. The price per share to the public was \$6.00 generating gross proceeds of \$8,004. The Company also granted the Underwriters a 45-day option to purchase up to 200,100 additional shares of Common Stock on the same terms and conditions for the purpose of covering any over-allotments in connection with the IPO.

The number of shares of common stock outstanding after this offering was 15,578,449 as of February 7, 2024, that included the previously issued and outstanding of 5,233,402, the 1,334,000 shares issued as part of this offering plus (i) the automatic conversion of all outstanding shares of our Series A convertible preferred stock into 5,323,782 shares of common stock, (ii) the automatic conversion of all outstanding shares of our Series B convertible preferred stock into 1,189,998 shares of common stock and (iii) the automatic conversion, in connection with the closing of this offering (closing on February 12, 2024), of \$10,002 in principal amount plus accrued interest in the amount of \$1,985 under our 8% senior subordinated secured convertible promissory notes (the "2021 Notes") and our 8% senior subordinated secured convertible promissory notes (the "2022 Notes" and, together with the 2021 Notes, the "Notes"), at 80% of the initial public offering price into an aggregate of 2,497,267 shares of common stock.

On February 12, 2024, the Company consummated the IPO and issued 1,334,000 shares of Common Stock for aggregate net proceeds of approximately \$6,009, after deducting underwriting discounts and commissions and estimated offering expenses. The Company intends to use the proceeds for general corporate purposes, including working capital, sales and marketing activities and general and administrative matters. Concurrently with the closing of the IPO, the Company also issued warrants to purchase up to 66,700 shares of Common Stock to the Representative and its designees, at an exercise price of \$7.50 per share (the "Underwriter Warrants"). The Underwriter Warrants are exercisable beginning on August 5, 2024, and expire on February 7, 2029.

The following were Common Stock transactions during the year ended March 31, 2023:

Shares issued for services

During 2021, the Company engaged several consultants to provide services relating to the IPO who were compensated with common stock awards. The shares subject to clawback provisions remain unvested until the related performance condition is met. If clawback features are triggered, the unvested shares will be returned to the Company.

In January and March 2021, 2,000,000 shares of common stock with a total fair value of \$ 7,000 were issued to certain non-employees in exchange for consulting and advisory services to be performed relating to the 2021 share exchange and the 2021 convertible debt financing, of which 50% were subject to clawback contingent upon an IPO. As services were relating to, and contingent upon execution of an IPO, no expense was recognized for the shares subject to clawback, until occurrence of an IPO. During the year ending March 31, 2023, the consultants performed additional services and the Company agreed to remove the clawback provision and the \$3,500 fair value for the remaining 1,000,000 shares of common stock was recognized within selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss during the year ending March 31, 2023. No further shares were issuable under these agreements.

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In October 2021, 75,000 shares of common stock with a total fair value of \$ 295 were issued to a consultant in exchange for legal services to be performed relating to an IPO subject to a 100% clawback provision in the event that an IPO is not achieved. As services were relating to and contingent upon execution of an IPO, no expense was recognized until occurrence of an IPO. During the nine months ended December 31, 2022, the Company entered into an agreement to remove the clawback provision and the fair value of \$295 was recognized within selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss during the three months then ended. As of December 31, 2023 and March 31, 2023, no further shares were issuable under this agreement.

In relation to the above consulting and advisory services, the Company had granted rights to six holders of our common stock, to be issued additional shares of our common stock if the IPO price per share was less than \$5.00, as adjusted for any stock split or combination prior to the IPO, or if we sold our equity securities before the closing of the IPO at the purchase price per share or conversion price per share that is less than \$5.00, as adjusted for any stock split or combination prior to the IPO. Since the IPO price was greater than \$5.00, this provision was not triggered.

The Company issued a total 1,075,000 and charged APIC \$3,795 related to services rendered during the year ended March 31, 2023.

11. PREFERRED STOCK

Series A Preferred Stock

On March 15, 2021, PMA, the former parent entity, engaged in a share for share exchange with the Company, thereby creating the Company as the ultimate parent company. As part of the share for share exchange, existing PMA stockholders' equity was exchanged for an equivalent amount of share capital in the Company in the form of common stock and preferred stock. As a result of the transaction, 5,323,782 shares of Series A Convertible Preferred Stock ("Series A Stock") with a \$0.0001 par value were issued to existing PMA shareholders for nil consideration. The Series A Stock could be voluntarily converted into shares of common stock at the request of the Series A stockholder by providing written notice. The Series A Stock was also subject to mandatory conversion into common stock upon either an IPO or by vote or written consent of at least 66 2/3% holders of the outstanding shares of the Series A Stock. The conversion was at a rate of one share of Series A Stock for one share of common stock without payment of additional consideration. The holders of Series A Stock were entitled to receive dividends as if the conversion to common stock had taken place, if and when dividends are declared. Such dividends take preference to dividends paid on shares of common stock and are non-cumulative. The holders of the Series A Stock were entitled to vote based on the equal number of whole shares of common stock into which the shares of Series A Stock are convertible as of the date of the vote. The Series A Stock with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company or deemed liquidation event ranked senior to both the common stock and any other class of stock which specifically ranks junior to the Series A Stock.

On February 12, 2024, all outstanding shares of our Series A convertible preferred stock were automatically converted into 5,323,782 shares of common stock in connection with the closing of the initial public offering

Series B Preferred Stock

On September 23, 2022, the Company authorized the issuance and sale of up to 1,200,000 shares of Series B Convertible Preferred Stock ("Series B Stock"), with a par value of \$0.0001 per share and a purchase price of \$5.00 per share. A total of 1,189,998 shares of Series B Stock was issued between September 2022 and November 2022, for net proceeds of \$5,200, net of broker fees of \$750. The Series B Stock could be voluntarily converted into shares of common stock at the request of the Series B stockholder by providing written notice. The Series B Stock was also subject to mandatory conversion into common stock upon either an IPO or by vote or written consent of at least 66 2/3% holders of the outstanding shares of the Series B Stock without payment of additional consideration. The conversion was determined by dividing the original issue price by the conversion price in effect at the time of conversion. The initial conversion price was set at \$5.00 per share. The holders of Series B Stock were entitled to receive dividends as if the conversion to common stock had taken place, if and when dividends are declared. Such dividends took preference to dividends paid on shares of common stock and are non-cumulative. The holders of the Series B Stock were entitled to vote based on the equal number of whole shares of common stock into which the shares of Series B Stock were convertible as of the date of the vote. The Series B Stock, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company or deemed liquidation event, ranked pari passu with the Series A Stock.

On February 12, 2024, all outstanding shares of our Series B convertible preferred stock were automatically converted into 1,189,998 shares of common stock in connection with the closing of the initial public offering (see note 11).

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12. RESTRICTED STOCK UNITS

Restricted Stock Units

A summary of restricted stock unit activity for the years ended March 31, 2024 and 2023 are presented below.

	Shares	Fair Value	Weighted-Average Grant Date Fair Value
Non-vested at March 31, 2023	-	\$ -	\$ -
Granted	300,000	1,230	4.10
Vested/deemed vested	(75,000)	(429)	4.10
Forfeited	-	-	-
Non-vested at March 31, 2024	225,000	\$ 801	\$ 4.10

During the year ended March 31, 2024, the Company granted 300,000 shares of its restricted stock to an employee. The Restricted Stock Units vest equally over four years, starting on the contractual start date of November 7, 2022. These Restricted Stock Units were valued based on market value of the Company's stock price at the respective date of grant and had aggregate fair value of \$1,230,000, which is being amortized as stock compensation expense over its vesting term. During the year ended March 31, 2024, 75,000 shares with a fair value of \$429 vested during the period.

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13. STOCK OPTIONS

The Company maintains the 2021 Equity Incentive Plan (the "2021 Plan"), which provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock units and performance units and performance shares to employees, directors and consultants of the Company or any parent or subsidiary of the Company. The purpose of the 2021 Plan is to enable the Company to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants of the Company or any parent or subsidiary of the Company, and to promote the success of the Company's business. The Company has 2,527,944 shares available to issue from the 2021 plan as of March 31, 2024. The Company has historically granted stock options to non-employees in exchange for the provision of services, both under the 2021 Plan and outside of the 2021 Plan.

A summary of option activity for the years ended March 31, 2024 and 2023 are presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at March 31, 2022	545,378	\$ 1.32	3.2	\$ 1,190
Granted	136,344	0.01	-	-
Forfeited	(381,766)	(0.63)	-	-
Exercised	-	-	-	-
Outstanding at March 31, 2023	299,956	1.60	1.94	1,320
Granted	808,400	4.10	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at March 31, 2024	1,108,356	\$ 3.42	3.42	\$ 595
Vested March 31, 2024	387,784	\$ 2.19		\$ 594
Exercisable at March 31, 2024	366,898	\$ 2.08		\$ 594

During the year ended March 31, 2023, the Company granted stock options to an employee to purchase 136,344 shares of Common Stock for services rendered. The options have an exercise price of \$0.01 per share, expire in five years, vesting 20% on July 1, 2022 and then equally over four years from July 1, 2022. The total fair value of these options at grant date was approximately \$200 using a third-party valuation.

During the year ended March 31, 2024, the Company granted stock options to employees and the Board of Directors to purchase a total 808,400 shares of Common Stock for services rendered. The options have an exercise price of \$ 4.10 per share, expire between five and ten years, vesting equally over four years from various dates. The total fair value of these options at grant date was approximately \$3,039 using the Black-Scholes Option Pricing model.

The total stock compensation expense recognized related to vesting of stock options for the years ended March 31, 2024 and March 31, 2023 amounted to \$310 and \$241, respectively. As of March 31, 2024 the total unrecognized stock-based compensation was \$ 2,527, which is expected to be recognized as part of operating expense through January 2028.

At March 31, 2024, the intrinsic value of the outstanding options under the 2021 Plan was \$ 595.

The fair value of the share option awards was estimated using the Black-Scholes method and probability-weighted expected return method (PWERM) based on the following weighted-average assumptions:

	Year Ended March 31, 2024	Year Ended March 31, 2023
Expected life in years	5.0 and 10.0	3.5
Stock price volatility	129.1%	40%-45%
Risk free interest rate	1.74-1.81%	0.37%-0.49%
Expected dividends	0%	0%
Forfeiture rate	25.7%	0%

14. STOCK WARRANTS

A summary of warrant activity for the years ended March 31, 2024 and 2023 are presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at March 31, 2023	-	-	-	-
Granted	66,700	7.50	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-

Outstanding at March 31, 2024, all vested	66,700	\$ 7.50	4.87	\$ -
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On February 12, 2024, the Company granted warrants to purchase a total of 66,700 shares of Common Stock as part of a public offering, which remain outstanding as of March 31, 2024. The warrants are exercisable at an average price of \$7.50 per share and will expire on February 12, 2029. See Note 11, *Common Stock*, for additional information.

As of March 31, 2024 the outstanding warrants had no intrinsic value.

15. INCOME TAXES

Income tax (benefit) expense

Components of income tax (benefit) expense were as follows:

	Years Ended	
	March 31, 2024 \$'000	March 31, 2023 \$'000
Current	\$ -	\$ (121)
Deferred	-	-
Total income tax (benefit) expense	\$ -	\$ (121)

Reconciliation

The reconciliation of income taxes computed at the U.S. federal statutory tax rate to our income tax (benefit) expense is as follows:

	March 31, 2024 \$'000	March 31, 2023 \$'000
Loss before income tax at 21% rate	\$ (1,831)	\$ (2,189)
Change in valuation allowance	1,211	2,097
Foreign tax differential	102	55
Other permanent items	518	37
R&D tax credit	-	(121)
Income tax (benefit) expense	\$ -	\$ (121)

The Company's effective tax rate for the years ended March 31, 2024 and 2023 differed from the applicable federal statutory rate of 21.0% primarily due to the impact of the valuation allowance on the Company's deferred tax assets, as disclosed below.

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Deferred tax assets and liabilities

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities were as follows:

	March 31, 2024 \$'000	March 31, 2023 \$'000
Deferred tax liabilities:		
Fixed and intangible assets	\$ 113	\$ 101
Inventory	-	-
Total deferred tax liabilities	113	101
Deferred tax assets:		
Tax loss carryforward	7,312	6,352
Stock compensation expense	535	197
IPO expenses	163	-
Valuation allowance	(7,897)	(6,448)
Total deferred tax assets	113	101
Deferred tax assets, net	\$ -	\$ -

Income tax payments and refunds

During the year ended March 31, 2023, the Company received a tax repayment of \$ 121, in respect to research and development tax credits. During the years ended March 31, 2024 and 2023, the Company did not make any income tax payments.

Valuation allowance

During the years ended March 31, 2024 and 2023, the Company recorded an increase in the valuation allowance of \$ 1,449 and \$1,935, respectively, related to federal deferred tax assets. Deferred tax assets are recorded related to net operating losses and temporary differences between the book and tax bases of assets and liabilities expected to produce tax deductions in future periods. The realization of these assets depends on recognition of sufficient future taxable income in specific tax jurisdictions in which those temporary differences or net operating losses are deductible. In assessing the need for a valuation allowance on deferred tax assets, we consider whether it is more likely than not that some portion or all of them will not be realized.

Throughout the year ended March 31, 2024, the Company has been assessing the realizability of its deferred tax assets by considering positive factors such as the next three years' profit projection making it more likely than not that the Company will be able to recognize a deferred tax asset on losses. Based upon historical performance of the Company, a valuation allowance of 100% was recorded as there is currently no significant evidence to indicate realizability of deferred tax assets. During 2024, the Company recorded a valuation allowance of 100% of UK and Hong Kong losses. As of

March 31, 2024 and 2023, the Company's valuation allowance was \$7,897 and \$6,448, respectively.

16. FOREIGN CURRENCY TRANSLATION

We report all currency amounts in USD. The Company's subsidiaries in UK, Hong Kong and Switzerland maintain their books and records in their functional currencies, which are GBP, HKD and CHF, respectively.

When consolidating the subsidiaries with non-USD functional currencies, we translate the amounts of assets and liabilities into USD using the exchange rate on the balance sheet date, and the amounts of revenue and expense are translated at the average exchange rate prevailing during the period. The gains and losses resulting from translation of financial statement amounts into USD are recorded as a separate component of accumulated other comprehensive loss within Stockholders' equity (deficit).

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We used the exchange rates in the following table to translate amounts denominated in non-USD currencies as of and for the periods noted:

Year end exchange rate:	March 31, 2024	March 31, 2023
GBP:USD	1.26254	1.23682
HKD:USD	0.12778	0.12739
CHF:USD	1.10871	1.09521

Average exchange rate:	Years Ended	
	March 31, 2024	March 31, 2023
GBP:USD	1.27055	1.20549
HKD:USD	0.12782	0.12756
CHF:USD	1.12514	1.04924

The following table, reported in USD, disaggregates our cash balances by currency denomination:

Cash denominated in:	March 31, 2024 \$'000	March 31, 2023 \$'000
USD	\$ 7,187	\$ 3,325
GBP	598	447
HKD	27	21
CHF	14	18
EUR	84	895
CNY	-	6
	<u>\$ 7,910</u>	<u>\$ 4,712</u>

Our cash primarily consists of funds held in bank accounts and third party payment platforms.

Cash held by Chase	\$ 6,180	\$ -
Cash held by HSBC	1,637	4,405
Cash held by other banks	45	66
Cash held by third party payment platforms	46	239
Petty cash	2	2
	<u>\$ 7,910</u>	<u>\$ 4,712</u>

The Company maintains the majority of cash at HSBC where the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the cash balances may exceed the FDIC-insured limit. As of March 31, 2024, we do not believe we have any significant concentrations of credit risk due to the strong credit rating of HSBC and the cash balance is expected to be utilized within 6 months to fund working capital requirements. The cash held by other banks is within the FDIC insured amount and cash held by third party payment platforms are short term timing balances.

17. COMMITMENTS AND CONTINGENCIES

Legal proceedings - The Company is, from time to time, involved in routine legal matters, and audits and inspections by governmental agencies and other third parties which are incidental to the conduct of its business. This includes legal matters such as initiation and defense of proceedings to protect intellectual property rights, liability claims, employment claims, and similar matters. The Company believes the ultimate resolution of any such legal proceedings, audits, and inspections will not have a material adverse effect on its consolidated balance sheets, results of operations or cash flows.

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On December 20, 2023, Aspen Skiing Company, LLC filed a complaint against the Company in the United States District Court for the District of Colorado, alleging, among other things, trademark infringement, false association, false endorsement, unfair competition and deceptive trade practices by the Company. Management has determined, after the advice of legal counsel, that the claims and actions related to such complaint are not expected to have a material adverse effect on our financial condition because management believes that the lawsuit will not succeed on the merits and the risk of any material loss is remote. The claims relate to the Company's social media posts of models and influencers in ski gondolas on the mountain owned by Aspen Skiing Company and now discontinued limited edition clothing sold by the Company that included images, which were licensed by the Company from a photographer, of a skier's rest area in Aspen that Aspen Skiing Company calls the "AspenX Beach Club." The complaint seeks injunctive relief, but no motion for injunctive relief has been filed in the suit. The complaint also seeks delivery of all infringing material to Aspen Skiing Company and an award of the Company's profits and Aspen Skiing Company's damages in an amount to be determined at trial, costs incurred by Aspen Skiing Company in the action, their attorney's fees and treble damages. Although the results of such litigation matters and claims cannot be predicted with certainty, we believe that the final outcome of such ordinary, routine litigation will not have a material adverse impact on our financial position, liquidity, or results of operations.

Capital commitments - The Company had no purchase obligations as of March 31, 2024, related to purchase orders to factories for the

manufacture of finished goods. All future obligations are to be financed by HSBC letters of credit and comprise the balance held as restricted cash on the consolidated balance sheets.

18. RELATED PARTY TRANSACTIONS

Consulting Agreements with Directors

Certain directors of the Company and its subsidiaries, provided consulting and advisory services for the Company which are included in the selling, general and administrative expenses in the accompanying consolidated statement of operations for the years then ended. As of March 31, 2024 and 2023, \$0 and \$22 was unpaid, respectively, which was included in accrued expenses as of the years then ended. Below are the directors of the Company that provided the consulting and advisory services:

	Years Ended	
	March 31, 2024 \$'000	March 31, 2023 \$'000
(A) Max Gottschalk (director of the Company)	181	135
(B) Jane Gottschalk (director of the Company)	-	48
(C) Tracy Barwin (director of the Company)	121	89
(D) Andreas Keijsers (director of a subsidiary)	22	48
	<u>324</u>	<u>320</u>

(A) We, through PMA, are party to a consulting agreement with Max Gottschalk, dated May 15, 2019, which continues until terminated in accordance with its terms, during which Mr. Gottschalk is entitled to receive fees for services rendered amounting to £8,000 per month from April 2021 to November 2022 and £12,000 per month since December 2022. These amounts are in lieu of any other cash payments or equity awards Mr. Gottschalk may otherwise have been entitled to receive as a member of our board of directors.

(B) We, through PMA, were party to a consulting agreement with Jane Gottschalk, dated April 30, 2018, pursuant to which Ms. Gottschalk was entitled to receive £8,000 per month since April 1, 2019, for services rendered. These amounts are in lieu of any other cash payments or equity awards Ms. Gottschalk may otherwise have been entitled to receive as a member of our board of directors. The consulting agreement was terminated effective September 1, 2022, after which Ms. Gottschalk became an employee of PMUK.

(C) We were party to a consulting agreement with Tracy Barwin, dated November 18, 2022, pursuant to which Ms. Barwin was entitled to receive £1,500 per day for services rendered with a minimum commitment of two days per month. These amounts were in lieu of any other cash payments or equity awards Ms. Barwin may otherwise have been entitled to receive as a member of our board of directors. The consulting agreement with Ms. Barwin was terminated in October 2023 and replaced by an independent director agreement.

(D) We, through PMA, were party to a consulting agreement with Arnhem Consulting Limited ("Arnhem"), a company controlled by Andre Keijsers, dated February 28, 2017, pursuant to which Arnhem was entitled to receive £1,200 per month for services rendered. The consulting agreement was terminated in September 2023 as a result of Mr. Keijsers becoming a director of the Company.

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Other

The Company has engaged Deliberate Software Limited ("Deliberate") as a supplier for IT services amounting to \$ 383 and \$321 for the years ended March 31, 2024 and 2023, respectively, recognized within selling, general and administrative expenses. As of March 31, 2024 and 2023, \$90 and \$14 were unpaid and included in trade payables, respectively. A director of Deliberate is an immediate family member of Negin Yeganegy, the former Chief Executive Officer and director of PML during the year ended March 31, 2023. As of March 31, 2023, Deliberate held 100,351 shares of Series A preferred stock which were converted into 100,351 shares of common stock in connection with the closing of the initial public offering on February 12, 2024.

On June 29, 2022, the Company entered into a short-term loan of \$ 202 from Sprk Capital Limited at an interest rate of 16% that was repayable by December 31, 2022. The principal loan plus interest was repaid in February 2023. Interest expense during the year ended March 31, 2023 was \$22. A director of Sprk Capital Limited, Simon Nicholas Champ, is a shareholder of the Company. As of March 31, 2023, Simon Nicholas Champ held 19,570 shares of Series A preferred stock which were converted into 19,570 shares of common stock in connection with the closing of the initial public offering on February 12, 2024.

On June 26, 2023, our HSBC trade finance facility became secured by a standby documentary credit for \$ 1,000 from UBS Switzerland AG, which standby documentary credit is secured by a guarantee from JGA. The JGA guarantee accrues interest of 8% per annum, payable by the Company. The UBS standby documentary credit expired on November 26, 2023 and was renewed through January 26, 2024. Upon renewal, the interest accrual increased to 10% per annum. The interest charged for the year ended March 31, 2024 was \$ 56. Such JGA guarantee is in addition to the \$4,000 personal guarantee of the trade finance facility by Mr. Gottschalk, described below.

The Chairman of our board of directors, Max Gottschalk, has provided a \$ 4,000 personal guarantee for all monies, obligations and liabilities owing by PMA to HSBC, the Company's principal banking facility provider. The guarantee is a pay-on-demand guarantee securing the Company's obligations under the HSBC facility, including interest and bank costs, fees and expenses, up to \$4,000.

19. SUBSEQUENT EVENTS

Employee Stock Plans

On June 18, 2024, the Company granted stock options to employees to purchase a total of 508,194 shares of Common Stock for services rendered and to be rendered. The options have an exercise price of \$2.40 per share, expire in ten years, vesting in equal installments over four years from grant date, employment date, or the date the award was originally approved, but not granted. All the options were approved previously, but not issued to ensure compliance with UK statutory law. Our board re-approved the grants on June 18, 2024.

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INDEX TO EXHIBITS

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q, or are incorporated herein by reference, in each case as indicated below.

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
1.1	Underwriting Agreement, dated February 7, 2024, by and between the Company and ThinkEquity LLC	8-K	001-41930	1.1	February 13, 2024
3.1	Amended and Restated Certificate of Incorporation of the Company	8-K	001-41930	3.1	February 13, 2024
3.2	Amended and Restated Bylaws of the Company	8-K	001-41930	3.2	February 13, 2024
4.1	Form of the Company's Common Stock Certificate	S-1	333-274913	4.1	November 6, 2023
4.2	Form of Underwriter Warrants	S-1	333-274913	4.2	January 22, 2024
10.1+	Employment Agreement between Perfect Moment Ltd. and Jeff Clayborne	S-1	333-274913	10.2	November 6, 2023
10.2+	Amendment No. 1 to Employment Agreement between Perfect Moment Ltd. and Jeff Clayborne	S-1	333-274913	10.3	January 22, 2024
10.3+	Independent Director Agreement between Perfect Moment Ltd. and Andre Keijsers	S-1	333-274913	10.20	January 18, 2024
10.4+	Independent Director Agreement between Perfect Moment Ltd. and Berndt Hauptkorn	S-1	333-274913	10.21	January 18, 2024
10.5+	Independent Director Agreement between Perfect Moment Ltd. and Tracy Barwin	S-1	333-274913	10.22	January 18, 2024
10.6+	Form of Indemnification Agreement for Directors and Officers	S-1	333-274913	10.21	November 6, 2023
10.7	Guarantee Agreement between Perfect Moment Asia Limited and J. Gottschalk & Associates	S-1	333-274913	10.37	November 6, 2023
10.8	Amendment to UBS Switzerland AG Standby Documentary Credit	S-1	333-274913	10.40	December 1, 2023
23.1	Consent of Weinberg & Company, P.A.				
31.1	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1*	Certifications 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				
32.2**	Certifications 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				
97.1*	Perfect Moment Ltd. Clawback Policy				
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).				
101.SCH	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

+ Indicates a management contract or compensatory plan or arrangement.

* Filed herewith

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned thereunto duly authorized.

PERFECT MOMENT LTD.

Date: July 1, 2024

By: /s/ Mark Buckley
 Mark Buckley
 Chief Executive Officer, Director
 (Principal Executive Officer)

Date: July 1, 2024

By: /s/ Jeff Clayborne
 Jeff Clayborne
 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 and in the capacities and on the dates indicated.

Date: July 1, 2024

By: /s/ Mark Buckley
 Mark Buckley
 Chief Executive Officer, Director
 (Principal Executive Officer)

Date: July 1, 2024

By: /s/ Jeff Clayborne
 Jeff Clayborne
 Chief Financial Officer
 (Principal Financial and Accounting Officer)

Date: July 1, 2024

By: /s/ Andre Keijsers
 Andre Keijsers
 Director

Date: July 1, 2024

By: /s/ Berndt Hauptkorn
 Berndt Hauptkorn
 Director

Date: July 1, 2024

By: /s/ Jane Gottschalk
 Jane Gottschalk
 Director

Date: July 1, 2024

By: /s/ Matt Gottschalk
 Jane Gottschalk
 Director

Date: July 1, 2024

By: /s/ Tracy Barwin
 Tracy Barwin
 Director

Date: July 1, 2024

By: /s/ Tim Nixdorff
 Tim Nixdorff
 Director

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Perfect Moment, Ltd. on Form S-8 (File No. 333-277335) of our report dated July 1, 2024, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audits of the consolidated financial statements of Perfect Moment, Ltd. as of March 31, 2024 and 2023 and for the years then ended, which report is included in this Annual Report on Form 10-K of Perfect Moment, Ltd. for the year ended March 31, 2024.

/s/ Weinberg & Company, P.A.
Weinberg & Company, P.A.
Los Angeles, California
July 1, 2024

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13A-14 AND 15D-14
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Mark Buckley, certify that:

- 1) I have reviewed this annual report on Form 10-K for the year ended March 31, 2024 of Perfect Moment Ltd.;
- 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 quarterly report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: July 1, 2024

/s/ Mark Buckley

Mark Buckley
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATIONS OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13A-14 AND 15D-14
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Jeff Clayborne, certify that:

- 1) I have reviewed this annual report on Form 10-K for the year ended March 31, 2024 of Perfect Moment Ltd.;
- 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 quarterly report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this quarterly report any changes 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 on an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: July 1, 2024

/s/ Jeff Clayborne

Jeff Clayborne
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

In connection with the Annual Report of Perfect Moment Ltd. ("Company") on Form 10-K for the fiscal year ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof ("Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the knowledge of the undersigned:

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

Date: July 1, 2024

/s/ Mark Buckley

Mark Buckley
Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Annual Report of Perfect Moment Ltd. ("Company") on Form 10-K for the fiscal year ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof ("Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the knowledge of the undersigned:

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

Date: July 1, 2024

/s/ Jeff Clayborne

Jeff Clayborne
Chief Financial Officer
(Principal Financial and Accounting Officer)

PERFECT MOMENT LTD.

CLAWBACK POLICY**1. Introduction**

The Board of Directors (the "**Board**") of Perfect Moment Ltd. (the "**Company**") believes that it is in the best interests of the Company and its stockholders to adopt this Clawback Policy (this "**Policy**"), which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws. This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), Rule 10D-1 promulgated under the Exchange Act, and Section 811 of the NYSE American Company Guide (the "**Listing Standards**").

2. Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee (the Board or such committee charged with administration of this Policy, the "**Administrator**"). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with the full Board, or such other committees of the Board, such as the Compensation Committee, if not the Administrator, the Audit Committee or the Nominating & Corporate Governance Committee, as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority. Subject to any limitation at applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

3. Application of this Policy: Covered Executives

This Policy applies to Incentive Compensation (as defined below) received by the Company's current and former executive officers (as determined by the Board in accordance with the definition of "executive officer" set forth in Section 10D of the Exchange Act and the Listing Standards), the Company's current and former employees having a title of Vice President (or equivalent) or a more senior title, as well as such other senior executives/employees who may from time to time be deemed subject to this Policy by the Administrator including but not limited to key employees ("**Covered Executives**") (a) after beginning services as a Covered Executive, (b) who served as a Covered Executive at any time during the performance period for such Incentive Compensation, (c) while the Company had a listed class of securities on a national securities exchange and (d) during the Applicable Period (as defined below).

4. Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the 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 ("**Accounting Restatement**"), the Company shall promptly recoup the amount of any Erroneously Awarded Compensation (as defined below) received by any Covered Executive, as calculated pursuant to Section 6 hereof, during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year) (the "**Applicable Period**").

5. Incentive Compensation

For purposes of this Policy, "**Incentive Compensation**" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a financial reporting measure. Incentive Compensation is "received" for purposes of this Policy in the Company's fiscal period during which the financial reporting measure specified in the Incentive Compensation award is attained, even if the payment or grant of such Incentive Compensation occurs after the end of that period.

Financial reporting measures include but are not limited to the following (and any measures derived from the following):

- Company stock price.
- Total stockholder return.
- Revenues.
- Net income.
- Earnings before interest, taxes, depreciation, and amortization (EBITDA).
- Funds from operations.
- Liquidity measures such as working capital or operating cash flow.
- Return measures such as return on invested capital or return on assets.
- Earnings measures such as earnings per share.

6. Erroneously Awarded Compensation; Amount Subject to Recovery

The amount of "**Erroneously Awarded Compensation**" subject to recovery under this Policy, as determined by the Administrator, is the amount of Incentive Compensation received by a Covered Executive that exceeds the amount of Incentive Compensation that otherwise would have been received by such Covered Executive had it been determined based on the restated amounts in the Accounting Restatement, without regard to any taxes

For Incentive Compensation based on stock price or total stockholder return: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total stockholder return upon which the Incentive Compensation was received, and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to NYSE American LLC ("NYSE American").

7. Method of Recoupment

The Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include, without limitation: (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may affect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

8. No Indemnification of Covered Executives

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify any Covered Executives against the loss of any Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executives to fund potential clawback obligations under this Policy.

9. Administrator Indemnification

Any members of the Administrator, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

10. Effective Date

This Policy shall be effective as of the date, and immediately prior to, the listing of the Company's common stock on NYSE American (the "Effective Date") and shall apply to any Incentive Compensation that is received by Covered Executives on or after October 2, 2023, even if such Incentive Compensation was approved, awarded, granted or paid to Covered Executives prior to the Effective Date.

11. Amendment; Termination

The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law, the Listing Standards and any other rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time, provided that such termination would not cause the Company to violate any federal securities laws, or rules promulgated by the U.S. Securities and Exchange Commission or the Listing Standards.

12. Other Recoupment Rights

Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

13. Relationship to Other Plans and Agreements

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. In the event of any inconsistency between the terms of this Policy and the terms of any employment agreement, equity award agreement, or similar agreement under which Incentive Compensation has been granted, awarded, earned or paid to a Covered Executive, whether or not deferred, the terms of this Policy shall govern.

14. Acknowledgment

Each Covered Executive shall sign and return to the Company the Acknowledgment Form attached hereto as Exhibit A, pursuant to which the Covered Executive acknowledges having read and understood this Policy, and agrees to be bound by, and to comply with, the terms and conditions of this Policy.

15. Impracticability

The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Administrator has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide that documentation to NYSE American; or
- 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 regulations thereunder.

16. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

17. Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.

Exhibit A

PERFECT MOMENT LTD. CLAWBACK POLICY

ACKNOWLEDGEMENT FORM

By signing below, I acknowledge, agree and confirm that:

- I have received and reviewed Perfect Moment Ltd.'s Clawback Policy (as may be amended, restated, supplemented or otherwise modified from time to time, the "**Policy**").
- I am fully bound by, and subject to, all of the terms and conditions of the Policy.
- In the event of any inconsistency between the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern.
- In the event it is determined by the Administrator that any amounts granted, awarded, earned or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement.

Capitalized terms used herein and not defined shall have the meanings ascribed to such terms in the Policy.

By: _____ Dated: _____
Name: _____
Title: _____
