

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2024

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

For the transition period from _____ to _____

Commission File No. 001-41720

MAISON SOLUTIONS INC.

(Exact name of registrant as specified in its charter)

Delaware

84-2498797

(State or other jurisdiction of incorporation or organization)

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

127 N Garfield Avenue

Monterey Park, California 91754

(Address of Principal Executive Offices, including zip code)

(626) 737-5888

(Registrant's telephone number, including area code)

N/A

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.0001 par value per share	MSS	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer
 Non-accelerated filer
 Accelerated filer
 Smaller reporting company
 Emerging growth company

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

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

As of September 20, 2024, the number of shares of Class A common stock, \$0.0001 par value, outstanding was 17,450,476 shares, and the number of shares of Class B common stock, \$0.0001 par value, outstanding was 2,240,000 shares.

MAISON SOLUTIONS INC.
FORM 10-Q FOR THE QUARTER ENDED JANUARY 31, 2024

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MAISON SOLUTIONS INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	<u>July 31, 2024 (Unaudited)</u>	<u>April 30, 2024</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 588,896	\$ —
Accounts receivable	122,705	111,874
Accounts receivable - related parties	676,800	459,647
Inventories, net	7,350,755	6,802,255
Prepayments	3,368,802	3,263,711
Other receivables and other current assets	488,123	1,240,786
Other receivable - related parties	33,995	33,995
Total current assets	12,630,076	11,912,268
NON-CURRENT ASSETS		
Restricted cash	—	1,101
Property and equipment, net	2,310,474	2,334,963
Intangible assets, net	7,839,136	7,978,911
Security deposits	946,208	946,208
Investment under cost method	75,000	75,000
Investment under cost method - related parties	162,665	203,440
Investment under equity method	1,095,430	1,261,458
Operating lease right-of-use assets, net	40,068,614	40,726,647
Goodwill	16,957,147	16,957,147
Total non-current assets	69,454,674	70,484,875
TOTAL ASSETS	\$ 82,084,750	\$ 82,397,143
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank overdraft	\$ 1,804,818	\$ 97,445
Accounts payable	7,486,265	5,394,423
Accounts payable - related parties	469,707	470,605
Accrued expenses and other payables	1,380,430	1,627,082
Other payables - related parties	905,324	491,586
Income tax payable	1,156,022	442,518
Contract liabilities	897,810	965,696
Operating lease liabilities, current	4,113,719	4,088,678
Loan payables, current	65,627	65,098
Notes payable, current	10,126,065	15,126,065
Total current liabilities	28,405,787	28,769,196
NON-CURRENT LIABILITIES		

Long-term loan payables	2,479,594	2,496,201
Security deposit from sub-tenants	140,546	125,114
Operating lease liabilities, non-current	38,467,075	39,015,252
Deferred tax liability, net	1,254,802	1,272,260
Total non-current liabilities	42,342,017	42,908,827
TOTAL LIABILITIES	70,747,804	71,678,023
Commitment and contingencies (Note 17)		
STOCKHOLDERS' EQUITY		
Class A Common stock, \$0.0001 par value, 97,000,000 shares authorized; 17,450,476 and 13,760,000 shares issued and outstanding as of July 31, 2024 and April 30, 2024, respectively	1,745	1,745
Class B Common stock, \$0.0001 par value, 3,000,000 shares authorized; 2,240,000 shares issued and outstanding	224	224
Additional paid in capital	13,313,523	13,313,523
Accumulated deficit	(2,116,586)	(2,817,495)
Total Maison Solutions, Inc. stockholders' equity	11,198,906	10,497,997
Noncontrolling interest	138,040	221,123
Total stockholders' equity	11,336,946	10,719,120
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 82,084,750	\$ 82,397,143

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

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MAISON SOLUTIONS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended July 31,	
	2024	2023
Revenue	29,649,380	13,752,315
Cost of goods sold	21,383,741	10,646,219
Gross profit	8,265,639	3,106,096
Operating expenses		
Selling expenses	4,899,893	2,264,550
General and administrative expenses	1,730,871	1,058,291
Total operating expenses	6,630,764	3,322,841
Income (loss) from operations	1,634,875	(216,745)
Non-operating income (expenses)		
Interest expense, net	(183,387)	(46,566)
Investment loss	(206,803)	(28,456)
Other income, net	9,369	383,949
Non-operating income (expenses), net	(380,821)	308,927
Income before income taxes	1,254,054	92,182
Income tax provisions	636,228	118,906
Net income (loss) before noncontrolling interest	617,826	(26,724)
Less: net income (loss) attributable to noncontrolling interests	(83,082)	78,215
Net income (loss) attributable to Maison Solutions, Inc.	700,908	(104,939)
Net income (loss) per share attributable to Maison Solutions, Inc.		
Basic and diluted	\$ 0.04	\$ (0.01)
Weighted average number of common stock outstanding - basic and diluted	17,450,476	16,000,000

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

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MAISON SOLUTIONS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

THREE MONTHS ENDED JULY 31, 2024 AND 2023 (UNAUDITED)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at April 30, 2024	17,450,476	\$ 1,745	2,240,000	\$ 224	\$13,313,523	\$ (2,817,495)	\$ 221,123	\$ 10,719,120
Net income (loss)	—	—	—	—	—	700,908	(83,082)	617,826
Balance at July 31, 2024	17,450,476	\$ 1,745	2,240,000	\$ 224	\$13,313,523	\$ (2,116,586)	\$ 138,040	\$ 11,336,946

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at April 30, 2023	13,760,000	\$ 1,376	2,240,000	\$ 224	\$ —	\$ 522,710	\$ 267,947	\$ 792,257
Net income (loss)	—	—	—	—	—	(104,939)	78,215	(26,724)
Balance at July 31, 2023	13,760,000	\$ 1,376	2,240,000	\$ 224	\$ —	\$ 417,771	\$ 346,162	\$ 765,533

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

MAISON SOLUTIONS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended July 31,	
	2024	2023
Cash flows from operating activities		
Net income (loss) before noncontrolling interest	\$ 617,826	\$ (26,724)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	266,895	67,236
Inventory impairment	204,604	(3,237)
Bad debt expense	—	(105,322)
Investment loss	206,803	28,456
Changes in deferred taxes	(17,458)	(1,759)
Changes in operating assets and liabilities:		
Accounts receivable	(10,831)	(76,974)
Accounts receivable - related parties	(217,153)	22,611
Inventories	(753,104)	111,174
Prepayments	(105,091)	463,423
Other receivables and other current assets	752,663	200,754
Accounts payable	2,091,840	(154,894)
Accounts payable - related parties	(899)	16,402
Accrued expenses and other payables	(246,651)	(58,795)
Income tax payable	713,504	120,665
Contract liabilities	(67,886)	(78,499)
Operating lease liabilities	134,896	67,547
Other long-term payables	15,432	4,477
Net cash provided by operating activities	3,585,390	596,541
Cash flows from investing activities		
Payments for equipment purchase	(102,631)	(12,809)
Investment into HKGF Market of Arcadia, LLC	—	(1,440,000)
Net cash used in investing activities	(102,631)	(1,452,809)
Cash flows from financing activities		
Bank overdraft	1,707,376	—
Borrowing from related parties	413,738	—
Repayment of loan payables	(16,078)	(101,417)
Repayment of notes payable arising from acquisition of Lee Lee	(5,000,000)	—
Net cash used in financing activities	(2,894,964)	(101,417)
Net changes in cash and restricted cash	587,795	(957,685)
Cash and restricted cash at the beginning of the period	1,101	2,570,867
Cash and restricted cash at the end of the period	\$ 588,896	\$ 1,613,182
Supplemental disclosure of cash and restricted cash		
Cash	588,896	\$ 1,612,081
Restricted cash	—	1,101
Total cash and restricted cash	\$ 588,896	\$ 1,613,182
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 183,387	\$ 35,814
Cash paid for income taxes	\$ 9,048	\$ —

Supplemental disclosure of non-cash investing and financing activities

Increase of right-of-use assets and lease liabilities

\$ = \$

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

MAISON SOLUTIONS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 2024 (UNAUDITED) AND APRIL 30, 2024

1. Organization

Maison Solutions Inc. ("Maison", the "Company", and formerly known as "Maison International Inc.") was founded on July 24, 2019 as an Illinois corporation with its principal place of business in California. In September 2021, the Company was redomiciled in the State of Delaware as a corporation registered under the laws of the State of Delaware.

Immediately upon formation, the Company acquired three retail Asian supermarkets with two brands (Good Fortune and Hong Kong Supermarkets) in Los Angeles, California and rebranded them as "HK Good Fortune Supermarkets." Upon completion of these acquisitions, these entities became controlled subsidiaries of the Company (hereafter collectively referred to as "Maison Group").

- In July 2019, the Company purchased 91% of the equity interests in Good Fortune Supermarket San Gabriel, LP ("Maison San Gabriel") and 85.25% of the equity interests in Good Fortune Supermarket of Monrovia, LP ("Maison Monrovia"), each of which owns a Good Fortune Supermarket.
- In October 2019, the Company purchased 91.67% of the equity interests in Super HK of El Monte, Inc. ("Maison El Monte"), which owns a Hong Kong Supermarket.
- On June 30, 2022, the Company purchased 100% equity interest in GF Supermarket of MP, Inc. ("Maison Monterey Park"), the legal entity holding a supermarket in Monterey Park.

On November 3, 2023, the Company incorporated a wholly-owned subsidiary, AZLL LLC ("AZLL"), in Arizona. On April 8, 2024, AZLL closed an acquisition transaction and purchased 100% of the equity interests in Lee Lee Oriental Supermart, Inc. ("Lee Lee") for an aggregate purchase price of approximately \$22.2 million, consisting of: (i) \$7.0 million in cash paid immediately at the closing of the transaction, and (ii) a senior secured promissory note (the "Secured Note") with an original principal amount of approximately \$15.2 million pursuant to a senior secured note agreement dated April 8, 2024 (the "Senior Secured Note Agreement"). Lee Lee is a three-store supermarket chain operating in Arizona under the name Lee Lee International Supermarkets and specializing in South-East groceries.

The Company, through its five subsidiaries, engages in the specialty grocery retailer business. The Company is a fast-growing specialty grocery retailer offering traditional Asian food and merchandise to U.S. consumers, in particular to Asian-American communities.

2. Summary of significant accounting policies

Going concern

The accompanying consolidated financial statements ("CFS") were prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business. For the three months ended July 31, 2024, the Company had a net income of approximately \$700,908. The Company had an accumulated deficit of approximately \$ 2.12 million and negative working capital of \$15.78 million as of July 31, 2024. The historical operating results including recurring losses from operations raise substantial doubt about the Company's ability to continue as a going concern.

The Company plans to increase its revenue by strengthening its sales force, providing attractive sales incentive programs, recruiting experienced industry-related managerial personnel, increasing marketing and promotion activities, seeking suppliers with competitive price and good quality products, opening or acquiring additional specialty supermarkets in the locations that have less-competition. If deemed necessary, management could also seek to raise additional funds by way of admitting strategic investors, or private or public offerings, or by seeking to obtain loans from banks or others, to support the Company's daily operation. While management of the Company believes in the viability of its strategy to generate sufficient revenues and its ability to raise additional funds on reasonable terms and conditions, there can be no assurances to that effect. The ability of the Company to continue as a going concern depends upon the Company's ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds. There is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds the Company might raise will enable the Company to complete its initiatives or attain profitable operations. If the Company is unable to raise additional funding to meet its working capital needs in the future, it may be forced to delay, reduce or cease its operations.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities Exchange Commission ("SEC").

The interim consolidated financial information as of July 31, 2024 and for the three months periods ended July 31, 2024 and 2023 have been prepared without audit, pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures, which are normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to such rules and regulations. The interim consolidated financial information should be read in conjunction with the Financial Statements and the notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2024, previously filed with the SEC on August 13, 2024.

In the opinion of management, all adjustments (which include all significant normal and recurring adjustments) necessary to present a fair statement of the Company's interim consolidated financial position as of July 31, 2024, its interim consolidated results of operations and cash flows for the three months ended July 31, 2024 and 2023, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating

results for the full fiscal year or any future periods.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and, when applicable, entities for which the Company has a controlling financial interest. All transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation.

Noncontrolling interests

The Company follows the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 810, "Consolidation," governing the accounting for and reporting of noncontrolling interests ("NCI") in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCI be treated as a separate component of equity, not as a liability, that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions rather than as step acquisitions or dilution gains or losses, and that losses of a partially-owned consolidated subsidiary be allocated to noncontrolling interests even when such allocation might result in a deficit balance.

The net income attributed to NCI was separately designated in the accompanying statements of operations. Losses attributable to NCI in a subsidiary may exceed a NCI's interests in the subsidiary's equity. The excess attributable to NCI is attributed to those interests. NCIs shall continue to be attributed their share of losses even if that attribution results in a deficit NCIs balance.

As of July 31, 2024 and April 30, 2024, the Company had NCIs of \$ 138,040 and \$221,123, respectively, which represent 9% of the equity interest of Maison San Gabriel, 14.75% of the equity interest of Maison Monrovia and 8.33% of the equity interest of Maison El Monte. For the three months ended July 31, 2024 and 2023, the Company had net loss of \$83,082 and net income of \$78,215, respectively, that were attributable to NCIs.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Significant accounting estimates are used for, but not limited to, useful lives of property and equipment, commitments and contingencies, inventory reserve, allowance for estimated uncollectable accounts receivable and other receivables, impairment of long-lived assets, contract liabilities and valuation of deferred tax assets.

Cash and cash equivalents

Cash and equivalents include cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have original maturities when purchased of three months or less. The Company's cash is maintained at financial institutions in the United States of America. Deposits in these financial institutions may, from time to time, exceed the Federal Deposit Insurance Corporation ("FDIC")'s federally insured limits. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. The bank deposits exceeding the standard insurance amount will not be covered. As of July 31, 2024 and April 30, 2024, cash balances held in the banks, exceeding the standard insurance amount, are \$31,921 and \$862,613, respectively. The Company has not experienced any losses in accounts held in these financial institutions and believes it is not exposed to any risks on its cash held in these financial institutions.

Restricted cash

Restricted cash is an amount of cash deposited with banks in conjunction with borrowings from banks. Restriction on the use of such cash and the interest earned thereon is imposed by the banks and remains effective throughout the terms of the bank borrowings and notes payable. Restricted cash is classified as non-current assets on the Company's consolidated balance sheets, as all the balances are not expected to be released to cash within the next 12 months. As of July 31, 2024 and April 30, 2024, the Company had restricted cash of \$0 and \$1,101, respectively.

Credit losses

On May 1, 2023, the Company adopted Accounting Standards Update 2016-13 "Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The adoption of the credit loss accounting standard has no material impact on the Company's consolidated financial statements as of May 1, 2023.

The Company's account receivables, prepayments, other receivables and other current assets in the balance sheet are within the scope of ASC Topic 326. As the Company has limited customers and debtors, the Company uses the loss-rate method to evaluate the expected credit losses on an individual basis. When establishing the loss rate, the Company makes the assessment on various factors, including historical experience, creditworthiness of customers and debtors, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from the customers and debtors. The Company also provides specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected.

Expected credit losses are recorded as allowance for credit losses on the consolidated statements of operations. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. In the event the Company recovers amount that is previously reserved for, the Company will reduce the specific allowance for credit losses.

Accounts receivable

The Company's accounts receivable arises from product sales. The Company does not adjust its receivables for the effects of a significant financing component at contract inception if it expects to collect the receivables in one year or less from the time of sale. The Company does not expect to collect receivables greater than one year from the time of sale.

The Company's policy is to maintain an allowance for potential credit losses on accounts receivable. Management reviews the composition of accounts

receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of July 31, 2024 and April 30, 2024, there was no allowance for the doubtful accounts.

Accounts receivable — related parties

Accounts receivable consist primarily of receivables from related parties on 30-day credit terms and are presented net of an allowance for estimated uncollectible amounts. The Company periodically assesses its accounts receivable for collectability on a specific identification basis. If collectability of an account becomes unlikely, an allowance is recorded for that doubtful account. Once collection efforts have been exhausted, the accounts receivable is written off against the allowance. As of July 31, 2024 and April 30, 2024, there was no allowance for the doubtful accounts.

Prepayments

Prepayments are mainly comprised of cash deposited and advanced to suppliers for future inventory purchases and services to be performed. This amount is refundable and bears no interest. For any prepayments that management determines will not be in receipts of inventories, services, or refundable, the Company recognizes an allowance account to reserve such balances. Management reviews its prepayments on a regular basis to determine if the allowance is adequate and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. As of July 31, 2024 and April 30, 2024, the Company had made prepayments to its vendors of \$3,368,802 and \$3,263,711, respectively. The Company's management continues to evaluate the reasonableness of the allowance policy and update it if necessary.

Other receivables and other current assets

Other receivables and other current assets primarily include non-interest-bearing loans of the other business entities, mainly the Company's major vendors. Management regularly reviews the aging of receivables and changes in payment trends and records allowances when management believes collection of amounts due are at risk. Management reviews the composition of other receivables and analyzes historical bad debts, and current economic trends to evaluate the adequacy of the reserves. Accounts considered uncollectable are written off against allowances after exhaustive efforts at collection are made. As of July 31, 2024 and April 30, 2024, the Company did not have any bad debt allowance for other receivables.

Inventories, net

Inventories consisting of finished goods and products available for sale are primarily accounted for using the first-in, first-out method. Merchandise inventories are valued at the lower of cost or net realizable value. This valuation requires the Company to make judgments, based on currently available information, about the likely method of disposition, such as through sales to individual customers, returns to product vendors, liquidations, and expected recoverable values of each disposition category. The Company records inventory shrinkage based on the historical data and management's estimates and provides a reserve for inventory shrinkage for the three and nine months ended January 31, 2024 and 2023. The Company provides a reserve for inventory shrinkage for the three months ended July 31, 2024 and 2023.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the individual assets.

The following table includes the estimated useful lives of certain of our asset classes:

Furniture & fixtures	5 – 10 years
Leasehold improvements	Shorter of the lease term or estimated useful life of the assets
Equipment	5 – 10 years
Automobiles	5 years

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the consolidated statements of operations. Expenditures for maintenance and repairs are charged to earnings as incurred, while additions, renewals and betterments, which are expected to extend the useful life of assets, are capitalized. The Company also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances warrant revised estimates of useful lives.

Impairment of long-lived assets

Long-lived assets, which include property and equipment, intangible assets with finite lives, and operating lease right-of-use assets, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

Recoverability of long-lived assets to be held and used is measured by comparing the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the assets. Fair value is generally determined using the asset's expected future discounted cash flows or market value, if readily determinable.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group asset group exceeds its fair value based on discounted cash flow analysis or appraisals. There was no impairment of long-lived assets for the three months ended July 31, 2024 and 2023.

Security deposits

Security deposits primarily include deposits made to the Company's landlord for its supermarkets and office facilities. These deposits are refundable upon expiration of the lease.

Long-term investment

Cost method investment

The Company accounts for investments with less than 20% of the voting shares and does not have the ability to exercise significant influence over operating and financial policies of the investee using the cost method. The Company elects the measurements alternative and records investment in equity securities at the historical cost in its consolidated financial statements and subsequently records any dividends received from the net accumulated earnings of the investee as income. Dividends received in excess of earnings are considered a return of investment and are recorded as reduction in the cost of the investments.

In May 2021, the Company purchased a 10% equity interest in Dai Cheong Trading Company Inc., a grocery trading company, for \$ 162,665 from DC Holding CA, Inc. DC Holding CA, Inc. is 100% owned by John Xu, the Chief Executive Officer, Chairman and President of the Company. See Note 12 — “Related party balances and transactions”.

In December 2021, the Company purchased a 10% equity interest in HKGF Market of Alhambra, Inc., the legal entity holding the Alhambra store, for \$40,775 from Ms. Grace Xu, the sole shareholder of HKGF Market of Alhambra, Inc. and a related party as the spouse of Mr. John Xu, the Chief Executive Officer, Chairman and President of the Company. See Note 12 — “Related party balances and transactions”. HKGF Market of Alhambra is expected to temporarily shut down at the end of September 2024 as a result of a strategic operating decision by HKGF Market of Alhambra's management. Accordingly, the Company recorded \$40,775 investment loss during the three months ended July 31, 2024.

Effective on December 14, 2023, the Company purchased 10% equity interest in TMA Liquor Inc., a liquor wholesale company, for \$ 100,000. The Company paid \$75,000 as of July 31, 2024.

Equity method investment

During the year ended April 30, 2024, the Company invested \$ 1,800,000 for 49% equity interest in HKGF Market of Arcadia, LLC (“HKGF Arcadia”). See Note 7 — “Equity method investment”. The Company has determined that HKGF Arcadia is not a variable interest entity (VIE) and has evaluated its consolidation analysis under the voting interest model with the facts that the Company does not own greater than 50% of the outstanding voting shares, either directly or indirectly; the Management team of HKGF Arcadia was appointed by the 51% shareholder despite Maison and the 51% shareholder each appointed one director to the Board of Directors of HKGF Arcadia, the Company concluded that it should account for its investment in HKGF Arcadia under the equity method of accounting. Under this method, the investor (“Maison”) recognizes its share of the profits and losses of the investee (“HKGF Arcadia”) in the periods when these profits and losses are also reflected in the accounts of the investee. Any profit or loss recognized by the investor appears in its income statement, any recognized profit increases the investment recorded by the investor, while a recognized loss decreases the investment.

Investment in equity securities is evaluated for impairment when facts or circumstances indicate that the fair value of the long-term investments is less than its carrying value. An impairment is recognized when a decline in fair value is determined to be other-than-temporary. The Company reviews several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, the: (i) nature of the investment; (ii) cause and duration of the impairment; (iii) extent to which fair value is less than cost; (iv) financial condition and near-term prospects of the investments; and (v) ability to hold the security for a period sufficient to allow for any anticipated recovery in fair value. No event had occurred and indicated that other-than-temporary impairment existed and therefore the Company did not record any impairment charges for its investments for the three months ended July 31, 2024.

Goodwill

Goodwill is the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. In accordance with ASC Topic 350, “Intangibles-Goodwill and Other,” goodwill is not amortized but is tested for impairment, annually or more frequently when circumstances indicate a possible impairment may exist. Impairment testing is performed at a reporting unit level.

Generally, the Company first performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If factors indicate that this is the case, the Company then estimates the fair value of the related reporting unit determined using discounted cash flow (“DCF”) analysis. A number of significant assumptions and estimates are involved in the application of the DCF analysis to forecast operating cash flows, including the discount rate, the internal rate of return and projections of realizations and costs to produce. Management considers historical experience and all available information at the time the fair values of its reporting units are estimated.

If the fair value is less than the carrying value, the goodwill of the reporting unit is determined to be impaired, and the Company will record an impairment equal to the excess of the carrying value over its fair value. The Company did not record any impairment loss during the three months ended July 31, 2024 and 2023.

Leases

The Company determines if an arrangement contains a lease at the inception of a contract under ASC Topic 842. At the commencement of each lease, management determines its classification as an operating or finance lease. For leases that qualify as operating leases, right-of-use (“ROU”) assets and liabilities are recognized at the commencement date based on the present value of any remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As most of its leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The ROU assets include adjustments for accrued lease payments. The ROU assets also include any lease payments made prior to commencement and is recorded net of any lease incentives received. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise such options.

A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. When determining whether a lease qualifies as a short-term lease, the Company evaluates the lease term and the purchase option. Hence, the Company does not recognize any operating lease ROU assets and operating lease liabilities for short-term leases.

The Company evaluates the carrying value of ROU assets if there are indicators of impairment and review the recoverability of the related asset group. If the carrying value of the asset group is determined to not be recoverable and is in excess of the estimated fair value, the Company will record an impairment loss in other expenses in the consolidated statements of operations.

The Company also subleases certain mini stores that are within the supermarket to other parties. The Company collects security deposits and rent from these sub-lease tenants. The rent income collected from sub-lease tenants recognized as rental income and deducted occupancy cost. Occupancy cost mainly consists of rents and common area maintenance fees.

Fair value measurements

The Company records its financial assets and liabilities in accordance with the framework for measuring fair value in accordance with U.S. GAAP. This framework establishes a fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Fair value measurements of nonfinancial assets and non-financial liabilities are primarily used in the impairment analysis of intangible assets and long-lived assets.

Financial instruments included in current assets and current liabilities are reported in the consolidated balance sheets at cost, which approximate fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

Revenue recognition

The Company adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"), from May 1, 2020, using the modified retrospective transition approach to all contracts that did not have an impact on the beginning retained earnings on May 1, 2020. The Group's revenue recognition policies effective on the adoption date of ASC Topic 606 are presented as below.

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In accordance with ASC Topic 606, the Company's performance obligation is satisfied upon the transfer of goods to the customer, which occurs at the point of sale. Revenues are recorded net of discounts, sales taxes, and returns and allowances.

The Company sells Company gift cards to customers. There are no administrative fees on unused gift cards, and the gift cards do not have an expiration date. Gift card sales are recorded as contract liability when sold and are recognized as revenue when either the gift card is redeemed or the likelihood of the gift card being redeemed is remote ("gift card breakage"). The Company's gift card breakage rate is based upon historical redemption patterns, and it recognizes breakage revenue utilizing the redemption recognition method. The Company also offers discounts on the gift cards sold to its customers. The discounts are recorded as sales discount when gift card been redeemed. The Company's contract liability related to gift cards was \$897,810 and \$965,696 as of July 31, 2024 and April 30, 2024, respectively.

The following table summarizes disaggregated revenue from contracts with customers by product group: perishable and non-perishable goods. Perishable product categories include meat, seafood, vegetables, and fruit. Non-perishable product categories include grocery, liquor, cigarettes, lottery, newspaper, reusable bag, non-food, and health products.

	Three Months ended July 31,	
	2024	2023
Perishables	\$ 15,194,958	\$ 7,723,846
Non-perishables	14,454,422	6,028,469
Total revenues	\$ 29,649,380	\$ 13,752,315

Cost of sales

Cost of sales includes the rental expense, depreciation, the direct costs of purchased merchandise, shrinkage costs, store supplies, and inbound shipping costs. The cost of sales is a net of vendor's rebates and discounts.

The Company subleases certain mini stores that are within the supermarket to other parties. The Company collects security deposits and rents from these sub-lease tenants. The rent income collected from sub-lease tenants are recognized as rental income reduction in rental expense.

Selling expenses

Selling expenses mainly consist of advertising costs, promotion expenses, and payroll and related expenses for personnel engaged in selling and marketing activities. Advertising expenses, which consist primarily of online and offline advertisements, are expensed when the services are performed. The Company's advertising expenses were \$37,239 and \$30,637 for the three months ended July 31, 2024 and 2023, respectively.

General and administrative expenses

General and administrative expenses mainly consist of payroll and related costs for employees involved in general corporate functions, professional fees and other general corporate expenses, as well as expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses.

Concentrations of risks

(a) Major customers

For the three months ended July 31, 2024 and 2023, the Company did not have any customers that accounted for more than 10% of consolidated total net sales.

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(b) Major vendors

The following table sets forth information as to the Company's suppliers that accounted for 10% or more of the Company's total purchases for the three months ended July 31, 2024 and 2023.

Three Months Ended July 31, 2024		Three Months Ended July 31, 2023	
Supplier	Percentage of Total Purchases	Supplier	Percentage of Total Purchases
A	11%	A	34%
B	3%	B	19%
C	5%	C	9%
D	11%		
E	9%		

(c) Credit risks

Financial instruments that are potentially subject to credit risk consist principally of accounts receivable. Accounts receivable are typically unsecured and derived from products sold to customers and are thereby exposed to credit risk. However, the Company believes the concentration of credit risk in its accounts receivable is substantially mitigated by its ongoing credit evaluation process and relatively short collection terms. The Company does not generally require collateral from customers. The Company evaluates the need for an allowance for credit losses based upon factors surrounding the credit risk of specific customers, historical trends, and other information. Historically, the Company did not have any bad debt on its accounts receivable.

The Company also has loan receivables to its centralized vendors occasionally. The loan receivables are typically unsecured and exposed to credit risk. However, the Company believes that the loan receivables amount to its centralized vendor is managed by its finance department and these centralized vendors are still providing products monthly to the Company. The Company does not generally require collateral from the vendors. The Company also evaluates the need for an allowance for credit losses based on upon factors surrounding the credit risks. Historically, the Company did not have any bad debt on its loan receivables and all loan receivables been collected in subsequent period.

Income taxes

Income taxes are accounted for in accordance with the provisions of ASC Topic 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company's deferred tax assets are subject to periodic recoverability assessments. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. In determining the need for a valuation allowance, management reviews both positive and negative evidence, including current and historical results of operations, future income projections, and the overall prospects of our business. Realization of the deferred tax assets is principally dependent upon achievement of projected future taxable income offset by deferred tax liabilities. Changes in recognition or measurement are reflected in the period in which the judgment occurs.

The Company utilizes a two-step approach to recognizing and measuring uncertain income tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating our tax positions and estimating its tax benefits, which may require periodic adjustments, and which may not accurately forecast actual outcomes. The Company includes interest and penalties related to its tax contingencies in income tax expense.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law, intended to provide economic relief to those impacted by the COVID-19 pandemic. The CARES Act, among other things, includes provisions addressing the carryback of net operating losses for specific periods, temporary modifications to the limitations placed on the tax deductibility of net interest expenses, and technical amendments for qualified improvement property ("QIP"). The impacts of the CARES Act are recorded as components within the Company's deferred income tax liabilities and income tax receivable on the Company's balance sheets.

Earnings (loss) per share

Basic earnings (loss) per ordinary share is computed by dividing net earnings (loss) attributable to common stockholders by the weighted-average number of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to common stockholders by the sum of the weighted average number of common stock outstanding and of potential common stock (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common stock that has an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) is excluded from the calculation of diluted earnings per share. For the three months ended July 31, 2024 and 2023, the Company had no dilutive potential common stock.

Related Parties

The Company identifies related parties, accounts for, and discloses related party transactions in accordance with ASC Topic 850 "Related Party Disclosures" and other relevant ASC standards. Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all significant related party transactions in Note 12 — "Related party balances and transactions".

Segment Information

The Company's chief operating decision-maker has been identified as the chief executive officer, who reviews financial information presented on a

consolidated basis accompanied by disaggregated information about revenues by different product types for purposes of allocating resources and evaluating financial performance. The Company and its subsidiaries offer grocery products, general merchandise, health and beauty care products, pharmacy and other items and services in its stores. The Company's supermarket stores are geographically based, have similar economic characteristics, and similar expected long-term financial performance. The Company's operating segments and reporting units are its four stores, which are reported in one reportable segment. There are no segment managers who are held accountable for operations, operating results, and plans for levels or components below the consolidated unit level. Based on qualitative and quantitative criteria established by ASC Topic 280, "Segment Reporting", the Company considers itself to be operating within one reportable segment.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures." This ASU expands required public entities' segment disclosures, including disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items and interim disclosures of a reportable segment's profit or loss and assets. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2023-07 will have on its condensed consolidated financial statement presentation or disclosures.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". This ASU requires additional quantitative and qualitative income tax disclosures to enable financial statements users better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. This ASU is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2023-09 will have on its condensed consolidated financial statement presentation or disclosures.

No other new accounting pronouncements issued or effective had, or are expected to have, a material impact on the Company's consolidated financial statements.

3. Inventories, net

A summary of inventories, net was as follows:

	<u>July 31, 2024</u>	<u>April 30, 2024</u>
Perishables	\$ 3,515,286	\$ 2,406,550
Non-perishables	4,076,863	4,432,545
Reserve for inventory shrinkage	(241,394)	(36,790)
Inventories, net	\$ 7,350,755	\$ 6,802,255

Movements of reserve for inventory shrinkage were as follows:

	<u>Three Months Ended July 31, 2024</u>	<u>Three Months Ended July 31, 2023</u>
Beginning balance	\$ 36,790	\$ 42,750
Provision for (reversal of) inventory shrinkage reserve	204,604	(3,237)
Ending Balance	\$ 241,394	\$ 39,513

4. Prepayments

Prepayments consisted of the following:

	<u>July 31, 2024</u>	<u>April 30, 2024</u>
Prepayment for inventory purchases	\$ 2,821,546	\$ 2,784,647
Prepaid directors and officers ("D&O") insurance	194,600	130,354
Prepaid income tax	193,700	193,700
Prepaid professional service	29,553	25,607
Prepaid rent	129,403	129,403
Total prepayments	\$ 3,368,802	\$ 3,263,711

As of July 31, 2024, the prepayment for inventory purchases mainly consisted of \$ 1,262,624 paid to GF Distribution, Inc., one of the Company's major vendors; and \$1,558,922 paid to XHJC Holdings Inc., which is the Company's new centralized vendor.

As of April 30, 2024, the prepayment for inventory purchases mainly consisted of \$ 1,234,234 paid to GF Distribution, Inc., one of the Company's major vendors; and \$1,515,065 paid to XHJC Holdings Inc., which is the Company's new centralized vendor, and prepayment to other vendors of \$ 35,347.

5. Property and equipment, net

Property and equipment consisted of the following:

	<u>July 31, 2024</u>	<u>April 30, 2024</u>
Furniture & Fixtures	\$ 3,225,560	\$ 3,225,560
Equipment	4,461,856	4,457,856
Leasehold Improvement	2,368,450	2,269,819
Automobile	715,948	715,948
Total property and equipment	10,771,814	10,669,183
Accumulated depreciation	(8,461,340)	(8,334,220)
Property and equipment, net	\$ 2,310,474	\$ 2,334,963

Depreciation expenses included in the general and administrative expenses for the three months ended July 31, 2024 and 2023 were \$ 11,556 and \$5,792, respectively. Depreciation expense included in the cost of sales for the three months ended July 31, 2024 and 2023 were \$ 115,563 and \$57,920, respectively.

6. Intangible assets

Intangible assets consisted of the following:

	<u>July 31, 2024</u>	<u>April 30, 2024</u>
Liquid license	\$ 17,482	\$ 17,482
Software systems (a)	2,950,000	2,950,000
Trademark (b)	5,194,000	5,194,000
Total intangible assets	8,161,482	8,161,482
Accumulated amortization	322,346	182,571
Intangible assets, net	\$ 7,839,136	\$ 7,978,911

(a) Software systems

On October 30, 2023, the Company entered a System Purchase and Implementation Consulting Agreement with Drem Consulting Pte. Ltd. for purchasing a merchandise display planning and management system for \$1.5 million. The system uses advanced technology such as artificial intelligence, IoT (Internet of Things), client computing, etc. to optimize shelf display and planning, inventory control and customer services. The system is amortized over 10 years.

On November 22, 2023, the Company entered a Supply Chain Management System Purchase Agreement with WSYQR Limited to purchase a supply chain management system for \$1.45 million. The system has the necessary software and hardware that was specifically designed for supermarkets application for the key units of 1) data synchronization across the entire supply chain, 2) centralized order processing and fulfillment, 3) refund and return processing, 4) customer complaints handling, and 5) distribution and delivery management and optimization. The system is amortized over 10 years.

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(b) Trademark

Trademark mainly consisted of 1) a trademark acquired through the acquisition of Maison Monterey Park on June 30, 2022. The fair value of the trademark from the acquisition of Maison Monterey Park at acquisition date was \$194,000, to be amortized over 15 years; 2) a trademark acquired through the acquisition of Lee Lee on April 7, 2024. The fair value of the trademark from the acquisition of Lee Lee at acquisition date was \$5,000,000, to be amortized over 20 years.

The amortization expense for the three months ended July 31, 2024 and 2023 was \$ 139,775 and \$3,233, respectively. Estimated amortization expense for each of the next five years at July 31, 2025 is as follows: \$559,099, \$559,099, \$559,099, \$559,099 and \$559,099.

7. Equity method investment

During the year ended April 30, 2024, the Company made an investment of \$ 1,800,000 for 49% interest in HKGF Market of Arcadia, LLC ("HKGF Arcadia"). The Company recorded \$166,028 and \$28,456 investment loss for the three months ended July 31, 2024 and 2023. As of July 31, 2024, the Company incurred accumulated investment loss of \$704,570.

The following table shows the condensed balance sheet of HKGF Arcadia as of July 31, 2024.

	<u>July 31, 2024</u>	<u>(Unaudited)</u>
ASSETS		
Current Assets		
Cash and equivalents	\$ —	
Accounts receivable	80,290	
Inventories, net	625,719	
Total Current Assets	706,009	
Property and equipment, net	946,026	
Intangible asset, net	27,731	
Goodwill	1,680,000	
Security deposits	163,618	
Total Assets	\$ 3,523,384	
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	\$ 1,739,049	
Other payables	15,931	

Loan from shareholder	100,000
Bank overdraft	368,064
Total Current Liabilities	2,223,044
Total Liabilities	2,223,044
Stockholders' Equity	
Paid in Capital	3,800,000
Subscription receivable	(1,058,434)
Accumulated deficit	(1,441,226)
Total Stockholders' Equity	1,300,340
Total Liabilities and Stockholders' Equity	\$ 3,523,384

The following table shows the condensed statement of operations of HKGF Arcadia for the three months ended July 31, 2024, and for the period from July 1, 2023 to July 31, 2023.

	For the Three Months ended July 31, 2024	For the Period from July 1, 2023 to July 31, 2023
Net Revenues		
Supermarket	\$ 1,567,323	\$ 577,824
Total Revenues, Net	<u>1,567,323</u>	<u>577,824</u>
Cost of Revenues		
Supermarket	1,226,784	428,535
Total Cost of Revenues	<u>1,226,784</u>	<u>428,535</u>
Gross Profit	340,539	149,289
Operating Expenses	682,855	220,430
Total Operating Expenses	<u>682,855</u>	<u>220,430</u>
Loss from Operations	(342,316)	(71,141)
Other income	3,484	—
Loss Before Income Taxes	(338,832)	(71,141)
Income Taxes	—	—
Net Loss	<u>(338,832)</u>	<u>(71,141)</u>
Net Loss Attributable to Maison Solutions Inc.	\$ (166,028)	\$ (28,456)

8. Goodwill

Goodwill represented the excess fair value of the assets under the fair value of the identifiable assets owned at the closing of the acquisition of Maison Monterey Park and Lee Lee, including an assembled workforce, which cannot be sold or transferred separately from the other assets in the business. See Note 18 — “Acquisition of subsidiary” for additional information. As of July 31, 2024 and April 30, 2024, the Company had goodwill of \$ 16,957,147, consisting of \$2,222,211 arising from Maison Monterey Park and \$ 14,734,936 arising from the Lee Lee acquisition. The Company did not record any impairment to the goodwill for the three months ended July 31, 2024 and 2023.

9. Accrued expenses and other payables

Accrued expenses and other payables consisted of the following:

	July 31, 2024	April 30, 2024
Accrued payroll	\$ 564,491	\$ 717,389
Accrued interest expense	136,388	136,388
Accrued loss for legal matters (Note 17)	250,128	250,128
Other payables	172,296	242,886
Due to third parties, non-interest bearing, payable upon demand	161,302	161,302
Sales tax payable	95,825	118,989
Total accrued expenses and other payables	\$ 1,380,430	\$ 1,627,082

On April 8, 2024, AZLL closed an acquisition transaction and purchased 100% of the equity interests in Lee Lee for an aggregate purchase price of approximately \$22.2 million, consisting of: (i) \$7.0 million in cash paid immediately at the closing of the transaction, and (ii) the Secured Note with an original principal amount of approximately \$15.2 million pursuant to the Senior Secured Note Agreement entered into on April 8, 2024.

Under the Senior Secured Note Agreement, the Secured Note will accrue interest on the outstanding principal amount at an annual interest rate of five percent (5%). The payment schedule of the principal amount of the Secured Note is as follows: (i) \$2.5 million due and immediately payable on each of May 8, 2024 and June 8, 2024; (ii) \$1.5 million due and payable on each of September 8, 2024, October 8, 2024 and November 8, 2024; (iii) \$1.0 million due and immediately payable on December 8, 2024; and (iv) approximately \$4.7 million due and immediately payable on February 8, 2025. Additionally, pursuant to the terms and conditions of the Senior Secured Note Agreement, the principal amount may be adjusted to include certain Premium Guarantees (as defined in the Senior Secured Note Agreement) if certain conditions, as set forth in the Senior Secured Note Agreement and the Stock Purchase Agreement (as defined below), are not met.

Upon an "Event of Default" under the Senior Secured Note Agreement, the holders of the Secured Note will have certain rights, including the right to (i) declare all of the obligations, as defined in the Senior Secured Note Agreement to be immediately due and payable, and (ii) resume daily operational control of Lee Lee's operations until such time as the Obligations, as defined in the Senior Secured Note Agreement, have been satisfied. Additionally, if an "Event of Default" occurs, the outstanding principal amount will bear interest at the simple interest rate of 10 percent (10%) per annum, from the date of such Event of Default until all such sum are fully paid.

During the three months ended July 31, 2024, the Company repaid \$5,000,000 on this note and recorded \$158,600 interest expense. As of July 31, 2024 and April 30, 2024, the Company had an outstanding note payable of \$10,126,065 to the sellers of Lee Lee with an annual interest rate of 5%. The Company is required to repay the full amount before February 8, 2025 as described above.

As of April 30, 2023, the Company had an outstanding note payable of \$150,000 to a third-party individual with an annual interest rate of 10%, payable upon demand. On November 7, 2023, the Company repaid the principle of \$150,000. As of July 31, 2024 and April 30, 2024, the Company had accrued interest of \$30,000 on this note, to be paid upon demand from the lender.

11. Loan payables

A summary of the Company's loans was listed as follows:

Lender	Due date	July 31, 2024	April 30, 2024
U.S. Small Business Administration	June 15, 2050	2,545,221	2,561,299
Total loan payables		2,545,221	2,561,299
Current portion of loan payables		(65,627)	(65,098)
Non-current loan payables		\$ 2,479,594	\$ 2,496,201

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U.S. Small Business Administration (the "SBA")

Borrower	Due date	July 31, 2024	April 30, 2024
Maison Monrovia	June 15, 2050	\$ 144,177	\$ 145,071
Maison San Gabriel	June 15, 2050	1,921,320	1,933,394
Maison El Monte	June 15, 2050	479,724	482,834
Total SBA loan payables		\$ 2,545,221	\$ 2,561,299

On June 15, 2020, Maison Monrovia entered into a \$150,000 Business Loan Agreement with the SBA at 3.75% annual interest rate and a maturity date on June 15, 2050. On June 15, 2020, Maison San Gabriel entered into a \$150,000 Business Loan Agreement with the SBA at 3.75% annual interest rate and a maturity date on June 15, 2050. On June 15, 2020, Maison El Monte entered into a \$150,000 Business Loan Agreement with SBA at 3.75% annual interest rate and a maturity date on June 15, 2050.

On January 12, 2022, Maison San Gabriel entered into an additional \$1,850,000 Business Loan Agreement with the SBA at 3.75% annual interest rate and a maturity date on June 15, 2050.

On January 6, 2022, Maison El Monte, Inc. entered into an additional \$350,000 Business Loan Agreement with the SBA at 3.75% annual interest rate and a maturity date on June 15, 2050.

Per the SBA loan agreement, all interest payments on these three loans were deferred to December 2022. As of July 31, 2024 and April 30, 2024, the Company's aggregate balance on the three SBA loans was \$2,545,221 and \$2,561,299, respectively. Interest expenses were \$22,952 and \$23,462 for the three months ended July 31, 2024 and 2023, respectively. During the three months ended July 31, 2024, the Company made aggregate repayment of the SBA loans of \$39,030 (which includes principal of \$16,078 and interest expense of \$22,952). During the three months ended July 31, 2023, the Company made aggregate repayment of the SBA loans of \$52,040 (which includes principal of \$20,785 and interest expense of \$31,255).

As of July 31, 2024, the future minimum principal amount of loan payments to be paid by year were as follows:

Year Ending July 31,	Amount
2025	\$ 65,627
2026	67,792
2027	70,041
2028	72,376
2029	74,799
Thereafter	2,194,586
Total	\$ 2,545,221

12. Related party balances and transactions

Related party transactions

Sales to related parties

Name of Related Party	Nature	Relationship	Three Months ended July 31, 2024	Three Months ended July 31, 2023
United Food LLC	Supermarket product sales	John Xu, the Company's Chief Executive Officer, Chairman and President, ultimately owns 24% of United Food, LLC	\$ 2,008	\$ 2,663
HKGF Market of Arcadia, LLC	Supermarket product sales	Maison owns 49% equity interest	41,841	5,972
Grantstone, Inc.	Supermarket product sales	John Xu, indirectly owns this entity with 100% ownership	1,232	—
HKGF Market of Alhambra, Inc.	Supermarket product sales	Grace Xu, spouse of John Xu, controls this entity with 90% ownership, Maison owns the remaining 10%	81,396	59,883
Total			\$ 126,477	\$ 68,518

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Purchases from related parties

Name of Related Party	Nature	Relationship	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023
United Food, LLC	Supermarket product sales	John Xu, the Company's Chief Executive Officer, Chairman and President, ultimately owns 24% of United Food, LLC	\$ 4,604	\$ 674
HKGF Market of Arcadia, LLC	Supermarket product sales	Maison owns 49% equity interest	15,096	20,587
Dai Cheong Trading Co Inc.	Import and wholesales of groceries	John Xu, controls this entity with 90% ownership through DC Holding CA, Inc., Maison owns the remaining 10%	40,894	37,973
HKGF Market of Alhambra, Inc.	Supermarket product sales	Grace Xu, spouse of John Xu, controls this entity with 90% ownership, Maison owns the remaining 10%	12,776	—
Total			\$ 73,370	\$ 59,234

Investment in equity purchased from related parties

Name of Investment Company	Nature of Operation	Investment percentage	Relationship	As of July 31, 2024	As of April 30, 2024
Dai Cheong Trading Co Inc.	Import and wholesales of groceries	10%	John Xu, the Company's Chief Executive Officer, Chairman and President, controls this entity with 90% ownership through DC Holding CA, Inc., Maison owns the remaining 10%	\$ 162,665	\$ 162,665
HKGF Market of Alhambra, Inc.	Supermarket product sales	10%	Grace Xu, spouse of John Xu, controls this entity with 90% ownership, Maison owns the remaining 10%	—	40,775
Total				\$ 162,665	\$ 203,440

In May 2021, the Company purchased a 10% equity interest in Dai Cheong Trading Company Inc., a grocery trading company, for \$ 162,665 from DC Holding CA, Inc. DC Holding CA, Inc. is owned by John Xu, the Chief Executive Officer, Chairman and President of the Company.

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In December 2021, the Company purchased a 10% equity interest in HKGF Market of Alhambra, Inc, the legal entity holding the Alhambra Store (as defined below) for \$40,775 from Ms. Grace Xu, a related party as the spouse of Mr. John Xu, the Chief Executive Officer, Chairman and President of the Company. HKGF Market of Alhambra is expected to temporarily shut down at the end of September 2024 as a result of a strategic operating decision by HKGF Market of Alhambra's management. Accordingly, the Company recorded \$40,775 investment loss during the three months ended July 31, 2024.

Related party balances

Accounts receivable — sales to related parties

Name of Related Party	Nature	Relationship	July 31, 2024	April 30, 2024
HKGF Market of Arcadia, LLC	Supermarket product sales	Maison owns 49% equity interest	\$ 146,818	\$ 10,922

HKGF Market of Alhambra, Inc.	Supermarket product sales	Grace Xu, spouse of John Xu, controls this entity with 90% ownership, Maison owns the remaining 10%	147,878	79,258
JC Business Guys, Inc.	Supermarket product sales	Shareholder with 51% equity interest of HKGF Market of Arcadia, LLC	66,728	66,728
Grantstone Inc.	Supermarket product sales	John Xu, indirectly owns this entity with 100% ownership	11,781	10,550
United Food, LLC	Supermarket product sales	John Xu, ultimately owns 24% of United Food, LLC	303,595	292,189
Total			<u><u>\$ 676,800</u></u>	<u><u>\$ 459,647</u></u>

Accounts payable — purchase from related parties

Name of Related Party	Nature	Relationship	July 31, 2024	April 30, 2024
Hong Kong Supermarket of Monterey Park, Ltd.	Due on demand, non-interest bearing	John Xu, controls this entity	\$ 440,166	\$ 440,166
Dai Cheong Trading Co Inc.	Import and wholesales of groceries	John Xu, controls this entity with 100% ownership through DC Holding CA, Inc. prior to the 10% equity interest acquisition by Maison	29,541	30,439
Total			<u><u>\$ 469,707</u></u>	<u><u>\$ 470,605</u></u>

Other receivables — related parties

Name of Related Party	Nature	Relationship	July 31, 2024	April 30, 2024
Ideal Investment	Due on demand, non-interest bearing	John Xu, has majority ownership of this entity	\$ 3,995	\$ 3,995
Ideal City Capital	Due on demand, non-interest bearing	John Xu, has majority ownership of this entity	30,000	30,000
Total			<u><u>\$ 33,995</u></u>	<u><u>\$ 33,995</u></u>

Other payables — related parties

Name of Related Party	Nature	Relationship	July 31, 2024	April 30, 2024
John Xu	due on demand, non-interest bearing	The Company's Chief Executive Officer, Chairman and President	\$ 214,549	\$ 200,810
Grace Xu	due on demand, non-interest bearing	Spouse of John Xu	40,775	40,775
Dai Cheong Trading Co Inc.	Import and wholesales of groceries	John Xu, controls this entity with 100% ownership through DC Holding CA, Inc. prior to the 10% equity interest acquisition by Maison	400,000	—
New Victory Foods Inc	due on demand, non-interest bearing	John Xu, owns this entity with 100% ownership	250,000	250,000
Total			<u><u>\$ 905,324</u></u>	<u><u>\$ 491,586</u></u>

13. Leases

The Company accounted for leases in accordance with ASU No. 2016-02, Leases (Topic 842) for all periods presented. The Company leases certain supermarkets and office facilities from third parties. Some of the Company's leases include one or more options to renew, which are typically at the Company's sole discretion. The Company evaluates the renewal options, and when it is reasonably certain of exercise, it will include the renewal period in its lease term. New lease modifications result in re-measurement of the right of use ("ROU") assets and lease liabilities. Operating ROU assets and lease liabilities are recognized at the lease commencement date, based on the present value of lease payments over the lease term. Since the implicit rate for the Company's leases is not readily determinable, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments in a similar economic environment and over a similar term.

The Company's leases mainly consist of store rent and copier rent. The store lease detail information is listed below:

Store	Lease Term Due
Maison Monrovia *	August 31, 2055 (with extension)
Maison San Gabriel	November 30, 2030
Maison El Monte	July 14, 2028
Maison Monterey Park	May 1, 2028
Lee Lee - Peoria store	January 31, 2044 (with extension)
Lee Lee - Chandler store	February 8, 2049 (with extension)
Lee Lee - Tucson store	December 31, 2050 (with extension)

* On April 1, 2023, the Company renewed lease of Maison Monrovia for additional five years with new monthly based rent of \$40,000 for first year and 3% increase for each of the next four years. On July 6, 2023, the Company and the lessor entered an amendment to lease, pursuant to which the lessor will provide monthly basic rent abatement of \$5,000 from August 1, 2023 through March 31, 2024, \$2,500 from April 1, 2024 through March 31, 2025, and \$1,000 from April 1, 2025 through March 31, 2026. As a result of increased monthly base rent, the Company remeasured the lease and determined the ROU and lease liability of this lease increased by \$3.62 million for each.

As of July 31, 2024, the average remaining term of the supermarkets' store lease was 16.55 years. As of April 30, 2024, the average remaining term of the supermarkets' store lease was 16.80 years.

In June and November 2022, the Company entered three leases for three copiers with terms of 63 months for each. In January 2024, Maison El Monte entered a lease for copy with terms of 63 months. As of July 31, 2024, the average remaining term of the copier lease was 3.62 years. As of April 30, 2024, the average remaining term of the copier lease is 3.87 years.

The copier lease detail information was listed below:

Store	Lease Term Due
Maison Monrovia	January 1, 2028
Maison San Gabriel	January 1, 2028
Maison Monterey Park	August 1, 2027
Maison El Monte	March 10, 2029

The Company's total lease expenses under ASC 842 are \$ 1.13 million and \$0.78 million for the three months ended July 31, 2024 and 2023, respectively. The Company's ROU assets and lease liabilities are recognized using an effective interest rate of range from 4.5% to 7.50%, which was determined using the Company's incremental borrowing rate.

The Company's operating ROU assets and lease liabilities were as follows:

	July 31, 2024	April 30, 2024
Operating ROU:		
ROU assets – supermarket leases	\$ 40,039,164	\$ 40,695,438
ROU assets – copier leases	29,450	31,209
Total operating ROU assets	\$ 40,068,614	\$ 40,726,647
Operating lease obligations:		
Current operating lease liabilities	\$ 4,113,719	\$ 4,088,678
Non-current operating lease liabilities	38,467,075	39,015,252
Total lease liabilities	\$ 42,580,794	\$ 43,103,930

As of July 31, 2024, the five-year maturity of the Company's operating lease liabilities was as following:

Twelve Months Ended July 31,	Operating lease liabilities
2025	\$ 4,113,719
2026	4,208,177
2027	4,274,632
2028	4,160,935
2020	2,656,343
Thereafter	51,459,076
Total future undiscounted lease payments	70,872,882
Less: interest	(28,292,088)
Present value of lease liabilities	\$ 42,580,794

14. Stockholder's equity

Common stock

Maison was initially authorized to issue 500,000 shares of common stock with a par value of \$ 0.0001 per share. On September 8, 2021, the total number of authorized shares of all classes of stock was increased to 100,000,000 by way of a 200-for-1 stock split, among which, the authorized shares were divided into (i) 95,000,000 shares of common stock, par value of \$ 0.0001 per share (the "common stock") of which (a) 92,000,000 shares shall be a series designated as Class A common stock (the "Class A common stock"), and (b) 3,000,000 shares shall be a series designated as Class B common stock (the "Class B common stock"), and (ii) 5,000,000 shares of preferred stock, par value \$ 0.0001 per share (the "preferred stock"). For the Class A common stock and Class B common stock, the rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion rights. Each share of Class A common stock is entitled to one (1) vote. Each share of Class B common stock is entitled to ten (10) votes and is convertible at any time into one share of Class A common stock. As of July 31, 2024, John Xu, the Company's Chief Executive Officer, Chairman and President, holds all of our outstanding shares of Class B common stock. All shares and per share amounts used herein and in the

accompanying consolidated financial statements have been retroactively adjusted to reflect (i) the increase of share capital as if the change of share numbers became effective as of the beginning of the first period presented for Maison Group and (ii) the reclassification of all outstanding shares of our common stock beneficially owned by Golden Tree USA Inc. into Class B common stock, which are collectively referred to as the "Reclassification."

Initial Public Offering

On October 4, 2023, the Company entered into an Underwriting Agreement with Joseph Stone Capital, LLC (the "Underwriter") in connection with the Company's initial public offering (the "IPO") of 2,500,000 shares of Class A common stock, at a price of \$ 4.00 per share, less underwriting discounts and commissions.

The IPO closed on October 10, 2023, and the Company received net proceeds of approximately \$ 8.72 million, after deducting underwriting discounts and commissions and estimated IPO offering expenses payable by the Company.

On October 10, 2023, the Company issued the Underwriter non-redeemable warrants (the "Underwriter Warrants") to purchase an amount equal to five (5%) percent of the shares of Common Stock sold in the IPO (125,000 warrants, which is exclusive of the over-allotment option) pursuant to the Underwriting Agreement. The Underwriter Warrants became exercisable one hundred eighty (180) days after the commencement of sales of the IPO (April 1, 2024) and remain exercisable until the fifth anniversary of the effective date of the IPO (April 1, 2029). The Company accounted for the Underwriter Warrants issued based on the fair value ("FV") method under FASB ASC Topic 505, and the FV of the Underwriter Warrants was calculated using the Black-Scholes model under the following assumptions: life of 5 years, volatility of 100%, risk-free interest rate of 4.26% and dividend yield of 0%. The FV of the Underwriter Warrants issued at the grant date was \$ 382,484. The Underwriter Warrants issued in this financing were classified as equity instruments.

Following is a summary of the activities of warrants for the period ended July 31, 2024:

	Number of Warrants	Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding as of April 30, 2024	125,000	\$ 4.80	4.42
Exercisable as of April 30, 2024	—	\$ —	—
Granted	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Expired	—	—	—
Outstanding as of July 31, 2024	125,000	\$ 4.80	4.17
Exercisable as of July 31, 2024	—	\$ —	—

PIPE Offering

On November 22, 2023, the Company entered into certain securities purchase agreements (the "Securities Purchase Agreements") with certain investors (the "PIPE Investors"). Pursuant to the Securities Purchase Agreements, the Company sold an aggregate of 1,190,476 shares (the "PIPE Shares") of the Company's Class A common stock, par value \$0.0001 per share, to the PIPE Investors at a per share purchase price of \$ 4.20 (the "PIPE Offering").

The PIPE Offering closed on November 22, 2023. The Company received net proceeds of approximately \$ 4.60 million, after deducting investment banker's discounts and commissions and offering expenses payable by the Company.

15. Income Taxes

Maison is a Delaware holding company that is subject to the U.S. income tax of 21%. Maison Monrovia and Maison San Gabriel are pass through entities whose income or losses flow through Maison Solution's income tax return. Maison El Monte and Maison Monterey Park are Subchapter C corporation ("C-Corp") incorporated in the state of California, are subject to U.S. income tax of 21% and California state income tax of 8.84%. Lee Lee was a Subchapter S corporation ("S-Corp") incorporated in the state of Arizona prior to the acquisition by Maison and was converted into an Limited Liability Company ("LLC") on June 10, 2024. Both the S-Corp and LLC are pass through entities whose income or losses flow through Maison Solution's income tax return.

The provision for income taxes provisions consisted of the following components:

	Three Months ended July 31, 2024	Three Months ended July 31, 2023
Current:		
Federal income tax expense	\$ 509,759	\$ 82,564
State income tax expense	143,927	38,102
Deferred:		
Federal income tax benefit	(14,561)	(1,320)
State income tax benefit	(2,897)	(440)
Total	\$ 636,228	\$ 118,906

The following is a reconciliation of the difference between the actual (benefit) provision for income taxes and the (benefit) provision computed by applying the federal statutory rate on income (loss) before income taxes:

Three Months ended July 31, 2024	Three Months ended July 31, 2023
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Federal statutory rate expense (benefit)	263,351	19,359
State statutory rate, net of effect of state income tax deductible to federal income tax	19,606	6,470
Permanent difference – penalties, interest, and others	29,808	(7,026)
Change in valuation allowance	323,463	100,103
Tax expense per financial statements	<u>636,228</u>	<u>118,906</u>

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred taxes were comprised of the following:

	July 31, 2024	April 30, 2024
Deferred tax assets:		
Bad debt expense	\$ 66,888	\$ 66,888
Inventory impairment loss	89,141	38,279
Investment loss	208,543	150,684
Lease liabilities, net of ROU	696,376	660,713
NOL	1,304,702	1,125,192
Valuation allowance	(2,349,498)	(2,026,613)
Deferred tax assets, net	<u>\$ 16,152</u>	<u>\$ 15,143</u>
Deferred tax liability:		
Trademark acquired at acquisition of Maison Monterey Park and Lee Lee	\$ 1,270,954	\$ 1,287,403
Deferred tax liability, net of deferred tax assets	<u>\$ 1,254,802</u>	<u>\$ 1,272,260</u>

As of July 31, 2024 and April 30, 2024, Maison and Maison El Monte had approximately \$ 4.01 million and \$3.20 million, respectively, of U.S. federal NOL carryovers available to offset future taxable income which do not expire but are limited to 80% of income until utilized. As of July 31, 2024 and April 30, 2024, Maison and Maison El Monte had approximately \$4.37 million and \$3.56 million, respectively, of California state net operating loss which can be carried forward up to 20 years to offset future taxable income. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends upon the Company's future generation of taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. After consideration of all the information available, management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance.

The Company recorded \$0 and \$11,279 of interest and penalties related to understated income tax payments for the three months ended July 31, 2024 and 2023, respectively.

As of July 31, 2024, the Company's U.S. income tax returns filed for the year ending on December 31, 2020 and thereafter are subject to examination by the relevant taxation authorities.

16. Other income

For the three months ended July 31, 2023, other income mainly consisted of \$ 0.38 million employee retention credit ("ERC") received (after net-off with investment loss of \$28,456). The ERC is a tax credit for businesses that continued to pay employees while shut down due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020 to December 31, 2021.

17. Commitments and contingencies

Contingencies

The Company is otherwise periodically involved in various legal proceedings that are incidental to the conduct of its business, including, but not limited to, employment discrimination claims, customer injury claims, and investigations. When the potential liability from a matter can be estimated and the loss is considered probable, the Company records the estimated loss. Due to uncertainties related to the resolution of lawsuits, investigations, and claims, the ultimate outcome may differ from the estimates. Although the Company cannot predict with certainty the ultimate resolution of any lawsuits, investigations, and claims asserted against it, management does not believe any currently pending legal proceeding to which the Company is a party will have a material adverse effect on its financial statements.

On January 2, 2024, the Company and our executive officers and directors, as well as Joseph Stone Capital LLC, and AC Sunshine Securities LLC, the underwriters in the Company's initial public offering (together, the "Defendants"), were named in a class action complaint filed in the Supreme Court of the State of New York alleging violations of Sections 11 and 15 of the Securities Act of 1933, as amended (*Ilisan Kim v. Maison Solutions Inc., et. al.*, Index No. 150024/2024). As relief, the plaintiffs are seeking, among other things, compensatory damages. On or about April 17, 2024, the parties agreed to stay the action in favor of the Rick Green matter described immediately below.

On January 4, 2024, the Defendants were named in a class action complaint filed in the United States District Court for the Central District of California alleging violations of Sections 11 and 15 of the Securities Act of 1933, as amended, as well as violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (*Rick Green and Evgenia Nikitina v. Maison Solutions Inc., et. al.*, Case No. 2:24-cv-00063). As relief, the plaintiffs are seeking, among other things, compensatory damages.

The Company and Defendants believe the allegations in both complaints are without merit and intend to defend each suit vigorously. It is reasonably possible that a loss may be incurred; however, the possible range of losses is not reasonably estimable given the pending status of the cases.

On April 9, 2024, a shareholder derivative action was brought by Shah Azad derivatively on behalf of the Company against John Xu, Tao Han, Alexandria Lopez, Bin Wang, Mark Willis, and Xiaoxia Zhang, and the Company itself as a nominal defendant. The complaint was filed in the United States District Court for the Central District of California, Case No. 2:24-cv-02897. On April 12, 2024, another derivative complaint was filed by Arnab Baral in the United States District Court Central District of California, Case No. 2:24-cv-03018. The two cases have since been consolidated, with the Azad case taking lead. The lawsuits allege breaches of fiduciary duty, abuse of control, unjust enrichment, gross mismanagement, waste of corporate assets, and contribution under Section 11(f) of the Securities Act and Section 21D of the Exchange Act. The claims arise from the allegations underlying the class action securities lawsuits. On July 19, 2024, the Court ordered the Azad case stayed until a motion to dismiss is heard in the class action securities action. The Company is not able to make a reasonable estimate about the amount of contingent loss of these cases at current stage.

In May 2020, Maison El Monte was named as a co-defendant in a complaint filed by a consumer advocacy group alleging violations of a California health and safety regulation. The case is pending in the Superior Court of the State of California. It is reasonably possible that a loss may be incurred; however, the possible range of losses is not reasonably estimable given the pending status of the case. As such, the Company has not made any accruals of possible loss for the three months ended July 31, 2024 and 2023 related to this case.

In June 2022, Maison San Gabriel entered into a confidential settlement agreement with the plaintiff in connection with a California employment law case whereby Maison San Gabriel agreed to pay \$245,000 to plaintiff in full settlement of all claims in the case. As a result of the settlement agreement, the Company accrued \$245,000 as a loss relating to the case as of April 30, 2024.

On September 8, 2023, a complaint was filed by former employee against Maison San Gabriel for wrongful termination and labor law violation. Maison San Gabriel filed a general denial in November 2023, and case management conference is scheduled for November 21, 2024.

On January 22, 2024, a small claim complained was filed against Maison Monterey Park for unpaid invoice. The Court granted plaintiff a judgement against Maison Monterey Park for \$5,128 on April 25, 2024. Maison Monterey Park filed a Notice of Motion to vacate judgment in June 2024, hearing on motion to vacate judgment is scheduled in July 2024. It is reasonably possible that a loss may be incurred; however, the possible range of losses is not reasonably estimable given the pending status of the motion to vacate judgment.

Commitments

On April 19, 2021, JD E-commerce America Limited ("JD US") and the Company entered into a Collaboration Agreement (the "Collaboration Agreement") pursuant to which JD.com will provide services to Maison focused on updating in-store technology through the development of a new mobile app, the updating of new in-store technology, and revising store layouts to promote efficiency. The Collaboration Agreement provided for a consultancy and initialization fee of \$220,000, 40% of which was payable within three (3) days of effectiveness, 40% of which is due within three (3) days of the completion and delivery of initialization services (including initializing of a feasibility plan, store digitalization, delivery of online retailing and e-commerce business and operational solutions for the Stores) as outlined in the Collaboration Agreement, and the remaining 20% is payable within three (3) days of the completion and delivery of the implementation services (including product and merchandise supply chain configuration, staff training for operation and management of the digital solutions, installation and configuration of hardware, customization of software, concept design and implementation), as outlined in the Collaboration Agreement. The Collaboration Agreement also included certain additional storage and implementation fees to be determined by the parties and royalty fees, following the commercial launch of the platform developed by JD US, of 1.2% of gross merchandise value based on information generated by the platform. For each additional store requiring Consultancy and Initialization service, an additional \$50,000 will be charged for preparing the feasibility plan for such additional store. The Collaboration Agreement has an initial term of 10 years and customary termination and indemnification provisions. Simultaneously with the effectiveness of the Collaboration Agreement, JD US and Maison entered into an Intellectual Property License Agreement (the "IP Agreement") outlining certain trademarks, logos and designs, and other intellectual property rights used in connection with the retail supermarket operations outlined in the Collaboration Agreement, which includes an initial term of 10 years and customary termination provisions. There are no additional licensing fees or costs associated with the IP Agreement. As of the date of this report, there is no new progress on the collaboration agreement with JD US.

18. Acquisition of subsidiary

On April 4, 2024, AZLL, an Arizona limited liability company and a wholly-owned subsidiary of Maison, entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with Meng Truong ("Meng Truong") and Paulina Truong ("Paulina Truong" and, together with Meng Truong, the "Sellers"), pursuant to which AZLL purchased 100% of the outstanding equity interests in Lee Lee from the Sellers. The transaction closed on April 8, 2024.

Pursuant to the Stock Purchase Agreement, AZLL agreed to pay to the Sellers an aggregate purchase price of approximately \$ 22.2 million, subject to certain adjustments as set forth in the Stock Purchase Agreement, consisting of: (i) \$7.0 million in cash paid immediately at the closing of the transaction, and (ii) the Secured Note with an original principal amount of approximately \$15.2 million, subject to certain adjustments as set forth in the Senior Secured Note Agreement. In addition, the Stock Purchase Agreement contained customary representations and warranties, and indemnification, non-competition, non-solicitation and confidentiality provisions.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition. Goodwill as a result of the acquisition of Lee Lee was calculated as follows:

Total purchase considerations *	\$ 22,126,065
Fair value of tangible assets acquired:	
Other receivables	155,010
Property and equipment	1,574,818
Security deposits	485,518
Inventory	4,731,664
Operating lease right-of-use assets,	20,271,511
Intangible assets (trademark) acquired	5,000,000
Total identifiable assets acquired	32,218,521
Fair value of liabilities assumed:	
Accounts payable	(2,348,465)
Contract liabilities	(13,035)
Accrued liabilities and other payables	(402,894)
Due to related parties	(485,518)
Tenant security deposits	(13,800)
Operating lease liabilities	(20,320,131)
Deferred tax liability	(1,243,550)

Total liabilities assumed	(24,827,393)
Net identifiable assets acquired	7,391,128
Goodwill as a result of the acquisition	\$ 14,734,936

* include purchase price adjustments for 1) reducing purchase price by \$ 80,000 for the accrued sick-pay liability of Lee Lee prior to the closing date, and 2) increasing purchase price by \$18,032 to compensate Sellers for the Sellers' security deposit for the Peoria Lease which shall be left for AZLL.

The following condensed unaudited pro forma consolidated results of operations for the Company for the three months ended July 31, 2023 present the results of operations of the Company and Lee Lee as if the acquisition occurred on May 1, 2023.

The pro forma results are not necessarily indicative of the actual results that would have occurred had the acquisitions been completed as of the beginning of the periods presented, nor are they necessarily indicative of future consolidated results.

	For the three Months Ended July 31, 2023
	(Unaudited)
Revenue	\$ 32,663,713
Operating costs and expenses	31,820,608
Income from operations	843,105
Other income	318,786
Income tax expense	(395,961)
Net income	\$ 765,930

19. Subsequent Event

The Company follows the guidance in FASB ASC 855-10 for the disclosure of subsequent events. The Company evaluated subsequent events through the date the financial statements were issued and determined the Company does not have any major subsequent events that need to be disclosed.

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

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with those statements. You should read the following discussion in conjunction with our consolidated financial statements and related notes which are included elsewhere in this Quarterly Report on Form 10-Q. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, but not limited to, those described under "Risk Factors," and included in other portions of this Quarterly Report on Form 10-Q.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties, and assumptions about us that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other Securities and Exchange Commission ("SEC") filings. References to "we," "us," "our," "Maison" or the "Company" are to Maison Solutions Inc., except where the context requires otherwise.

Overview

We are a fast-growing, specialty grocery retailer offering traditional Asian food and merchandise to modern U.S. consumers, in particular to members of Asian-American communities. We are committed to providing Asian fresh produce, meat, seafood, and other daily necessities in a manner that caters to traditional Asian-American family values and cultural norms, while also accounting for the new and faster-paced lifestyle of younger generations and the diverse makeup of the communities in which we operate. To achieve this, we are developing a center-satellite stores network. Since our formation in July 2019, we have acquired equity interests in four (4) traditional Asian supermarkets in Los Angeles, California. Since April 30, 2022, we have been operating these supermarkets as center stores. The center stores target traditional Asian-American, family-oriented customers with a variety of meat, fresh produce and other merchandise, while additionally stocking items which appeal to the broader community. We are operating these traditional Asian-American, family-oriented supermarkets with our management's deep cultural understanding of our consumers' unique consumption habits. In addition to the traditional supermarkets, on December 31, 2021, we acquired a 10% equity interest in a new grocery store located in Alhambra, California, a young and active community (the "Alhambra Store") from Mrs. Grace Xu, the spouse of Mr. John Xu, our chief executive officer ("CEO"), Chairman and President. Our intention is to acquire the remaining 90% equity interest in the Alhambra Store and operate it as our first satellite store. The investment in the Alhambra Store is considered a related party transaction because Mrs. Xu is the spouse of Mr. Xu, our CEO, Chairman and President. Please refer to "Certain Relationships and Related Party Transactions" for further explanation. In May 2021, the Company acquired 10% of the equity interests in Dai Cheong, a wholesale business which mainly supplies foods and groceries imported from Asia, which is owned by John Xu, our CEO, Chairman and President. We intend to acquire the controlling ownership of Dai Cheong. By adding Dai Cheong to our portfolio, we will take the first step toward creating a vertically integrated supply-retail structure. Having an importer as a part of our portfolio will allow us the opportunity to offer a wider variety of products and to reap the benefits of preferred wholesale pricing. On June 27, 2023, we invested \$1,440,000 for 40% equity interest in HKGF Market of Arcadia, LLC ("HKGF Arcadia"), a supermarket in the city of Arcadia, California, to further expand our footprint to new neighborhood. On December 6, 2023, we invested an additional \$360,000 for another 10% equity interest in HKGF Arcadia. On February 1, 2024, the Company and JC Business Guys, Inc., the only other member of HKGF Arcadia ("JC Business Guys"), entered into a third amendment to the operating agreement of

HKGF Arcadia to decrease our percentage equity interest in HKGF Arcadia to 49% and increase JC Business Guy's percentage equity interest to 51%. On November 3, 2023, we incorporated a wholly-owned subsidiary, AZLL LLC ("AZLL"), in Arizona. On April 8, 2024, AZLL closed an acquisition transaction and purchased 100% of the equity interests in Lee Lee Oriental Supermart, Inc. ("Lee Lee") for an aggregate purchase price of approximately \$22.2 million, consisting of: (i) \$7.0 million in cash paid immediately at the closing of the transaction, and (ii) a senior secured promissory note (the "Secured Note") with an original principal amount of approximately \$15.2 million pursuant to a senior secured note agreement dated April 8, 2024 (the "Senior Secured Note Agreement"). Lee Lee is a three-store supermarket chain operating in Arizona under the name Lee Lee International Supermarkets and specializing on South-East groceries.

Collaboration with JD.com

On April 19, 2021, JD E-commerce America Limited ("JD US"), the U.S. subsidiary of JD.com, and Maison entered into a Collaboration Agreement (the "Collaboration Agreement") pursuant to which JD.com will provide services to Maison focused on updating in store technology through the development of a new mobile app, the updating of new in-store technology, and revising store layouts to promote efficiency. The agreement included a consultancy and initialization fee of \$220,000, 40% of which was payable within three (3) days of effectiveness and which has been paid, 40% of which is due within three (3) days of the completion and delivery of initialization services as outlined in the Collaboration Agreement, and the remaining 20% is payable within three (3) days of the completion and delivery of the implementation services, as outlined in the Collaboration Agreement. The Collaboration Agreement also included certain additional storage and implementation fees to be determined by the parties and royalty fees, following the commercial launch of the platform developed by JD.com, of 1.2% of gross merchandise value based on information generated by the platform. For each additional store requiring consultancy and initialization service, an additional \$50,000 will be charged for preparing the feasibility plan for such additional store. The Collaboration Agreement has an initial term of 10 years and customary termination and indemnification provisions. Simultaneously with the effectiveness of the Collaboration Agreement, JD US and Maison entered into an Intellectual Property License Agreement (the "IP Agreement") outlining certain trademarks, logos and designs and other intellectual property rights used in connection with the retail supermarket operations outlined in the Collaboration Agreement, which includes an initial term of 10 years and customary termination provisions.

Key Factors that Affect Operating Results

Inflation

The inflation rate for the United States was 2.9% for the three months ended July 31, 2024, 3.4% for the year ended April 30, 2024 and 4.9% for the year ended April 30, 2023 according to Bureau of Labor Statistics. Inflation increased our purchase costs, occupancy costs, and payroll costs.

Operating Cost Increase After Initial Public Offering

We historically have operated our business as a private company. We completed our initial public offering on October 10, 2023. As a public company, we are subject to increased operating costs related to our listing on Nasdaq, including increased costs related to our compliance with Securities Act and Exchange Act periodic reporting, annual audit expenses, legal service expenses, and related consulting service expenses.

Competition

Food retail is a competitive industry. Our competition varies and includes national, regional, and local conventional supermarkets, national superstores, alternative food retailers, natural foods stores, smaller specialty stores, farmers' markets, supercenters, online retailers, mass or discount retailers and membership warehouse clubs. Our principal competitors include 99 Ranch Market and H-Mart for conventional supermarkets and Weee! for online groceries. Each of these stores competes with us based on product selection, product quality, customer service, price, store format, location, or a combination of these factors. In addition, some competitors are aggressively expanding their number of stores or their product offerings. Some of these competitors may have been in business longer, may have more experience operating multiple store locations, or may have greater financial or marketing resources than us.

As competition in certain areas intensifies or competitors open stores within proximity to our stores, our results of operations may be negatively impacted through a loss of sales, decrease in market share, reduction in margin from competitive price changes, or greater operating costs. In addition, other established food retailers could enter our markets, increasing competition for market share.

Payroll

As of July 31, 2024, we had approximately 363 employees including employees from our newly acquired subsidiary, Lee Lee, which is based in the State of Arizona. Our employees are not unionized nor, to our knowledge, are there any plans for them to unionize. We have never experienced a strike or significant work stoppage. We consider our employee relations to be good. Minimum wage rates in some states have recently increased. For example, in California, the minimum wage was \$15.50 per hour in 2023 and increased to \$16 per hour starting from January 1, 2024; in Arizona, the minimum wage was \$13.85 per hour in 2023, and increased to \$14.35 per hour starting from January 1, 2024. Our payroll and payroll tax expenses were \$3.7 million and \$1.7 million for the three months ended July 31, 2024 and 2023, respectively.

Vendor and Supply Management

Maison believes that a centralized and efficient vendor and supply management system is the key to profitability. Maison has major vendors, including Lap International, Lawrence Wholesale, BRC International Inc, ONCO Food Corp., GF Distribution, Inc., and XHJC Holding Inc. For the three months ended July 31, 2024, these five suppliers accounted for 9%, 11%, 3%, 5% and 11% of the Company's total purchases, respectively. For the three months ended July 31, 2023, these five suppliers accounted for 0%, 0%, 19%, 9%, and 34% of the Company's total purchases, respectively. Maison believes that its centralized vendor management enhances its negotiating power and improves its ability to manage vendor payables.

Store Maintenance and Renovation

From time to time, Maison conducts maintenance on the fixtures and equipment for its stores. Any maintenance or renovations could interrupt the operation of our stores and result in a decline in customer volume. Significant maintenance or renovation would affect our operations and operating results. Meanwhile, improving the store environment can also attract more customers and lead to an increase in sales. Maison focused on improving and renovating our stores for the three months ended July 31, 2024 and 2023. We spent \$295,872 for the three months ended July 31, 2024 for repairs and maintenance and supermarket renovation, an increase of \$215,598 compared to \$80,274 for the three months ended July 31, 2023 mainly due to the

acquisition of our new subsidiary Lee Lee.

Going Concern

The accompanying consolidated financial statements were prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business. For the three months ended July 31, 2024, the Company had a net income of approximately \$700,908. The Company had bank overdraft of \$1.80 million, negative working capital of \$15.78 million, and an accumulated deficit of approximately \$2.12 million as of July 31, 2024. The historical operating results, including recurring losses from operations raise substantial doubt about the Company's ability to continue as a going concern.

The Company plans to increase its revenue by strengthening its sales force, providing attractive sales incentive programs, recruiting experienced industry-related managerial personnel, increasing marketing and promotion activities, seeking suppliers with competitive price and good quality products, opening or acquiring additional specialty supermarkets in the locations that have less-competition. If deemed necessary, management could also seek to raise additional funds by way of admitting strategic investors, or private or public offerings, or by seeking to obtain loans from banks or others, to support the Company's daily operation. While management of the Company believes in the viability of its strategy to generate sufficient revenues and its ability to raise additional funds on reasonable terms and conditions, there can be no assurances to that effect. The ability of the Company to continue as a going concern depends upon the Company's ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds. There is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds the Company might raise will enable the Company to complete its initiatives or attain profitable operations. If the Company is unable to raise additional funding to meet its working capital needs in the future, it may be forced to delay, reduce or cease its operations.

Critical Accounting Policy

Related Parties

The Company identifies related parties, and accounts for, and discloses related party transactions in accordance with ASC Topic 850 "Related Party Disclosures" and other relevant ASC standards. Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Significant accounting estimates are used for, but not limited to, useful lives of property and equipment, commitments and contingencies, inventory reserve, allowance for estimated uncollectable accounts receivables and other receivables, impairment of long-lived assets, contract liabilities, and valuation of deferred tax assets. Given the global economic climate and additional or unforeseen effects from the COVID-19 pandemic, these estimates have become more challenging, and actual results could differ materially from these estimates.

Inventories

Inventories, consisting of products available for sale, are primarily accounted for using the first-in, first-out method, and are valued at the lower of cost and net realizable value. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category. The Company records inventory shrinkage based on historical data and management's estimates and provided a reserve for inventory shrinkage for the three months ended July 31, 2024 and 2023.

Revenue Recognition

The Company adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"), from May 1, 2020 using the modified retrospective transition approach to all contracts that did not have an impact on the beginning retained earnings on May 1, 2020. The Group's revenue recognition policies effective on the adoption date of ASC Topic 606 are presented as below.

In accordance with ASC Topic 606, the Company's performance obligation is satisfied upon the transfer of goods to the customer, which occurs at the point of sale. Revenues are recorded net of discounts, sales taxes, and returns and allowances.

The Company sells Company gift cards to customers. There are no administrative fees on unused gift cards and the gift cards do not have an expiration date. Gift card sales are recorded as contract liability when sold and are recognized as revenue when either the gift card is redeemed, or the likelihood of the gift card being redeemed is remote ("gift card breakage"). The Company's gift card breakage rate is based upon historical redemption patterns, and it recognizes breakage revenue utilizing the redemption recognition method. The Company also offers discounts on the gift cards sold to its customers. The discounts are recorded as sales discount when gift card been redeemed.

The Company's contract liability related to gift cards was \$897,810 and \$965,696 as of July 31, 2024 and April 30, 2024, respectively.

Leases

The Company determines if an arrangement contains a lease at the inception of a contract under ASC Topic 842. At the commencement of each lease, management determines its classification as an operating or finance lease. For leases that qualify as operating leases, ROU assets and liabilities are recognized at the commencement date based on the present value of any remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As most of its leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The ROU assets include adjustments for accrued lease payments.

ROU assets also include any lease payments made prior to commencement and are recorded net of any lease incentives received. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise such options.

A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. When determining whether a lease qualifies as a short-term lease, the Company evaluates the lease term and the purchase option. Hence, the Company does not recognize any operating lease ROU assets and operating lease liabilities for short-term leases.

The Company evaluates the carrying value of ROU assets if there are indicators of impairment and review the recoverability of the related asset group. If the carrying value of the asset group is determined to not be recoverable and is in excess of the estimated fair value, the Company will record an impairment loss in other expenses in the consolidated statements of operations.

The Company also subleases certain mini stores that are within the supermarket to other parties. The Company collects security deposits and rent from these sub-lease tenants. The rent income collected from sub-lease tenants recognized as rental income and deducted occupancy cost.

Recently Issued Accounting Pronouncements

Please refer to Note 2 — "Summary of significant accounting policies" for details.

How to Assess Our Performance

In assessing performance, management considers a variety of performance and financial measures, including principal growth in net revenue, gross profit and selling, and general and administrative expenses. The key measures that we use to evaluate the performance of our business are set forth below.

Net Revenue

Our net revenues comprise gross revenues net of returns and discounts. We do not record sales taxes as a component of retail revenues as it is considered a pass-through conduit for collecting and remitting sales taxes.

Gross Profit

We calculate gross profit as net revenues less cost of revenues and occupancy costs. Gross margin represents gross profit as a percentage of net revenues. Occupancy costs include store rental costs. The components of our cost of revenues and occupancy costs may not be identical to those of our competitors. As a result, our gross profit and gross margin may not be comparable to similar data made available by our competitors.

Cost of revenue includes the purchase price of consumer products, inbound and outbound shipping costs, including costs related to our sorting and delivery center, which is the warehouse attached to the El Monte store, and where we are the transportation service provider. Shipping costs to receive products from our suppliers are included in our inventory and recognized in cost of revenues upon sale of products to our customers.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses primarily consist of retail operational expenses, administrative salaries and benefits costs, marketing costs, advertising costs, and corporate overhead.

Selling expenses mainly consist of advertising costs, promotion expenses, and payroll and related expenses for personnel engaged in selling and marketing activities.

General and administrative expenses primarily consist of costs for corporate functions, including payroll and related expenses; facilities and equipment expenses, such as depreciation and amortization expense and rent; and professional fees and litigation costs.

Results of Operations for the Three Months Ended July 31, 2024 and 2023

	Three Months ended July 31,			
	2024	2023	Change	Percentage Change
Net revenues	\$ 29,649,380	\$ 13,752,315	\$ 15,897,065	115.6%
Cost of revenues	21,383,741	10,646,219	10,737,522	100.9%
Gross profit	8,265,639	3,106,096	5,159,543	166.1%
Operating expenses				
Selling expenses	4,899,893	2,264,550	2,635,343	116.4%
General and administrative expenses	1,730,871	1,058,291	672,580	63.6%
Total operating expenses	6,630,764	3,322,841	3,307,923	99.6%
Income (loss) from operations	1,634,875	(216,745)	1,851,620	854.3%
Other income (expenses), net	(197,434)	355,493	(552,927)	(155.54)%
Interest expense, net	(183,387)	(46,566)	(136,821)	293.8%
Income before income taxes	1,254,054	92,182	1,161,872	1,260.4%
Income tax provisions	636,228	118,906	517,322	435.1%
Net income (loss)	617,826	(26,724)	644,550	2,411.9%
Net income (loss) attributable to noncontrolling interests	(83,082)	78,215	(161,297)	(206.2)%
Net income (loss) attributable to Maison Solutions Inc.	\$ 700,908	\$ (104,939)	\$ 805,847	767.9%

Revenues

	Three Months ended July 31,			
	2024	2023	Change	Percentage Change

Perishables	\$ 15,194,958	\$ 7,723,846	\$ 7,471,112	96.7%
Non-perishables	14,454,422	6,028,469	8,425,953	139.8%
Net revenue	<u>\$ 29,649,380</u>	<u>\$ 13,752,315</u>	<u>\$ 15,897,065</u>	<u>115.6%</u>

Our net revenues were approximately \$29.6 million for the three months ended July 31, 2024, an increase of approximately \$15.9 million or 115.6%, from approximately \$13.8 million for the three months ended July 31, 2023. The increase in net revenues was driven by the inclusion of revenues from our newly acquired subsidiary, Lee Lee (acquired in April 2024), of \$18.2 million, which was partly offset by decreased sales of Maison Monterey Park by \$0.3 million, decreased sales of Maison San Gabriel by \$0.9 million, decreased sales of Maison Monrovia by \$0.6 million and decreased sales of Maison El Monte by \$0.5 million, as compared to the three months ended July 31, 2023. Our four California-based supermarkets contributed \$11.5 million in revenue during the three months ended July 31, 2024, a decrease of approximately \$2.3 million, as compared to the three months ended July 31, 2023. The \$2.3 million decrease was mainly due to increased competition from newly opened Asian supermarkets near Maison San Gabriel, the effect of certain COVID-19 pandemic-era relief programs ending in fall 2023 such as losing access to foods stamps due to resume of work requirement for food stamps, as well as the temporary slow-down of the Maison El Monte store due to renovation.

Cost of Revenues

	Three Months ended July 31,			Percentage Change
	2024	2023	Change	
Total cost of revenues	\$ 21,383,741	\$ 10,646,219	\$ 10,737,522	100.9%

Cost of revenues includes cost of supermarket product sales and occupancy costs, which are store rent expense, depreciation for store property and equipment, inventory shrinkage costs and store supplies. The depreciation expense comes from machinery & equipment, such as refrigerators, water heaters, forklifts, and freezers and furniture & fixtures, such as metal shelves, shopping carts, and LED lights. Shrinkage costs are different for different types of products. For example, fruits and vegetables have a high allowance rate during the receiving and display process. The seafood and meat departments have a low allowance rate because the non-fresh products can freeze and sell for the same price or even higher price after being cut. The cost of revenues increased by \$10.7 million, from \$10.6 million for the three months ended July 31, 2023, to approximately \$21.4 million for the three months ended July 31, 2024. The increase in cost of revenues was mainly from our newly acquired subsidiary, Lee Lee (acquired in April 2024), by \$12.3 million, which was partly offset by decreased cost of revenues from our four California-based supermarkets by \$1.6 million.

Gross Profit and Gross Margin

	Three Months ended July 31,			Percentage Change
	2024	2023	Change	
Gross Profit	\$ 8,265,639	\$ 3,106,096	\$ 5,159,543	166.1%
Gross Margin	27.9%	22.6%		5.3%

Gross profit was approximately \$8.3 million and \$3.1 million for the three months ended July 31, 2024 and 2023, respectively. Gross margin was 27.9% and 22.6% for the three months ended July 31, 2024 and 2023, respectively. Our supermarkets' sales profit margins increased by 5.3% for the three months ended July 31, 2024 compared to the three months ended July 31, 2023. The increase in our gross profit was mainly due to the higher gross profit from our new acquired subsidiary Lee Lee.

Total Operating Expenses

	Three Months ended July 31,			Percentage Change
	2024	2023	Change	
Selling Expenses	\$ 4,899,893	\$ 2,264,550	\$ 2,635,343	116.4%
General and Administrative Expenses	1,730,871	1,058,291	672,580	63.6%
Total Operating Expenses	\$ 6,630,764	\$ 3,322,841	\$ 3,307,923	99.6%
Percentage of revenue	22.4%	24.2%		(1.8)%

Total operating expenses were approximately \$6.6 million for the three months ended July 31, 2024, an increase of approximately \$3.3 million, compared to approximately \$3.3 million for the three months ended July 31, 2023. Total operating expenses as a percentage of revenues were 22.4% and 24.2% for the three months ended July 31, 2024 and 2023, respectively. The increase in operating expenses was primarily attributable to the increase in selling expenses, which included the increase in payroll expense, utility expense, advertising and promotion expense, postage & delivery expense and merchant service charges as result of the acquisition of Lee Lee. Payroll expense increased by \$2.0 million in the three months ended July 31, 2024, as compared to the three months ended July 31, 2023 due to the increase of hourly rate and increased number of employees due to the acquisition of Lee Lee. Utility expenses increased by \$0.3 million in the three months ended July 31, 2024, as compared to the three months ended July 31, 2023. Merchant service charges increased by \$0.2 million in the three months ended July 31, 2024, as compared to the three months ended July 31, 2023 due to increased sales as describe above.

The increase in general and administrative expenses during the three months ended July 31, 2024 was primarily due to increased office expenses of approximately \$148,136, increased office supplies by \$186,703, increased amortization expense of \$136,250 due to the new trademark acquired through the acquisition of Lee Lee, increased insurance expense by \$193,245, and increased repair and maintenance expense by \$236,703, which was partly offset by decreased professional fees by \$197,247 and decrease other miscellaneous expenses by \$31,210.

Other Income (Expenses), Net

Other expenses were \$197,434 for the three months ended July 31, 2024 compare to other income of \$355,493 for the three months ended July 31, 2023. For the three months ended July 31, 2024, other expenses mainly consisted of investment loss of \$206,803 (\$166,028 investment loss from HKGF Arcadia and \$40,775 from Alhambra Store), which was partly offset by other income of \$9,369. For the three months ended July 31, 2023, other

income mainly consisted of \$0.4 million ERC received for the three months ended July 31, 2023, which was partly offset by investment loss from HKGF Arcadia of \$28,456. The ERC is a refundable tax credit for businesses that continued to pay employees while shut down due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020 to December 31, 2021.

Interest Income (Expense), Net

Interest expense was \$183,387 for the three months ended July 31, 2024, an increase of \$136,821 from \$46,566 for the three months ended July 31, 2023. For the three months ended July 31, 2024, the interest expense was for the SBA Loans and note payable arising from the acquisition of Lee Lee. For the three months ended July 31, 2023, the interest expense was for the SBA Loans and the loans with American First National Bank (the "AFNB Loans"). The AFNB Loans were repaid in full as of April 30, 2024.

Income Taxes Provisions

Income tax expense was \$636,228 for the three months ended July 31, 2024, an increase of \$517,322 from income taxes expense of \$118,906 for the three months ended July 31, 2023. The increase was mainly due to increased taxable income from our stores for the three months ended July 31, 2024 compared to the three months ended July 31, 2023.

Net Income (Loss)

Net income attributable to the Company was \$700,908 for the three months ended July 31, 2024, an increase of \$805,847, or 767.9%, from a \$104,939 net loss attributable to the Company for the three months ended July 31, 2023. This was mainly attributable to the reasons discussed above, which included an increase in gross profit by \$5,159,543, increased net loss attribute to noncontrolling interest by \$161,297, which was partly offset by decreased other income by \$374,580, increased investment loss of \$178,347, increased interest expenses by \$136,821, increased operating expenses by \$3,307,923 and increased income tax expense by \$517,322.

Liquidity and Capital Resources

Cash Flows for the Three Months Ended July 31, 2024 Compared to the Three Months Ended July 31, 2023

As of July 31, 2024, we had cash, cash equivalents of approximately \$588,896. We had net income attributable to us of \$700,908 for the three months ended July 31, 2024, and had a working capital deficit of approximately \$15.8 million as of July 31, 2024. As of July 31, 2024, the Company had outstanding loan facilities of approximately \$2.55 million SBA loan and \$10.1 million secured senior note payable due to the acquisition of Lee Lee.

In assessing its liquidity, management monitors and analyzes the Company's cash on-hand, its ability to generate sufficient revenue sources in the future, and its operating and capital expenditure commitments. We have funded our working capital, operations and other capital requirements in the past primarily by equity contributions from shareholders, cash flow from operations, government grants, and bank loans. Cash is required to pay purchase costs for inventory, rental expenses, salaries, income taxes, other operating expenses and to repay debts. Our ability to repay our current expenses and obligations will depend on the future realization of our current assets. Management has considered the historical experience, the economy, trends in the retail grocery industry, the expected collectability of our accounts receivable and the realization of the inventories as of July 31, 2024 and April 30, 2024. Our ability to continue to fund these items may be affected by general economic, competitive, and other factors, many of which are outside of our control.

On October 4, 2023, we entered into an Underwriting Agreement with Joseph Stone Capital, LLC in connection with the Company's initial public offering (the "IPO") of 2,500,000 shares of Class A common stock, par value \$0.0001, at a price of \$4.00 per share, less underwriting discounts and commissions. The IPO closed on October 10, 2023, and the Company received net proceeds of approximately \$8.72 million, after deducting underwriting discounts and commissions and estimated IPO offering expenses payable by the Company.

On November 22, 2023, we entered into certain securities purchase agreements (the "Securities Purchase Agreements") with certain investors (the "PIPE Investors"). Pursuant to the Securities Purchase Agreements, we sold an aggregate of 1,190,476 shares of the Company's Class A common stock, par value \$0.0001 per share, to the PIPE Investors at a per share purchase price of \$4.20 (the "PIPE Offering"). The PIPE Offering closed on November 22, 2023. We received net proceeds of approximately \$4.60 million, after deducting investment banker's discounts and commissions and offering expenses payable by the Company.

We plan to acquire and open additional supermarkets, satellite stores and warehouses to expand our footprint to both the West Coast and the East Coast. To accomplish such expansion plan, we estimate the total related capital investment and expenditures to be approximately \$35 million to \$40 million, among which approximately \$13 million to \$16 million will be required within the next 12 months to support our preparation and opening of new stores in Southern and Northern California and acquiring additional supermarkets on the East Coast. This is based on the management's best estimate as of the date of this Report.

We used part of the proceeds from our IPO to support our business expansion described above. We may also seek additional financing, to the extent needed, and there can be no assurance that such financing will be available on favorable terms, or at all. Such financing may include the use of additional debt or the sale of additional equity securities. Any financing which involves the sale of equity securities or instruments that are convertible into equity securities could result in immediate and possibly significant dilution to our existing shareholders. If it is determined that the cash requirements exceed the Company's amounts of cash on hand, the Company may also seek to issue additional debt or obtain financial support from shareholders.

All of our business expansion endeavors involve risks and will require significant management, human resources, and capital expenditures. There is no assurance that the investment to be made by us as contemplated under our future expansion plans will be successful and generate the expected return. If we are not able to manage our growth or execute our strategies effectively, or at all, our business, results of operations, and prospects may be materially and adversely affected.

The following table summarizes our cash flow data for the three months ended July 31, 2024 and 2023.

	Three Months ended July 31,	
	2024	2023

Net cash provided by operating activities	\$ 3,585,390	\$ 596,541
Net cash used in investing activities	(102,631)	(1,452,809)
Net cash used in financing activities	(2,894,964)	(101,417)
Net change in cash and restricted cash	\$ 587,795	\$ (957,685)

Operating Activities

Net cash provided by operating activities was approximately \$3.6 million for the three months ended July 31, 2024, which mainly comprised of net income of \$617,826, add-back of non-cash adjustments to net income including depreciation and amortization expense of \$266,895, inventory impairment of \$204,604, and investment loss from 49% equity investee HKGF Arcadia store of \$166,028 and investment loss from 10% cost investee HKGF Alhambra store of \$40,775. In addition, for the three months ended July 31, 2024, we had cash inflow from (i) decrease to other receivables and other current assets of \$752,663, (ii) increased outstanding accounts payable of \$2,091,840, (iii) increased outstanding of income tax payable of \$713,504, (iv) increased operating lease liabilities of \$134,896, and (iv) increase of other long-term payables of \$15,432.

However, our net cash provided by operating activities for the three months ended July 31, 2024 was mainly offset by an increase of prepayments of \$105,091, an increase of inventories of \$753,104, an increase of accounts receivable from related parties of \$217,153, an increase of payment of accrued expenses and other payables of \$246,651, and an increase of payment for contract liabilities of \$67,886.

Net cash provided by operating activities was approximately \$0.6 million for the three months ended July 31, 2023, which mainly comprised of net loss of \$26,724, add-back of non-cash adjustments to net loss including depreciation and amortization expense of \$67,236, investment loss of \$28,456. In addition, for the three months ended July 31, 2023, we had cash inflow from a decrease to accounts receivable from related parties of \$22,611, decrease to inventories of \$111,174, decrease to prepayments of \$463,423, decrease to other receivables and other current assets of \$200,754, an increase of outstanding accounts payable from related party of \$16,402, an increase of operating lease liabilities of \$67,547, and an increase of taxes payables of \$120,665.

The net cash provided by operating activities for the three months ended July 31, 2023 was mainly offset by non-cash adjustments to net loss including bad debt reversal of \$105,322, provision for inventory shrinkage reversal of \$3,237, an increase of accounts receivable of \$76,974, an increase of payment for accrued expenses and other payables of \$58,795, an increase of payment to accounts payable of \$154,894, and an increase of payment for contract liabilities of \$78,499.

We had a net income before noncontrolling interest of \$617,826 for the three months ended July 31, 2024, an increase of \$644,550 compared with a net loss of \$26,724 for the three months ended July 31, 2023. Our cash inflow of \$3,585,390 for the three months ended July 31, 2024 represented an increase of \$2,988,849 cash inflow, compared with a \$596,541 cash inflow in the three months ended July 31, 2023. The increased net cash inflow for the three months ended July 31, 2024 was mainly due to increased cash inflow from net income by \$644,550 with change of non-cash adjustments by \$675,470, increased cash onflow from other receivables and other current assets by \$551,909, increased cash inflow from accounts payable by \$2,246,734, and increased cash inflow from outstanding income tax payable by \$592,839, which was partly offset by increased cash outflow from accounts receivable – related parties by \$239,764, increased cash outflow from prepayments by \$568,514, increased cash outflow from inventories by \$864,278, and increased cash outflow from other payables by \$187,856.

Investing Activities

Net cash used in investing activities was \$102,631 for the three months ended July 31, 2024, which mainly consisted of store renovation and purchase of equipment of \$102,631.

Net cash used in investing activities was approximately \$1.5 million for the three months ended July 31, 2023, which mainly consisted of the purchase of equipment of \$12,809, and payment for investment into Good Fortune Arcadia supermarket of \$1.4 million.

Financing Activities

Net cash used in financing activities was approximately \$2.9 million for the three months ended July 31, 2024, which mainly consisted of repayment for a note payable arising from the acquisition of Lee Lee of \$5,000,000 and repayment on SBA loan payable of \$16,078, which was partially offset by increase of bank overdraft of \$1,707,376 and increase borrowing from related parties \$413,738.

Net cash used in financing activities was approximately \$0.1 million for the three months ended July 31, 2023, which mainly consisted of repayment on loans payable of \$101,417.

Debt

U.S. Small Business Administration (the “SBA”)

On June 15, 2020, Maison Monrovia entered into a \$150,000 Business Loan Agreement with the SBA at 3.75% annual interest rate and the maturity date on June 15, 2050. On June 15, 2020, Maison San Gabriel entered into a \$150,000 Business Loan Agreement with the SBA at 3.75% annual interest rate and the maturity date on June 15, 2050. On June 15, 2020, Maison El Monte entered into a \$150,000 Business Loan Agreement with the SBA at 3.75% annual interest rate and the maturity date on June 15, 2050. Per the SBA loan agreements, the interests payments on all three SBA loans were deferred to December 2022.

On January 12, 2022, Maison San Gabriel received an extra \$1,850,000 loan from the SBA at 3.75% annual interest rate and the maturity date on June 15, 2050. Maison El Monte received an extra \$350,000 loan from the SBA at 3.75% annual interest rate and the maturity date on June 15, 2050.

As of July 31, 2024 and April 30, 2024, the Company's aggregate balance on the three SBA loans was \$2,545,221 and \$2,561,299, respectively.

Senior Secured Note Payable

On April 8, 2024, AZLL closed an acquisition transaction and purchased 100% of the equity interests in Lee Lee for an aggregate purchase price of approximately \$22.2 million, consisting of: (i) \$7.0 million in cash paid immediately at the closing of the transaction, and (ii) the Secured Note with an original principal amount of approximately \$15.2 million pursuant to the Senior Secured Note Agreement.

Under the Senior Secured Note Agreement, the Secured Note will accrue interest on the outstanding principal amount at an annual interest rate of five percent (5%). The payment schedule of the principal amount of the Secured Note is as follows: (i) \$2.5 million due and immediately payable on each of May 8, 2024 and June 8, 2024; (ii) \$1.5 million due and immediately payable on each of September 8, 2024, October 8, 2024 and November 8,

2024; (iii) \$1.0 million due and immediately payable on December 8, 2024; and (iv) approximately \$4.7 million due and immediately payable on February 8, 2025. Additionally, pursuant to the terms and conditions of the Senior Secured Note Agreement, the principal amount may be adjusted to include certain Premium Guarantees (as defined in the Senior Secured Note Agreement) if certain conditions, as set forth in the Senior Secured Note Agreement and the Stock Purchase Agreement, are not met.

Upon an "Event of Default" under the Senior Secured Note Agreement, the holders of the Secured Note will have certain rights, including the right to (i) declare all of the Obligations, as defined in the Senior Secured Note Agreement to be immediately due and payable, and (ii) resume daily operational control of Lee Lee's operations until such time as the Obligations, as defined in the Senior Secured Note Agreement, have been satisfied. Additionally, if an "Event of Default" occurs, the outstanding principal amount will bear interest at the simple interest rate of 10 percent (10%) per annum, from the date of such Event of Default until all such sum are fully paid.

As of July 31, 2024, the Company had an outstanding note payable of \$10,126,065 to the sellers of Lee Lee with an annual interest rate of 5%. The Company is required to repay the full amount before February 8, 2025 as described above.

On April 8, 2024, in connection with the execution of the Senior Secured Note Agreement, and pursuant to the Stock Purchase Agreement, AZLL entered into a guarantee (the "Purchaser Guarantee") to and for the benefit of the Sellers, pursuant to which AZLL unconditionally guarantees the payment by Lee Lee of the principal amount of the Secured Note, as adjusted pursuant to the Secured Note and the faithful and prompt performance by Lee Lee of the conditions and covenants of the Secured Note.

Also on April 8, 2024, in connection with the execution of the Senior Secured Note Agreement, and pursuant to the Stock Purchase Agreement, John Jun Xu, Chairman, Chief Executive Officer and controlling stockholder of the Company, and Grace Xu, spouse of John Jun Xu (together with John Jun Xu, the "Xu Guarantors"), entered into a guarantee (the "Xu Guarantee" and, together with the Purchaser Guarantee, the "Guarantees") to and for the benefit of the Sellers, pursuant to which the Xu Guarantors unconditionally guarantee the payment by Lee Lee of the principal amount of the Secured Note, as adjusted pursuant to the Secured Note and the faithful and prompt performance by Lee Lee of the conditions and covenants of the Secured Note.

Commitments and Contractual Obligations

The following table presents the Company's material contractual obligations as of July 31, 2024:

Contractual Obligations	Total	Less than 1 year	1–3 years	3–5 years	Thereafter
Senior secured note payable	\$ 10,126,065	\$ 10,126,065	\$ —	\$ —	\$ —
SBA loan	2,545,221	65,627	137,834	147,175	2,194,585
Operating lease obligations and others	42,580,794	4,113,718	8,482,809	6,817,279	23,166,988
	\$ 55,252,080	\$ 14,305,410	\$ 8,620,643	\$ 6,964,454	\$ 25,361,573

Contingencies

The Company is otherwise periodically involved in various legal proceedings that are incidental to the conduct of its business, including, but not limited to, employment discrimination claims, customer injury claims, and investigations. When the potential liability from a matter can be estimated and the loss is considered probable, the Company records the estimated loss. Due to uncertainties related to the resolution of lawsuits, investigations, and claims, the ultimate outcome may differ from the estimates. Although the Company cannot predict with certainty the ultimate resolution of any lawsuits, investigations, and claims asserted against it, management does not believe any currently pending legal proceeding to which the Company is a party will have a material adverse effect on its financial statements.

On January 2, 2024, the Company and our executive officers and directors, as well as Joseph Stone Capital LLC, and AC Sunshine Securities LLC, the underwriters in the Company's initial public offering (together, the "Defendants"), were named in a class action complaint filed in the Supreme Court of the State of New York alleging violations of Sections 11 and 15 of the Securities Act of 1933, as amended (*Ilisan Kim v. Maison Solutions Inc.*, et al, Index No. 150024/2024). As relief, the plaintiffs are seeking, among other things, compensatory damages. On or about April 17, 2024, the parties agreed to stay the action in favor of the Rick Green matter described immediately below.

On January 4, 2024, the Defendants were named in a class action complaint filed in the United States District Court for the Central District of California alleging violations of Sections 11 and 15 of the Securities Act of 1933, as amended, as well as violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (*Rick Green and Evgenia Nikitina v. Maison Solutions Inc.*, et. al., Case No. 2:24-cv-00063). As relief, the plaintiffs are seeking, among other things, compensatory damages.

The Company and Defendants believe the allegations in both complaints are without merit and intend to defend each suit vigorously. It is reasonably possible that a loss may be incurred; however, the possible range of losses is not reasonably estimable given the pending status of both cases.

On April 9, 2024, a shareholder derivative action was brought by Shah Azad derivatively on behalf of the Company against John Xu, Tao Han, Alexandria Lopez, Bin Wang, Mark Willis, and Xiaoxia Zhang, and the Company itself as a nominal defendant. The complaint was filed in the United States District Court for the Central District of California, Case No. 2:24-cv-02897. On April 12, 2024, another derivative complaint was filed by Arnab Baral in the United States District Court Central District of California, Case No. 2:24-cv-03018. The two cases have since been consolidated, with the Azad case taking the lead. The lawsuits allege breaches of fiduciary duty, abuse of control, unjust enrichment, gross mismanagement, waste of corporate assets, and contribution under Section 11(f) of the Securities Act and Section 21D of the Exchange Act. The claims arise from the allegations underlying the class action securities lawsuits. On July 19, 2024, the Court ordered the Azad case stayed until a motion to dismiss is heard in the class action securities action.

In May 2020, Maison El Monte was named as a co-defendant in a complaint filed by a consumer advocacy group alleging violations of a California health and safety regulation. The case is pending in the Superior Court of the State of California. It is reasonably possible that a loss may be incurred; however, the possible range of losses is not reasonably estimable given the pending status of the case. As such, the Company has not made any accruals of possible loss for the year ended April 30, 2023 and 2024 related to this case.

In June 2022, Maison San Gabriel entered into a confidential settlement agreement with the plaintiff in connection with a California employment law case whereby Maison San Gabriel agreed to pay \$245,000 to plaintiff in full settlement of all claims in the case. As a result of the settlement agreement, the Company accrued \$245,000 as a loss relating to the case as of April 30, 2024.

On September 8, 2023, a complaint was filed by former employee against Maison San Gabriel for wrongful termination and labor law violation. Maison San Gabriel filed a general denial in November 2023, and case management conference is scheduled for November 21, 2024.

On January 22, 2024, a small claim complaint was filed against Maison Monterey Park for unpaid invoice. The Court granted plaintiff a judgement against Maison Monterey Park for \$5,128 on April 25, 2024. Maison Monterey Park filed a Notice of Motion to vacate judgment in June 2024, hearing on motion to vacate judgment is scheduled in July 2024. It is reasonably possible that a loss may be incurred; however, the possible range of losses is not reasonably estimable given the pending status of the motion to vacate judgment.

Off-Balance Sheet Arrangements

The Company has guaranteed all of the loans described above, and Mr. John Xu, the Company's CEO, Chairman and President, has personally guaranteed the loans with the SBA. The Company does not have any other off-balance sheet arrangements that either have, or are reasonably likely to have, a current or future material effect on its financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This item is not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered in this Quarterly Report on Form 10-Q. Based on this evaluation and the material weaknesses described below, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of July 31, 2024 due to the previously identified material weaknesses described below.

As described in our Annual Report on Form 10-K for the year ended April 30, 2024, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of April 30, 2024 based on the framework in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the control deficiencies identified during this evaluation and set forth below, our management concluded that we did not maintain effective internal control over financial reporting as of April 30, 2024 due to the existence of previously identified material weaknesses in internal control over financial reporting as described below.

As set forth below, management will continue to take steps to remediate the control deficiencies identified below. Notwithstanding the control deficiencies described below, we have performed additional analyses and other procedures to enable management to conclude that our consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our financial condition and results of operations as of and for the quarter ended July 31, 2024.

Material Weaknesses in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As previously reported, management has determined that the Company has the following material weaknesses in its internal control over financial reporting, which continue to exist as of July 31, 2024, as related to: (i) insufficient full-time employees with the necessary levels of accounting expertise and knowledge to compile and analyze consolidated financial statements and related disclosures in accordance with U.S. GAAP and address complex accounting issues under U.S. GAAP; (ii) the lack of timely related party transaction monitoring and the failure to keep a related party list and keep records of related party transactions on a regular basis; (iii) the failure to keep an up-to-date perpetual inventory control system or timely perform company-wide inventory count at or near its fiscal year-end date. Specifically, maintaining records for inbound warehouse purchases or have specialized personnel to scan goods into the warehouse on a timely basis; (iv) the lack of adequate policies and procedures in control environment and control activities to ensure that the Company's policies and procedures have been carried out as planned; (v) information technology general control in the areas of: (1) Risk and Vulnerability Assessment; (2) Selection and Management/Monitoring of Critical Vendors; (3) System Development and Change Management; (4) Backup Management; (5) System Security & Access: Deficiency in the Area of Audit Trail Record Control, Password Management, Vulnerability Scanning or Penetration Testing; (6) Segregation of Duties, Privileged Access, and Monitoring Controls; and (7) System Monitoring and Incident Management; and (vi) accounting personnel have the ability in the accounting system to prepare, review, and post the same accounting journal entry.

Plan of Remediation of Material Weakness in Internal Control Over Financial Reporting

As previously reported in our Annual Report on Form 10-K for the fiscal year ended April 30, 2023, following the identification and communication of the material weaknesses, management commenced remediation actions relating to the material weaknesses beginning in the first quarter of fiscal year 2024.

We have taken, and are taking, certain actions to remediate the material weakness related to our lack of U.S. GAAP experience. We plan to hire additional credentialed professional staff and consulting professionals with greater knowledge and experience of U.S. GAAP and related regulatory requirements to oversee our financial reporting process in order to ensure our compliance with U.S. GAAP and other relevant securities laws. In addition, we plan to provide additional training to our accounting personnel on U.S. GAAP, and other regulatory requirements regarding the preparation of financial statements. Until such time as we hire qualified accounting personnel with the requisite U.S. GAAP knowledge and experience and train our current

accounting personnel, we have engaged an outside CPA with U.S. GAAP knowledge and experience to supplement our current internal accounting personnel and assist us in the preparation of our financial statements to ensure that our financial statements are prepared in accordance with U.S. GAAP.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as described above.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding our legal proceedings can be found in Note 17 — “Commitments and Contingencies” to the consolidated financial Statements included in this Quarterly Report on Form 10-Q and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Not required for a smaller reporting company. However, as of the date of this Report, there have been no material changes to the risk factors included in our Annual Report on Form 10-K for the year ended April 30, 2024.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit No.	Description
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of 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**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.SCH*	Inline XBRL Taxonomy Extension Schema 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).

* Filed herewith.

** Furnished herewith.

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

MAISON SOLUTIONS INC.

Date: September 23, 2024

By: /s/ John Xu

Name: John Xu

Title: Chief Executive Officer, Chairman and President
(Principal Executive Officer)

Date: September 23, 2024

By: /s/ Alexandria M. Lopez

Name: Alexandria M. Lopez

Title: Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

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

I, John Xu, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Maison Solutions Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 23, 2024

By: /s/ John Xu
John Xu
Chief Executive Officer, Chairman and President
(Principal Executive Officer)

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

I, Alexandria M. Lopez, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Maison Solutions Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 23, 2024

By: /s/ Alexandria M. Lopez

Alexandria M. Lopez
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

**CERTIFICATION PURSUANT
TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Maison Solutions Inc. (the "Company") for the quarter ended July 31, 2024, as filed with the U.S. Securities and Exchange Commission (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge and belief, that:

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

September 23, 2024

By: /s/ John Xu
John Xu
Chief Executive Officer, Chairman and
President (Principal Executive Officer)

**CERTIFICATION PURSUANT
TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Maison Solutions Inc. (the "Company") for the quarter ended July 31, 2024, as filed with the U.S. Securities and Exchange Commission (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge and belief, that:

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

September 23, 2024

By: /s/ Alexandria M. Lopez

Alexandria M. Lopez
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)