

REFINITIV

# DELTA REPORT

## 10-Q

WETOUCH TECHNOLOGY INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 2182

<span style="color: yellow;">█</span>	<b>CHANGES</b>	123
<span style="color: pink;">█</span>	<b>DELETIONS</b>	1021
<span style="color: green;">█</span>	<b>ADDITIONS</b>	1038

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, 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.**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the **Quarterly Period Ended September 30, 2023** quarterly period ended March 31, 2024

OR

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

or

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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

Commission File Number: 000-56215 file number: 001-41957

**WETOUCHE TECHNOLOGY INC.**

(Exact name of registrant as specified in its charter)

Nevada

20-4080330

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification No.)

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

620500

(Address of principal executive offices)

(Zip Code)

**No.29, Third Main Avenue, Shigao Town, Renshou County**

**Meishan, Sichuan, China620500**

(Address of principal executive offices) (Zip Code)

**(86)028-37390666**

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

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

Name of  
each  
exchange  
on which  
registered

Title of each class	Trading Symbol(s)	Trading Symbol(s)	
None Common Stock, \$0.001 par value per share	WETH	N/A	N/A 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 periods 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 ~~posted~~ pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 ~~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 ~~November 13, 2023~~ June 14, 2024, ~~the registrant had 9,732,948~~ there were 11,931,534 shares of the registrant's common stock, par value \$0.001 per share, issued and outstanding.

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**WETOUCH TECHNOLOGY INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**September 30, 2023**  
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## CAUTIONARY STATEMENT NOTE REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information, this report This Quarterly Report on Form 10-Q (the "Quarterly Report") contains forward-looking statements "forward-looking statements" within the meaning of Section 27A of the Securities Act, of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be preceded by, or contain, words such as amended (the "Exchange Act"). Such "may," "will," "expect," "anticipate," "intend," "plan," "believe," "estimate," "predict," "potential," "might," "could," "would," "should" or other words indicating future results, though not all forward-looking statements include, among others, those necessarily contain these identifying words. All statements including the words "believes", "anticipates", "expects", "intends", "estimates", "plans" and words of similar import. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are based on our current expectations and assumptions regarding our business, potential target businesses, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore that you should not rely on any of these forward-looking statements as than statements of historical fact are statements that could be deemed forward-looking statements, including, without limitation, statements about our future business operations and results, our strategy and competition. These statements represent our current expectations or as guarantees or assurances of beliefs concerning various future performance. Important factors events and involve numerous risks and uncertainties that could cause actual results to differ materially from those expectations, including, but not limited to:

- Our reliance on our top customers is significant. Failure to attract new customers or retain existing ones cost-effectively could materially and adversely impact our business, financial condition, and results of operations.
- We hold a substantial amount of accounts receivable, which may become uncollectible.
- Dismissing BF Borgers may cause significant expenses or delays in financings or SEC filings, affecting our stock price and market access.
- You are unlikely to collect judgments or exercise remedies against BF Borgers for their work as our auditor.
- We face fines and penalties from the Chinese government for not completing required filings.
- Our capacity to uphold the quality and safety standards of our products.
- Our ability to compete effectively within the touchscreen display industry.
- Without substantial additional financing, our ability to execute our business plan will be compromised.
- Failure to secure a new parcel for constructing our new buildings and facilities, as well as acquiring and installing new production lines on the new parcel, could materially and adversely affect our business, financial condition, and results of operations.
- Revocation or unavailability of preferential tax treatments and government subsidies , or successful challenges to our tax liability calculation by PRC tax authorities, may necessitate payment of tax, interest, and penalties exceeding our tax provisions.
- Significant interruptions in the operations of our third-party suppliers could potentially disrupt our operations.
- Risks associated with fluctuations in the cost, availability, and quality of raw materials may adversely affect our results of operations.
- We are reliant on key executives and highly qualified managers, and retention cannot be assured.

- Absence of long-term contracts with our suppliers allows them to reduce order quantities or terminate sales to us at any time.
- Failure to adopt new technologies to evolving customer needs or emerging industry standards may materially and adversely affect our business.
- Lack of business liability or disruption insurance exposes us to significant costs and business disruption.
- Adverse regulatory developments in Mainland China may subject us to additional regulatory review, restrictions, disclosure requirements, and regulatory scrutiny by the SEC, increasing compliance costs and hindering future securities offerings.
- Our common stock may be prohibited from trading in the U.S. under the Holding Foreign Companies Accountable Act if PCAOB inspection of our auditor is incomplete, leading to delisting or prohibition and potential decline in stock value.
- Changes in China's economic, political, or social conditions or government policies may adversely affect our business and operations.
- Uncertainties regarding the PRC legal system, including enforcement and sudden changes in laws and regulations, could adversely affect us and limit legal protections.
- Fluctuations in exchange rates could materially and adversely affect our results of operations and your investment value.
- The other risks and uncertainties discussed under the section titled "Risk Factors" beginning on page 9 of this Quarterly Report and our other filings with the Securities and Exchange Commission.

Although we believe that the expectations reflected in the forward-looking statements include changes in local, regional, national are reasonable, we cannot guarantee future results, levels of activity, performance, or global political, economic, business, competitive, market (supply and demand) and regulatory conditions.

A description of these and other risks and uncertainties that could affect our business appears in the section captioned "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 which we filed with the Securities and Exchange Commission ("SEC") on April 17, 2023 (the "Annual Report"). The risks and uncertainties described under "Risk Factors" are not exhaustive.

Given these uncertainties, readers of this Quarterly Report on Form 10-Q ("Quarterly Report") are cautioned not to place undue reliance on such forward-looking statements. We disclaim any undertake no obligation to update any such factors or to publicly announce the result of any revisions to revise any of the forward-looking statements, contained herein to reflect whether as a result of new information, future events or developments. otherwise, except as required by law.

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You should read this Quarterly Report with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in the foregoing documents by these cautionary statements.

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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements. **Statements**

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States and the rules of the SEC, and should be read in conjunction with the audited financial statements and notes thereto contained in our Annual Report, as updated in subsequent filings we have made with the SEC. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the periods presented have been reflected herein. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

### WETOUCH TECHNOLOGY INC. AND ITS SUBSIDIARIES CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) SEPTEMBER 30, 2023

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**WETOUCH TECHNOLOGY INC. AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	<b>As of September 30, 2023</b>	<b>As of December 31, 2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 93,936,779	\$ 51,250,505
Accounts receivable, net	13,931,782	9,057,741
Inventories	203,922	423,276
Prepaid expenses and other current assets	1,043,270	1,450,620
<b>TOTAL CURRENT ASSETS</b>	<b>109,115,753</b>	<b>62,182,142</b>
Property, plant and equipment, net	10,319,680	10,923,610
<b>TOTAL ASSETS</b>	<b>\$ 119,435,433</b>	<b>\$ 73,105,752</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,502,743	\$ 1,383,094
Loan from a third party	385,791	385,791
Due to a related party	-	1,665
Income tax payable	1,150,001	22,152
Accrued expenses and other current liabilities	3,062,051	944,624
Convertible promissory notes payable	1,234,355	1,277,282
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,334,941</b>	<b>4,014,608</b>
Common stock purchase warrants liability	381,241	256,957
<b>TOTAL LIABILITIES</b>	<b>\$ 7,716,182</b>	<b>\$ 4,271,565</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 13)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.001 par value, 15,000,000 shares authorized, 9,732,948 and 1,680,248 issued and outstanding as of September 30, 2023 and December 31, 2022, respectively*	\$ 9,733	\$ 1,680
Additional paid in capital*	43,514,125	3,402,178
Statutory reserve	6,040,961	6,040,961
Retained earnings	72,692,092	62,366,892
Accumulated other comprehensive loss	(10,537,660)	(2,977,524)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>111,719,251</b>	<b>68,834,187</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 119,435,433</b>	<b>\$ 73,105,752</b>

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 94,796,450	\$ 98,040,554
Accounts receivable	10,937,840	7,455,252
Inventories	184,743	222,102
Prepaid expenses and other current assets	4,116,860	1,063,627
<b>TOTAL CURRENT ASSETS</b>	<b><u>110,035,893</u></b>	<b><u>106,781,535</u></b>
Long term prepaid expenses	357,390	-
Property, plant and equipment, net	12,753,915	12,859,863
<b>TOTAL ASSETS</b>	<b><u>\$ 123,147,198</u></b>	<b><u>\$ 119,641,398</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 566,171	\$ 640,795
Loan from a third party	385,694	469,591
Income tax payable	658,931	-
Accrued expenses and other current liabilities	626,611	3,992,905
Convertible promissory notes payable	-	1,239,126
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>2,237,407</u></b>	<b><u>6,342,417</u></b>
Common stock purchase warrants liability	370,550	378,371
<b>TOTAL LIABILITIES</b>	<b><u>\$ 2,607,957</u></b>	<b><u>\$ 6,720,788</u></b>
<b>COMMITMENTS AND CONTINGENCIES (Note 12)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.001 par value, 15,000,000 shares authorized, 11,931,534 and 9,732,948 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively*	\$ 11,932	\$ 9,733
Additional paid in capital*	52,501,680	43,514,125
Statutory reserve	7,195,092	7,195,092
Retained earnings	70,035,962	69,477,092
Accumulated other comprehensive loss	(9,205,425)	(7,275,432)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>120,539,241</u></b>	<b><u>112,920,610</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 123,147,198</u></b>	<b><u>\$ 119,641,398</u></b>

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

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

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

	Three-Month Period Ended		Nine-Month Period Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
<b>REVENUES</b>	\$ 11,123,605	\$ 11,623,018	\$ 37,331,498	\$ 35,370,499
<b>COST OF REVENUES</b>	(6,346,079)	(6,561,166)	(20,261,755)	(20,946,893)
<b>GROSS PROFIT</b>	<b>4,777,526</b>	<b>5,061,852</b>	<b>17,069,743</b>	<b>14,423,606</b>
<b>OPERATING EXPENSES</b>				
Selling expenses	(265,526)	(214,719)	(397,591)	(1,231,967)
General and administrative expenses	(205,940)	(88,063)	(1,929,603)	(903,547)
Research and development expenses	(20,580)	(20,737)	(61,849)	(65,307)
<b>OPERATING EXPENSES</b>	<b>(492,046)</b>	<b>(323,519)</b>	<b>(2,389,043)</b>	<b>(2,200,821)</b>
<b>INCOME FROM OPERATIONS</b>	<b>4,285,480</b>	<b>4,738,333</b>	<b>14,680,700</b>	<b>12,222,785</b>
Interest income	30,616	29,621	89,845	89,257
Interest expense	(139,876)	(58,692)	(211,383)	(172,255)
Gain (loss) on changes in fair value of common stock purchase warrants liability	(169,067)	(187,109)	(124,283)	35,542
<b>TOTAL OTHER LOSS</b>	<b>(278,327)</b>	<b>(216,180)</b>	<b>(245,821)</b>	<b>(47,456)</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>4,007,153</b>	<b>4,522,153</b>	<b>14,434,879</b>	<b>12,175,329</b>
<b>INCOME TAX EXPENSE</b>	<b>(1,148,185)</b>	<b>(1,232,629)</b>	<b>(4,109,679)</b>	<b>(3,392,587)</b>
<b>NET INCOME</b>	<b>\$ 2,858,968</b>	<b>\$ 3,289,524</b>	<b>\$ 10,325,200</b>	<b>\$ 8,782,742</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Foreign currency translation adjustment	(674,209)	(4,195,353)	(7,560,136)	(7,597,937)
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 2,184,759</b>	<b>\$ (905,829)</b>	<b>\$ 2,765,064</b>	<b>\$ 1,184,805</b>
<b>EARNINGS PER COMMON SHARE*</b>				
Basic	\$ 0.29	\$ 2.01	\$ 1.13	\$ 5.47
Diluted	<b>\$ 0.29</b>	<b>\$ 2.01</b>	<b>\$ 1.13</b>	<b>\$ 5.12</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING*</b>				
Basic	9,712,404	1,639,881	9,135,132	1,604,328
Diluted	<b>9,794,357</b>	<b>1,637,024</b>	<b>9,224,423</b>	<b>1,715,956</b>

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

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

**WETOUCH TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Uaudited)

	<b>Common stock at Par value \$0.001</b>		<b>Additional paid-in capital</b>	<b>Statutory reserve</b>	<b>Retained Earnings</b>	<b>Accumulated other comprehensive loss</b>	<b>Total stockholders' equity</b>
	<b>Shares</b>	<b>Amount</b>					
<b>Balance at July 1, 2022*</b>	<b>1,601,952</b>	<b>\$ 1,602</b>	<b>\$ 2,363,831</b>	<b>\$ 5,067,243</b>	<b>\$ 60,103,382</b>	<b>\$ (1,137,416)</b>	<b>\$ 66,398,642</b>
Shares issued cashless for warrants	65,325	65	(65)	-	-	-	-
Net income	-	-	-	-	3,289,524	-	3,289,524
Foreign currency translation adjustment	-	-	-	-	-	(4,195,353)	(4,195,353)
<b>Balance at September 30, 2022</b>	<b>1,667,277</b>	<b>\$ 1,667</b>	<b>\$ 2,363,766</b>	<b>\$ 5,067,243</b>	<b>\$ 63,392,906</b>	<b>\$ (5,332,769)</b>	<b>\$ 65,492,813</b>
	<b>Common stock at Par value \$0.001</b>		<b>Additional paid-in capital</b>	<b>Statutory reserve</b>	<b>Retained Earnings</b>	<b>Accumulated other comprehensive loss</b>	<b>Total stockholders' equity</b>
	<b>Shares</b>	<b>Amount</b>					
<b>Balance at July 1, 2023*</b>	<b>9,695,248</b>	<b>\$ 9,695</b>	<b>\$ 43,394,163</b>	<b>\$ 6,040,961</b>	<b>\$ 69,833,124</b>	<b>\$ (9,863,451)</b>	<b>\$ 109,414,492</b>
Fraction shares issued due to reverse stock split	5,362	6	(6)	-	-	--	-
Exercise of warrants issued to third parties in conjunction with debt issuance in 2021	7,338	7	(7)	-	-	-	-
Stock issuance for convertible promissory notes payable	25,000	25	119,975	-	-	-	120,000
Net income	-	-	-	-	2,858,968	-	2,858,968
Foreign currency translation adjustment	-	-	-	-	-	(674,209)	(674,209)

Statement of Stockholders' Equity							
Balance at September 30,		Common stock at Par value \$0.001		Additional paid-in capital		Statutory reserve	
2023	9,732,948	\$ 9,733	\$ 43,514,125	\$ 6,040,961	\$ 72,692,092	\$ (10,537,600)	\$ 111,719,251
	Shares	Amount				Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance at December 31							
2021*	1,590,576	\$ 1,591	\$ 2,363,842	\$ 5,067,243	\$ 54,610,164	\$ 2,265,168	\$ 64,308,008
Shares issued cashless for warrants	76,701	76	(76)	-	-	-	-
Net income	-	-	-	-	8,782,742	-	8,782,742
Foreign currency translation adjustment	-	-	-	-	-	(7,597,937)	(7,597,937)
Balance at September 30,							
2022	1,667,277	\$ 1,667	\$ 2,363,766	\$ 5,067,243	\$ 63,392,906	\$ (5,332,769)	\$ 65,492,813
	Shares	Amount				Accumulated other comprehensive loss	Total stockholders' equity
Balance at December 31							
2022*	1,680,248	\$ 1,680	\$ 3,402,178	\$ 6,040,961	\$ 62,366,892	\$ (2,977,524)	\$ 68,834,187
Shares issued to private placement	8,000,000	8,000	39,992,000	-	-	-	40,000,000
Fraction shares issued due to reverse stock split	5,362	6	(6)	-	-	-	-
Exercise of warrants issued to third parties in conjunction with debt issuance in 2021	22,338	22	(22)	-	-	-	-

Stock issuance for convertible promissory notes payable	25,000	25	119,975	-	-	-	120,000
Net income	-	-	-	-	10,325,200	-	10,325,200
Foreign currency translation adjustment	-	-	-	-	-	(7,560,136)	(7,560,136)
<b>Balance at September 30, 2023</b>	<b>9,732,948</b>	<b>\$ 9,733</b>	<b>\$ 43,514,125</b>	<b>\$ 6,040,961</b>	<b>\$ 72,692,092</b>	<b>\$ (10,537,600)</b>	<b>\$ 111,719,251</b>

\* Retrospectively restated for effect of reverse stock split (1-for-20), see Note 109 (2)

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

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**WETOUGH TECHNOLOGY INC. AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE LOSS**  
(Uaudited)

	<b>For the Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>REVENUES</b>		
Cost of revenues	\$ 14,877,259	\$ 13,433,461
<b>GROSS PROFIT</b>	<u>(11,539,301)</u>	<u>(7,394,661)</u>
	<u><b>3,337,958</b></u>	<u><b>6,038,800</b></u>
<b>OPERATING EXPENSES</b>		
Selling expenses	(459,792)	(50,705)
General and administrative expenses	(530,524)	(1,666,756)
Research and development expenses	(42,738)	(20,885)
Total operating expenses	<u>(1,033,054)</u>	<u>(1,738,346)</u>
<b>INCOME FROM OPERATIONS</b>	<u><b>2,304,904</b></u>	<u><b>4,300,454</b></u>
<b>OTHER INCOME (EXPENSES)</b>		
Interest income	31,347	29,195
Interest expense	(1,169,974)	(33,399)
Other income	46,620	-
Gain (loss) on changes in fair value of common stock purchase warrants liability	7,821	(97,602)
<b>TOTAL OTHER EXPENSES</b>	<u><b>(1,084,186)</b></u>	<u><b>(101,806)</b></u>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>1,220,718</b>	<b>4,198,648</b>
<b>INCOME TAX EXPENSE</b>	<u><b>(661,848)</b></u>	<u><b>(1,405,399)</b></u>
<b>NET INCOME</b>	<u><b>\$ 558,870</b></u>	<u><b>\$ 2,793,249</b></u>
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		
Foreign currency translation adjustment	(1,929,993)	(680,976)
<b>COMPREHENSIVE (LOSS) INCOME</b>	<u><b>\$ (1,371,123)</b></u>	<u><b>\$ 2,112,273</b></u>
<b>EARNINGS PER COMMON SHARE</b>		
Basic	<u><b>\$ 0.04</b></u>	<u><b>\$ 0.35</b></u>
Diluted	<u><b>\$ 0.04</b></u>	<u><b>\$ 0.35</b></u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING*</b>		
Basic	<u><b>13,342,294</b></u>	<u><b>7,991,359</b></u>

Diluted	13,392,999	8,102,988
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\* Retrospectively restated for effect of reverse stock split (1-for-20), see Note 9 (2)

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

**WETOUCH TECHNOLOGY INC. AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Uaudited)

	Common stock at Par value \$0.001	Additional paid-in capital	Statutory reserve	Retained Earnings	Accumulated other comprehensive loss	Total stockholders' equity
	<u>Shares</u>	<u>Amount</u>				
<b>Balance as of</b>						
<b>December 31</b>						
2022	<b>1,680,248</b>	\$ 1,680	\$ 3,402,178	\$ 6,040,961	\$ 62,366,892	\$ (2,977,524) \$ 68,834,187
Shares issued to private placement	8,000,000	8,000	39,992,000	-	-	40,000,000
Net income	-	-	-	-	2,793,249	- 2,793,249
Foreign currency translation adjustment	-	-	-	-	-	(680,976) (680,976)
<b>Balance as of</b>						
<b>March 31,</b>						
2023	<b>9,680,248</b>	<b>\$ 9,680</b>	<b>\$ 43,394,178</b>	<b>\$ 6,040,961</b>	<b>\$ 65,160,141</b>	<b>\$ (3,658,500) \$ 110,946,460</b>
	Common stock at Par value \$0.001	Additional paid-in capital	Statutory reserve	Retained Earnings	Accumulated other comprehensive loss	Total stockholders' equity
	<u>Shares</u>	<u>Amount</u>				
<b>Balance as of</b>						
<b>December 31</b>						
2023*	<b>9,732,948</b>	\$ 9,733	\$ 43,514,125	\$ 7,195,092	\$ 69,477,092	\$ (7,275,432) \$ 112,920,610
Issuance of common stock from the 2024 Public Offering, net of issuance costs	2,160,000	2,160	8,987,594	-	-	- 8,989,754
Exercise of warrants issued in conjunction with legal/consultant services in 2020 and 2021	35,861	36	(36)	-	-	-

Exercise of warrants issued to third parties in conjunction with debt issuance in 2021	2,725	3	(3)	-	-	-	-
Net income	-	-	-	-	558,870	-	558,870
Foreign currency translation adjustment	-	-	-	-	-	(1,929,993)	(1,929,993)
<b>Balance as of March 31, 2024</b>	<b><u>11,931,534</u></b>	<b><u>\$ 11,932</u></b>	<b><u>\$ 52,501,680</u></b>	<b><u>\$ 7,195,092</u></b>	<b><u>\$ 70,035,962</u></b>	<b><u>\$ (9,205,425)</u></b>	<b><u>\$ 120,539,241</u></b>

\* Retrospectively restated for effect of reverse stock split (1-for-20), see Note 9 (2)

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

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**WETOUCH TECHNOLOGY INC. AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>For the nine-months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 10,325,200	\$ 8,782,742
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation	9,465	12,494
Amortization of discounts and issuance cost of the notes	24,121	39,774
(Gain) loss on changes in fair value of common stock purchase warrants liability	124,284	(35,542)
Changes in operating assets and liabilities:		
Accounts receivable	(5,568,912)	(7,451,004)
Amounts due from related parties	(98)	-
Inventories	199,566	(194,529)
Prepaid expenses and other current assets	335,230	1,168,383
Accounts payable	202,514	723,723
Amounts due to related parties	(1,665)	7,366
Income tax payable	1,171,069	1,208,810
Accrued expenses and other current liabilities	2,187,200	506,706
Net cash provided by operating activities	<u>9,007,974</u>	<u>4,768,923</u>
<b>Cash flows from investing activities</b>		
Net cash provided by investing activities	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Proceeds from stock issuance of private placement	40,000,000	-
Repayments of convertible promissory notes payable	(55,000)	-
Net cash provided by financing activities	<u>39,945,000</u>	<u>-</u>
<b>Effect of changes of foreign exchange rates on cash</b>		
<b>Net increase (decrease) in cash</b>	<u>(6,266,700)</u>	<u>(5,383,354)</u>
<b>Cash, beginning of period</b>	<u>42,686,274</u>	<u>(614,431)</u>
<b>Cash, end of period</b>	<u>51,250,505</u>	<u>46,163,704</u>
<b>Supplemental disclosures of cash flow information</b>	<u>\$ 93,936,779</u>	<u>\$ 45,549,273</u>
<b>Non-cash financing activities</b>		
Cashless stock issuance for convertible promissory notes payable	\$ 2,938,610	\$ 2,181,273
<b>For the Three Months Ended</b>		
<b>March 31,</b>		

	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 558,870	\$ 2,793,249
Adjustments to reconcile net income to cash (used in) provided by operating activities		
Depreciation	2,316	2,433
Amortization of discounts and issuance cost of the notes	5,715	6,941
Gain (loss) on changes in fair value of common stock purchase warrants liability	(7,821)	97,602
Changes in operating assets and liabilities:		
Accounts receivable	(3,622,872)	(4,004,967)
Amounts due from related parties	-	(1,076)
Inventories	32,939	254,727
Prepaid expenses and other current assets	(3,429,690)	307,380
Accounts payable	(64,222)	702,052
Amounts due to related parties	-	(1,344)
Income tax payable	661,848	1,383,069
Accrued expenses and other current liabilities	(3,354,627)	1,176,473
Net cash (used in) provided by operating activities	<u>(9,217,544)</u>	<u>2,716,539</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(111,289)	-
Net cash used in investing activities	<u>(111,289)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common stock, net of issue costs	8,989,754	-
Proceeds from stock issuance of private placement	-	40,000,000
Repayment of interest-free advances to a third party	(82,864)	-
Proceeds from interest-free advances from a third party	-	86,735
Repayments of convertible promissory notes payable	(1,400,750)	(35,000)
Net cash provided by financing activities	<u>7,506,140</u>	<u>40,051,735</u>
<b>Effect of changes of foreign exchange rates on cash</b>	<u>(1,421,411)</u>	<u>(760,531)</u>
<b>Net (decrease) increase in cash</b>	<u>(3,244,104)</u>	<u>42,007,743</u>
<b>Cash, beginning of period</b>	<u>98,040,554</u>	<u>51,250,505</u>
<b>Cash, end of period</b>	<u>\$ 94,796,450</u>	<u>\$ 93,258,248</u>
<b>Supplemental disclosures of cash flow information</b>		
Income tax paid	\$ -	\$ 22,330
Interest paid	<u>\$ 1,186,210</u>	<u>\$ -</u>
Issue costs charged to additional paid-in capital	<u>\$ 1,810,246</u>	<u>\$ -</u>
Exercise of warrant shares	<u>\$ 38,586</u>	<u>\$ -</u>

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



## WETOUGH TECHNOLOGY INC. AND ITS SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements (Unaudited) NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 — BUSINESS DESCRIPTION

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

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

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

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

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

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

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

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

Sichuan Wetouch Technology Co. Ltd. (“Sichuan Wetouch”) was formed on May 6, 2011 in the People’s Republic of China (“PRC”) PRC and became a Wholly Foreign-Owned Enterprise (“WFOE”) in PRC on February 23, 2017. On July 19, 2016, Sichuan Wetouch was 100% 100% held by HK Wetouch.

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

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

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On March 30, 2023, an independent third party acquired all shares of Sichuan Wetouch in for a nominal amount. As a result of the above restructuring, HK Wetouch became the sole shareholder stockholder of Sichuan Vtouch. The following diagram illustrates our the Company's current corporate structure:

**Note NOTE 2 — BASIS SUMMARY OF PRESENTATION SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation and Principles of Consolidation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by rules and regulations of the United States Securities and Exchange Commission (“SEC”)(the “SEC”). The condensed consolidated balance sheet as of December 31, 2022 December 31, 2023 was derived from the audited consolidated financial statements of Wetouch. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated balance sheet of the Company as of December 31, 2022 December 31, 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year years then ended.

In the opinion of the management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the financial position as of September 30, 2023 March 31, 2024, the results of operations and cash flows for the nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022 2023 have been made. However, the results of operations included in such financial statements may not necessarily be indicative of annual results.

### **Deconsolidation of Sichuan Wetouch**

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

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

**F- March 30,  
6 2023**

Total assets as of deconsolidated date	\$ -
Total liabilities as of deconsolidated date	\$ -
Total gain or loss from deconsolidation	\$ -

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

#### **Use (b) Uses of Estimates**

The preparation of condensed financial statements in conformity with U.S. US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses, as well as the related disclosure of contingent assets and liabilities. These estimates are based on information as of the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, the allowance for estimated uncollectible receivables, fair values of financial instruments, inventory valuations, useful lives of property, plant and equipment, the recoverability of long-lived assets, provision necessary for contingent liabilities, revenue recognition and realization of deferred tax assets. Actual results could differ from those estimates.

On an ongoing basis, management evaluates the Company's estimates, including those related to the bad debt allowance, fair values of financial instruments, intangible assets and property and equipment, income taxes, and contingent liabilities, among others. The Company bases its estimates on assumptions, both historical and forward looking, that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

#### **(c) Significant Accounting Policies**

For a detailed discussion about Wetouch's significant accounting policies, refer to Note 2 — "Summary of Significant Accounting Policies," in Wetouch's consolidated financial statements included in Company's 2022 2023 audited consolidated financial statements. During Other than the nine-month revised accounting policy on property, plant and equipment, net, as below, during the three-month periods ended September 30, 2023 March 31, 2024, there were no significant changes made to Wetouch significant accounting policies.

#### **Property, plant and equipment, net**

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Useful life
Buildings	20 years
Machinery and equipment	10 years
Office and electric equipment	3 years
Vehicles	10 years

**NOTE-3- Expenditures for maintenance and repairs, which do not materially extend the useful lives of the assets, are charged to expense as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the consolidated statements of income and other comprehensive income in other income or expenses.**

**Construction in progress, funded by Company's working capital, represents manufacturing facilities and office building under construction, is stated at cost and transferred to property, plant and equipment when it is substantially ready for its intended use. No depreciation is recorded for construction in progress. The management estimate that construction in progress will be completed by the end of first quarter of 2025 and will transfer construction in progress to property, plant and equipment to start depreciation.**

### NOTE 3 — ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Accounts receivable	\$ 13,931,782	\$ 9,057,741
Allowance for doubtful accounts	-	-
<b>Accounts receivable, net</b>	<b>\$ 13,931,782</b>	<b>\$ 9,057,741</b>

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Accounts receivable	\$ 10,937,840	\$ 7,455,252

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

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

Prepaid expenses and other current assets consist of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Advance to suppliers	\$ 325,852	\$ 333,928	\$ 329,268	\$ 334,852
VAT input credits	-	355,482	-	-
VAT input	-	87,493	-	-
Issue cost related to convertible promissory notes	69,566	81,614	-	64,802
Prepayment for land use right (i)	537,998	569,105	543,638	537,998
Security deposit (ii)	53,865	56,979	54,430	53,865
Others receivable (iii)	55,989	53,520	-	-
Prepaid consulting service fees (iii)	-	2,138,482	-	-
Prepaid market research fees (iv)	-	955,000	-	-
Others receivable (v)	-	5,750	72,110	-
<b>Prepaid expenses and other current assets</b>	<b>\$ 1,043,270</b>	<b>\$ 1,450,628</b>	<b>\$ 1,116,868</b>	<b>\$ 1,063,627</b>

(i) On July 23, 2021, Sichuan Vtouch entered into a contract with Chengdu Wenjiang District Planning and Natural Resources Bureau for purchasing the purchase of a land use right of a parcel of land of 131,010 square feet with for a consideration of RMB3,925,233 (equivalent to \$537,998) for the Company's new facility. The Company made a paid the consideration in full prepayment by November 18, 2021. Upon issuance of a certificate of land use right issued by the local government, which is estimated to be obtained by the fourth quarter of 2023, 2024, the Company will reclassify this prepayment to intangible assets accordingly.

(ii) On July 28, 2021, Sichuan Vtouch made a security deposit of RMB393,000 (equivalent to \$53,865) to Chengdu Cross-Strait Science and Technology Industry Development Park Management Committee to obtain a construction license for its new facility. This deposit will be refunded upon the issuance of the construction license by the end of 2023, 2024.

(iii) In May, 2023, the Company entered into two third-party consulting service agreements for a fee of \$1.35 million and \$3.1 million, respectively, for the three-year of investment consulting services. The total fee would be amortized over the three-year service and reclassified to stock issuance costs accordingly. As of March 31, 2024, \$2,138,482 was recognized as prepaid consulting service fees within one year and \$357,390 as long term prepaid expenses

(iv) On February 29, 2024, the Company advanced market research fees \$70,000 and \$855,000, respectively, to two unrelated individuals, Mr. Chien Hui Chueh and Mr. Cheung Ming Lin, in relation to the Company's market research service overseas. The two individuals signed borrowing contracts of \$70,000 and \$855,000 dated February 29, 2024, respectively, to the Company, with a principal amount of \$70,000 and \$855,000 to evidence the advance, bearing 3.45% interest per annum, and payable on February 28, 2025.

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

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Buildings	\$ 11,804	\$ 12,487
Vehicles	40,132	42,453
Construction in progress	10,288,183	10,883,051
<b>Subtotal</b>	<b>10,340,119</b>	<b>10,937,991</b>
Less: accumulated depreciation	(20,439)	(14,381)
<b>Property, plant and equipment, net</b>	<b>\$ 10,319,680</b>	<b>\$ 10,923,610</b>
	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Buildings	\$ 11,928	\$ 12,130
Machinery and equipment	3,878	3,944
Vehicles	40,553	41,241
Construction in progress	12,722,820	12,825,896
<b>Subtotal</b>	<b>12,779,179</b>	<b>12,883,211</b>
Less: accumulated depreciation	(25,264)	(23,348)
<b>Property, plant and equipment, net</b>	<b>\$ 12,753,915</b>	<b>\$ 12,859,863</b>

Depreciation expense was \$2,294\$2,316 and \$2,340 2,433 for the three-month period ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$9,465 and \$12,494 for the nine-month period ended September 30, 2023 and 2022, respectively 2023, respectively.

Pursuant to local PRC government guidelines on local environment issues and the national overall plan, Sichuan Wetouch, is was under the government directed relocation order to relocate no later than December 31, 2021 and received compensation accordingly. On March 18, 2021, pursuant to the agreement with the local government and an appraisal report issued by a mutual agreed appraiser, Sichuan Wetouch received a compensation of RMB115.2RMB115.2 million (\$15.816.0 million) (“Compensation (the “Compensation Funds”) for the withdrawal of the right to use of state-owned land (the “property”) and the demolition of all buildings, facilities, equipment and all other appurtenances on the land.

On March 16, 2021, in order to minimize interruption of our the Company’s business, Sichuan Vtouch entered into a leasing agreement with Sichuan Renshou Shigao Tianfu Investment Co., Ltd. (later renamed as Meishan Huantian Industrial Co., Ltd.), a limited liability company owned by the local government, to lease the property, and all buildings, facilities and equipment thereon (“Demised (the “Demised Properties) of Sichuan Wetouch, commencing from April 1, 2021 until December 31, 2021 at a monthly rent of RMB300,000RMB300,000 (\$41,372), and 41,549). The lease was renewed on December 31, 2021 at a monthly rent of RMB 400,000 (\$52,825 55,399) with a term from January 1, 2022 till to October 31, 2024 for the use of the Demised Properties.Properties.

**As of March 31, 2024, the Company had construction commitment of RMB5.0 million (equivalent to \$0.7 million).**

## NOTE 6 — INCOME TAXES

### RELATED PARTY TRANSACTIONS

Amounts due Wetouch is subject to a related party are as follows:

	<u>Relationship</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>Note</u>
Mr. Zongyi Lian	President and CEO of the Company	-	1,665	Payable to employee
<b>Total</b>		<b>\$ -</b>	<b>\$ 1,665</b>	

## NOTE 7 — INCOME TAXES

### Wetouch

Wetouch Technology Inc. tax rate of 21% per beginning 2018, and files a U.S. federal income tax return.

### BVI Wetouch

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

### Hong Kong

### Hong Kong

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

16.5%. PRC

## PRC

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

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

On October 21, 2020, Sichuan Wetouch was granted on a case-by-case basis by Sichuan Provincial government as preferential tax treatment High and New Technology Enterprises (“HNTEs”), entitled to a reduced income tax rate of 15% beginning October 21, 2020 until October 20, 2023.

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

Sichuan Vtouch is entitled to 25% of income tax rate.

The effective income tax rates for the nine-month periods three-month period ended September 30, 2023 March 31, 2024 and 2022 2023 were 28.5% 25.4% and 27.9% 33.5%, respectively.

The estimated effective income tax rate for the year ended December 31, 2023 ending December 31, 2024 would be similar to actual effective tax rate of the nine-month periods three-month period ended September 30, 2023 March 31, 2024.

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## NOTE 8—7—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Advance from customers (i)	\$ 532,069	\$ 397,886	\$ 191,728	\$ 182,277
Accrued payroll and employee benefits	82,015	89,359	82,874	84,280
Accrued interest expenses	209,397	122,135	-	240,805
Accrued underwriter fees (i)	1,200,000	-	-	-
Other tax payables (ii)	595,183	261	-	-
Other payable to a former shareholder (iii)	-	191,180	-	-
Accrued private placement agent fees (ii)			- 1,200,000	-
Accrued consulting fees (iii)			- 1,370,972	-
Accrued litigation charges (iv)			- 45,828	-
Accrued professional fees	332,313	- 134,792	330,180	
Others (iv)	111,074	153,803	-	-
Accrued director fees		128,517	106,824	
Other tax payables (v)		-	143,035	-
Others (vi)	88,701	288,704	-	-
<b>Accrued expenses and other current liabilities</b>	<b>\$ 3,062,051</b>	<b>\$ 944,628</b>	<b>\$ 626,618</b>	<b>\$ 3,992,905</b>

- (i) RMB2,587,825 (equivalent to \$365,465) of the beginning balance of advance from customers was recognized as revenues for the year ended December 31, 2023.
- (ii) On March 18, 2023, the Company entered into a private placement consent agreement with Representatives of the private placement taken place on January 19, 2023 (see Note 10) a third-party investment bank firm on the underwriting agent fees of US\$1.2 million, payable only on the completion of the underwriting offering. private placement. The Company made the full payment in February, 2024.
- (ii) Other tax payables are mainly value added tax payable.
- (iii) Other payable In May, 2023, the Company entered into two third-party consulting service agreements for a fee of \$1.35 million and \$3.1 million, respectively. The Company made the full payment in February 2024. Due to a former shareholder the service of three-year term, \$316,378 was paid charged to additional paid-in capital as the closing cost of the 2024 Public Offering (as defined in March 2023, Note 9), and the remaining was recognized as consulting service fee over the service period.
- (iv) During the year ended December 31, 2023, the Company accrued litigation compensation of RMB324,501 (\$45,705) and court fee of RMB10,627 (\$1,497). As of March 31, 2024, the Company made the full payment of RMB324,501 (\$45,705) and reversed the court fee of RMB10,627 (1,497). For the details, please see NOTE 12 — COMMITMENTS AND CONTINGENCIES - Legal Proceedings - vii) and viii).
- (v) Other tax payable mainly represent value added tax payable.
- (vi) Others mainly represent accrued employee reimbursement payable and other accrued miscellaneous operating expenses.

## NOTE 9 – 8 — CONVERTIBLE PROMISSORY NOTES PAYABLE

### a) Convertible promissory notes

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

The details of convertible notes the Notes are as follows:

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

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

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

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

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

The following table summarizes the outstanding promissory notes as of September 30, 2023 and December 31, 2022 (dollars in thousands):

	Interest rate	September 30, 2023		December 31, 2022	
		Principal Amount	Carrying Amount	Principal Amount	Carrying Amount
Convertible Note - Talos Victory (Note 9 (b))	8%	\$ -	\$ -	\$ -	\$ -
Convertible Note - Mast Hill (Note 9 (b))	8%	725,000	679,402	740,000	635,535
Convertible Note - First Fire (Note 9 (b))	8%	156,250	146,654	181,250	156,594
Convertible Note - LGH Note 9 (b))	8%	202,500	199,438	207,500	188,987
Convertible Note - Fourth Man (Note 9 (b))	8%	152,000	137,882	157,000	128,703
Convertible Note - Jeffery Street Note 9 (b))	8%	165,000	145,865	170,000	142,554
Convertible Note - Blue Lake Note 9 (b))Total	8%	<b>\$ 1,400,750</b>	<b>\$ 1,309,241</b>	<b>\$ 1,455,750</b>	<b>\$ 1,252,373</b>
<b>Total</b>					
<b>Amortization of discounts for the nine months ended September 30, 2023</b>				<b>(74,886)</b>	
<b>Convertible promissory notes payable as of September 30, 2023</b>					<b>\$ 1,234,355</b>

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

From August 29 to September 9, 2023, the remaining lenders of the outstanding Notes and the Company entered into an amendment to the Note Notes ("Amendment to Promissory Note") that upon the listing of the Company's ordinary shares common stock on the Nasdaq Capital Market (the "Uplist"), the Company shall within three (3) business days after the Uplist, pay to the Holders amounts equal to 105% of the total outstanding balance of the Convertible Debenture.

During the nine-month period year ended September 30, 2023 December 31, 2023, principal and default charges totaling \$1,200,000 was \$1,200,000 were converted into 25,000 shares of common stock of the Company.

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

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

During the three-month period ended March 31, 2024 and 2023, amortization of discounts and issuance cost of the notes were US\$5,715 and \$6,941, respectively.

For the nine-month three-month period ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company recognized interest expenses of the Notes in the amount of US\$211,3831,169,974 and US\$172,255, 33,399, respectively.

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

## b) Warrants

### Accounting for Warrants

In connection with the issuance of a convertible promissory notes (see Note 11 (a) in October, November and December, 2021, the Notes, the Company also issued to the lenders seven (7) three-year warrant warrants (the “Warrant” “Note Warrants”) to purchase an aggregate of 90,000 shares of the Company’s common stock (the “Warrant Shares”).

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

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

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

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

On January 17, 2022, we closed a private offering of ordinary shares and warrants to purchase ordinary shares. A total of 137,500 ordinary shares (the "Shares") were issued to a total of five (5) investors (the "Investors") at a subscription price of \$16.0 per share, for total subscription proceeds of \$2,200,000. In addition, for each share subscribed for by the Investors, we issued one (1) warrant to purchase one (1) ordinary share at an exercise price of \$17.6 per share, exercisable for a period of twenty-four (24) months (the "Warrants"). We have agreed to register the Investors' re-sale of the Shares by way of a prospectus supplement to our currently effective unallocated shelf registration statement on Form F-3, (SEC File No. 333-267116). The offer and sale of the Shares and the Warrants was exempt under Rule 506 of Regulation D under the Securities Act of 1933 (the "Securities Act"). We engaged in no general solicitation or advertising with regard to the offering and the offering was made solely to "Accredited Investors" as defined in Rule 501 of Regulation D under the Securities Act.

During the year ended December 31, 2022, three lenders exercised cashless the Note Warrants cashlessly for 14,233 warrant shares. shares of common stock.

During the nine-month period year ended September 30, 2023 December 31, 2023, two lenders exercised cashless the Note Warrants cashlessly for 22,338 warrant shares. shares of common stock.

During the three months ended March 31, 2024, one lender exercised the Note Warrants cashlessly for 2,725 shares of common stock.

The fair values of these warrants as of **September 30, 2023** **March 31, 2024** were calculated using the Black-Scholes option-pricing model with the following assumptions:

	September 30, 2023						
	Volatility (%)	Expected dividends yield (%)	Weighted average expected life (year)	Risk-free interest rate (%) (per annum)	Common stock purchase warrants liability as of December 31, 2022 (US\$)	Changes of fair value of common stock purchase warrants liability (+/- (loss)/(- gain) (US\$)	Common stock purchase warrants liability as of September 30, 2023 (US\$)
Convertible Note - Talos Victory (Note 9 (a))	522.6 %	\$ 0.0 %	\$ 1.1	5.46 %	14,803	28,758	43,561
Convertible Note - Mast Hill (Note 9 (a))	522.6 %	0.0 %	-	5.46 %	101,293	(101,293)	-
Convertible Note - First Fire (Note 9 (a))	522.6 %	0.0 %	1.1	5.46 %	33,919	65,246	99,165
Convertible Note - LGH Note 9 (a))	522.6 %	0.0 %	1.2	5.46 %	34,028	65,204	99,232
Convertible Note - Fourth Man (Note 9 (ab))	522.6 %	0.0 %	1.2	5.46 %	14,398	27,524	41,922
Convertible Note - Jeffery Street Note 9 (a))	522.6 %	0.0 %	1.2	5.46 %	34,134	(7,697)	26,437
Convertible Note - Blue Lake Note 9 (a))	522.6 %	0.0 %	1.2	5.46 %	24,382	46,542	70,924
<b>Total</b>				<b>Total</b>	<b>256,957</b>	<b>124,284</b>	<b>381,241</b>

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	Volatility (%)	Expected dividends yield (%)	Weighted average expected life (year)	Risk-free interest rate (%) (per annum)	December 31, 2023 (US\$)	March 31, 2024		
						Common stock purchase warrants	Changes of fair value of common stock purchase warrants liability	Common stock purchase warrants liability as of March 31, 2024 (US\$)
Convertible Note - Talos Victory (Note 9 (a))	567.0 %	0.0 %	0.6	5.03 %	43,113	(1,251)	41,862	
Convertible Note - First Fire (Note 9 (a))	567.0 %	0.0 %	0.6	5.03 %	98,375	(2,162)	96,213	
Convertible Note - LGH Note 9 (a))	567.0 %	0.0 %	0.6	5.03 %	98,517	(1,938)	96,579	
Convertible Note - Fourth Man (Note 9 (ab))	567.0 %	0.0 %	0.7	5.03 %	41,639	(765)	40,874	
Convertible Note - Jeffery Street Note 9 (a))	567.0 %	0.0 %	0.7	5.03 %	26,264	(463)	25,801	
Convertible Note - Blue Lake Note 9 (a))	567.0 %	0.0 %	0.7	5.03 %	70,463	(1,242)	69,221	
<b>Total</b>				<b>5.03 %</b>	<b>378,371</b>	<b>(7,821)</b>	<b>370,550</b>	

**(c) Registration Rights Agreements**

Pursuant to the terms of the Registration Rights Agreement dated as of contract date of each convertible promissory note, 2021, executed Agreements between the Company and Lender, lenders of the Registration Rights Agreement dated as of each contract date, executed between the Company and Lenders, Notes, the Company agreed to file a registration statement with the Securities and Exchange Commission to register the shares of common stock underlying the Notes and the shares issuable upon exercise of the Note Warrants within sixty days from the date of each Registration Rights Agreement. The Company also granted the Lenders lenders piggyback registration rights on such shares securities pursuant to the Purchase Agreements.

**NOTE 9 — STOCKHOLDERS' EQUITY**

**NOTE 10—SHAREHOLDERS' EQUITY**

**1) Ordinary Shares Common Stock**

The Company's authorized number shares of ordinary shares common stock was 15,000,000 shares with par value of \$0.001.

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

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

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

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

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

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



During nine-month the year ended September 30, 2023 December 31, 2023, the Company issued 25,000 shares of common stock for the upon conversion of convertible promissory note payable (see note 9 (a)).

During the nine-month year ended September 30, 2023 December 31, 2023, the Company issued 22,338 shares of common stock to two third party for warrant parties upon exercise of warrants (see Note 9(b)).

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

As of September 30, 2023 March 31, 2024, the Company had 9,732,948 there were 11,931,534 shares of common stock issued and outstanding shares outstanding.

## 2) Reverse Stock Split

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

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On July 16, 2023, the Company's board of directors approved ~~a~~ the reverse stock split of the Company's common stock at a ratio of 1-for-20. On July 16, 2023, the Company filed a certificate of change (with an effective date of July 16, 2023) with the Nevada Secretary of State pursuant to Section 78.209 of the Nevada Revised Statutes 78.209 to effectuate a 1-for-20 reverse stock split of its ~~outstanding~~ common stock. On September 11, 2023, the Company received notice from FINRA/OTC Corporate Actions the reverse split would take effect at the open of business on September 12, 2023, and the reverse stock that split ~~was approved by the Financial Industry Regulatory Authority and took effect on that date~~ September 12, 2023. All share information included in this Form 10-Q report has been ~~reflected~~ ~~adjusted~~ as if the reverse stock split occurred as of the earliest period ~~presented~~~~presented~~.

### **3) Closing of the 2024 Public Offering**

On February 23, 2024, the Company closed its offering of 2,160,000 shares of common stock at a public offering price of \$5.00 per share, for aggregate gross proceeds of \$10.8 million before deducting underwriting discounts, and other offering expenses. The Company complies with the requirements of FASB ASC Topic 340-10-S99-1, "Other Assets and Deferred Costs – SEC Materials" ("ASC 340-10-S99") and SEC Staff Accounting Bulletin Topic 5A, "Expenses of Offering", and charged issuance costs of \$1,810,246 to additional paid-in capital during the three months ended March 31, 2024.

## NOTE 11- 10 — SHARE BASED COMPENSATION

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

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

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

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

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

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

As During the three months ended March 31, 2024, warrants for 35,861 shares of September 30, 2023, the Company had 35,861 warrants outstanding common stock related to above mentioned services with i) weighted average exercise price were exercised. There were no warrants related to services remaining as of \$0.2; ii) weighted average remaining contractual life March 31, 2024.

As of March 31, 2024 and 2023, the Company recognized relevant share-based compensation expense of 0.2 nil years; and iii) aggregate intrinsic value of \$0.4 nil million. for the vested shares, and nil and nil for the warrants, respectively.

## NOTE 12-11 — RISKS AND UNCERTAINTIES

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

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

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

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

**Concentrations** - The Company sells its products primarily through direct to customers in the PRC and to some extent, the overseas customers in European countries and East Asia such as South Korea and Taiwan.

For the three-month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, five customers accounted for 20.5% 22.4%, 17.4% 20.4%, 15.7% 14.6%, 15.6% 13.4% and 12.3% 11.1%, and five customers accounted for 21.9% 22.3%, 16.3% 15.7%, 15.0% 15.0%, 13.4% 14.2%, 12.2% and 12.9% 10.8%, respectively, of the Company's revenue.

For the nine-month periods ended September 30, 2023 and 2022, five customers accounted for 22.0%, 16.1%, 15.9%, 14.4%, and 11.6%, and six customers accounted for 20.5%, 15.9%, 15.6%, 14.5%, 12.3% and 10.2%, respectively, of the Company's revenue.

And the The Company's top ten customers aggregate accounted for 99.8% an aggregate of 98.8% and 99.1% 99.6% of the total revenue for the three-month periods period ended September 30, 2023 March 31, 2024 and 2022, and 99.6% and 99.2% for the nine-month periods ended September 30, 2023 and 2022, 2023, respectively.

As of September 30, 2023 March 31, 2024, two three customers accounted for 26.7% 27.7%, 17.4%, and 14.1% 16.8% of the total accounts receivable balance, respectively.

The Company purchases its raw materials through various suppliers. Raw material purchases from these suppliers which individually exceeded 10% of the Company's total raw material purchases, accounted for an aggregate of approximately 23.0% (two 42.4% (three suppliers) and 47.7% (four 75.0% (five suppliers) for the three-month periods, respectively, 11.9% (one supplier) period ended March 31, 2024 and 47.2% (four suppliers) 2023, respectively.

## NOTE 12 — COMMITMENTS AND CONTINGENCIES

### Contingencies

The Company's common stock began trading on the Nasdaq Capital Market under the ticker symbol "WETH" on February 21, 2024. The Company failed to timely complete the filing procedures with China Securities Regulatory Commission ("CSRC") on overseas offering and transfer of listing pursuant to the regulations below:

1) Pursuant to Article 13 and Article 8 and Article 25 of CSRC Announcement (2023) No. 43 -Trial Measures for the nine-month periods ended September 30, 2023 Administration of Overseas Issuance and 2022, respectively, Listing of Securities for Domestic Enterprises" (the "Trial Measures"), which was effective on March 31, 2023 ( <http://www.csac.gov.cn/csrc/c101954/c7124478/content.shtml>), when an issuer conducts an overseas offering or listing, it shall submit overseas issuance and listing application documents to CSRC within three working days of submitting its application documents for transfer and listing overseas; when a domestic enterprise transfers its listing overseas, it shall comply with the requirements of the overseas first public listing requirements for issuance and listing, and shall file with the CSRC within 3 working days, after its submitting application documents for transfer and listing overseas.

**NOTE 2) Article 27 of Trial Measures stipulates that if a domestic enterprise violates the provisions of Article 13 — COMMITMENTS AND CONTINGENCIES** of these Measures and fails to perform the filing procedures, or violates the provisions of Articles 8 and 25 of these Measures for overseas issuance and listing, CSRC shall order it to make corrections and give a warning, and impose a fine of not less than RMB 1 million but not more than RMB 10 million.

As of the date of this Quarterly Report, the Company has not received any notice of penalty from the CSRC. Management will closely monitor any notice or action from the CSRC.

### Legal Proceedings

From time to time, the Company and its affiliates subsidiaries are parties to various legal actions arising in the ordinary course of business. Although Sichuan Wetouch and Hong Kong Wetouch, Sichuan Wetouch, the previous subsidiaries deconsolidated subsidiary of the Company (see Note 2-(a) - **Deconsolidation of Sichuan Wetouch**), Sichuan Vtouch and our Mr. Guangde Cai, the former Chairman and director Mr. Guangde Cai of the Company, were named as defendants in several litigation matters, as of the date of this report, all such matters have been settled and Sichuan Wetouch, Hong Kong Wetouch and Mr. Guangde Cai were unconditionally and fully discharged and released therefrom. Accordingly, there are no pending material legal proceedings against the Company as of the date of this report.

i) An equity dispute case with Yunqing Su with a disputed amount of RMB1,318,604 (equivalent to \$185,721)

Please also refer On June 22, 2017, Yunqing Su, a former stockholder, entered an Equity Investment Agreement with Sichuan Wetouch and Guangde Cai, agreed that Yunqing Su would invest RMB1 million (equivalent to NOTE 13 - commitments \$140,847) to purchase 370,370.37 original listed shares of the target company, Sichuan Wetouch, and provided for the exit mechanism in the agreement. However, the target company failed to be listed prior to December 31, 2017 as agreed. On June 22, 2017, Guangde Cai and Yunqing Su entered into a supplementary agreement, pursuant to which Guangde Cai shall repurchase all of our 2023 10K-Annual report for year ending December 31, 2022 Yunqing Su's equity interest and pay the interest. Sichuan Wetouch repaid Yunqing Su the interest of RMB220,000 (equivalent to \$30,986) and the principal of RMB128,000 (equivalent to \$18,028) in November 2018. The repayment period set forth in the supplementary agreement expired, but Sichuan Wetouch and Guangde Cai failed to pay the principal and interest owed to Yunqing Su. Yunqing Su sued Sichuan Wetouch and Guangde Cai in the Renshou County People's Court of Sichuan Province, and the case was filed on April 17, 2023 February 9, 2022.

On May 9, 2022, pursuant to a civil mediation statement issued by the Renshou County People's Court of Sichuan Province, Sichuan Wetouch and Guangde Cai agreed to repay Yunqing Su the principal and interest in the total amount of RMB 1,318,604 (equivalent to \$185,721). Sichuan Wetouch fully paid the aforesaid amount on March 15, 2023.

ii) Legal case with Chengdu SME Credit Guarantee Co., Ltd. on a court acceptance fee of RMB338,418 (equivalent to \$47,665)

On July 5, 2013, Sichuan Wetouch obtained a one-year loan of RMB60.0 million (equivalent to \$8.5 million) from Bank of Chengdu, at an annual interest rate of 8.61%. Chengdu SME Credit Guarantee Co., Ltd ("Chengdu SME"), a third party, provided a 70% guarantee and Bank of Chengdu retained 30% of the risk, while Chengdu Wetouch, a related party company, owned by Mr. Guangde Cai and Mr. Guangde Cai provided joint and several liability guarantee for 100% of the loan.

On July 31, 2014, Sichuan Wetouch repaid RMB5.0 million (equivalent to \$0.7 million). The remaining loan of RMB55.0 million (equivalent to \$7.7 million) was twice extended to be due on August 22, 2018. Upon the loan becoming due, but unpaid by the Company, Chengdu SME paid the outstanding balance of RMB55 million (equivalent to \$7.7 million) to Bank of Chengdu. The Company subsequently repaid RMB55 million (equivalent to \$7.7 million) to Chengdu SME; however, Chengdu SME filed two separate lawsuits against the Company to recover loan default penalties from the Company. The loan

default penalties were (a) RMB5.8 million (equivalent to \$0.8 million) related to the 30% of the remaining loan balance repaid by Chengdu SME and (b) RMB6.0 million (equivalent to \$0.8 million) related to the 70% of the remaining loan balance repaid by Chengdu SME. During the year ended December 31, 2017, the Company recorded loan default penalties, and related liabilities, of \$1.7 million.

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

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

On March 16, 2023, pursuant to an Enforcement Settlement Agreement entered among Chengdu SME, Sichuan Wetouch and Chengdu Wetouch, Chengdu Wetouch agreed to pay the court acceptance fee of RMB338,418 (equivalent to \$47,665). On March 17, 2023, Chengdu Wetouch made a full payment of the above court fee to Chengdu SME.

- iii) Legal case with Lifan Financial Leasing (Shanghai) Co., Ltd. and Sichuan Wetouch, Chengdu Wetouch, Meishan Wetouch and Xinjiang Wetouch Electronic Technology Co., Ltd. on a court acceptance fee of RMB250,470 (equivalent to \$35,278)

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

On August 9, 2021, Lifan Financial filed a lawsuit against Chengdu Wetouch, Guangde Cai, Sichuan Wetouch, Meishan Wetouch and Xinjiang Wetouch in the Chengdu Intermediate People's Court. The court ruled that: 1) the Financial Lease Contract (Sale and Leaseback) was terminated; 2) the leased property was owned by Lifan Financial; 3) Chengdu Wetouch shall pay Lifan Financial all outstanding rent and interest thereon in the total amount of RMB 22,905,807 (equivalent to \$3.2 million) as well as the difference between the liquidated damages and the value of the leased property recovered; etc.

The parties executed a settlement agreement on March 7, 2023, in which the parties confirmed that the outstanding payment of RMB 22,905,807 (equivalent to \$3.2 million) has been fully paid up on December 23, 2021 and the above cases have been settled. As for the court acceptance fees that were not previously agreed upon by the parties, Chengdu Wetouch agreed to pay the court acceptance fee of RMB 250,470 (equivalent to \$35,278). Chengdu Wetouch paid the aforesaid fees to Lifan Financial on March 10, 2023.

- iv) Legal case with Sichuan Renshou Shigao Tianfu Investment Co., Ltd and Renshou Tengyi Landscaping Co., Ltd. on a court acceptance fee of RMB103,232 (equivalent to \$14,540)

On March 19, 2014, Chengdu Wetouch, a related party, obtained a two- and half-year loan of RMB15.0 million (equivalent to \$2.1 million) from Chengdu Bank Co., Ltd. Gaoxin Branch ("Chengdu Bank Gaoxin Branch"), with Chengdu Hi-tech Investment Group Co., Ltd. ("CDHT Investment") acting as guarantor to pay off the loan principal and related interests, while Sichuan Wetouch and Hong Kong Wetouch as guarantors, were jointly and severally liable for such debts.

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

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

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

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

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

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

The settlement and release agreement did not specify which party shall pay the court acceptance fee. On March 10, 2023, pursuant to an enforcement settlement agreement entered among Sichuan Renshou, Renshou Tengyi, Sichuan Wetouch, Chengdu Wetouch, and other relevant parties, Sichuan Wetouch agreed to pay the court acceptance fee of RMB103,232 (equivalent to \$14,540). On March 17, 2023, Chengdu Wetouch made a full payment of the above court fee to Sichuan Renshou.

v) Legal case with Chengdu High Investment Financing Guarantee Co. on a court acceptance fee of RMB250,000 (equivalent to \$35,211)

On March 22, 2019, Chengdu High Investment Financing Guarantee Co., Ltd, ("Chengdu High Investment") filed a lawsuit against Hong Kong Wetouch in the Chengdu Intermediate People's Court, claiming that Hong Kong Wetouch should assume the guarantee liability for the debt payable by Chengdu Wetouch. On May 21, 2020, the court rendered a judgment ordering Hong Kong Wetouch to pay compensation of RMB17,467,042 (equivalent to \$2,460,181), interest, liquidated damages, liquidated damages for late performance, etc.

On March 16, 2023, Chengdu Wetouch, Sichuan Wetouch and Chengdu High Investment entered into a settlement enforcement agreement, confirming that Chengdu High Investment had received RMB17,547,197 (equivalent to \$2,471,471) on October 27, 2020 paid by Chengdu Wetouch, and the above case has been settled. As for the court acceptance fees that were not previously agreed upon by the parties, Chengdu Wetouch agreed to pay the court acceptance fee of RMB 250,000 (equivalent to \$35,211). Chengdu Wetouch paid the aforesaid fees to Chengdu High Investment on March 20, 2023.

vi) Legal case with Hubei Lai'en Optoelectronics Technology Co., Ltd. on a product payment of RMB157,714 (equivalent to \$22,213)

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

vi) Legal case with Chengdu Hongxin Shunda Trading Co., Ltd. on settlement of accounts payable and related fund interests totalling RMB3,021,294 (\$425,540)

In March 2022, Sichuan Vtouch purchase steel products from Chengdu Hongxin Shunda Trading Co., Ltd. ("Chengdu Hongxin") for facility construction, but failed to settle the accounts payable on time. In July 2023, Chengdu Hongxin filed a lawsuit to a local district court against the Company and its new facility constructors ("the three defendants") requesting the settlement of the remaining accounts payable and the corresponding fund interests, penalties and legal fees, totalling of RMB3,021,294 (\$425,540). The court judged Sichuan Vtouch to pay and ordered the freezing of bank accounts of these three defendants. On September 25, 2023, the Company appealed to Chengdu Municipal Intermediate People's Court, arguing the calculation of fund interests and penalties ordered by the lower court unfair and not in line with the law regulations. As of the date of this report, the management assessed that possibility and amount of contingency cannot be estimated given the current status.

vii) Legal case with Mr. Guangchuang Liu on a refund of equity transfer price and related interests totalling RMB324,501 (\$45,705)

In July 2022 Mr. Liu entered into an equity transfer agreement with Mr. Guangde Cai and Sichuan Vtouch with the intention to subscribe the Company's shares of 20,000 for RMB315,245 (\$44,104). In April, 2023, Mr. Liu filed a lawsuit to Shenzhen Nanshan District People's Court against Mr. Guangde Cai and Sichuan Vtouch requesting the refund of this equity transfer price and related fund interests totalling RMB324,501 (\$45,705). Per the court decision of December 13, 2023, the defendants were ordered to make the payments by the end of 2023. The Company made the payment in full in January, 2024.

viii) Legal case with Sichuan Yali Cement Manufacturing Co., Ltd. and Sichuan Chunqiu Development & Construction Group Co. Ltd. on a debt payable of RMB RMB1,656,480 (equivalent to \$233,310) and related interest, legal fees and penalties.

On August 10, 2022, Sichuan Yali Cement Manufacturing Co., Ltd. ("Yali Co.") and Sichuan Chunqiu Development & Construction Group Co. Ltd. ("Chunqiu Co.") entered into construction materials contract for Sichuan Vtouch's new facility. Under this contract, Sichuan Vtouch was listed as the joint responsibility party for the payment settlement between Yali Company and Chunqiu Company.

On February 15, 2023, Yali Co. filed a lawsuit against Chunqiu Co. to the Chengdu Wenjiang District People's Court, claiming that Chunqiu Co. should pay the remaining debt of RMB RMB1,656,480 (equivalent to \$233,310) and related interest, legal fees and penalties, and that Sichuan Vtouch should assume the guarantee liability for the debt payable by Chunqiu Co. On August 12, 2023, the court rendered a judgment ordering Chunqiu Co. to pay to Yali Co. for above mentioned amount. Sichuan Vtouch was ordered joint liability of such aforesaid repayment.

On August 22, 2023, Chunqiu Co. appealed to Chengdu Municipal Intermediate People's Court against Yali Co. and Sichuan Vtouch requesting Sichuan Vtouch to be responsible for this debt payable. On October 30, 2023, the court ordered Chunqiu Co. to pay back all the debts, and Sichuan Vtouch to bear the joint and several liability for the above debts of Chunqiu Co. including a court fee of RMB10,627 (\$1,497) with Chunqiu liability. As of March 31, 2024, Chunqiu Co made this payment of court fee of RMB10,627 (\$1,497) in full.

#### **Capital Expenditure Commitment**

On December 20, 2021 As of March 31, 2024, the Company entered into a contract with Shenzhen Municipal Haoyutuo Decoration & Cleaning Engineering Company Limited to purchase a facility decoration contract had construction commitment of RMB20.0 RMB5.0 million (equivalent to US\$3.1 million). As of September 30, 2023, the Company has prepaid RMB15.0 million (equivalent to US\$2.1 million) and recorded as construction in progress (see Note 5) and had a remaining balance of RMB5.0 million (equivalent to US\$0.7 million) to be paid by the end of 2023. \$0.7 million).

#### **NOTE 13 — REVENUES**

## NOTE 14 — REVENUES

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

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	US\$	US\$	US\$	US\$	US\$	US\$
Sales in PRC	\$ 7,423,695	\$ 8,159,260	\$ 25,819,405	\$ 24,421,566	\$ 9,374,473	\$ 9,287,566
Sales in Overseas						
-Republic of China (ROC, or Taiwan)	1,943,123	1,851,599	5,962,410	5,708,133	3,195,161	2,119,140
-South Korea	1,742,589	1,578,002	5,387,021	5,144,829	2,172,475	1,911,297
-Others	14,199	34,157	162,662	95,968	135,150	115,458
Sub-total	3,699,910	3,463,758	11,512,093	10,948,930	5,502,786	4,145,895
<b>Total Revenue</b>	<b>\$ 11,123,605</b>	<b>\$ 11,623,018</b>	<b>\$ 37,331,498</b>	<b>\$ 35,370,499</b>		
Total revenues					<b>\$ 4,877,251</b>	<b>\$ 3,433,461</b>

## NOTE 14 — SUBSEQUENT EVENT

## NOTE 15 — SUBSEQUENT EVENTS

On September 7, 2023, Wetouch Technology Inc. (the "Company") filed a Certificate of Change Pursuant to Nevada Revised Statutes Section 78.209 with the Secretary of State of the State of Nevada to affect a 1-for-20 reverse stock split (the "Reverse Stock Split"). On September 11, 2023, the Financial Industry Regulatory Authority ("FINRA") notified us that the Reverse Stock Split will become effective on the OTCQB marketplace of OTC Markets on September 12, 2023 (the "Effective Date"). At the opening of business on the Effective Date, the Company's common stock began trading on a split-adjusted basis. In connection with the Reverse Stock Split, the CUSIP number for the common stock will change to 961881208. The Company's shares of common stock will continue to trade on the OTCQB marketplace Nasdaq Capital Market under the ticker symbol "WETHD" for a period "WETH" on February 21, 2024. The Company failed to timely complete the filing procedures with China Securities Regulatory Commission ("CSRC") on overseas offering and transfer of 20 business days, and thereafter, the symbol will return to "WETH". Pursuant to Nevada Revised Statutes Section 78.209, the reverse stock split does not have to be approved by the shareholders listing. As of the Company. Fractional shares resulting date of this Quarterly Report, the Company has not received any notice of penalty from the Reverse Stock Split CSRC. Management will be rounded up closely monitor any notice or action from CSRC. For details, please refer to the nearest whole number.

## NOTE 12 — COMMITMENTS AND CONTINGENCIES-Contingencies

Prior to the effective date of the Certificate of Change, the Company was authorized to issue 300,000,000 shares of common stock. As a result of the Reverse Stock Split, the Company is authorized to issue 15,000,000 shares of common stock. As of September 8, 2023 (immediately prior to the Effective Date of the Reverse Stock Split), there were 194,551,716 shares of common stock outstanding. As a result of the Reverse Stock Split, there are approximately 9,727,586 shares of common stock outstanding (subject to adjustment due to the effect of rounding fractional shares into whole shares). The Reverse Stock Split will not have any effect on the stated par value of the common stock.

Each shareholder's percentage ownership interest in the Company and proportional voting power remains virtually unchanged as a result of the Reverse Stock Split, except for minor changes and adjustments that will result from rounding fractional shares into whole shares. The rights and privileges of the holders of shares of common stock will be substantially unaffected by the Reverse Stock Split. All options, warrants and convertible securities of the Company outstanding immediately prior to the Reverse Stock Split (to the extent they don't provide otherwise) will be appropriately adjusted by dividing the number of shares of common stock into which the options, warrants and convertible securities are exercisable or convertible by 20 and multiplying the exercise or conversion price thereof by 20, as a result of the Reverse Stock Split.



## **ITEM Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.** Management's Discussion and Analysis of Financial Condition and Results of Operations

### **Forward-Looking Statements**

The following management's discussion and analysis should be read in conjunction with our historical the Company's consolidated financial statements and the related notes thereto. The management's discussion presented herein. In addition to historical information, the following Management's Discussion and analysis contain Analysis of Financial Condition and Results of Operations contains forward-looking statements such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect" and the like, and/or future tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to involve risks and uncertainties, including those under "Risk Factors" in our Annual Report filed with the SEC on April 14, 2023, as updated in subsequent filings we have made with the SEC that uncertainties. Actual results could cause actual results or events to differ materially significantly from those expressed, or implied by the forward-looking statements. Our actual results and the timing of events could differ materially from those or anticipated in these forward-looking statements as a result of several factors. We do not undertake certain factors discussed herein and any obligation other periodic reports filed and to update forward-looking statements to reflect events or circumstances occurring after be filed with the date of this Quarterly Report.

### **Basis of Presentation**

The following discussion highlights our results of operations Securities and the principal factors that have affected our financial condition as well as our liquidity and capital resources for the periods described, and provides information that management believes is relevant for an assessment and understanding of the statements of financial condition and results of operations presented herein. The following discussion and analysis are based on our unaudited financial statements contained in this Quarterly Report, which we have prepared in accordance with United States generally accepted accounting principles. You should read the discussion and analysis together with such financial statements and the related notes thereto. Exchange Commission. See "Cautionary Note Regarding Forward Looking Statement."

### **Overview**

We were originally incorporated under the laws of the state of Nevada in August 1992. On October 9, 2020, we entered into a share exchange agreement (the "Share Exchange Agreement") with BVI Wetouch and all the shareholders of BVI Wetouch, to acquire all the issued and outstanding capital stock of BVI Wetouch in exchange for the issuance to such shareholders an aggregate of 28 million shares of our common stock (the "Reverse Merger"). The Reverse Merger closed on October 9, 2020. Immediately after the closing of the Reverse Merger, we had a total of 1,569,820 issued and outstanding shares of common stock. As a result of the Reverse Merger, BVI Wetouch is now our wholly-owned subsidiary.

On July 16, 2023, the Company's board of directors approved a reverse stock split of the Company's common stock at a ratio of 1-for-20. On July 16, 2023, the Company filed a certificate of change (with an effective date of July 16, 2023) with the Nevada Secretary of State pursuant to Nevada Revised Statutes 78.209 to effectuate a 1-for-20 reverse stock split of its outstanding common stock. On September 11, 2023, the Company received notice from FINRA/OTC Corporate Actions the reverse split would take effect at the open of business on September 12, 2023, Through our wholly-owned subsidiaries, BVI Wetouch, HK Wetouch, Sichuan Wetouch, and the reverse stock that split took effect on that date. All share information included in this Quarterly Report has been reflected as if the reverse stock split occurred as of the earliest period presented.

We Sichuan Vtouch, we are engaged in the research, development, manufacturing, sales and servicing of medium to large sized projected capacitive touchscreens, which constitutes our source of revenues through BVI Wetouch, which owns Hong Kong Wetouch, HK Wetouch, Sichuan Wetouch and Sichuan Vtouch. revenues. We are specialized in large-format touchscreens, which are developed and designed for a wide variety of markets and used in by the financial terminals, automotive, point of sale (POS), POS, gaming, lottery, medical, human machine interface (HMI), HMI, and other specialized industries. Our product portfolio comprises medium to large sized projected capacitive touchscreens ranging from 7.0 inch to 42 inch screens. In terms of the structures of touch panels, we offer (i) Glass-Glass ("GG"), primarily used in GPS/car entertainment panels in mid-size and luxury cars, industrial HMI, financial and banking terminals, POS and lottery machines; (ii) Glass-Film-Film ("GFF"), mostly used in high-end GPS and entertainment panels, industrial HMI, financial and banking terminals, lottery and gaming industry; (iii) Plastic-Glass ("PG"), typically adopted by touchscreens in GPS/entertainment panels motor vehicle GPS, smart home, robots and charging stations; and (iv) Glass-Film ("GF"), mostly used in industrial HMI. The following discussion

On July 16, 2023, the Company's board of directors approved a reverse stock split of the Company's common stock at a ratio of 1-for-20. On July 16, 2023, the Company filed a certificate of change (with an effective date of July 16, 2023) with the Nevada Secretary of State pursuant to Nevada Revised Statutes 78.209 to effectuate a 1-for-20 reverse stock split of its outstanding common stock. On September 11, 2023, the Company received a notice from FINRA/OTC Corporate Actions the reverse split would take effect at the open of business on September 12, 2023, and analysis pertain financial condition and results the reverse stock that split took effect on that date. All share information included in this Quarterly Report has been reflected as if the reverse stock splits occurred as of operations the earliest period presented.

Construction of our subsidiaries Hong Kong Wetouch, HK Wetouch, Sichuan Wetouch and Sichuan Vtouch for the quarter ended September 30, 2022, new facility

## Effects of COVID-19

The COVID-19 pandemic and resulting global disruptions have affected our businesses, as well as those been actively engaged in the construction of our customers new production facilities and suppliers. To serve our customers while also providing for office buildings in Chengdu Medicine City (Technology Park), Wenjiang District, Chengdu, Sichuan Province, Peoples's Republic of China since the safety summer of our employees and service providers, we have modified numerous aspects of our logistics, transportation, supply chain, purchasing, and after-sale processes. Beginning in Q1 2020, we made numerous process updates across our operations worldwide, and adapted our fulfillment network, to implement employee and customer safety measures, such as enhanced cleaning and physical distancing, personal protective gear, disinfectant spraying, and temperature checks. We will continue to prioritize employee and customer safety and comply with evolving state and local standards as well as to implement standards or processes that we determine to be in the best interests of our employees, customers, and communities.2023.

Due to the COVID-19 pandemic, our subsidiary Sichuan Wetouch was temporarily shut down from early February 2020 to early March 2020 in accordance with the requirement of the local governments. Our business was negatively impacted and generated lower revenue and net income in 2020.

Commencing in the spring of 2021, China began to experience an increase in COVID-19 cases, and to some extent, local governments and the national government began to take more restrictive measures to stem the spread of the virus, particularly from October 2021 to December 2021 and various periods in 2022. Since December 2022, many of the restrictive policies previously adopted by the PRC government to control the spread of COVID-19 have been revoked or replaced with more flexible measures. Although there were occasional increases in COVID-19 cases in China after the government abandoned its restrictive policies, as As of the date of this Quarterly Report, our PRC subsidiary we estimate to finish the building construction by the end of 2024 and commence production in the third quarter of 2025,

During the three months ended March 31, 2024, the Company has resumed normal operations. There are still uncertainties planned to increase the scope of future impact facility construction by adding a touch machine construction area, to be completed by the end of the COVID-19 pandemic, and the extent of the impact will depend on a number of factors, including the duration and severity of the pandemic; and the macroeconomic impact of government measures to contain the spread of COVID-19 and related government stimulus measures.2024.

**Highlights for the three-month period ended September 30, 2023 March 31, 2024 include:**

- Revenues were \$11.1 million \$14.9 million, a decrease an increase of 4.3% 11.2% from \$11.6 million \$13.4 million in the third first quarter of 2022 2023
- Gross profit was \$4.8 million \$3.3 million, a decrease of 5.9% 45.0% from \$5.1 million \$6.0 million in the third first quarter of 2022 2023
- Gross profit margin was 42.9%, 22.4% as compared to 43.6% 45.0% in the third first quarter of 2022 2023
- Net income was \$2.9 million \$0.6 million, compared to \$3.3 million a decrease of 78.6% from \$2.8 million in the third first quarter of 2022 2023
- Total volume shipped was 557,503 681,370 units, a decrease an increase of 2.6% 7.3% from 572,241 635,276 units in the third first quarter of 2022 2023

## Results of Operations

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

(in US Dollar millions, except percentage)	Three-Month Period Ended September 30,			Nine-Month Period Ended September 30,			Change %
			Change			Change	
	2023	2022	%	2023	2022	%	
Revenues	\$ 11.1	\$ 11.6	(4.3)%	\$ 37.3	\$ 35.4	5.4%	
Cost of revenues	(6.3)	(6.6)	(4.5)%	(20.2)	(20.9)	(3.3)%	
Gross profit	4.8	5.1	(5.9)%	17.1	14.4	21.3%	
Total operating expenses	(0.5)	(0.3)	66.7%	(2.4)	(2.2)	9.1%	
Operating income	4.3	4.7	(8.5)%	14.7	12.2	20.5%	
Loss on changes of fair values of Common Stock Purchase Warrant	(0.2)	(0.2)	0.0%	(0.1)	0.0	N/A	
Income before income taxes	4.0	4.5	(11.1)%	14.4	12.2	18.0%	
Income tax expense	(1.1)	(1.2)	(8.3)%	(4.1)	(3.4)	20.6%	
Net income	<u>\$ 2.9</u>	<u>\$ 3.3</u>	<u>(12.1)%</u>	<u>\$ 10.3</u>	<u>\$ 8.8</u>	<u>17.0%</u>	

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	(in US Dollar millions, except percentage)		Three-Month Period		Change
			2024	2023	
	Revenues	\$ 14.9	\$ 13.4	11.2 %	
Cost of revenues		(11.6)	(7.4)	(56.7) %	
Gross profit		3.3	6.0	(45.0) %	
Total operating expenses		(1.0)	(1.7)	(41.1) %	
Operating income		2.3	4.3	(46.5) %	
Total other expenses		(1.1)	(0.1)	(1,000.0) %	
Interest expense		(1.2)	(0.0)	N/A	
Income before income taxes		1.2	4.2	(71.4) %	
Income tax expense		(0.6)	(1.4)	(57.1) %	
<b>Net income</b>	<b>\$ 0.6</b>	<b>\$ 2.8</b>		<b>(78.6) %</b>	

**Results of Operations - Three Months Ended September 30, 2023** **March 31, 2024** Compared to **Three Months Ended September 30, 2022** **March 31, 2023**

#### Revenues

We generated revenue of **\$11.1 million** **\$14.9 million** for the three months ended **September 30, 2023** **March 31, 2024**, a decrease an increase of **\$0.5 million** **\$1.5 million**, or **4.3%** **11.2%**, compared to **\$11.6 million** **\$13.4 million** in the same period of last year. This was mainly due to **5.7%** an increase of **7.3%** in sales volume, an increase of **8.5%** in the average selling price of our products, and partially offset by **5.1%** negative impact from exchange rate due to depreciation of RMB against US dollars, compared with that of the same period of last year.

	For the Three-Month Ended March 31,							
	2024		2023		Change		Change	
	Amount	%	Amount	%	Amount	%	Amount	%
(in US Dollar millions except percentage)								
Revenue from sales to customers in Mainland China	\$ 9.4	63.1 %	\$ 9.3	69.4 %	\$ 0.1	1.1 %		
Revenue from sales to customers overseas	5.5	36.9 %	4.1	30.6 %	1.4	34.1 %		
<b>Total Revenues</b>	<b>\$ 14.9</b>	<b>100 %</b>	<b>\$ 13.4</b>	<b>100 %</b>	<b>\$ 1.5</b>	<b>11.2 %</b>		
For the Three-Month Ended March 31,								
	2024		2023		Change		Change	
	Unit	%	Unit	%	Unit	%	Unit	%
(in UNIT, except percentage)								
Units sold to customers in Mainland China	432,050	63.4 %	414,518	65.3 %	17,532	4.2 %		
Units sold to customers overseas	249,320	36.6 %	220,758	34.7 %	28,562	12.9 %		
<b>Total Units Sold</b>	<b>681,370</b>	<b>100 %</b>	<b>635,276</b>	<b>100 %</b>	<b>46,094</b>	<b>7.3 %</b>		

#### (i) PRC Domestic Market

For the three months ended March 31, 2024, revenue from the PRC domestic market increased by **\$0.1 million**, or **1.1%**, as a decrease combined result of: (i) an increase of **2.6%** **4.2%** in sales volume and partially offset by (ii) an increase of **3.8%** **4.1%** in the average RMB selling price of our products, compared with those of the same period of last year.

	For the Three-Month Ended September 30,			
	2023		2022	
	Change	Change	Change	Change

	Amount	%	Amount	%	Amount	%
	(in US Dollar millions except percentage)					
Revenue from sales to customers in PRC	\$ 7.4	66.7 %	\$ 8.1	69.8 %	\$ (0.7)	(8.6)%
Revenue from sales to customers overseas	3.7	33.3 %	3.5	30.2 %	0.2	5.7 %
<b>Total Revenues</b>	<b>\$ 11.1</b>	<b>100 %</b>	<b>\$ 11.6</b>	<b>100 %</b>	<b>\$ (0.5)</b>	<b>(4.3)%</b>
<b>For the Three-Month Ended September 30,</b>						
	<b>2023</b>		<b>2022</b>		<b>Change</b>	<b>Change</b>
	<b>Unit</b>	<b>%</b>	<b>Unit</b>	<b>%</b>	<b>Unit</b>	<b>%</b>
	(in UNIT, except percentage)					
Units sold to customers in PRC	<b>365,623</b>	65.6 %	<b>390,542</b>	68.2 %	(24,919)	(6.4)%
Units sold to customers overseas	191,880	34.4 %	181,699	31.8 %	10,181	5.6 %
<b>Total Units Sold</b>	<b>557,503</b>	<b>100 %</b>	<b>572,241</b>	<b>100 %</b>	<b>(14,738)</b>	<b>(2.6)%</b>

(i) Domestic market

For the three months ended September 30, 2023, revenue from domestic market decreased and partially offset by \$0.7 million or 8.6% as a combined result of 5.7% 5.1% negative impact from exchange rate due to depreciation of RMB against US dollars, a decrease of 6.4% in sales volume due to the fluctuation of product demand for products such as POS touchscreens and industrial control touchscreens with increase of raw material costs and higher selling price, and partially offset by an increase of 2.3% in the average RMB selling price of our products. For example, our POS touchscreens had an increase of 16% of selling price due to the pricing control capability of the Company, compared with those that of the same period of last year.

As for the RMB selling price, the increase of 2.3% 4.2% was mainly due to the increased sales of new models of higher-end products such as POS medical touchscreens and industrial control computer touchscreens with higher selling prices in the PRC domestic market during the three-month period ended September 30, 2023 March 31, 2024.

The weakening in macroeconomic conditions since the outbreak of COVID-19 pandemic in January 2020 continued Due to exacerbate the touch screen business environment. Despite our proactive efforts to market new models such as POS touchscreens, medical touchscreens, and industrial control computer touchscreens, and efforts to obtain new customers and penetrate into new regions, our sales decreased increased by 6.0% in South China, 5.5% 16.9% in Southwest China, and 2.2% 11.0% in South China, partially offset by a decrease of 1.2% in East China and during the three-month period three months ended September 30, 2023 March 31, 2024.

(ii) Overseas market Market

For the three-month period ended September 30, 2023 March 31, 2024, revenues from the overseas market increased by 5.7% or \$0.2 million were \$5.5 million as compared to \$4.1 million of the same period of 2022, 2023, representing an increase by \$1.4 million, or 34.1%, mainly due to the an increase of 5.6% 12.9% in sales volume due to increased sales in industrial control computer touchscreens, automotive touchscreens and the gaming touchscreens, and an increase of 7.7% 18.1% in average selling price in RMB in gaming touchscreens and automotive touchscreens during the three-month period ended September 30, 2023.

these touchscreen products.

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

Product categories by end applications	Revenues For the Three-Month Ended March 31,						
	2024		2023		Change	Change	
	Amount	%	Amount	%	Amount	Margin%	
(in US Dollars, except percentage)							
Automotive Touchscreens	\$ 4,185,270	28.1 %	\$ 3,234,836	24.1 %	\$ 950,434	29.4 %	
Industrial Control Computer Touchscreens	2,847,660	19.2 %	2,672,250	19.9 %	175,410	6.6 %	
POS Touchscreens	2,114,099	14.2 %	2,066,774	15.4 %	47,325	2.3 %	
Gaming Touchscreens	2,172,475	14.6 %	1,911,297	14.2 %	261,178	13.7 %	
Medical Touchscreens	2,414,961	16.2 %	2,094,242	15.6 %	320,719	15.3 %	
Multi-Functional Printer Touchscreens	1,142,794	7.7 %	1,454,062	10.8 %	(311,268)	(21.4) %	
<b>Total Revenues</b>	<b>\$ 14,877,259</b>	<b>100.0 %</b>	<b>\$ 13,433,461</b>	<b>100.0 %</b>	<b>\$ 1,443,798</b>	<b>11.2 %</b>	
Revenues For the Three-Month Ended September 30,							
Product categories by end applications	2023		2022		Change	Change	
	Amount	%	Amount	%	Amount	Margin%	
	(in US Dollars, except percentage)						
Automotive Touchscreens	\$ 2,945,460	26.5 %	\$ 2,841,960	24.5 %	\$ 103,500	3.6 %	
Industrial Control Computer Touchscreens	2,297,924	20.7 %	2,609,467	22.5 %	(311,543)	(11.9) %	
POS Touchscreens	1,738,935	15.6 %	1,989,250	17.1 %	(250,315)	(12.6) %	
Gaming Touchscreens	1,742,589	15.7 %	1,578,004	13.5 %	164,585	10.4 %	
Medical Touchscreens	1,398,203	12.6 %	1,579,007	13.6 %	(180,804)	(11.5) %	
Multi-Functional Printer Touchscreens	1,000,494	9.0 %	1,024,278	8.8 %	(23,784)	(2.3) %	
Others*	-	0.0 %	1,052	0.0 %	(1,052)	(100.0) %	
<b>Total Revenues</b>	<b>\$ 11,123,605</b>	<b>100.0 %</b>	<b>\$ 11,623,018</b>	<b>100.0 %</b>	<b>\$ (499,413)</b>	<b>(4.3) %</b>	

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

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

The Company continued to shift production mix from traditional lower-end products to high-end products such as automotive touchscreens, used in control computer industries, medical touchscreens, gaming touchscreens, and automotive industrial control computer touchscreens, primarily due to (i) greater growth potential of computer screen models in China and overseas market, and (ii) the stronger demand and better quality demand from consumers' recognition of on higher-end touch screens made with better raw materials, materials and better quality.

#### Gross Profit and Gross Profit Margin

(in millions, except percentage)	Three-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
	\$ 4.8	\$ 5.1	\$ (0.3)	(5.9) %
Gross Profit				

Gross Profit Margin	42.9 %	43.6 %	(0.7) %
	Three-Month Period Ended March 31,		Change
(in millions, except percentage)	2024	2023	Amount %
Gross Profit	\$ 3.3	\$ 6.0	\$ (2.7) (45.0) %
Gross Profit Margin	22.4 %	45.0 %	(22.6) %

Gross profit was \$4.8 million \$3.3 million in the **third** first quarter ended **September 30, 2023** March 31, 2024, compared to \$5.1 million \$6.0 million in the same period of **2022** 2023. Our gross profit margin decreased to 42.9% 22.4% for the **third** first quarter ended **September 30, 2023** March 31, 2024, as compared to 43.6% 45.0% for the same period of **2022**, 2023, primarily due to the decrease of 4.3% in sales revenues and increase of 3.8% in cost of goods sold including by 56.7% resulting from the increase of 7.7% in labor costs of raw materials. Our cost and increase of 4.0% in the raw materials such as was increased by 66.9% due to (i) export controls imposed by U.S. Department of Commerce on advanced computing and semiconductor manufacturing to the People's Republic of China, and (ii) production under capacity of other raw materials during the first quarter of 2024 because of holiday season of Chinese Spring Festival.

The management has forecasted the procurement costs of the chip cost by 3.8%, despite and other categories of raw material will come to stabilize due to supplier production becoming normalized after the Company shifting our products to higher gross profit margin products such as automotive touchscreens and gaming touchscreens. second quarter of 2024.

#### Selling Expenses

(in millions, except percentage)	Three-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
Selling Expenses	\$ 0.3	\$ 0.2	\$ 0.1	50.0 %
as a percentage of revenues	2.7 %	1.7 %		1.0 %
(in US dollars, except percentage)	Three-Month Period Ended March 31,		Change	
	2024	2023	Amount	%
Selling Expenses	\$ 459,792	\$ 50,705	\$ 409,087	806.8 %
as a percentage of revenues	3.4 %	0.0 %		3.4 %

Selling expenses were \$0.3 million \$459,792 million for the three-month period ended **September 30, 2023** March 31, 2024, compared to \$0.2 million \$50,705 in the same period in **2022**, 2023, representing an increase of \$0.5 million. The increase was primarily due to the more marketing increase of \$0.3 million traveling expenses, incurred \$0.1 million logistic expenses to market our products and other miscellaneous selling expenses during the three months ended March 31, 2024.

#### General and Administrative Expenses

(in millions, except percentage)	Three-Month Period Ended March 31,		Change	
	2024	2023	Amount	%
General and Administrative Expenses	\$ 0.5	\$ 1.7	\$ (1.2)	(70.6) %
as a percentage of revenues	3.4 %	12.7 %		(9.3) %

General and administrative expenses were \$0.5 million for the three-month period ended **September 30, 2023** in order to market new models and penetrate into new regions.

## General and Administrative Expenses

(in millions, except percentage)	Three-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
General and Administrative Expenses	\$ 0.2	\$ 0.1	\$ 0.1	100.0 %
as a percentage of revenues	1.8 %	0.8 %		1.0 %

General and administrative (G&A) expenses were \$0.2 million for the quarter ended September 30, 2023 [March 31, 2024], compared to \$0.1 million \$1.7 million in the same period in 2022, 2023, representing a decrease of \$1.2 million, or 70.6%. The decrease was primarily due to \$0.1 million full payment of an accrued \$1.2 million private placement agent fees in professional fees and traveling expenses connection with a private placement during the third quarter three months ended March 31, 2023. The Company made the full payment in February, 2024. (see Note 8 of 2023. the accompanying financial statements).

## Research and Development Expenses

(in US dollars, except percentage)	Three-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
Research and Development Expenses	\$ 20,580	\$ 20,737	\$ (157)	(0.8)%
as a percentage of revenues	0.0%	0.0%		0.0%
Three-Month Period Ended March 31,				
(in US dollars, except percentage)	2024	2023	Change	
	\$ 42,738	\$ 20,885	\$ 21,853	104.6%
Research and Development Expenses				
as a percentage of revenues	0.0%	0.0%		0.0%

Research and development (R&D) expenses were \$20,580 \$42,738 for the quarter three-month period ended September 30, 2023, March 31, 2024 compared to \$20,737 \$20,885 in the same period in 2022, 2023, representing a decrease an increase of \$157 of \$21,853, which was due to an increase in material consumption.

## Operating Income

Total operating income was \$4.3 million \$2.3 million for the third quarter three-month period ended September 30, 2023, March 31, 2024 as compared to \$4.7 million for \$4.3 million of the same period of last year, primarily due to lower gross profit, margin and higher operating expenses. selling expenses, partially offset by lower general and administrative expenses for the three-month period ended March 31, 2024.

## Loss/Gain (loss) on changes in fair value of Common Stock Purchase Warrants

(in US\$ millions, except percentage)	Three-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
Loss on changes in fair value of Common Stock Purchase Warrants	\$ (0.2)	\$ (0.2)	\$ (0.0)	0.0%
as a percentage of revenues	1.8%	1.7%		0.1%
Three-Month Period Ended March 31,				
(in millions, except percentage)	2024	2023	Change	
	\$ 0.0	\$ (0.1)	\$ 0.1	(100.0)%
Gain (loss) on changes in fair value of common stock purchase warrants				
as a percentage of revenues	0.0%	0.7%		(0.7)%

### Loss

Gain on changes in fair value of common stock purchase warrants stayed the same as \$0.2 million for the three-month period ended September 30, 2023 and 2022, respectively. (See Note 9 (b)).

## Income Taxes

(in millions, except percentage)	Three-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
Income before Income Taxes	\$ 4.0	\$ 4.5	\$ (0.5)	(11.1)%
Income Tax (Expense)	(1.1 )	(1.2 )	0.1	(8.3)%
<i>Effective income tax rate</i>	<i>28.7%</i>	<i>27.3%</i>		<i>1.4 %</i>

The effective income tax rates for the three-month periods ended September 30, 2023 and 2022 were 28.7% and 27.3%, respectively.

## Net Income

As a result of the above factors, our net income March 31, 2024 was \$2.9 for the three-month period ended September 30, 2023, as \$7,821, compared to \$3.3 million in the same period \$97,602 of 2022.

## Results of Operations - Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

### Revenues

We generated revenue of \$37.3 million for the nine-month period ended September 30, 2023, an increase of \$1.9 million, or 5.4%, compared to \$35.4 million in the same period of last year. This was primarily due to an increase of 4.9% in sales volume, and an increase of 6.8% in the average RMB selling price of our products, and partially offset by 6.2% negative impact from exchange rate due to depreciation of RMB against US dollars, compared with those of the same period of last year.

	For the Nine-Month Ended September 30,					
	2023		2022		Change	Change
	Amount	%	Amount	%	Amount	%
(in US Dollar millions except percentage)						
Revenue from sales to customers in PRC	\$ 25.8	69.2 %	\$ 24.5	69.2 %	\$ 1.3	5.3 %
Revenue from sales to customers overseas	11.5	30.8 %	10.9	30.8 %	0.6	5.5 %
<b>Total Revenues</b>	<b>\$ 37.3</b>	<b>100 %</b>	<b>\$ 35.4</b>	<b>100 %</b>	<b>\$ 1.9</b>	<b>5.4 %</b>
For the Nine-Month Ended September 30,						
	2023	%	2022	%	Change	Change
	Unit	%	Unit	%	Unit	%
(in UNIT, except percentage)						
Units sold to customers in PRC	1,207,931	66.5 %	1,129,764	66.5 %	78,167	6.9 %
Units sold to customers overseas	574,988	33.5 %	569,144	33.5 %	5,844	1.0 %
<b>Total Units Sold</b>	<b>1,782,919</b>	<b>100 %</b>	<b>1,698,908</b>	<b>100 %</b>	<b>84,011</b>	<b>4.9 %</b>

### (i) Domestic market

For the nine-month period ended September 30, 2023, revenue from domestic market increased by \$1.3 million or 5.3%. This was primarily due to an increase of 6.9% in sales volume due to market demand for gaming touchscreen, and medical touchscreens, and an increase of 4.8% in the average RMB selling price of our products, and partially offset by 6.2% negative impact from exchange rate due to depreciation of RMB against US dollars, compared with those of the same period of last year.

As for the RMB selling price, the increase of 4.8% was mainly due to the increased sales of new models of higher-end products such as medical touchscreens, automotive touchscreens, POS touchscreens, industrial control computer touchscreens and gaming touch screens with higher selling prices in the domestic market during the three-month period ended September 30, 2023.

The weakening in macroeconomic conditions since the outbreak of COVID-19 pandemic in January 2020 continued to exacerbate the touch screen business environment. Due to our proactive efforts to market new models such as medical touchscreens, industrial control computer touchscreens, and POS touchscreens and efforts to obtain new customers and penetrate into new regions, we had sales increases of 20.5% in Southwest China, 10.4% in South China, and 8.3% in East China during the nine-month period ended September 30, 2023.

(ii) Overseas market

For the nine-month period ended September 30, 2023, revenues from overseas market were \$11.5 million as compared to \$10.9 million of the same period of 2022, an increase of \$0.6 million or 5.5% mainly due to the increase of 11.2% in average selling price, and increase of 1.0% in sales volume as a result of demand increasing from overseas market such as gaming touchscreens and automotive touchscreens for the nine-month period ended September 30, 2023.

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

	Revenues For the Nine-Month Ended September 30,						
	2023		2022		Change		Change
	Amount	%	Amount	%	Amount	Margin%	
(in US Dollars, except percentage)							
<b>Product categories by end applications</b>							
Automotive Touchscreens	\$ 9,390,350	25.2 %	\$ 8,759,635	24.8 %	\$ 630,715	7.2 %	
Industrial Control Computer Touchscreens	7,392,780	19.8 %	7,251,728	20.5 %	141,052	1.9 %	
POS Touchscreens	6,084,523	16.3 %	5,963,500	16.9 %	121,023	2.0 %	
Gaming Touchscreens	5,387,021	14.4 %	5,144,703	14.5 %	242,318	4.7 %	
Medical Touchscreens	5,380,498	14.4 %	4,627,854	13.1 %	752,644	16.3 %	
Multi-Functional Printer Touchscreens	3,696,326	9.9 %	3,618,124	10.2 %	78,202	2.2 %	
Others*	-	0.0 %	4,955	0.0 %	(4,955)	(100.0)%	
<b>Total Revenues</b>	<b>\$ 37,331,498</b>	<b>100.0 %</b>	<b>\$ 35,370,499</b>	<b>100.0 %</b>	<b>\$ (1,960,999)</b>	<b>5.4 %</b>	

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

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

**Gross Profit and Gross Profit Margin**

(in millions, except percentage)	Nine-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
Gross Profit	\$ 17.1	\$ 14.4	\$ 2.7	18.8%
Gross Profit Margin	45.7%	40.8%		4.9%

Gross profit was \$17.1 million during the nine-month period ended September 30, 2023, compared to \$14.4 million in the same period of 2022. Our gross profit margin increased to 45.7% for the nine-month period ended September 30, 2023 as compared to 40.8% for the same period of 2022, primarily due to the increase of sales by 5.4%, particularly high-end products such as medical touchscreens, automotive touchscreens, and gaming touchscreens for the nine-month period ended September 30, 2023, partially offset by the increase in cost of goods sold by 2.4% including increase of cost of materials such as chip cost by 2.6% and labor cost by 8.2%, for the nine-month period ended September 30, 2023.

### Selling Expenses

(in millions, except percentage)	Nine-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
Selling Expenses	\$ 0.4	\$ 1.2	\$ (0.8)	(66.7)%
<i>as a percentage of revenues</i>	3.6%	3.4%		0.2%

Selling expenses were \$0.4 million for the nine-month period ended September 30, 2023 compared to \$1.2 million in the same period in 2022, representing a decrease of 66.7%, or \$0.8 million, primarily due to the marketing expenses of \$1.0 million during the nine-month months ended September 31, 2022 as the Company increased marketing expenses of \$1.0 million to promote Company's products, coping with the extreme local and national government lockdown for restrictive measures for COVID-19. China started to revoke the restrictive policies previously adopted by the PRC government in late December 2022 by replacing with more flexible measures.

### General and Administrative Expenses

(in millions, except percentage)	Nine-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
General and Administrative Expenses	\$ 1.9	\$ 0.9	\$ 1.0	111.1%
<i>as a percentage of revenues</i>	5.1%	2.5%		2.6%

General and administrative (G&A) expenses were \$1.9 million for the nine-month period ended September 30, 2023, compared to \$0.9 million in the same period in 2022, representing an increase of 111.1%, or \$1.0 million. The increase was primarily due to the increase of accrued \$1.2 million underwriting fees in connection with a private placement, partially offset by the decrease of \$0.2 million in salary and wages and other miscellaneous expenses. On March 18, 2023, the Company entered into a consent agreement with representatives related to the private placement on the fees of US\$1.2 million, payable only on the completion of an underwritten offering (see Note 8).

### Research and Development Expenses

(in US dollars, except percentage)	Nine-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
Research and Development Expenses	\$ 61,849	\$ 65,307	\$ (3,458)	(5.3)%
<i>as a percentage of revenues</i>	0.0%	0.0%		0.0%

Research and development (R&D) expenses were \$61,849 for the nine-month period ended September 30, 2023 compared to \$65,307 in the same period in 2022.

### Operating Income

Total operating income was \$14.7 million for the nine-month period ended September 30, 2023 as compared to \$12.2 million of the same period of last year due to higher gross profit and lower selling expenses, partially offset by higher G&A expenses.

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

(in millions, except percentage)	Nine-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
Gain (loss) on changes in fair value of Common Stock Purchase Warrants	\$ (0.2)	\$ 0.0	\$ (0.2)	N/A
<i>as a percentage of revenues</i>	1.8 %	0.0 %		1.8 %

Loss on changes in fair value of common stock purchase warrants was \$0.2 million for in 2023.

(See Note 9 (b) of the nine-month accompanying financial statements).

### Interest Expenses

(in millions, except percentage)	Three-Month Period Ended March 31,		Change	
	2024	2023	Amount	%
Interest Expenses	\$ 1.2	\$ 0.0	\$ 1.2	N/A
<i>as a percentage of revenues</i>	8.1 %	0.0 %		8.1 %

For the three-month period ended September 30, 2023, as compared to a gain March 31, 2024 and 2023, the Company recognized interest expenses of \$35,542 convertible promissory notes in the same period amount of 2022 (See \$1,169,974 (mainly the default interest charges of \$1,145,995 upon the repayment of the notes payable) and \$33,399, respectively. (See Note 9 (b)) (a) of the accompanying financial statements).

### Income Taxes

(in millions, except percentage)	Nine-Month Period Ended September 30,		Change	
	2023	2022	Amount	%
Income before Income Taxes	\$ 14.4	\$ 12.2	\$ 2.2	18.0 %
Income Tax (Expense)	(4.1)	(3.4)	(0.7)	20.6 %
<i>Effective income tax rate</i>	28.5 %	27.9 %		0.6 %

(in millions, except percentage)	Three-Month Period Ended March 31,		Change	
	2024	2023	Amount	%
Income before Income Taxes	\$ 1.2	\$ 4.2	\$ (3.0)	(71.4) %
Income Tax (Expense)	(0.6)	(1.4)	0.8	(57.1) %
<i>Effective income tax rate</i>	25.4 %	33.5 %		5.4 %

The effective income tax rates for the nine-month periods ended September 30, 2023 and 2022 were 28.5% and 27.9%, respectively. The effective income tax rate for the nine-month three-month period ended September 30, 2023 increase was primarily due to more taxable income for the nine-month periods ended September 30, 2023. March 31, 2024 and 2023 were 25.4% and 33.5%, respectively.

Our PRC subsidiary Sichuan Vtouch had \$93.9 million of cash and cash equivalents of September 30, 2023, which are planned to be indefinitely reinvested in PRC. The distributions from our PRC subsidiary are subject to the U.S. federal income tax at 21%, less any applicable foreign tax credits. Due to our policy of indefinitely reinvesting our earnings in our PRC business, we have not provided for deferred income tax liabilities related to PRC withholding income tax on undistributed earnings of our PRC subsidiaries. *Net Income*

### Net Income

As a result of the above factors, we had a net income of **\$10.3 million** **\$0.6 million** in the **nine-month period ended September 30, 2023** **first quarter of 2024** compared to a net income of **\$8.8 million** **\$2.8 million** in the same **period** **quarter** of **2022.2023.**

#### ***Liquidity and Capital Resources***

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

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

As of September 30, 2023 March 31, 2024, we had current assets of \$109.1 million \$110.0 million, consisting of \$93.9 million \$94.8 million in cash, \$13.9 million \$10.9 million in accounts receivable, \$0.2 million in inventories, and \$1.0 million \$4.1 million in prepaid expenses and other current assets. Our current liabilities as of September 30, 2023, March 31, 2024 were \$7.3 million \$2.2 million, which is comprised of \$1.5 million \$0.6 million in accounts payable, \$3.1 million \$0.4 million in accrued expenses, \$1.1 million loan from a third party, \$0.6 million in income tax payable, \$0.6 million in accrued expenses and other current liabilities and \$1.2 million convertible promissory notes payable, liabilities.

The following is a summary of our cash flows provided by (used in) operating, investing, and financing activities for the nine-month period three-month periods ended September 30, 2023 March 31, 2024 and 2022:2023:

(in US Dollar millions)	Nine-Month Period Ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 9.0	\$ 4.8
Net cash provided by investing activities	-	-
Net cash used in financing activities	39.9	-
Effect of foreign currency exchange rate changes on cash and cash equivalents	(6.2)	(5.4)
Net increase (decrease) in cash and cash equivalents	42.7	(0.6)
Cash and cash equivalents at the beginning of period	51.2	46.1
Cash and cash equivalents at the end of period	\$ 93.9	\$ 45.5
Three-Month Period Ended March 31,		
(in US Dollar millions)	2024	2023
	\$ (9.2)	\$ 2.7
Net cash (used in) provided by operating activities	\$ (0.1)	-
Net cash used in investing activities	7.5	40.0
Net cash provided by financing activities	(1.4)	(0.7)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3.2)	42.0
Net (decrease) increase in cash and cash equivalents	98.0	51.3
Cash and cash equivalents at the beginning of period	\$ 94.8	\$ 93.3
Cash and cash equivalents at the end of period	\$ 94.8	\$ 93.3

#### Operating Activities

Net cash provided by used in operating activities was \$9.0 million \$9.2 million for the nine-month period three months ended September 30, 2023, March 31, 2024 as compared to \$4.8 million used in \$2.7 million provided by operating activities for the same period of the last year, primarily due to (i) the increase decrease of \$1.5 million \$2.2 million net income for the nine-month period three months ended September 30, 2023 March 31, 2024 as compared to the same period of 2022, 2023, (ii) the increase decrease of \$0.2 million loss \$0.1 million gain on changes of FV fair value of common stock purchase warrants for the nine-month period three months ended September 30, 2023; March 31, 2024, (iii) the decrease increase of \$1.8 million of accounts receivable for the nine-month period ended September 30, 2023 due to faster collection of receivables, \$0.2 million in inventories, and \$3.4 million in prepaid and other current assets, (iv) the decrease of \$0.4 million \$0.8 million in inventories, (v) the increase of \$1.8 million of accounts payable, \$0.7 million in income tax payable, and \$4.5 million in accrued expenses and other current liabilities, for the nine-month period ended September 30, 2023, partially offset by (vi) (v) the decrease of \$0.4 million in \$0.5 million in account payable, and (vii) the increase of \$0.8 million in prepaid expenses and other current assets accounts receivable for the nine-month period three months ended September 30, 2023 March 31, 2024.

#### Investing Activities

There were nil Net cash used in investing activities for nine-month the three-month period ended September 30, 2023 March 31, 2024 was \$0.1 million for the purchase of property, plant and equipment.

There was no cash flow in investing activities for the three-month period ended March 31, 2023.

### **Financing Activities**

Net cash provided by financing activities for the nine-month period three months ended September 30, 2023 March 21, 2024 was \$7.5 million, including \$9.0 million in net proceeds from the 2024 Public Offering, partially offset by \$1.4 million repayment of convertible promissory notes, and \$82,864 repayment of interest-free advances to a third party.

Net cash provided by financing activities for the three months ended March 31, 2023 was \$40.0 million, due to the including \$40.0 million in proceeds from stock issuance in a private placement, and \$86,735 in proceeds from interest-free advances from a third party, partially offset by the repayment of \$55,000 \$35,000 convertible promissory note payable.

There were nil financing activities for the September 30, 2022.

As of September 30, 2023 March 31, 2024, our cash and cash equivalents were \$93.9 million \$94.8 million, as compared to \$51.2 million \$98.0 million at December 31, 2022 December 31, 2023.

Days Sales Outstanding (“DSO”) has decreased to 83 56 days for the nine-month three-month period ended September 30, 2023 March 31, 2024 from 81 77 days for the year ended December 31, 2022 December 31, 2023.

The following table provides an analysis of the aging of accounts receivable as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
-Current	\$ 6,473,561	\$ 1,252,152
-1-3 months past due	5,527,382	4,998,596
-4-6 months past due	1,930,839	2,806,973
7-12 months past due	-	20
-greater than 1 year past due	-	-
<b>Total accounts receivable</b>	<b>\$ 13,931,782</b>	<b>\$ 9,057,741</b>
<b>December</b>		
	<b>March 31, 2024</b>	<b>31 2023</b>
-Current	\$ 4,561,092	\$ 3,740,488
-1-3 months past due	5,925,002	2,635,045
-4-6 months past due	451,746	1,079,719
<b>Total accounts receivable</b>	<b>\$ 10,937,840</b>	<b>\$ 7,455,252</b>

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

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

## Holding Company Structure

There have been no changes to the Company's holding company structure during the three months ended March 31, 2024. For more details, refer to the Company's holding company structure disclosures set forth in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations- Holding Company Structure" of the 2023 Form 10-K.

## Cash and Other Assets Transfers between the Holding Company and Its Subsidiaries

Please see "ITEM 7- Management's Discussion and Analysis of Financial Condition and Results of Operations- Cash and Other Assets Transfers between the Holding Company and Its Subsidiaries" of the 2023 Form 10-K for more details.

## Commitments and Contingencies

### Contingencies

The Company's common stock began trading on the Nasdaq Capital Market under the ticker symbol "WETH" on February 21, 2024. The Company failed to timely complete the filing procedures with China Securities Regulatory Commission ("CSRC") on overseas initial public offering and transfer of listing as regulated below:

- 1) Per Article 13 and Article 8 and Article 25 of CSRC Announcement (2023) No. 43 -Trial Measures for the Administration of Overseas Issuance and Listing of Securities for Domestic Enterprises" ("Trial Measures" Announcement No. 43), which was implemented on March 31, 2023 ( <http://www.csac.gov.cn/csrc/c101954/c7124478/content.shtml>), when an issuer conducts an overseas initial public offering or listing, it shall submit overseas issuance and listing application documents to CSRC within three working days; When a domestic enterprise transfers its listing overseas, it shall comply with the requirements of the overseas first public listing requirements for issuance and listing, and shall file with the CSRC within 3 working days, after its submitting application documents for transfer and listing overseas.
- 2) Article 27 of Trial Measures Announcement No. 43 stipulates that if a domestic enterprise violates the provisions of Article 13 of these Measures and fails to perform the filing procedures, or violates the provisions of Articles 8 and 25 of these Measures for overseas issuance and listing, CSRC shall order it to make corrections and give a warning, and impose a fine of not less than RMB 1 million but not more than RMB 10 million.

As of the date of this Quarterly Report, the Company has not received any notice of penalty from the CSRC. Management will closely monitor any notice or action from CSRC.

## Capital Expenditure Commitment

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

## Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

## ITEM Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with GAAP and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions and estimates that affect the amounts reported. Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q and in the Notes to Consolidated Financial Statements in Part II, Item 8 of the 2023 Form 10-K describe the significant accounting policies and methods used in the preparation of the Company's condensed consolidated financial statements. There have been no material changes to the Company's critical accounting estimates since the 2023 Form 10-K.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable because we are a for smaller reporting company.companies.

## ITEM Item 4. Controls and Procedures.

### Evaluation of Disclosure Controls and Procedures

We maintain Under supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (our "Certifying Officers"), we evaluated the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals

under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (Act) as of the end of the period covered by this report, March 31, 2024. Based upon that evaluation, our Chief Executive Officer and subject to the foregoing, our principal executive officer and principal financial officer Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2023 due to March 31, 2024, as a result of the material weaknesses weakness identified below.

In light of this material weakness, we performed additional analysis as deemed necessary to ensure that our financial statements were prepared in accordance with U.S. GAAP. Based on such analysis and notwithstanding the identified material weakness, management, including our Chief Executive Officer and Chief Financial Officer, believe the unaudited condensed consolidated financial statements included in this Quarterly Report fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

### **Material Weakness**

In connection with the audit of the financial year ended December 31, 2023, we identified certain control deficiencies in the design and operation of our internal controls over our financial reporting that constituted a material weakness in aggregation. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, described below. Because such that there is a reasonable possibility that a material misstatement of our limited operations, company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses related to internal control over financial reporting that was identified during the annual report of 2023 and still applied as of March 31, 2024 were:

- Inadequate segregation of duties consistent with control objectives;
- Lack of formal policies and procedures; and
- Lack of risk assessment procedures on internal controls to detect financial reporting risks on a timely manner.

As a result, we have a limited number of employees which prohibits were not able to achieve adequate segregation of duties.

As we grow duties and expand were not able to provide for adequate review of the financial statements.

### **Management's Plan to Remediate the Material Weakness**

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

- engaged with a third-party financial consulting firm during the year to assist with the preparation of SEC reporting;
- Identify gaps in our skills base and the expertise of our staff required to meet the financial reporting requirements of a public company;
- Continue to develop policies and procedures on internal control over financial reporting and monitor the effectiveness of operations on existing controls and procedures;
- Hire an assistant financial controller familiar with US GAAP and understand English.

**During the first quarter of 2024, the management has not addressed the material weaknesses on internal control and will continue to implement the above improvement plans to ensure our operations we financial reporting in compliance with US GAAP and SEC filing requirements.**

The Company recognizes that the material weaknesses in its internal control over financial reporting will engage additional employees not be considered remediated until the remediated controls operate for a sufficient period of time and experts as needed. However, there can be no tested and concluded by management to be designed and operating effectively. Because the Company's remediation efforts are ongoing, it cannot provide any assurance that our operations these remediation efforts will expand be successful or that its internal control over financial reporting will be effective as a result of these efforts.

The Company will continue to evaluate and work to improve its internal control over financial reporting related to the identified material weaknesses, and management may determine to take additional measures to address control deficiencies or determine to modify the remediation plan described above. The Company will report the progress and status of the above remediation efforts to the Audit Committee on a periodic basis.

### **Changes in Internal Control Over Financial Reporting**

There were As described above, the Company is taking steps to remediate the material weakness noted above. Other than in connection with these remediation steps, there have been no changes in our internal control over financial reporting that occurred during the period covered by this report quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION- Other Information

### ITEM Item 1. LEGAL PROCEEDINGS.Legal Proceedings.

From time to time, the Company is a party we may be subject to various other legal actions proceedings arising in the ordinary course of business. Regardless of the outcome of any existing or future litigation, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

*The Company accrues costs associated information required with these matters when they become probable and the amount respect to this item can be reasonably estimated. Legal costs incurred found under “Commitments and Contingencies” in Note 12 to our condensed consolidated financial statements included elsewhere in this Form 10-Q and is incorporated by reference into this Item 1.*

#### Item 1A. Risk Factors.

Except for the additional risk factors set forth below, there have been no material changes to our Risk Factors as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on April 17, 2024.

**We may incur material expenses or delays in financings or SEC filings due to the dismissal of BF Borgers and our stock price and access to the capital markets may be affected.**

As a public company, we are required to file with the SEC financial statements that are audited or reviewed, as applicable, by an independent registered public accountant. Our access to the capital markets and our ability to make timely filings with the SEC will depend on having financial statements audited or reviewed again by a new independent registered public accounting firm. In addition, because the SEC found that BF Borgers CPA PC deliberately failed to conduct audits and quarterly reviews in accordance with applicable PCAOB standards and fraudulently issued audit reports, we will not be able to rely on BF Borgers (as defined herein) to provide other information or documents that would customarily be received by us or underwriters in connection with loss contingencies financings or other transactions, including consents and “comfort” letters. As a result, we may encounter delays, additional expense and other difficulties in future financings. Any resulting delay in accessing or inability to access the public capital markets could be disruptive to our operations and could affect the price and liquidity of our securities. Any negative news about the proceedings against BF Borgers may also adversely affect investor confidence in companies that were previous clients of BF Borgers. All of these factors could materially and adversely affect the market price of our common stock and our ability to access the capital markets.

**You are expensed unlikely to be able to exercise effective remedies or collect judgments against BF Borgers relating to their work as incurred, our independent registered public accounting firm.**

BF Borgers served as our independent registered public accounting firm from 2020 to 2023. On May 3, 2024, the SEC entered an order instituting settled administrative and cease-and-desist proceedings against BF Borgers CPA PC (“Borgers”) and its sole audit partner, Benjamin F. Borgers CPA, permanently, barring Mr. Borgers and Borgers (collectively, “BF Borgers”) from appearing or practicing before the Commission as an accountant (the “Order”). As a result of September 30, 2023, we know the Order, BF Borgers may no longer serve as the Company’s independent registered public accounting firm, nor can BF Borgers issue any audit reports included in Commission filings or provide consents with respect to audit reports. In light of no material, active, pending or threatened proceeding against us or our subsidiaries, nor are we, or any subsidiary, involved as a plaintiff or defendant in any material proceeding or pending litigation.

#### **ITEM 1A. RISK FACTORS.**

Not required for smaller reporting companies.

#### **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.**

During the three months ended September 30, 2023, there were no modifications, adoptions or terminations by any directors or officers to any contract, instruction or written plan for Order, the purchase or sale Audit Committee of securities the Board of Directors of the Company (the “Audit Committee”) on May 9, 2024, unanimously approved to dismiss and dismissed BF Borgers as the Company’s independent registered public accounting firm and approved the engagement of Enrome LLP to serve as the Company’s new independent registered public accounting firm. The management has also decided to redo the annual audit for the year of 2023 by the end of 2024. We have no ability to ascertain whether BF Borgers will survive or that is intended adequate assets will be available to satisfy any claims against it. As a result, you may not be able to exercise effective remedies or collection judgements against BF Borgers.

**We may be subject to fines and penalties imposed by the affirmative defense conditions Chinese government for having failed to complete the filing obligations required by the Trial Administrative Measures.**

On February 17, 2023, the China Securities Regulatory Commission (the “CSRC”) promulgated the Trial Administrative Measures of Rule 10b5-1(c) Overseas Securities Offering and Listing by Domestic Companies (the “Trial Administrative Measures”), which took effect on March 31, 2023. Compared to the Draft Rules, the Trial Administrative Measures further clarified and emphasized several aspects, including: (i) comprehensive determination of the “indirect overseas offering and listing by Mainland China domestic companies” in compliance with the principle of “substance over form” and particularly, an issuer will be required to go through the filing procedures under the Trial Administrative Measures if the following criteria are met at the same time: a) 50% or non-Rule 10b5-1 trading agreements, more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by Mainland China domestic companies, and b) the main parts of the issuer’s business activities are conducted in Mainland China, or its main places of business are located in Mainland China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in Mainland China; (ii) exemptions from immediate filing requirements for issuers that a) have already been listed or registered but not yet listed in foreign securities markets, including U.S. markets, prior to the effective date of the Trial Administrative Measures, and b) are not required to re-perform the regulatory procedures with the relevant overseas regulatory authority or the overseas stock exchange, c) whose such overseas securities offering or listing shall be completed before September 30, 2023. However, such issuers shall carry out filing procedures as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC; (iii) a negative list of types of issuers banned from listing overseas, such as issuers under investigation for bribery and corruption; (iv) regulation of issuers in specific industries; (v) issuers’ compliance with national security measures and the personal data protection laws; and (vi) certain other matters such as: an issuer must file with the CSRC within three business days after it submits an application for initial public offering to competent overseas regulators; and subsequent reports shall be filed with the CSRC on material events, including change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. Our PRC counsel advised that because our common stock currently trades in the U.S., we were not required to submit filings to the CSRC before the Offering was completed and the Offering was not conditioned on CSRC approval. Rather, within three days of the closing of the Offering, we are required to submit filings to the CSRC in accordance with the Trial Administrative Measures. According to the relevant provisions of the Trial

Administrative Measures and its supporting guidelines, the Company was advised that it was required to fulfill the filing procedures with the CSRC within three days of the closing of the Offering. According to the Trial Administrative Measures, the Company has submitted the filing materials to the CSRC, but the materials were not complete due to lack of a commitment letter from the lead underwriter for the Offering, and the Company withdrew the filing from the CSRC.

On May 7, 2024, the CSRC issued the “Regulatory Rules Application Guidelines, Category 7 for Overseas Issuance and Listing: Regulatory Requirements for Domestic Enterprises Transferring from Overseas OTC Markets to Overseas Stock Exchanges for Overseas Issuance and Listing.” The CSRC stated that, according to Articles 1 and 2 of the Trial Administrative Measures, overseas issuance and listing refer to activities related to issuing and listing on overseas stock exchanges, and the listing of domestic enterprises on overseas OTC markets does not fall within the scope of filing requirements. Article 16 of the Trial Administrative Measures stipulates that “an issuer’s initial public offering or listing overseas shall be filed with the CSRC within three working days after the submission of the application documents for issuance and listing overseas”; domestic enterprises transferring to overseas stock exchanges for listing should file with the CSRC within three working days after submitting the application documents for transfer listing overseas, in accordance with the relevant requirements for the initial public offering and listing overseas. Additionally, according to the “Notice on Filing Management Arrangements for Domestic Enterprises’ Overseas Issuance and Listing,” Mainland China domestic enterprises that submitted transfer listing application documents overseas but have not been approved by overseas regulatory authorities or overseas stock exchanges by March 31, 2023, the effective date of the Trial Administrative Measures, should complete the filing procedures before the overseas listing transfer is completed.

The CSRC has determined that we have failed to comply with the filing obligations imposed by the Trial Administrative Measures. As of the date of this Quarterly Report, the Company has not received any notice of penalty from the CSRC. Management will closely monitor any notice or action from CSRC. We have engaged a PRC counsel, KYHTLAW, to complete the required filings with the CSRC and will submit the filing materials when ready. However, given that the Trial Administrative Measures were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and there is no guarantee that we can complete our filing obligations under the Trial Administrative Measures within a reasonable time. Furthermore, if the CSRC determines that there are misrepresentation, misleading statement or material omission in the materials we submit to the CSRC, the CSRC would have the right to order rectification, issue a warning and impose a fine on us of between RMB 1 million and RMB 10 million and issuing a warning to the parties responsible for such failure, misrepresentation or material omission and impose a fine on each of such individuals ranging from RMB 500,000 to RMB 5 million. Our operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Except as previously reported in our Current Reports on Form 8-K, we did not undertake any unregistered sales of our equity securities during the quarter ended March 31, 2024.

During the quarter ended March 31, 2024, we did not repurchase any shares of our common stock.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

Not applicable.

**ITEM Item 6. EXHIBITS. Exhibits****Exhibit No.****Number****Description of Document**

31.1 31.1*	<u>Certification of The Principal Executive Officer pursuant Pursuant to Rule 13a-14(a) and Rule 15(d)-14(a) under the Securities Exchange Act Rules 13a-14(a) and 15d-14(a), of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2 31.2*	<u>Certification of The Principal Financial Officer pursuant Pursuant to Rule 13a-14(a) and Rule 15(d)-14(a) under the Securities Exchange Act Rules 13a-14(a) and 15d-14(a), of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1 32.1**	<u>Certifications Certification of The Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2 32.2**	<u>Certifications Certification of The Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS 101.INS*	Inline XBRL Instance Document Document.
101.SCH 101.SCH*	Inline XBRL Taxonomy Extension Schema Document Document.*
101.CAL 101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document Document.*
101.DEF 101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document Document.*
101.LAB 101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document Document.*
101.PRE 101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document Document.*
104 104*	Cover Page Interactive Data File (embedded within the (formatted as Inline XBRL document) and contained in Exhibit 101).*

\* Filed herewith

\*\* Furnished herewith

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(1) Filed as an exhibit to the Company's registration statement on Form S-1, File No. 333-270726 and incorporated herein by reference.

**SIGNATURES**  
**SIGNATURES**

Pursuant to In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: WETOUGH TECHNOLOGY INC.

/s/ Zongyi Lian

Date: November 14, 2023 June 14, 2024

By: /s/ Zongyi Lian

Name: Zongyi Lian

Title:

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

*(Principal Executive Officer)*

By:

/s/ Yuhua  
Huang

Date: November 14, 2023 June 14, 2024

By: /s/ Yuhua Huang

Name: Yuhua Huang

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

*(Principal Financial and  
Accounting Officer)*

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Exhibit 31.1

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
OF REGISTRANT PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002  
(RULE 13a-14(a) or 15d-14(a) OF THE EXCHANGE ACT)**

I, Zongyi Lian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wetouch Technology Inc.;
  1. I have reviewed this Quarterly Report on Form 10-Q of Wetouch Technology Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
  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 quarterly 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 quarterly report;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls (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 for the period in which this quarterly report is being prepared;

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;

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;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023 June 14, 2024

By: /s/ Zongyi Lian

Name: Zongyi Lian

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

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Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
OF REGISTRANT PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002  
(RULE 13a-14(a) or 15d-14(a) OF THE EXCHANGE ACT)**

I, Yuhua Huang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wetouch Technology Inc.;

1. I have reviewed this Quarterly Report on Form 10-Q of Wetouch Technology Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

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 quarterly 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 quarterly report;

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

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

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

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;

- 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;

- 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;

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

- 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, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: **November 14, 2023** **June 14, 2024**

By: **/s/ Yuhua Huang**

Name: **Yuhua Huang**

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

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Exhibit 32.1

**Exhibit 32.1**  
**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER**  
**PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF**  
**THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q the Quarterly Report of Wetouch Technology Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report" "Quarterly Report"), I, Zongyi Lian, Chief Executive Officer and Principal Executive Officer of the undersigned, in the capacity and on the date indicated below, Company, do hereby certifies certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge: my knowledge, that:

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

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Securities Exchange Act.

Date: November 14, 2023 June 14, 2024

By:

/s/ Zongyi Lian

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Name: Zongyi Lian  
Title: Chief Executive Officer and President  
(Principal Executive Officer)

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A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

**Exhibit 32.2**  
**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER**  
**PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF**  
**THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q the Quarterly Report of Wetouch Technology Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report" "Quarterly Report"), I, Yuhua Huang, as Chief Financial Officer, Principal Financial and Accounting Officer of the undersigned, in the capacity and on the date indicated below, Company, do hereby certifies certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge: my knowledge, that:

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

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Securities Exchange Act.

Date: November 14, 2023 June 14, 2024

By:

/s/ Yuhua Huang

---

Name: Yuhua Huang  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

---

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

## DISCLAIMER

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