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

FORM 10-Q

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

For the quarterly period ended January 31, 2024

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

For the transition period from to

Commission File No. 001-41720

MAISON SOLUTIONS INC.
(Exact name of registrant as specified in its charter)

Delaware	**84-2498797**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

127 N Garfield Avenue
Monterey Park, California 91754
(Address of Principal Executive Offices, including zip code)

(626) 737-5888
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

As of March 13, 2024, the number of shares of Class A common stock, $0.0001 par value, outstanding was 17,450,476 shares, and the number of shares of Class B common stock, $0.0001 par value, outstanding was 2,240,000 shares.

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MAISON SOLUTIONS INC.
CONSOLIDATED BALANCE SHEETS

	January 31, 2024 (Unaudited)	April 30, 2023
ASSETS		
Current Assets		
Cash and equivalents	$ 9,406,626	$ 2,569,766
Accounts receivable	756,341	315,356
Accounts receivable - related parties	407,446	289,615
Inventories, net	3,020,220	2,978,986
Prepayments	20,000	1,547,243
Other receivables and other current assets	993,976	550,836
Other receivable - related parties	33,995	33,995
Total Current Assets	**14,638,604**	**8,285,797**
Restricted cash - non-current	1,101	1,101
Property and equipment, net	789,937	671,463
Intangible assets	3,071,463	197,329
Security deposits	457,491	457,491
Investment under cost method	75,000	—
Investment under cost method – related parties	203,440	203,440
Investment under equity method	1,736,018	—
Operating lease right-of-use assets, net	21,004,764	22,545,190
Goodwill	2,222,211	2,222,211
Total Assets	**$ 44,200,029**	**$ 34,584,022**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$ 1,654,221	$ 3,105,592
Accounts payable - related parties	492,480	465,310
Note payable	—	150,000
Current portion of loan payables	121,942	370,828
Accrued expenses and other payables	858,342	867,796
Contract liabilities	308,326	449,334
Other payables - related parties	241,585	241,585
Operating lease liabilities - current	1,850,310	1,761,182
Income taxes payable	1,069,281	961,034
Total Current Liabilities	**6,596,487**	**8,372,661**
Long-term loan payables	2,512,674	2,561,299
Security deposit from sub-tenants	111,314	105,637
Operating lease liabilities - non-current	21,309,934	22,711,760
Deferred tax liability, net	34,273	40,408

Total Liabilities	**30,564,682**	**33,791,765**
Commitment and contingencies (Note 17)		
Stockholders' Equity		
Class A Common stock, $0.0001 par value, 92,000,000 shares authorized; 17,450,476 and 13,760,000 shares issued and outstanding at January 31, 2024 and April 30, 2023, respectively	1,745	1,376
Class B Common stock, $0.0001 par value, 3,000,000 shares authorized; 2,240,000 shares issued and outstanding	224	224
Additional paid in capital	13,313,523	—
Retained earnings (accumulated deficit)	(39,718)	522,710
Total Maison Solutions, Inc. Stockholders' Equity	13,275,774	524,310
Noncontrolling interests	359,573	267,947
Total Stockholders' Equity	**13,635,347**	**792,257**
Total Liabilities and Stockholders' Equity	**$ 44,200,029**	**$ 34,584,022**

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

MAISON SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2024	**2023**	**2024**	**2023**
Net Revenues				
Supermarket	$ 13,598,479	$ 15,637,095	$ 41,116,998	$ 41,215,255
Total Revenues, Net	**13,598,479**	**15,637,095**	**41,116,998**	**41,215,255**
Cost of Revenues				
Supermarket	10,410,684	11,626,723	31,699,886	31,815,554
Total Cost of Revenues	**10,410,684**	**11,626,723**	**31,699,886**	**31,815,554**
Gross Profit	**3,187,795**	**4,010,372**	**9,417,112**	**9,399,701**
Selling Expenses	2,438,846	2,664,054	6,984,543	6,670,088
General and Administrative Expenses	1,056,118	1,394,570	2,702,660	2,649,419
Total Operating Expenses	3,494,964	4,058,624	9,687,203	9,319,507
(Loss) Income from Operations	**(307,169)**	**(48,252)**	**(270,091)**	**80,194**
Other Income, Net	898	1,277,741	383,949	1,321,533
Investment Loss from Equity Method Investment	(51,2024)	—	(63,982)	—
Interest Expense (Income), Net	(19,425)	76,052	(95,956)	15,705
Total Other Income (Expenses), Net	(69,731)	1,353,793	224,011	1,337,238
(Loss) Income Before Income Taxes	**(376,900)**	**1,305,541**	**(46,080)**	**1,417,432**
Income Tax Provisions	158,656	99,070	424,722	189,151
Net (Loss) Income	**(535,556)**	**1,206,471**	**(470,802)**	**1,228,281**
Net Income Attributable to Noncontrolling Interests	13,398	217,997	91,626	307,655
Net (Loss) Income Attributable to Maison Solutions Inc.	**$ (548,954)**	**$ 988,474**	**$ (562,428)**	**$ 920,626**
(Loss) Income per Share Attributable to Maison Solutions, Inc. - Basic and Diluted				
– Basic	**$ (0.03)**	**$ 0.06**	**$ (0.03)**	**$ 0.06**
– Diluted	**$ (0.03)**	**$ 0.06**	**$ (0.03)**	**$ 0.06**
Weighted Average Number of Common Stock Outstanding - Basic and Diluted				
– Basic	**19,405,797**	**16,000,000**	**17,334,541**	**16,000,000**
– Diluted	**19,435,915**	**16,000,000**	**17,347,630**	**16,000,000**

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

MAISON SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2024 AND 2023

(UNAUDITED)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at April 30, 2023	**13,760,000**	**$ 1,376**	**2,240,000**	**$ 224**	$ —	**$ 522,710**	**$ 267,947**	**$ 792,257**
Net (loss) income	—	—	—	—	—	(13,474)	78,228	64,754
Issuance of common stock	2,500,000	250	—	—	8,716,142	—	—	8,716,392
Balance at October 31, 2023	**16,260,000**	**$ 1,626**	**2,240,000**	**$ 224**	**$ 8,716,142**	**$ 509,236**	**$ 346,175**	**$ 9,573,403**
Net (loss) income	—	—	—	—	—	(548,954)	13,398	(535,556)
Issuance of common stock	1,190,476	119	—	—	4,597,381	—	—	4,597,500
Balance at January 31, 2024	**17,450,476**	**$ 1,745**	**2,240,000**	**$ 224**	**$13,313,523**	**$ (39,718)**	**$ 359,573**	**$ 13,635,347**

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Noncontrolling Interests	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance at April 30, 2022	**13,760,000**	**$ 1,376**	**2,240,000**	**$ 224**	$ —	**$ (729,093)**	**$ (119,551)**	**$ (847,044)**
Net (loss) income	—	—	—	—	—	(67,848)	89,658	21,810
Balance at October 31, 2022	**13,760,000**	**$ 1,376**	**2,240,000**	**$ 224**	**$ —**	**$ (796,941)**	**$ (29,893)**	**$ (825,234)**
Net income	—	—	—	—	—	988,474	217,997	1,206,471
Balance at January 31, 2023	**13,760,000**	**$ 1,376**	**2,240,000**	**$ 224**	**$ —**	**$ 191,533**	**$ 188,104**	**$ 381,237**

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

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

	Nine Months ended January 31,	
	2024	2023
Cash flows from operating activities		
Net (loss) income	$ (470,802)	$ 1,228,281
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization expenses	274,476	312,549
Bad debt reversal	(105,322)	—
Provision for inventory shrinkage reserve	(1,088)	29,479
Investment loss	63,982	—
Changes in deferred taxes	(6,135)	(8,229)
Changes in operating assets and liabilities:		
Accounts receivable	(440,985)	(880,952)
Accounts receivable - related party	(219,260)	85,981
Inventories	(40,147)	242,560
Prepayments	1,065,243	703,023
Other receivables and other current assets	124,182	(238,475)
Security deposits	—	5,654
Accounts payable	(1,451,371)	(1,290,541)
Accounts payable - related party	128,599	94,193
Accrued expenses and other payables	(9,454)	(156,804)
Contract Liabilities	(141,009)	(127,138)
Operating lease liabilities	227,728	149,489
Taxes payables	108,247	192,391
Other long-term payables	5,677	22,764
Net cash (used in) provided by operating activities	(887,439)	364,225
Cash flows from investing activities		
Payment for acquisition of subsidiary	—	(2,500,000)
Payment for leasehold improvement of the supermarket	(307,427)	—
Payments of equipment purchase	(9,656)	(24,185)
Payments of intangible assets purchase	(2,950,000)	—
Loans repaid from third parties	—	4,410,270
Investment into TMA Liquor Inc	(75,000)	—
Investment into HKGF Market of Arcadia, LLC	(1,800,000)	—
Net cash (used in) provided by investing activities	(5,142,083)	1,886,085
Cash flows from financing activities		
Bank overdraft	—	(281,941)
Repayments on loan payables	(297,510)	(261,923)
Repayments to related parties	—	(62,932)
Repayment of note payable	(150,000)	—
Borrowings from related parties	—	(34,600)
Net proceeds from issuance of common stock	13,313,892	—
Net cash provided by (used in) financing activities	12,866,382	(641,396)

Net changes in cash and restricted cash	6,836,860	1,608,914
Cash and restricted cash at the beginning of the period	2,570,867	972,431
Cash and restricted cash at the end of the period	$ 9,407,727	$ 2,581,345
Supplemental disclosure of cash and restricted cash		
Cash	$ 9,406,626	$ 2,580,244
Restricted cash	1,101	1,101
Total cash and restricted cash	$ 9,407,727	$ 2,581,345
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 81,369	$ 29,577
Cash paid for income taxes	$ 322,610	$ 8,481

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

1. Organization

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

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

- In July 2019, the Company purchased 91% of the equity interests in Good Fortune Supermarket San Gabriel, LP (“Maison San Gabriel”) and 85.25% of the equity interests in Good Fortune Supermarket of Monrovia, LP (“Maison Monrovia”), each of which owns a Good Fortune Supermarket.

- In October 2019, the Company purchased 91.67% of the equity interests in Super HK of El Monte, Inc. (“Maison El Monte”), which owns a Hong Kong Supermarket.

- On June 30, 2022, the Company purchased 100% equity interest in GF Supermarket of MP, Inc. (“Maison Monterey Park”), the legal entity holding a supermarket in Monterey Park.

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

2. Summary of significant accounting policies

Basis of presentation

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

The interim consolidated financial information as of January 31, 2024 and for the three and nine months periods ended January 31, 2024 and 2023 have been prepared without audit, pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures, which are normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to such rules and regulations. The interim consolidated financial information should be read in conjunction with the Financial Statements and the notes thereto, included in the Company’s Annual Report on Form 10-K for the fiscal year ended April 30, 2023, previously filed with the SEC on August 1, 2023..

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

Principles of consolidation

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

Noncontrolling interests

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

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

As of January 31, 2024 and April 30, 2023, the Company had NCIs of $ 359,573 and $267,947, respectively, which represent 9% of the equity interest of Maison San Gabriel, 14.75% of the equity interest of Maison Monrovia and 8.33% of the equity interest of Maison El Monte. For the three months ended January 31, 2024 and 2023, the Company had net income of $13,398 and $217,997, respectively, that were attributable to NCIs. For the nine months ended January 31, 2024 and 2023, the Company had net income of $91,626 and $307,655, respectively, that were attributable to NCIs.

Liquidity

As reflected in the accompanying consolidated financial statements, the Company had accumulated deficit of $ 39,718 at January 31, 2024. The Company had net loss attributable to the Company of $548,954 and net income of $988,474 for the three months ended January 31, 2024 and 2023, respectively. The Company had net loss attributable to the Company of $562,428 and net income of $920,626 for the nine months ended January 31, 2024 and 2023, respectively. The management plans to increase its revenue by strengthening its sales force, providing attractive sales incentive programs, recruiting experienced industry-related managerial personnel, and increasing marketing and promotion activities. Management also intends to raise additional funds by way of a private or public offering, or by obtaining loans from banks or others.

The Company had $9.4 million cash on hand and working capital of $ 8.04 million at January 31, 2024. The Company has historically funded its working capital needs primarily from operations. The working capital requirements are affected by the efficiency of operations and depend on the Company's ability to increase its revenue. The Company believes that its cash on hand and operating cash flows will be sufficient to fund its operations over at least the next 12 months from the date of issuance of these financial statements. However, the Company may need additional cash resources in the future if the Company experiences changed business conditions or other developments and may also need additional cash resources in the future if the Company wishes to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. If it is determined that the cash requirements exceed the Company's amounts of cash on hand, the Company may seek to issue debt or equity securities or obtain a credit facility.

Use of estimates

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

Cash and cash equivalents

Cash and equivalents include cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have original maturities when purchased of three months or less. The Company's cash is maintained at financial institutions in the United States of America. Deposits in these financial institutions may, from time to time, exceed the Federal Deposit Insurance Corporation ("FDIC")'s federally insured limits. The standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category. The bank deposits exceeding the standard insurance amount will not be covered. As of January 31, 2024 and April 30, 2023, cash balances held in the banks, exceeding the standard insurance amount, are $8,656,626 and $1,819,766, respectively. The Company has not experienced any losses in accounts held in these financial institutions and believes it is not exposed to any risks on its cash held in these financial institutions.

Cash from operating, investing and financing activities of the consolidated statement of cash flows are net of assets and liabilities acquired of Maison Monterey Park.

Restricted cash

Restricted cash is an amount of cash deposited with banks in conjunction with borrowings from banks. Restriction on the use of such cash and the interest earned thereon is imposed by the banks and remains effective throughout the terms of the bank borrowings and notes payable. Restricted cash is classified as non-current assets on the Company's consolidated balance sheets, as all the balances are not expected to be released to cash within the next 12 months. As of January 31, 2024 and April 30, 2023, the Company had restricted cash of $1,101 and $1,101, respectively.

Accounts receivable

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

The Company's policy is to maintain an allowance for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of January 31, 2024 and April 30, 2023, there was no allowance for the doubtful accounts.

Accounts receivable — related parties

Accounts receivable consist primarily of receivables from related parties on 30-day credit terms and are presented net of an allowance for estimated uncollectible amounts. The Company periodically assesses its accounts receivable for collectability on a specific identification basis. If collectability of an account becomes unlikely, an allowance is recorded for that doubtful account. Once collection efforts have been exhausted, the accounts receivable is written off against the allowance. As of January 31, 2024 and April 30, 2023, there was no allowance for the doubtful accounts.

Inventories, net

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

Prepayments

Prepayments are mainly comprised of cash deposited and advanced to suppliers for future inventory purchases and services to be performed. This amount is refundable and bears no interest. For any prepayments that management determines will not be in receipts of inventories, services, or refundable, the Company recognizes an allowance account to reserve such balances. Management reviews its prepayments on a regular basis to determine if the allowance is adequate and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. As of January 31, 2024 and April 30, 2023, the Company had made prepayments to its vendors of $20,000 and $1,547,243, respectively. The Company's management continues to evaluate the reasonableness of the allowance policy and update it if necessary.

Other receivables and other current assets

Other receivables and other current assets primarily include non-interest-bearing loans of the other business entities. Management regularly reviews the aging of receivables and changes in payment trends and records allowances when management believes collection of amounts due are at risk. Accounts considered uncollectable are written off against allowances after exhaustive efforts at collection are made. As of January 31, 2024 and April 30, 2023, the Company did not have any bad debt allowance for other receivables.

Property and equipment

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

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

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

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

Impairment of long-lived assets

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

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

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

Security deposits

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

Long-term investment

Cost method investment

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

MAISON SOLUTIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2024 (UNAUDITED) AND APRIL 30, 2023

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

In December 2021, the Company purchased a 10% equity interest in HKGF Market of Alhambra, Inc, the legal entity holding the store for $ 40,775 from Ms. Grace Xu, the sole shareholder of HKGF Market of Alhambra, Inc. and a related party as the spouse of Mr. John Xu, the Chief Executive Officer, Chairman and President of the Company. See Note 12 — "*Related party balances and transactions*".

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

Equity method investment

On June 27, 2023, the Company invested $1,440,000 for 40% equity interest in HKGF Market of Arcadia, LLC ("HKGF Arcadia"). On December 6, 2023, the Company invested additional $360,000 for another 10% equity interest in HKGF Arcadia, which resulted in a total of 50% equity interest in HKGF Arcadia by Maison. See Note 7 — "*Equity method investment*". The Company has determined that HKGF Arcadia is not a VIE and has evaluated its consolidation analysis under the voting interest model. Because the Company does not own greater than 50% of the outstanding voting shares, either directly or indirectly, it has accounted for its investment in HKGF Arcadia under the equity method of accounting. Under this method, the investor ("Maison") recognizes its share of the profits and losses of the investee ("HKGF Arcadia") in the periods when these profits and losses are also reflected in the accounts of the investee. Any profit or loss recognized by the investor appears in its income statement, any recognized profit increases the investment recorded by the investor, while a recognized loss decreases the investment.

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

Goodwill

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

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

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

Leases

On May 1, 2020, the Company adopted Accounting Standards Update ("ASU") 2016-02, Lease (FASB ASC Topic 842). The adoption of ASC Topic 842 resulted in the presentation of operating lease right-of-use ("ROU") assets and operating lease liabilities on the consolidated balance sheet. See Note 13 — "*Leases*" for additional information.

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

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

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

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

Fair value measurements

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

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

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

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

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

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

Revenue recognition

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

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

The Company sells Company gift cards to customers. There are no administrative fees on unused gift cards, and the gift cards do not have an expiration date. Gift card sales are recorded as contract liability when sold and are recognized as revenue when either the gift card is redeemed or the likelihood of the gift card being redeemed is remote ("gift card breakage"). The Company's gift card breakage rate is based upon historical redemption patterns, and it recognizes breakage revenue utilizing the redemption recognition method. The Company also offers discounts on the gift cards sold to its customers. The discounts are recorded as sales discount when gift card been redeemed. The Company's contract liability related to gift cards was $308,326 and $449,334 as of January 31, 2024 and April 30, 2023, respectively.

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

	Three Months ended January 31,	
	2024	**2023**
Perishables	$ 7,243,469	$ 8,701,876
Non-perishables	6,355,010	6,935,219
Total revenues	$ 13,598,479	$ 15,637,095

	Nine Months ended January 31,	
	2024	**2023**
Perishables	$ 22,438,157	$ 23,069,855
Non-perishables	18,678,841	18,145,400
Total revenues	$ 41,116,998	$ 41,215,255

Cost of sales

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

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

Selling expenses

Selling expenses mainly consist of advertising costs, promotion expenses, and payroll and related expenses for personnel engaged in selling and marketing activities. Advertising expenses, which consist primarily of online and offline advertisements, are expensed when the services are performed. The Company's advertising expenses were $44,052 and $11,232 for the three months ended January 31, 2024 and 2023, respectively. The Company's advertising expenses were $78,558 and $16,070 for the nine months ended January 31, 2024 and 2023, respectively Starting from August 2023, the Company leased out certain spaces in the supermarket for people doing banner advertisement, and the Company recorded $19,200 and $48,000 advertising income from banner advertisement for the three and nine months ended January 31, 2024.

General and administrative expenses

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

Concentrations of risks

(a) Major customers

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

(b) Major vendors

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

Three Months Ended January 31, 2024		Three Months Ended January 31, 2023	
Supplier	**Percentage of Total Purchases**	**Supplier**	**Percentage of Total Purchases**
A	16%	A	27%
B	6%	B	25%
C	25%	C	46%

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

Nine Months Ended January 31, 2024		Nine Months Ended January 31, 2023	
Supplier	**Percentage of Total Purchases**	**Supplier**	**Percentage of Total Purchases**
A	18%	A	20%
B	9%	B	18%
C	30%	C	18%

(c) Credit risks

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

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

Income taxes

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

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

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

Earnings (loss) per share

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

Related Parties

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

Segment Information

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

Recently Issued Accounting Pronouncements

The Company considers the applicability and impact of all ASUs. Management periodically reviews new accounting standards that are issued. Under the Jumpstart Our Business Startups Act of 2012, as amended (the "JOBS Act"), the Company meets the definition of an emerging growth company and has elected the extended transition period for complying with new or revised accounting standards, which delays the adoption of these accounting standards until they would apply to private companies.

In March 2023, the FASB issued ASU 2023-01, Lease (Topic 842): Common Control Arrangements, which clarifies the accounting for leasehold improvements associated with leases between entities under common control (hereinafter referred to as common control lease). ASU 2023-01 requires entities to amortize leasehold improvements associated with common control lease over the useful life to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset through a lease, and to account for any remaining leasehold improvements as a transfer between entities under common control through an adjustment to equity when the lessee no longer controls the underlying asset. This ASU will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. An entity may apply ASU 2023-01 either prospectively or retrospectively. The Company is currently evaluating the impact that the adoption of ASU 2023-01 will have on our consolidated financial statement presentations and disclosures.

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

3. Inventories, net

A summary of inventories, net was as follows:

	January 31, 2024	April 30, 2023
Perishables	$ 405,158	$ 487,912
Non-perishables	2,656,725	2,533,824
Reserve for inventory shrinkage	(41,663)	(42,750)
Inventories, net	**$ 3,020,220**	**$ 2,978,986**

Movements of reserve for inventory shrinkage were as follows:

	Nine Months Ended January 31, 2024	Nine Months Ended January 31, 2023
Beginning balance	$ 42,750	$ 135,122
GF Supermarket of MP, Inc. inventory shrinkage reserve at July 1, 2022	—	37,684
Provision for (reversal of) inventory shrinkage reserve	(1,087)	29,479
Ending Balance	**$ 41,663**	**$ 202,285**

4. Prepayments

	January 31, 2024	April 30, 2023
Prepayment for inventory purchases	$ 20,000	$ 1,547,243
Total prepayments	**$ 20,000**	**$ 1,547,243**

As of January 31, 2024, the prepayment mainly consisted of $ 20,000 paid to GF Distribution, Inc., one of the Company's major vendor. As of April 30, 2023, the prepayment mainly consisted of $1,527,243 paid to XHJC Holding Inc., which is the Company's new centralized vendor and $ 20,000 paid to GF Distribution, Inc., the Company's major vendor.

5. Property and equipment, net

	January 31, 2024	April 30, 2023
Furniture & Fixtures	$ 3,027,321	$ 3,025,516
Equipment	1,019,185	1,011,333
Leasehold Improvement	794,071	486,644
Automobile	37,672	37,672
Total property and equipment	**4,878,249**	**4,561,165**
Accumulated depreciation	(4,088,312)	(3,889,702)
Property and equipment, net	**$ 789,937**	**$ 671,463**

Depreciation expenses included in the general and administrative expenses for the three months ended January 31, 2024 and 2023 were $ 7,607 and $5,339, respectively. Depreciation expenses included in the cost of sales for the three months ended January 31, 2024 and 2023 were $ 70,601 and $53,387, respectively.

Depreciation expenses included in the general and administrative expenses for the nine months ended January 31, 2024 and 2023 were $ 18,056 and $26,502, respectively. Depreciation expense included in the cost of sales for the nine months ended January 31, 2024 and 2023 were $ 180,553 and $265,019, respectively.

6. Intangible assets

	January 31, 2024	April 30, 2023
Liquid License	$ 17,482	$ 17,482
Software system	2,950,000	—
Trademark	194,000	194,000
Total intangible asset	**3,161,482**	**211,482**
Accumulated amortization	90,019	14,153
Intangible asset, net	**$ 3,071,463**	**$ 197,329**

Intangible assets mainly consisted of a trademark acquired through the acquisition of Maison Monterey Park on June 30, 2022. The fair value of the trademark at acquisition date was $194,000, to be amortized over 15 years.

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

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

The amortization expense for the three months ended January 31, 2024 and 2023 was $ 68,816 and $8,593, respectively. The amortization expense for the nine months ended January 31, 2024 and 2023 was $75,866 and $20,051, respectively. Estimated amortization expense for each of the next five years at January 31, 2024 is as follows: $309,099, $309,099, $309,099, $309,099 and $309,066.

7. Equity method investment

On June 27, 2023, the Company invested $1,440,000 for 40% interest in HKGF Market of Arcadia, LLC ("HKGF Arcadia"). On December 6, 2023, the Company invested additional $360,000 for another 10% equity interest in HKGF Arcadia, which resulted in a total of 50% equity interest in HKGF Arcadia by Maison. The Company recorded $51,204 investment income and $63,982 investment loss for the three and nine months ended January 31, 2024, respectively. As of January 31, 2024, the Company had investment of $1,736,018 into HKGF Arcadia.

As of January 31, 2024, the Company had net accounts receivable of $ 69,107 from JC Business Guys, Inc. ("JCBG"), who is the 50% owner of HKGF Arcadia. For the three months ended January 31,2024 and 2023, total sales to JCBG was $0 and $0, respectively. For the nine months ended January 31,2024 and 2023, total sales to JCBG was $0 and $133,738, respectively.

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

	January 31, 2024 (Unaudited)
ASSETS	
Current Assets	
Cash and equivalents	$ —
Accounts receivable	37,256
Inventories, net	625,719
Other receivables	1,292
Total Current Assets	**664,267**
Property and equipment, net	635,102
Intangible asset, net	27,731
Goodwill	1,680,000
Security deposits	163,618
Total Assets	**$ 3,170,718**
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current Liabilities	
Accounts payable	$ 1,418,461
Other payable	100,000
Bank overdraft	94,822
Total Current Liabilities	**1,613,283**
Total Liabilities	**1,613,283**
Stockholders' Equity	
Paid in Capital	3,600,000
Subscription receivable	(1,200,000)
Accumulated deficit	(842,565)
Total Stockholders' Equity	**1,557,435**
Total Liabilities and Stockholders' Equity	**$ 3,170,718**

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

Net Revenues	
Supermarket	$ 3,905,301
Total Revenues, Net	**3,905,301**
Cost of Revenues	
Supermarket	2,475,812
Total Cost of Revenues	**2,475,812**
Gross Profit	**1,429,489**
Operating Expenses	1,553,857
Total Operating Expenses	1,553,857
Loss from Operations	**(124,368)**
Income (Loss) Before Income Taxes	(124,368)
Income Tax Provisions	—
Net Loss	**(124,368)**
Net Loss Attributable to Maison Solutions Inc.	**$ (63,982)**

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8. Goodwill

Goodwill represented the excess fair value of the assets under the fair value of the identifiable assets owned at the closing of the acquisition of Maison Monetary Park, including an assembled workforce, which cannot be sold or transferred separately from the other assets in the business. See Note 18 — "*Acquisition of subsidiary*" for additional information. As of January 31, 2024, the Company had goodwill of $ 2,222,211. The Company did not record any impairment to the goodwill for the three and nine months ended January 31, 2024.

9. Accrued expenses and other payables

	January 31, 2024	April 30, 2023
Accrued payroll	$ 284,323	$ 301,527
Accrued interest expense	136,388	127,638
Accrued loss for legal matter	237,000	237,000
Other payables	17,243	26,878
Due to third parties	139,189	145,775
Sales tax payable	44,199	28,978
Total accrued expenses and other payables	**$ 858,342**	**$ 867,796**

10. Note payable

As of January 31, 2024 and April 30, 2023, the Company had an outstanding note payable of $0 and $150,000 to a third-party individual with annual interest rate of 10%, payable upon demand. The note had accrued interest of $ 30,000 and $21,500 as of January 31, 2024 and April 30, 2023, respectively. On November 7, 2023, the Company repaid the principle of $150,000. As of January 31, 2024, the Company had accrued interest of $30,000 on this note, to be paid upon demand from the lender.

11. Loan payables

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

Lender	Due date	January 31, 2024	April 30, 2023
American First National Bank	March 2, 2024	$ 57,369	$ 307,798
U.S. Small Business Administration	June 15, 2050	2,577,247	2,624,329
Total loan payables		**2,634,616**	**2,932,127**
Current portion of loan payables		(121,942)	(370,828)
Non-current loan payables		**$ 2,512,674**	**$ 2,561,299**

American First National Bank — a National Banking Association

On March 2, 2017, Maison Monrovia entered into a $1.0 million Business Loan Agreement with American First National Bank, a National Banking Association ("American First National Bank"), at a 4.5% annual interest rate with a maturity date on March 2, 2024 (the "Monrovia AFNB Loan"). On March 2, 2017, Maison San Gabriel, entered into a $1.0 million Business Loan Agreement with American First National Bank at a 4.5% annual interest rate with a maturity date on March 2, 2024 (the "San Gabriel AFNB Loan," and, together with the Monrovia AFNB Loan, the "AFNB Loans"). The covenant of the AFNB Loans required that, so long as the loan agreements remains in effect, borrower will maintain a ratio of debt service coverage within 1.300 to 1.000. This coverage ratio was evaluated as of the end of each fiscal year. The interest rate for the AFNB Loans is subject to change from time to time based on changes in an independent index which is the Wall Street Journal US prime as published in the Wall Street Journal Money Rate Section. The annual interest rate for the AFNB Loans was ranging from 4.5% to 7.75% for the nine months ended January 31, 2023, and was 7.75% for the nine months ended January 31, 2024.

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The collateral for the AFNB Loans is personally guaranteed by Mr. Wu, who is the prior owner and applicant for the bank loan, and each store's assets including inventory, fixture, equipment, etc. At the same time, the Company maintained a minimum of $1.0 million in general liability insurance to cover the collateral business assets located at 935 W. Duarte Dr. Monrovia, CA 91016. As of April 30, 2022, the coverage ratio for Maison Monrovia was 1.01 and the coverage ratio for Maison San Gabriel was 2.00. The Company reported this situation to American First National Bank and there was no change on the term up to the date the Company issued these consolidated financial statements. The interest expense for the loan was $2,229 and $10,146 for the three months ended January 31, 2024 and 2023, respectively. The interest expense for the loan was $ 11,361 and $22,708 for the nine months ended January 31, 2024 and 2023, respectively.

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

Borrower	Due date	January 31, 2024	April 30, 2023

Maison Monrovia	June 15, 2050	$ 145,957	$ 148,574
Maison San Gabriel	June 15, 2050	1,945,371	1,980,725
Maison El Monte	June 15, 2050	485,919	495,030
Total SBA loan payables		**$ 2,577,247**	**$ 2,624,329**

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

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

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

Per the SBA loan agreement, all interest payments on these three loans were deferred to December 2022. As of January 31, 2024 and April 30, 2023, the Company's aggregate balance on the three SBA loans was $2,577,247 and $2,624,329, respectively. Interest expenses were $23,210 and $23,709 for the three months ended January 31, 2024 and 2023, respectively. Interest expenses were $70,008 and $71,494 for the nine months ended January 31, 2024 and 2023, respectively. During the nine months ended January 31, 2024, the Company made repayment of $117,090 (which includes principal of $47,082 and interest expense of $70,008). During the nine months ended January 31, 2023, the Company made repayment of $ 13,010 (which includes principal of $5,107 and interest expense of $7,903).

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

Year Ending January 31,	**Amount**
2025	$ 64,573
2026	66,699
2027	68,906
2028	71,197
2029	73,576
Thereafter	2,232,296
Total	$ 2,577,247

12. Related party balances and transactions

Related party transactions

Sales to related parties

Name of Related Party	**Nature**	**Relationship**	**Three Months ended January 31, 2024**	**Three Months ended January 31, 2023**
The United Food LLC	Supermarket product sales	John Xu, the Company's Chief Executive Officer, Chairman and President, is one of the United Food LLC's shareholders	$ 988	$ 16,473
HKGF Market of Arcadia, LLC	Supermarket product sales	Maison owns 50% equity interest	18,620	—
HKGF Market of Alhambra, Inc.	Supermarket product sales	Grace Xu, spouse of John Xu, controls this entity with 90% ownership, Maison owns the remaining 10%	35,088	200,168
Total			**$ 54,696**	**$ 216,641**

Name of Related Party	**Nature**	**Relationship**	**Nine Months ended January 31, 2024**	**Nine Months ended January 31, 2023**
The United Food LLC	Supermarket product sales	John Xu, the Company's Chief Executive Officer, Chairman and President, is one of the United Food LLC's shareholders	$ 6,129	$ 22,270
HKGF Market of Arcadia, LLC	Supermarket product sales	Maison owns 50% equity interest	85,656	—
HKGF Market of Alhambra, Inc.	Supermarket product sales	Grace Xu, spouse of John Xu, controls this entity with 90% ownership, Maison owns the remaining 10%	160,538	569,432

Total			**$ 252,323**	**$ 591,702**

Purchases from related parties

Name of Related Party	Nature	Relationship	Three Months Ended January 31, 2024	Three Months ended January 31, 2023
The United Food, LLC	Supermarket product sales	John Xu, the Company's Chief Executive Officer, Chairman and President, is one of the United Food LLC's shareholders	$ —	$ 21,214
HKGF Market of Arcadia, LLC	Supermarket product sales	Maison owns 50% equity interest	13,160	—
Dai Cheong Trading Co Inc.	Import and wholesales of groceries	John Xu, controls this entity with 90% ownership through DC Holding CA, Inc., Maison owns the remaining 10%	41,184	42,082
HKGF Market of Alhambra, Inc.	Supermarket product sales	Grace Xu, spouse of John Xu, controls this entity with 90% ownership, Maison owns the remaining 10%	866	4,510
Total			**$ 55,210**	**$ 67,806**

Name of Related Party	Nature	Relationship	Nine Months Ended January 31, 2024	Nine Months Ended January 31, 2023
The United Food, LLC	Supermarket product sales	John Xu, the Company's Chief Executive Officer, Chairman and President, is one of the United Food LLC's shareholders	$ 4,408	$ 87,061
HKGF Market of Arcadia, LLC	Supermarket product sales	Maison owns 50% equity interest	24,250	—
GF Supermarket of MP, Inc.	Supermarket product sales	Grace Xu, spouse of John Xu, was the major shareholder with 49% ownership, sold this entity to Maison on June 30, 2022	—	4,257
Dai Cheong Trading Co Inc.	Import and wholesales of groceries	John Xu, controls this entity with 90% ownership through DC Holding CA, Inc., Maison owns the remaining 10%	146,709	137,821
HKGF Market of Alhambra, Inc.	Supermarket product sales	Grace Xu, spouse of John Xu, controls this entity with 90% ownership, Maison owns the remaining 10%	3,066	7,184
Total			**$ 178,433**	**$ 236,323**

Investment in equity purchased from related parties

Name of Investment Company	Nature of Operation	Investment percentage	Relationship	As of January 31, 2024	As of April 30, 2023
Dai Cheong Trading Co Inc.	Import and wholesales of groceries	10%	John Xu, the Company's Chief Executive Officer, Chairman and President, controls this entity with 90% ownership through DC Holding CA, Inc., Maison owns the remaining 10%	$ 162,665	$ 162,665
HKGF Market of Alhambra, Inc.	Supermarket product sales	10%	Grace Xu, spouse of John Xu, controls this entity with 90% ownership, Maison owns the remaining 10%	40,775	40,775
Total				**$ 203,440**	**$ 203,440**

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

In December 2021, the Company purchased a 10% equity interest in HKGF Market of Alhambra, Inc, the legal entity holding the Alhambra store for $40,775 from Ms. Grace Xu, a related party as the spouse of Mr. John Xu, the Chief Executive Officer, Chairman and President of the Company.

Related party balances

Accounts receivable — sales to related parties

Name of Related Party	Nature	Relationship	January 31, 2024	April 30, 2023
HKGF Market of Arcadia, LLC	Supermarket product sales	Maison owns 50% equity interest	$ 88,243	$ —
HKGF Market of Alhambra, Inc.	Supermarket product sales	Grace Xu, spouse of John Xu, controls this entity with 90% ownership, Maison owns the remaining 10%	112,492	283,005
United Food LLC.	Supermarket product sales	John Xu, is one of the United Food LLC's shareholders	206,711	6,610
Total			**$ 407,446**	**$ 289,615**

Accounts payable — purchase from related parties

Name of Related Party	Nature	Relationship	January 31, 2024	April 30, 2023
Hong Kong Supermarket of Monterey Park, Ltd	Due on demand, non-interest bearing	John Xu, controls this entity	$ 440,166	$ 438,725
Dai Cheong Trading Co Inc.	Import and wholesales of groceries	John Xu, controls this entity with 100% ownership through DC Holding CA, Inc. prior to the 10% equity interest acquisition by Maison	52,314	26,585
Total			**$ 492,480**	**$ 465,310**

Other receivables — related parties

Name of Related Party	Nature	Relationship	January 31, 2024	April 30, 2023
Ideal Investment	Due on demand, non-interest bearing	John Xu, has majority ownership of this entity	3,995	3,995
Ideal City Capital	Due on demand, non-interest bearing	John Xu, has majority ownership of this entity	30,000	30,000
Total			**$ 33,995**	**$ 33,995**

Other payables — related parties

Name of Related Party	Nature	Relationship	January 31, 2024	April 30, 2023
John Xu	due on demand, non-interest bearing	The Company's Chief Executive Officer, Chairman and President	$ 200,810	$ 200,810
Grace Xu	due on demand, non-interest bearing	Spouse of John Xu	40,775	40,775
Total			**$ 241,585**	**$ 241,585**

13. Leases

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

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

Store	Lease Term Due
Maison Monrovia *	August 31, 2055 (with extension)
Maison San Gabriel	November 30, 2030
Maison El Monte	July 14, 2028
Maison Monterey Park	May 1, 2028

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

As of January 31, 2024, the average remaining term of the supermarkets' store lease was 9.47 years.

In June and November 2022, the Company entered three leases for three copiers with terms of 63 months for each. As of January 31, 2024, the average remaining term of the copier lease was 3.78 years.

The copier lease detail information was listed below:

Store	Lease Term Due
Maison Monrovia	January 1, 2028
Maison San Gabriel	January 1, 2028
Maison Monterey Park	August 1, 2027

The Company's total lease expenses under ASC 842 are $ 0.85 million and $0.76 million for the three months ended January 31, 2024 and 2023, respectively. The Company's total lease expenses under ASC 842 are $2.33 million and $1.99 million for the nine months ended January 31, 2024 and 2023 , respectively. The Company's ROU assets and lease liabilities are recognized using an effective interest rate of range from 4.5% to 6.25%, which was determined using the Company's incremental borrowing rate.

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

	January 31, 2024	April 30, 2023
Operating ROU:		
ROU assets – supermarket leases	$ 20,980,731	$ 22,517,925
ROU assets – copier leases	24,033	27,265
Total operating ROU assets	**$ 21,004,764**	**$ 22,545,190**

	January 31, 2024	April 30, 2023
Operating lease obligations:		
Current operating lease liabilities	$ 1,850,310	$ 1,761,182
Non-current operating lease liabilities	21,309,934	22,711,760
Total lease liabilities	**$ 23,160,244**	**$ 24,472,942**

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

Twelve Months Ended January 31,	Operating lease liabilities
2025	$ 2,835,070
2026	2,897,055
2027	2,955,250
2028	3,002,423
2020	2,029,711
Thereafter	23,549,256
Total future undiscounted lease payments	37,268,765
Less: interest	(14,108,521)
Present value of lease liabilities	$ 23,160,244

14. Stockholder's equity

Common stock

Maison was initially authorized to issue 500,000 shares of common stock with a par value of $ 0.0001 per share. On September 8, 2021, the total number of authorized shares of all classes of stock was increased to 100,000,000 by way of a 200-for-1 stock split, among which, the authorized shares were divided into (i) 95,000,000 shares of common stock, par value of $ 0.0001 per share (the "common stock") of which (a) 92,000,000 shares shall be a series designated as Class A common stock (the "Class A common stock"), and (b) 3,000,000 shares shall be a series designated as Class B common stock (the "Class B common stock"), and (ii) 5,000,000 shares of preferred stock, par value $ 0.0001 per share (the "preferred stock"). For the Class A common stock and Class B common stock, the rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion rights. Each share of Class A common stock is entitled to one (1) vote. Each share of Class B common stock is entitled to ten (10) votes and is convertible at any time into one share of Class A common stock. As of January 31, 2024, John Xu, the Company's Chief Executive Officer, Chairman and President, holds all of our outstanding shares of Class B common stock. All shares and per share amounts used herein and in the accompanying consolidated financial statements have been retroactively adjusted to reflect (i) the increase of share capital as if the change of share numbers became effective as of the beginning of the first period presented for Maison Group and (ii) the reclassification of all outstanding shares of our common stock beneficially owned by Golden Tree USA Inc. into Class B common stock, which are collectively referred to as the "Reclassification."

Initial Public Offering

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

The IPO closed on October 10, 2023, and the Company received net proceeds of approximately $ 8.72 million, after deducting underwriting discounts and commissions and estimated IPO offering expenses payable by the Company. The Company intends to use the net proceeds from the IPO primarily for new store acquisitions and expansion, including opening new stores and the acquisition of businesses and supermarkets that complement the Company's business, to pay off loans, research and develop its operating systems with JD.com, make upgrades and renovations to existing stores, and to develop its online business.

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

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

	Number of Warrants	Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding as of April 30, 2023	—	$ —	—
Exercisable as of April 30, 2023	—	$ —	—
Granted	125,000	4.80	5.00
Exercised	—	—	—
Forfeited	—	—	—
Expired	—	—	—
Outstanding as of January 31, 2024	125,000	$ 4.80	5.00
Exercisable as of January 31, 2024	—	$ —	—

PIPE Offering

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

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

15. Income taxes

Maison Solutions is a Delaware holding company that is subject to the U.S. income tax. Maison Monrovia and Maison San Gabriel are pass through entities whose income or losses flow through Maison Solution's income tax return.

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

	Three Months ended January 31, 2024	Three Months ended January 31, 2023
Current:		
Federal income tax expense	$ 117,066	$ 51,442
State income tax expense	44,058	37,346
Deferred:		
Federal income tax expense (benefit)	(1,852)	7,716
State income tax expense (benefit)	(616)	2,566
Total	**$ 158,656**	**$ 99,070**

	Nine Months ended January 31, 2024	Nine Months ended January 31, 2023
Current:		
Federal income tax expense	$ 314,714	$ 126,185
State income tax expense	116,143	71,195
Deferred:		
Federal income tax benefit	(4,604)	(6,175)
State income tax benefit	(1,531)	(2,054)
Total	**$ 424,722**	**$ 189,151**

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

	Three Months ended January 31, 2024	Three Months ended January 31, 2023
Federal statutory rate expense (benefit)	(79,149)	274,164
State statutory rate, net of effect of state income tax deductible to federal income tax	(25,658)	92,473
Permanent difference – penalties, interest, and others	73,945	29,348
Utilization of net operating losses (“NOL”)	—	(244,859)
Changes in valuation allowance	189,518	(52,056)
Tax expense per financial statements	158,656	99,070

	Nine Months ended January 31, 2024	Nine Months ended January 31, 2023
Federal statutory rate expense (benefit)	(9,676)	297,661
State statutory rate, net of effect of state income tax deductible to federal income tax	(1,249)	100,952
Permanent difference – penalties, interest, and others	86,085	54,845
Utilization of NOL	(24,138)	(300,508)
Change in valuation allowance	373,700	36,201
Tax expense per financial statements	424,722	189,151

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

	January 31, 2024	April 30, 2023
Deferred tax assets:		
Bad debt expense	$ 54,206	$ 70,929
Inventory impairment loss	39,642	—
Investment loss on equity method investment	17,902	—
Lease liabilities, net of ROU	603,181	441,997
NOL	451,006	583,490
Valuation allowance	(1,151,652)	(1,085,551)
Deferred tax assets, net	$ 14,285	$ 10,865
Deferred tax liability:		
Trademark acquired at acquisition of Maison Monterey Park	48,558	51,273
Deferred tax liability, net of deferred tax assets	$ 34,273	$ 40,408

As of January 31, 2024 and April 30, 2023, Maison and Maison El Monte had approximately $ 1.52 million and $2.25 million, respectively, of U.S. federal NOL carryovers available to offset future taxable income which do not expire but are limited to 80% of income until utilized. As of January 31, 2024 and April 30, 2023, Maison and Maison El Monte had approximately $1.89 million and $1.58 million, respectively, of California state net operating loss which can be carried forward up to 20 years to offset future taxable income. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends upon the Company’s future generation of taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. After consideration of all the information available, management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance.

The Company recorded $6,421 and $17,871of interest and penalties related to understated income tax payments for the three months ended January 31, 2024 and 2023, respectively. The Company recorded $10,985 and $38,243 of interest and penalties related to understated income tax payments for the nine months ended January 31, 2024 and 2023, respectively. As of January 31, 2024 and April 30, 2023, the Company had significant uncertain tax positions of $114,267 and $103,282, respectively.

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

16. Other income

For the three months ended January 31, 2024 and 2023, other income mainly consists of $ nil and $1.32 million employee retention credit ("ERC") received. For the nine months ended January 31, 2024 and 2023, other income mainly consists of $0.38 million and $1.32 million employee retention credit ("ERC") received. The ERC is a tax credit for businesses that continued to pay employees while shut down due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020 to December 31, 2021.

17. Commitments and contingencies

Contingencies

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

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

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

The Company and Defendants believe the allegations in both complaints are without merit and intend to defend each suit vigorously.

In May 2020, Maison El Monte was named as a co-defendant in a complaint filed by a consumer advocacy group alleging violations of a California health and safety regulation. The case is pending in the Superior Court of the State of California, and as such, the Company has not made any accruals of possible loss for the year ended April 30, 2023 and for the period ended January 31, 2024 related to this case.

In June 2022, Maison San Gabriel entered into a confidential settlement agreement with the plaintiff in connection with a California employment law case whereby Maison San Gabriel agreed to pay $98,500 to plaintiff in full settlement of all claims in the case. As a result of the settlement agreement, the Company accrued $98,500 as a loss relating to the case for the fiscal year ended April 30, 2022. During the year ended April 30, 2023, the Company accrued additional $40,000 litigation loss.

Commitments

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

18. Acquisition of subsidiary

On June 30, 2022, the Company purchased 100% equity interest in GF Supermarket of MP, Inc. ("Maison Monterey Park"), the legal entity holding a supermarket in Monterey Park. Mrs. Grace Xu (spouse of Mr. John Xu, the Company's Chief Executive Officer, Chairman and President) was a selling shareholder of GF Supermarket of MP Inc. with 49% ownership percentage. Another selling shareholder of GF Supermarket of MP Inc. was DNL Management Inc. with 51% ownership percentage, who is not a related party of the Company. The purchase consideration was $ 1.5 million. On February 21, 2023, the Company and such selling shareholders renegotiated and entered into an Amended Stock Purchase Agreement with an effective date on October 31, 2022, to amend the purchase price to $2.5 million, which both parties believed reflected the true fair value of Maison Monterey Park.

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

Total purchase considerations	$ 2,500,000
Fair value of tangible assets acquired:	
Accounts receivable	79,651
Due from related party	25,000
Property and equipment	448,932
Security deposit	161,945
Inventory	872,084
Deferred tax asset	10,545
Operating lease right-of-use assets	4,680,216
Intangible assets (trademark) acquired	194,000
Total identifiable assets acquired	6,472,373
Fair value of liabilities assumed:	
Bank overdraft	(281,940)
Accounts payable	(865,769)
Contract liabilities	(10,369)
Income tax payable	(183,262)
Accrued liability and other payable	(85,789)
Tenant Security deposit	(32,200)
Operating lease liabilities	(4,680,967)
Deferred tax liability	(54,288)
Total liabilities assumed	(6,194,584)
Net identifiable assets acquired	277,789
Goodwill as a result of the acquisition	$ 2,222,211

The following condensed unaudited pro forma consolidated results of operations for the Company for the nine months ended January 31, 2023 present the results of operations of the Company and Maison Monterey Park as if the acquisitions occurred on May 1, 2022, respectively.

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

	For the Nine Months Ended January 31, 2023
	(Unaudited)
Revenue	$ 44,038,436
Operating costs and expenses	43,633,975
Income from operations	404,461
Other income	1,337,288
Income tax expense	(286,445)
Net income	$ 1,455,304

19. Subsequent Event

The Company follows the guidance in FASB ASC 855-10 for the disclosure of subsequent events. The Company evaluated subsequent events through the date the financial statements were issued and determined the Company has the following major subsequent events that need to be disclosed: On August 22, 2023, the Company entered a Letter of Intent for acquiring 100% ownership of Lee Lee Oriental Supermart ("Lee Lee") for approximately $22.4 million. Lee Lee is engaged in supermarket business in Arizona. The acquisition is in the final stage of closing.

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

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

Cautionary Note Regarding Forward-Looking Statements

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

Overview

We are a fast-growing, specialty grocery retailer offering traditional Asian food and merchandise to modern U.S. consumers, in particular to members of Asian-American communities. We are committed to providing Asian fresh produce, meat, seafood, and other daily necessities in a manner that caters to traditional Asian-American family values and cultural norms, while also accounting for the new and faster-paced lifestyle of younger generations and the diverse makeup of the communities in which we operate. To achieve this, we are developing a center-satellite stores network. Since our formation in July 2019, we have acquired equity interests in four (4) traditional Asian supermarkets in Los Angeles, California. Since April 30, 2022, we have been operating these supermarkets as center stores. The center stores target traditional Asian-American, family-oriented customers with a variety of meat, fresh produce and other merchandise, while additionally stocking items which appeal to the broader community. We are operating these traditional Asian-American, family-oriented supermarkets with our management's deep cultural understanding of our consumers' unique consumption habits. In addition to the traditional supermarkets, on December 31, 2021, we acquired a 10% equity interest in a new grocery store located in Alhambra, California, a young and active community (the "Alhambra Store"). The Alhambra store is 100% owned by Mrs. Grace Xu, the spouse of Mr. John Xu, our chief executive officer ("CEO"), Chairman and President. We intend to acquire the remaining 90% equity interest in the Alhambra Store with a portion of the net proceeds from our initial public offering. Our intention is that the Alhambra Store will serve as our first satellite store. The investment in the Alhambra Store is considered a related party transaction because Mrs. Xu is the spouse of Mr. Xu, our CEO, Chairman and President. Please refer to "Certain Relationships and Related Party Transactions" for further explanation. In May 2021, the Company acquired 10% of the equity interests in Dai Cheong, a wholesale business which mainly supplies foods and groceries imported from Asia, which is owned by John Xu, our CEO, Chairman and President. We intend to acquire the controlling ownership of Dai Cheong with a portion of the net proceeds of our initial public offering. By adding Dai Cheong to our portfolio, we will take the first step toward creating a vertically integrated supply-retail structure. Having an importer as a part of our portfolio will allow us the opportunity to offer a wider variety of products and to reap the benefits of preferred wholesale pricing. On June 27, 2023, we invested $1,440,000 for 40% equity interest in HKGF Market of Arcadia, LLC ("HKGF Arcadia"), a supermarket in the city of Arcadia, California, to further expands our footprint to new neighborhood. On December 6, 2023, we invested additional $360,000 for another 10% equity interest in HKGF Arcadia.

Collaboration with JD.com

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

Key Factors that Affect Operating Results

Inflation

The inflation rate for the United States was 3.1% for the nine months ended January 31, 2024, 4.9% for the year ended April 30, 2023 and 8.3% for the year ended April 30, 2022 according to Bureau of Labor Statistics. Inflation increased our purchase costs, occupancy costs, and payroll costs. To offset inflationary pressures for the nine months ended January 31, 2024, we have increased our products' selling price to cover these increased costs.

Operating Cost Increase After Initial Public Offering

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

Competition

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

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

Payroll

As of January 31, 2024, we had approximately 175 employees. Our employees are not unionized nor, to our knowledge, are there any plans for them to unionize. We have never experienced a strike or significant work stoppage. We consider our employee relations to be good. Minimum wage rates in some states have recently increased. For example, in California, the minimum wage rose from $13 to $14 per hour from 2020 to 2021 and increased to $15.50 per hour in 2023. According to the California Department of Industrial Relations, the minimum hourly wage in California will increase to $16 on January 1, 2024. Our payroll and payroll tax expenses were $1.8 million and $2.2 million for the three months ended January 31, 2024 and 2023, respectively. Our payroll and payroll tax expenses were $5.2 million and $5.0 million for the nine months ended January 31, 2024 and 2023, respectively.

Vendor and Supply Management

Maison believes that a centralized and efficient vendor and supply management system is the key to profitability. Maison has major vendors, including Drop in The Ocean, Inc., ONCO Food Corp., GF Distribution, Inc., and XHJC Holding Inc. For the three months ended January 31, 2024, two suppliers accounted for 25%, and 16% of the Company's total purchases, respectively. For the three months ended January 31, 2023, three suppliers accounted for 46%, 27% and 25% of the Company's total purchases, respectively. For the nine months ended January 31, 2024, three suppliers accounted for 30%, 18% and 9% of the Company's total purchases, respectively. For the nine months ended January 31, 2023, three suppliers accounted for 20%, 18% and 18% of the Company's total purchases, respectively. Maison believes that its centralized vendor management enhances its negotiating power and improves its ability to manage vendor payables.

Store Maintenance and Renovation

From time to time, Maison conducts maintenance on the fixtures and equipment for its stores. Any maintenance or renovations could interrupt the operation of our stores and result in a decline in customer volume. Significant maintenance or renovation would affect our operations and operating results. Meanwhile, improving the store environment can also attract more customers and lead to an increase in sales. Maison focused on improving stores for the three and nine months ended January 31, 2024 and 2023. We spent $0.35 million for the three months ended January 31, 2024 for repairs and maintenance and supermarket renovation, an increase of $0.29 million compared to $55,338 for the three months ended January 31, 2023. We spent $0.44 million for the nine months ended January 31, 2024 for repairs and maintenance and supermarket renovation, an increase of $0.25 million compared to $196,980 for the nine months ended January 31, 2023.

Critical Accounting Policy

Related Parties

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

Use of Estimates

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

Inventories

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

Revenue Recognition

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

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

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

The Company's contract liability related to gift cards was $308,326 and $449,334 as of January 31, 2024 and April 30, 2023, respectively.

Leases

On May 1, 2020, the Company adopted ASU 2016-02, Lease (FASB ASC Topic 842). The adoption of Topic 842 resulted in the presentation of operating lease right-of-use ("ROU") assets and operating lease liabilities on the consolidated balance sheet. See Note 14 — "*Leases*" for additional information.

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

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

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

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

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

Recently Issued Accounting Pronouncements

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

How to Assess Our Performance

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

Net Revenue

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

Gross Profit

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

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

Selling, General and Administrative Expenses

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

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

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

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

	Three Months ended January 31,			
	2024	**2023**	**Change**	**Percentage Change**
Net revenues	$ 13,598,479	$ 15,637,095	$ (2,038,616)	(13.0)%
Cost of revenues	10,410,684	11,626,723	(1,216,039)	(10.5)%
Gross profit	3,187,795	4,010,372	(822,577)	(20.5)%
Operating expenses				
Selling expenses	2,438,846	2,664,054	(225,208)	(8.5)%
General and administrative expenses	1,056,118	1,394,570	(338,452)	(24.3)%
Total operating expenses	3,494,964	4,058,624	(563,660)	(13.9)%
Loss from operations	(307,169)	(48,252)	(258,917)	536.6%
Other income (loss), net	(50,306)	1,277,741	(1,328,047)	(103.9)%
Interest income (expense)	(19,425)	76,052	(95,477)	(125.5)%
Income (loss) before income taxes	(376,900)	1,305,541	(1,682,441)	(128.9)%
Income tax provisions	158,656	99,070	59,586	60.1%
Net income (loss)	(535,556)	1,206,471	(1,742,027)	(144.4)%
Net income attributable to noncontrolling interests	13,398	217,997	(204,599)	(93.9)%
Net income (loss) attributable to Maison Solutions Inc.	$ (548,954)	$ 988,474	$ (1,537,428)	(155.5)%

Revenues

	Three Months ended January 31,

	2024	2023	Change	Percentage Change
Perishables	$ 7,243,469	$ 8,701,876	$ (1,458,407)	(16.8)%
Non-perishables	6,355,010	6,935,219	(580,209)	(8.4)%
Net revenue	$ 13,598,479	$ 15,637,095	$ (2,038,616)	(13.0)%

Our net revenues were approximately $13.6 million for the three months ended January 31, 2024, a decrease of approximately $2.0 million or 13.0%, from approximately $15.6 million for the three months ended January 31, 2023. The decrease in net revenues was mainly due to increased competition from two newly opened Asian supermarkets near Maison San Gabriel, effect from ending of certain Covid-9 pandemic-era relief programs in fall such as losing access to foods stamps due to resume of work requirement for food stamps, as well as temporary slow-down of Maison El Monte store due to renovation. We spent $0.3 million for Maison El Monte store renovation in the three months ended January 31 ,2024.

Cost of Revenues

	Three Months ended January 31,			
	2024	2023	Change	Percentage Change
Total cost of revenues	$ 10,410,684	$ 11,626,723	$ (1,216,039)	(10.5)%

Cost of revenues includes cost of supermarket product sales and occupancy costs, which are store rent expense, depreciation for store property and equipment, inventory shrinkage costs and store supplies. The depreciation expense comes from machinery & equipment, such as refrigerators, water heaters, forklifts, and freezers and furniture & fixtures, such as metal shelves, shopping carts, and LED lights. Shrinkage costs are different for different types of products. For example, fruits and vegetables have a high allowance rate during the receiving and display process. The seafood and meat departments have a low allowance rate because the non-fresh products can freeze and sell for the same price or even higher price after being cut. The cost of revenues decreased by approximately $1.2 million, from $11.6 million for three months ended January 31, 2023, to approximately $10.4 million for the three months ended January 31, 2024. The decrease in the cost of revenue was due to the decreased sales and decreased freight costs from the supermarkets.

Gross Profit and Gross Margin

	Three Months ended January 31,			
	2024	2023	Change	Percentage Change
Gross Profit	$ 3,187,795	$ 4,010,372	$ (822,577)	20.5%
Gross Margin	23.4%	25.6%		(2.2)%

Gross profit was approximately $3.2 million and $4.0 million for the three months ended January 31, 2024 and 2023, respectively. Gross margin was 23.4 % and 25.6% for the three months ended January 31, 2024 and 2023, respectively. Our supermarkets' sales profit margins decreased by 2.2% for the three months ended January 31, 2024 compared to the three months ended January 31, 2023, which was mainly due to increased competition from nearby newly opened two Asian supermarkets, and increased inventory costs due to high inflation of consumer products. We increased the selling price of some our products, however, due to increased competition, the overall selling price increase ratio for our products was less than the purchase price of our products.

Total Operating Expenses

	Three Months ended January 31,			
	2024	2023	Change	Percentage Change
Selling Expense	$ 2,438,846	$ 2,664,054	$ (225,208)	(8.5)%
General and Administrative Expense	1,056,116	1,394,570	(338,452)	(24.3)%
Total Operating Expense	$ 3,494,964	$ 4,058,624	$ (563,660)	(13.9)%
Percentage of revenue	25.7%	26.0%		(0.3)%

Total operating expenses were approximately $3.5 million for the three months ended January 31, 2024, a decrease of approximately $0.6 million, compared to approximately $4.1 million for the three months ended January 31, 2023. Total operating expenses as a percentage of revenues were 25.7 % and 26.0% for the three months ended January 31, 2024 and 2023, respectively. The decrease in operating expense was mainly due to the decreased selling expenses and decreased general and administrative expenses. The decrease in general and administrative expenses was mainly from decreased professional fees, by $448,460 in the three months ended January 31, 2024, as compared to the three months ended January 31, 2023. The decreased general and administrative expenses was partially offset by increased amortization expense and office expenses. Amortization expense increased by $59,840 which was for two new systems we purchased for our store operation improvement and future business acquisition, and office expense increased by $31,800 in the three months ended January 31, 2024, as compared to the three months ended January 31, 2023.

The decrease in selling expenses during the three months ended January 31, 2024 was primarily due to decreased marketing expense.

Other Income (Expenses), Net

Other expense was $50,306 for the three months ended January 31, 2024 and $1,277,741 for the three months ended January 31, 2023. For the three months ended January 31, 2024, other expenses mainly consisted of investment loss of $51,204 from HKGF Arcadia, which was partially offset by other income of $898. For the three months ended January 31, 2023, other income mainly consisted of $1.3 million employee retention credit ("ERC") received in January 2023. The ERC is a refundable tax credit for businesses that continued to pay employees while shut down due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020 to December 31, 2021.

Interest Income (Expense), Net

Interest expense was $19,425 for the three months ended January 31, 2024, an increase of $95,477, from interest income of $76,052 for the three months ended January 31, 2023. The interest expense was for the SBA Loans and the AFNB Loans. The interest income in the three months ended January 31, 2023 was from the loan receivables from Drop in the Ocean, Inc, which was repaid in full as of January 31, 2023.

Income Taxes Provisions

Income tax expense was $158,656 for the three months ended January 31, 2024, an increase of $59,586, from income taxes expense of $99,070 for the three months ended January 31, 2023. The increase was mainly due to increased taxable income from our supermarket operations for the three months ended January 31, 2024 despite we had increased taxable loss from our parent company.

Net Income (Loss)

Net loss attributable to the Company was $548,954 for the three months ended January 31, 2024, a decrease of $1,537,428, or 155.5%, from a $988,474 net income attributable to the Company for the three months ended January 31, 2023. This was mainly attributable to the reasons discussed above, which included an approximately $822,577 decrease in gross profit, increased non-operating expenses of approximately $1.4 million and increased income tax expense of $59,586, but partly offset by decreased operating expenses by $563,660.

Results of Operations for the Nine Months Ended January 31, 2024 and 2023

	Nine Months ended January 31,			
	2024	**2023**	**Change**	**Percentage Change**
Net revenues	$ 41,116,998	$ 41,215,255	$ (98,257)	(0.2)%
Cost of revenues	31,699,886	31,815,554	(115,668)	(0.4)%
Gross profit	9,417,112	9,399,701	17,411	0.2%
Operating expenses				
Selling expenses	6,984,543	6,670,088	314,455	4.7%
General and administrative expenses	2,702,660	2,649,419	53,241	2.0%
Total operating expenses	9,687,203	9,319,507	367,696	3.9%
Income (loss) from operations	(270,091)	80,194	(350,285)	(436.8)%
Other income, net	319,967	1,321,533	(1,001,566)	(75.8)%
Interest income (expense)	(95,956)	15,705	(111,661)	(711.0)%
Income (loss) before income taxes	(46,080)	1,417,432	(1,463,512)	(103,3)%
Income tax provisions	424,722	189,151	235,571	124.5%
Net income (loss)	(470,802)	1,228,281	(1,699,083)	(138.3)%
Net income attributable to noncontrolling interests	91,626	307,655	(216,029)	(70.2)%
Net income (loss) attributable to Maison Solutions Inc.	$ (562,428)	$ 920,626	$ 1,483,054	(161.1)%

Revenues

	Nine Months ended January 31,			
	2024	**2023**	**Change**	**Percentage Change**
Perishables	$ 22,438,157	$ 23,069,855	$ (631,698)	(2.7)%
Non-perishables	18,678,841	18,145,400	533,441	2.9%
Net revenue	$ 41,116,998	$ 41,215,255	$ (98,257)	(0.2)%

Our net revenues were approximately $41.1 million for the nine months ended January 31, 2024, a slight decrease of approximately $98,257 or 0.2%, from approximately $41.2 million for the nine months ended January 31, 2023. The decrease in net revenues was mainly due to increased competition from two newly opened Asian supermarkets near Maison San Gabriel, and temporary slow-down of Maison El Monte store due to store renovation.

Cost of Revenues

	Nine Months ended January 31,			
	2024	**2023**	**Change**	**Percentage Change**
Total cost of revenues	$ 31,699, 886	$ 31,815,554	$ (115,668)	(0.4)%

Cost of revenues includes cost of supermarket product sales and occupancy costs, which are store rent expense, depreciation for store property and equipment, inventory shrinkage costs and store supplies. The depreciation expense comes from machinery & equipment, such as refrigerators, water heaters, forklifts, and freezers and furniture & fixtures, such as metal shelves, shopping carts, and LED lights. Shrinkage costs are different for different types of products. For example, fruits and vegetables have a high allowance rate during the receiving and display process. The seafood and meat departments have a low allowance rate because the non-fresh products can freeze and sell for the same price or even higher price after being cut. The cost of revenues decreased by $115,668, from $31.8 million for the nine months ended January 31, 2023, to approximately $31.7 million for the nine months ended January 31, 2024. The slight decrease in cost of revenues was mainly due to slight decrease in our revenue.

Gross Profit and Gross Margin

	Nine Months ended January 31,			
	2024	**2023**	**Change**	**Percentage Change**
Gross Profit	$ 9,417,112	$ 9,399,701	$ 17,411	0.2%
Gross Margin	22.9%	22.8%		0.1%

Gross profit was approximately $9.4 million and $9.4 million for the nine months ended January 31, 2024 and 2023, respectively. Gross margin was 22.9% and 22.8% for the nine months ended January 31, 2024 and 2023, respectively. Our supermarkets' sales profit margins slightly increased by 0.1%

for the nine months ended January 31, 2024 compared to the nine months ended January 31, 2023, which was within normal range of our profit margin.

Total Operating Expenses

	Nine Months ended January 31,			
	2024	2023	Change	Percentage Change
Selling Expense	$ 6,984,543	$ 6,670,088	$ 314,455	4.7%
General and Administrative Expense	2,702,660	2,649,419	53,241	2.0%
Total Operating Expense	$ 9,687,203	$ 9,319,507	$ 367,696	3.9%
Percentage of revenue	23.6%	22.6%		1.0%

Total operating expenses were approximately $9.7 million for the nine months ended January 31, 2024, an increase of approximately $0.4 million, compared to approximately $9.3 million for the nine months ended January 31, 2023. Total operating expenses as a percentage of revenues were 23.6% and 22.6% for the nine months ended January 31, 2024 and 2023, respectively. The increase in operating expenses was primarily attributable to the increase in selling expenses, which included the increase in payroll expense, utility expense, merchant service charges. Payroll expense increased by $127,220 in the nine months ended January 31, 2024, as compared to the nine months ended January 31, 2023 due to the increase of hourly rate. Utility expense increased by $83,110 in the nine months ended January 31, 2024, as compared to the nine months ended January 31, 2023. Merchant eservice charges increased by $140,130 in the nine months ended January 31, 2024, as compared to the nine months ended January 31, 2023 due to increased sales from Maison Monterey Park store.

The increase in general and administrative expenses during the nine months ended January 31, 2024 was primarily due to increased office expenses of approximately $150,000, increased amortization expense of $54,830, increase insurance expense of $68,540, increased meal and entertainment expense of $45,430.

Other Income, Net

Other income was $319,967 for the nine months ended January 31, 2024 and $1,321,533 for the nine months ended January 31, 2023. The decrease in other income was mainly attributable to the employee retention credit ("ERC") we received in January 2023 (nil for the nine months ended January 31, 2024), which was partially offset by investment loss of $63,982 from HKGF Arcadia store.

Interest Income (Expense), Net

Interest expense was $95,956 for the nine months ended January 31, 2024, a decrease of $111,661, from interest income of $15,705 for the nine months ended January 31, 2023. The interest expense was for the SBA Loans and the AFNB Loans.

Income Taxes Provisions

Income tax expense was $424,722 for the nine months ended January 31, 2024, an increase of $235,571, from income taxes expense of $189,151 for the nine months ended January 31, 2023. The increase was mainly due to increased taxable income from our stores for the nine months ended January 31, 2024 compared to the nine months ended January 31, 2023, despite we had significant taxable loss for our parent company.

Net Loss

Net loss attributable to the Company was $562,428 for the nine months ended January 31, 2024, a decrease of $1,483,054, or 161.1%, from a $920,626 net income attributable to the Company for the nine months ended January 31, 2023. This was mainly attributable to the reasons discussed above, which included a decrease in other income of approximately $1.1 million, and increased operating expenses of approximately $0.4 million, and increased income tax expense of approximately $0.2 million.

Liquidity and Capital Resources

Cash Flows for the Nine Months Ended January 31, 2024 Compared to the Nine Months Ended January 31, 2023

As of January 31, 2024, we had cash, cash equivalents and restricted cash of approximately $9.4 million. We had net loss attributable to us of $562,428 for the nine months ended January 31, 2024 and had a working capital of approximately $8.0 million as of January 31, 2024. As of January 31, 2024, the Company had outstanding loan facilities of approximately $57,369 due to American First National Bank, a National Banking Association ("American First National Bank"), and approximately $2.58 million due to the SBA. The covenants of the loans of American First National Bank require that, so long as the loan agreements remain in effect, each borrower must maintain a ratio of debt service coverage within 1.3 to 1.0. This coverage ratio is evaluated as of the end of each fiscal year. As of April 30, 2022, the coverage ratio for Maison Monrovia was 1.01 and the coverage ratio for Maison San Gabriel was 2.00. The Company reported this situation to American First National Bank and there was no change on the note's term up to the date the Company issued these consolidated financial statements. However, due to the violation of a covenant as of April 30, 2022, the Company reclassified the loan balance of $313,278 at April 30, 2022 under Maison Monrovia as current loan payable since then.

In assessing its liquidity, management monitors and analyzes the Company's cash on-hand, its ability to generate sufficient revenue sources in the future, and its operating and capital expenditure commitments. We have funded our working capital, operations and other capital requirements in the past primarily by equity contributions from shareholders, cash flow from operations, government grants, and bank loans. Cash is required to pay purchase costs for inventory, rental expenses, salaries, income taxes, other operating expenses and to repay debts. Our ability to repay our current expenses and obligations will depend on the future realization of our current assets. Management has considered the historical experience, the economy, trends in the retail grocery industry, the expected collectability of our accounts receivable and the realization of the inventories as of January 31, 2024 and April 30, 2023. Our ability to continue to fund these items may be affected by general economic, competitive, and other factors, many of which are outside of our control.

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

On November 22, 2023, we entered into certain securities purchase agreements (the "Securities Purchase Agreements") with certain investors (the "Investors"). Pursuant to the Securities Purchase Agreements, we sold an aggregate of 1,190,476 shares of the Company's Class A common stock, par value $0.0001 per share, to the Investors at a per share purchase price of $4.20 (the "PIPE Offering"). The PIPE Offering closed on November 22, 2023. We received net proceeds of approximately $4.35 million, after deducting investment banker's discounts and commissions and offering expenses payable by the Company.

We plan to acquire and open additional supermarkets with a portion of the proceeds of our IPO and the PIPE Offering to expand our footprint to both the West Coast and the East Coast. This includes completing the acquisition of the remaining 90% equity interests in both the Alhambra Store and Dai Cheong; opening new satellite stores in both Southern and Northern California in 2024 or 2025; acquiring up to five (5) center stores in 2024 and 2025 as part of our East Coast expansion; and establishing a new warehouse in New York City to serve the East Coast by the end of 2025. Upon completion of our East Coast expansion, we expect that we will operate a total of ten center stores by the end of 2025.

To accomplish such expansion plan, we estimate the total related capital investment and expenditures to be approximately $35 million to $40 million, among which approximately $13 million to $16 million will be required within the next 12 months to support our preparation and opening of new stores in Southern and Northern California and acquiring additional supermarkets on the East Coast. This is based on management's best estimate as of the date of this Report. We will also need approximately $57k to fully settle our loan from American First National Bank.

We believe that our current cash and cash flows provided by operating activities will be sufficient to meet our working capital needs for our existing business in the next 12 months from the date of the issuance date of the financial statements. However, we plan to use part of the proceeds from our IPO to support our business expansion described above. We may also seek additional financing, to the extent needed, and there can be no assurance that such financing will be available on favorable terms, or at all. Such financing may include the use of additional debt or the sale of additional equity securities. Any financing which involves the sale of equity securities or instruments that are convertible into equity securities could result in immediate and possibly significant dilution to our existing shareholders. If it is determined that the cash requirements exceed the Company's amounts of cash on hand, the Company may also seek to issue additional debt or obtain financial support from shareholders. The principal stockholder of the Company has made a commitment to provide financial support to the Company whenever necessary.

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

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

	Nine Months ended January 31,	
	2024	**2023**
Net cash provided by (used in) operating activities	$ (887,439)	$ 364,225
Net cash provided by (used in) investing activities	(5,142,083)	1,886,085
Net cash provided by financing activities	12,866,382	(641,396)
Net change in cash and restricted cash	$ 6,836,860	$ 1,608,914

Operating Activities

Net cash used by operating activities was approximately $0.9 million for the nine months ended January 31, 2024, which mainly comprised of net loss of $470,802 with non-cash adjustment to net income including depreciation expense of $274,476, bad debt reversal of $105,322, provision for inventory shrinkage reversal of $1,088, investment loss from 50% equity investee HKGF Arcadia store of $63,982, and changes in deferred taxes of $6,135. In addition, for the nine months ended January 31, 2024, we had cash outflow from 1) increased outstanding accounts receivable from related parties of $219,260, 2) increased inventories on hand of $40,147, 3) increased outstanding accounts receivables of $440,985, 4) payment for accounts payable of $1,451,371, and 5) a decrease to contract liabilities of $141,009.

The net cash used by operating activities for the nine months ended January 31, 2024 was mainly offset by increased cash inflow from 1) prepayments of $1,065,243, 2) decrease to outstanding other receivables and other current assets of $124,182, 3) an increase of operating lease liabilities of $227,728, 4) an increase of taxes payables of $108,247, and 5) an increase of accounts payable to related parties of $128,599.

Net cash provided by operating activities was approximately $0.4 million for the nine months ended January 31, 2023 and was mainly comprised of net income of approximately $1.2 million, add-back of non-cash depreciation and amortization expense of approximately $0.3 million; provision for inventory shrinkage reserve of $29,479; payment collected from accounts receivable from related parties of $85,981; decrease of inventories of approximately $0.2 million; decrease of prepayments of approximately $0.7 million; increase of outstanding accounts payable from related parties of $94,193, and an increase of outstanding taxes payable of approximately $0.2 million.

The net cash provided by operating activities was mainly offset by an increase of outstanding accounts receivable of approximately $0.9 million for the nine months ended January 31, 2023; increase of outstanding other receivables and other current assets of approximately $0.2 million; increased payment for accounts payable of $1.3 million; increased payment for accrued liability and other payables of $0.2 million; and increased payment for contract liabilities of $0.1 million.

We had a net loss of $470,802 for the nine months ended January 31, 2024, a decrease of $1,699,083 compared with a net income of $1,228,281 for the nine months ended January 31, 2023. Our cash outflow of $887,439 for the nine months ended January 31, 2024 represented an increase of $1,251,664 cash outflow, compared with a $364,225 cash inflow in the nine months ended January 31, 2023. The increased net cash outflow for the nine months ended January 31, 2024 was mainly due to increased cash outflow from accounts payable of $160,830, increased cash outflow from accounts receivable from related parties of $305,241, increased cash outflow from inventories on hand of $282,707, which were partially offset by decreased cash outflow from outstanding accounts receivable of $439,967, increased cash inflow from prepayments of $362,220, increased cash inflow from other receivables and other current assets of $362,657, and decreased cash outflow from payments for accrued expenses and other payables of $147,350.

Investing Activities

Net cash used in investing activities was approximately $5.1 million for the nine months ended January 31, 2024, which mainly consisted of store renovation and purchase of equipment of $317,083, payment of intangible assets of $2.95 million, payment for investment into TMA Liquor Inc of $75,000, and payment for 50% investment into Good Fortune Arcadia supermarket of approximately $1.8 million.

Net cash provided by investing activities was approximately $1.9 million for the nine months ended January 31, 2023, which mainly consisted of loan repayment from third parties of approximately $4.4 million, which was partially offset with the purchase of equipment of $24,185, and payment for acquisition of subsidiary Maison Monterey Park of $2.5 million.

Financing Activities

Net cash provided by financing activities was approximately $12.9 million for the nine months ended January 31, 2024, which mainly consisted of net proceeds from issuance of common stock of approximately $13.3 million, which was partially offset by repayment on loans payable of approximately $0.3 million, and repayment for a note payable of $150,000.

Net cash used in financing activities was approximately $0.6 million for the nine months ended January 31, 2023, which mainly consisted of bank overdraft of $281,941, repayment on loan payable of $261,923, payments on other receivables from related parties of $62,932, and repayment to other payables of related parties of $34,600.

Debt

American First National Bank — a National Banking Association

On March 2, 2017, Good Fortune Supermarket of Monrovia, LP entered into a $1.0 million Business Loan Agreement with American First National Bank, with a maturity date on March 2, 2024. On March 2, 2017, Good Fortune Supermarket of San Gabriel, LP, entered into a $1.0 million Business Loan Agreement with American First National Bank, with and maturity date on March 2, 2024. The interest rate for these two loans is subject to change from time to time based on changes in an independent index which is the Wall Street Journal US prime as published in the Wall Street Journal Money Rate Section. The annual interest rate for the AFNB Loans was ranging from 4.5% to 7.75% for the nine months ended January 31, 2023, and was 7.75% for the nine months ended January 31, 2024. The covenant of the loans required that, so long as the loan agreements remains in effect, the borrower will maintain a ratio of debt service coverage within 1.300 to 1.000. This coverage ratio will be evaluated as of the end of each fiscal year. Due to the violation of a covenant as of April 30, 2022, the Company reclassified the loan balance of $313,278 at April 30, 2022 under Good Fortune Supermarket of Monrovia, LP as current loan payable since then.

U.S. Small Business Administration

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

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

Commitments and Contractual Obligations

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

Contractual Obligations	Total	Less than 1 year	1–3 years	3–5 years	Thereafter
American First National Bank, a National Banking Association	$ 57,369	$ 57,369	$ —	$ —	$ —
U.S. Small Business Administration	2,577,247	64,573	135,605	144,774	2,232,295
Operating Lease Obligations and others	23,160,244	1,850,310	4,143,190	3,701,880	13,464,864
	$ 25,794,860	$ 1,972,252	$ 4,278,795	$ 3,846,654	$ 15,697,159

Contingencies

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

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

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

The Company and Defendants believe the allegations in both complaints are without merit and intend to defend each suit vigorously.

In June 2022, Maison San Gabriel entered into a confidential settlement agreement with the plaintiff in connection with a California employment law case whereby Maison San Gabriel agreed to pay $98,500 to plaintiff in full settlement of all claims in the case. As a result of the settlement agreement, the Company accrued $98,500 as a loss relating to the case for the fiscal year ended April 30, 2022. During the year ended April 30, 2023, the Company accrued additional $40,000 litigation loss.

In May 2020, Maison El Monte was named as a co-defendant in a complaint filed by a consumer advocacy group alleging violations of a California health and safety regulation. The case is pending in the Superior Court of the State of California, and as such, the Company has not made any accruals of possible loss for the year ended April 30, 2023 and for the period ended January 31, 2024 related to this case.

Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This item is not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

As described in our Annual Report on Form 10-K for the year ended April 30, 2023, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of April 30, 2023 based on the framework in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the control deficiencies identified during this evaluation and set forth below, our management concluded that we did not maintain effective internal control over financial reporting as of April 30, 2023 due to the existence of a material weakness in internal control over financial reporting as described below.

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

Material Weakness

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

Management has determined that the Company did not maintain effective internal control over financial reporting as of the three and nine-month period ended January 31, 2024, due to the existence of the following material weakness identified by management, as related to: (i) insufficient full-time employees with the necessary levels of accounting expertise and knowledge to compile and analyze consolidated financial statements and related disclosures in accordance with U.S. GAAP and address complex accounting issues under U.S. GAAP; (ii) the lack of timely related party transaction monitoring and the failure to keep a related party list and keep records of related party transactions on a regular basis; (iii) the failure to keep an up-to-date perpetual inventory control system or timely perform company-wide inventory count at or near its fiscal year-end date. Specifically, maintaining records for inbound warehouse purchases or have specialized personnel to scan goods into the warehouse on a timely basis; (iv) the lack of adequate policies and procedures in control environment and control activities to ensure that the Company's policies and procedures have been carried out as planned; (v) information technology general control in the areas of: (1) Risk and Vulnerability Assessment; (2) Selection and Management/Monitoring of Critical Vendors; (3) System Development and Change Management; (4) Backup Management; (5) System Security & Access: Deficiency in the Area of Audit Trail Record Control, Password Management, Vulnerability Scanning or Penetration Testing; (6) Segregation of Duties, Privileged Access, and Monitoring Controls; and (7) System Monitoring and Incident Management; and (vi) accounting personnel have the ability in the accounting system to prepare, review, and post the same accounting journal entry.

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

Following the identification and communication of the material weaknesses, management is in the process of taking certain actions to remediate the material weakness related to our lack of U.S. GAAP experience. We plan to hire additional credentialed professional staff and consulting professionals with greater knowledge and experience of U.S. GAAP and related regulatory requirements to oversee our financial reporting process in order to ensure our compliance with U.S. GAAP and other relevant securities laws. In addition, we plan to provide additional training to our accounting personnel on U.S. GAAP, and other regulatory requirements regarding the preparation of financial statements. Until such time as we hire qualified accounting personnel with the requisite U.S. GAAP knowledge and experience and train our current accounting personnel, we have engaged an outside CPA with U.S. GAAP knowledge and experience to supplement our current internal accounting personnel and assist us in the preparation of our financial statements to ensure that our financial statements are prepared in accordance with U.S. GAAP.

Changes in Internal Control Over Financial Reporting

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

Limitations on Effectiveness of Controls and Procedures

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Not required for a smaller reporting company. However, as of the date of this Report, there have been no material changes to the risk factors included in our Annual Report on Form 10-K for the year ended April 30, 2023.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

Exhibit No.	Description
10.1	Form of Securities Purchase Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 24, 2023).
10.2	Form of Registration Rights Agreement (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on November 24, 2023).
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

MAISON SOLUTIONS INC.

Date: March 18, 2024

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

Date: March 18, 2024

By: /s/ Alexandria M. Lopez
Name: Alexandria M. Lopez
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

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

I, John Xu, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Maison Solutions Inc.;

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

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

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

March 18, 2024

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

Exhibit 31.2

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

I, Alexandria M. Lopez, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Maison Solutions Inc.;

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

March 18, 2024

By: /s/ Alexandria M. Lopez
Alexandria M. Lopez
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 32.1

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

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

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

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 18, 2024

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

Exhibit 32.2

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

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

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

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 18, 2024

By: /s/ Alexandria M. Lopez
Alexandria M. Lopez
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)