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# DELTA REPORT

## 10-Q

WETOUGH TECHNOLOGY INC.

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 837

■ CHANGES 248

■ DELETIONS 267

■ ADDITIONS 322

**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 **June** **September 30, 2023**

or

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

Commission File Number: **000-56215**

**WETOUCH TECHNOLOGY INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

**20-4080330**

(State or other jurisdiction of  
incorporation or organization)

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

**No.29, Third Main Avenue, Shigao Town, Renshou County  
Meishan, Sichuan, China 620500**

(Address of principal executive offices) (Zip Code)

**(86) 028-37390666**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods 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 to be submitted posted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
(Do not check if a smaller reporting company)		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of **August 15, 2023** **November 13, 2023**, the registrant had **194,304,965** **9,732,948** shares of common stock issued and outstanding.

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

Except for historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements include, among others, those statements including the words "believes", "anticipates", "expects", "intends", "estimates", "plans" and words of similar import. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are based on our current expectations and assumptions regarding our business, potential target businesses, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore that you should not rely on any of these forward-looking statements as statements of historical fact or as guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include changes in local, regional, national or global political, economic, business, competitive, market (supply and demand) and regulatory conditions.

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

Given these uncertainties, readers of this Quarterly Report on Form 10-Q ("Quarterly Report") are cautioned not to place undue reliance on such forward-looking statements. We disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE SEPTEMBER 30, 2023

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

	As of June 30,	As of December 31,	As of September 30,	As of December 31,
	2023	2022	2023	2022
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 92,214,861	\$ 51,250,505	\$ 93,936,779	\$ 51,250,505
Accounts receivable, net	13,963,453	9,057,741	13,931,782	9,057,741
Inventories	170,356	423,276	203,922	423,276
Due from a related party	1,023	-		
Prepaid expenses and other current assets	1,054,421	1,450,620	1,043,270	1,450,620
<b>TOTAL CURRENT ASSETS</b>	<b>107,404,114</b>	<b>62,182,142</b>	<b>109,115,753</b>	<b>62,182,142</b>
Property, plant and equipment, net	10,385,590	10,923,610	10,319,680	10,923,610
<b>TOTAL ASSETS</b>	<b>\$ 117,789,704</b>	<b>\$ 73,105,752</b>	<b>\$ 119,435,433</b>	<b>\$ 73,105,752</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 2,369,245	\$ 1,383,094	\$ 1,502,743	\$ 1,383,094
Loan from a third party	467,936	385,791	385,791	385,791
Due to a related party	-	1,665	-	1,665
Income tax payable	1,503,458	22,152	1,150,001	22,152
Accrued expenses and other current liabilities	2,572,533	944,624	3,062,051	944,624
Convertible promissory notes payable	1,249,866	1,277,282	1,234,355	1,277,282
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,163,038</b>	<b>4,014,608</b>	<b>7,334,941</b>	<b>4,014,608</b>
Common stock purchase warrants liability	212,174	256,957	381,241	256,957
<b>TOTAL LIABILITIES</b>	<b>\$ 8,375,212</b>	<b>\$ 4,271,565</b>	<b>\$ 7,716,182</b>	<b>\$ 4,271,565</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 13)</b>				
<b>STOCKHOLDERS' EQUITY</b>				
Common stock, \$0.001 par value, 300,000,000 shares authorized, 193,904,965 and 33,604,965 issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	\$ 193,905	\$ 33,605		
Additional paid in capital	43,209,953	3,370,253		
Common stock, \$0.001 par value, 15,000,000 shares authorized, 9,732,948 and 1,680,248 issued and outstanding as of September 30, 2023 and December 31, 2022, respectively*			\$ 9,733	\$ 1,680
Additional paid in capital*			43,514,125	3,402,178
Statutory reserve	6,040,961	6,040,961	6,040,961	6,040,961
Retained earnings	69,833,124	62,366,892	72,692,092	62,366,892
Accumulated other comprehensive income	(9,863,451)	(2,977,524)		
Accumulated other comprehensive loss			(10,537,660)	(2,977,524)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>109,414,492</b>	<b>68,834,187</b>	<b>111,719,251</b>	<b>68,834,187</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 117,789,704</b>	<b>\$ 73,105,752</b>	<b>\$ 119,435,433</b>	<b>\$ 73,105,752</b>

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

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

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**WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(Unaudited)

	Three-Month Period Ended		Six-Month Period Ended		Three-Month Period Ended		Nine-Month Period Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>REVENUES</b>	\$ 12,774,432	\$ 11,752,934	\$ 26,207,893	\$ 23,747,481	\$ 11,123,605	\$ 11,623,018	\$ 37,331,498	\$ 35,370,499
<b>COST OF REVENUES</b>	(6,521,015)	(6,701,935)	(13,915,676)	(14,385,727)	(6,346,079)	(6,561,166)	(20,261,755)	(20,946,893)
<b>GROSS PROFIT</b>	<b>6,253,417</b>	<b>5,050,999</b>	<b>12,292,217</b>	<b>9,361,754</b>	<b>4,777,526</b>	<b>5,061,852</b>	<b>17,069,743</b>	<b>14,423,606</b>
<b>OPERATING EXPENSES</b>								
Selling expenses	(81,360)	(532,101)	(132,065)	(1,017,248)	(265,526)	(214,719)	(397,591)	(1,231,967)
General and administrative expenses	(56,907)	(443,146)	(1,723,663)	(815,484)	(205,940)	(88,063)	(1,929,603)	(903,547)
Research and development expenses	(20,384)	(21,713)	(41,269)	(44,570)	(20,580)	(20,737)	(61,849)	(65,307)
<b>OPERATING EXPENSES</b>	<b>(158,651)</b>	<b>(996,960)</b>	<b>(1,896,997)</b>	<b>(1,877,302)</b>	<b>(492,046)</b>	<b>(323,519)</b>	<b>(2,389,043)</b>	<b>(2,200,821)</b>
<b>INCOME FROM OPERATIONS</b>	<b>6,094,766</b>	<b>4,054,039</b>	<b>10,395,220</b>	<b>7,484,452</b>	<b>4,285,480</b>	<b>4,738,333</b>	<b>14,680,700</b>	<b>12,222,785</b>
Interest income	30,034	30,502	59,229	59,636	30,616	29,621	89,845	89,257
Interest expense	(38,108)	(57,391)	(71,507)	(113,563)	(139,876)	(58,692)	(211,383)	(172,255)
Gain on changes in fair value of common stock purchase warrants liability	142,386	62,208	44,784	222,651				
<b>TOTAL OTHER INCOME</b>	<b>134,312</b>	<b>35,319</b>	<b>32,506</b>	<b>168,724</b>				
Gain (loss) on changes in fair value of common stock purchase warrants liability					(169,067)	(187,109)	(124,283)	35,542
<b>TOTAL OTHER LOSS</b>					<b>(278,327)</b>	<b>(216,180)</b>	<b>(245,821)</b>	<b>(47,456)</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>6,229,078</b>	<b>4,089,358</b>	<b>10,427,726</b>	<b>7,653,176</b>	<b>4,007,153</b>	<b>4,522,153</b>	<b>14,434,879</b>	<b>12,175,329</b>
<b>INCOME TAX EXPENSE</b>	<b>(1,556,095)</b>	<b>(1,158,653)</b>	<b>(2,961,494)</b>	<b>(2,159,958)</b>	<b>(1,148,185)</b>	<b>(1,232,629)</b>	<b>(4,109,679)</b>	<b>(3,392,587)</b>
<b>NET INCOME</b>	<b>\$ 4,672,983</b>	<b>\$ 2,930,705</b>	<b>\$ 7,466,232</b>	<b>\$ 5,493,218</b>	<b>\$ 2,858,968</b>	<b>\$ 3,289,524</b>	<b>\$ 10,325,200</b>	<b>\$ 8,782,742</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>								
Foreign currency translation adjustment	(6,204,951)	(3,782,778)	(6,885,927)	(3,402,584)	(674,209)	(4,195,353)	(7,560,136)	(7,597,937)
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ (1,531,968)</b>	<b>\$ (852,073)</b>	<b>\$ 580,305</b>	<b>\$ 2,090,634</b>	<b>\$ 2,184,759</b>	<b>\$ (905,829)</b>	<b>\$ 2,765,064</b>	<b>\$ 1,184,805</b>
<b>EARNINGS PER COMMON SHARE</b>								

<b>EARNINGS PER COMMON SHARE*</b>								
Basic	\$ 0.02	\$ 0.09	\$ 0.04	\$ 0.17	\$ 0.29	\$ 2.01	\$ 1.13	\$ 5.47
Diluted	\$ 0.02	\$ 0.09	\$ 0.04	\$ 0.17	\$ 0.29	\$ 2.01	\$ 1.13	\$ 5.12
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>								
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING*</b>								
Basic	193,654,416	31,991,065	176,834,247	32,078,536	9,712,404	1,639,881	9,135,132	1,604,328
Diluted	195,586,979	32,605,193	180,699,373	32,692,664	9,794,357	1,637,024	9,224,423	1,715,956

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

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

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Foreign currency translation adjustment	-	-	-	-	-	(6,204,951)	(6,204,951)
<b>Balance at June 30, 2023</b>	<b>193,904,965</b>	<b>\$ 193,905</b>	<b>\$ 43,209,953</b>	<b>\$ 6,040,961</b>	<b>\$ 69,833,124</b>	<b>\$ (9,863,451)</b>	<b>\$ 109,414,492</b>

	Common stock at Par value \$0.001		Additional paid-in capital	Statutory reserve	Retained Earnings	Accumulated other comprehensive Income (loss)	Total stockholders' equity
	Shares	Amount					
<b>Balance at December 31 2021*</b>	1,590,576	\$ 1,591	\$ 2,363,842	\$ 5,067,243	\$ 54,610,164	\$ 2,265,168	\$ 64,308,008
Shares issued cashless for warrants	76,701	76	(76)	-	-	-	-
Net income	-	-	-	-	8,782,742	-	8,782,742
Foreign currency translation adjustment	-	-	-	-	-	(7,597,937)	(7,597,937)
<b>Balance at September 30, 2022</b>	<b>1,667,277</b>	<b>\$ 1,667</b>	<b>\$ 2,363,766</b>	<b>\$ 5,067,243</b>	<b>\$ 63,392,906</b>	<b>\$ (5,332,769)</b>	<b>\$ 65,492,813</b>

	Common stock at Par value \$0.001		Additional paid-in capital	Statutory reserve	Retained Earnings	Accumulated other comprehensive income	Total stockholders' equity
	Shares	Amount					
<b>Balance at December 31, 2021</b>	31,811,523	\$ 31,812	\$ 2,333,621	\$ 5,067,243	\$ 54,610,164	\$ 2,265,168	\$ 64,308,008
Shares issued cashless for warrants	227,512	228	(228)	-	-	-	-
Net income	-	-	-	-	5,493,218	-	5,493,218
Foreign currency translation adjustment	-	-	-	-	-	(3,402,584)	(3,402,584)
<b>Balance at June 30, 2022</b>	<b>32,039,035</b>	<b>\$ 32,040</b>	<b>\$ 2,333,393</b>	<b>\$ 5,067,243</b>	<b>\$ 60,103,382</b>	<b>\$ (1,137,416)</b>	<b>\$ 66,398,642</b>

	Common stock at Par value \$0.001		Additional paid-in capital	Statutory reserve	Retained Earnings	Accumulated other comprehensive Income (loss)	Total stockholders' equity	Common stock at Par value \$0.001		Additional paid-in capital
	Shares	Amount						Shares	Amount	
<b>Balance at December 31, 2022</b>	33,604,965	\$ 33,605	\$ 3,370,253	\$ 6,040,961	\$ 62,366,892	\$ (2,977,524)	\$ 68,834,187			
<b>Balance at December 31 2022*</b>								1,680,248	\$ 1,680	\$ 3,402,17
<b>Shares issued to private placement</b>	160,000,000	160,000	39,840,000	-	-	-	40,000,000	8,000,000	8,000	39,992,00
<b>Fraction shares issued due to reverse stock split</b>								5,362	6	
<b>Exercise of warrants issued to third parties in conjunction with debt issuance in 2021</b>	300,000	300	(300)	-	-	-	-	22,338	22	(2

Stock issuance for convertible promissory notes payable									25,000	25	119,97
Net income	-	-	-	-	7,466,232	-	7,466,232	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	(6,885,927)	(6,885,927)	-	-	-	-
<b>Balance at June 30, 2023</b>	<b>193,904,965</b>	<b>\$ 193,905</b>	<b>\$ 43,209,953</b>	<b>\$ 6,040,961</b>	<b>\$ 69,833,124</b>	<b>\$ (9,863,451)</b>	<b>\$ 109,414,492</b>				
<b>Balance at September 30, 2023</b>								<b>9,732,948</b>	<b>\$ 9,733</b>	<b>\$ 43,514,17</b>	

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

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

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WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the six-months ended June 30,		For the nine-months ended September 30,	
	2023	2022	2023	2022
<b>Cash flows from operating activities</b>				
Net income	\$ 7,466,232	\$ 5,493,218	\$ 10,325,200	\$ 8,782,742
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation	4,805	10,169	9,465	12,494
Amortization of discounts and issuance cost of the notes	15,151	25,896	24,121	39,774
Gain on changes in fair value of common stock purchase warrants liability	(44,784)	(222,651)		
(Gain) loss on changes in fair value of common stock purchase warrants liability			124,284	(35,542)
<b>Changes in operating assets and liabilities:</b>				
Accounts receivable	(5,597,334)	(7,727,876)	(5,568,912)	(7,451,004)
Amounts due from related parties	(1,158)	-	(98)	-
Inventories	239,546	(276,717)	199,566	(194,529)
Prepaid expenses and other current assets	339,335	1,183,520	335,230	1,168,383
Accounts payable	1,102,812	1,365,543	202,514	723,723
Amounts due to related parties	2,164	(22,417)	(1,665)	7,366
Income tax payable	1,551,492	1,112,391	1,171,069	1,208,810
Accrued expenses and other current liabilities	1,680,447	557,669	2,187,200	506,706
<b>Net cash provided by operating activities</b>	<b>6,758,708</b>	<b>1,498,745</b>	<b>9,007,974</b>	<b>4,768,923</b>
<b>Cash flows from investing activities</b>				
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Proceeds from stock issuance of private placement	40,000,000	-	40,000,000	-
Proceeds from interest-free advances from a third party	82,145	-	-	-
Repayments of convertible promissory notes payable	(35,000)	-	(55,000)	-
<b>Net cash provided by financing activities</b>	<b>40,047,145</b>	<b>-</b>	<b>39,945,000</b>	<b>-</b>
Effect of changes of foreign exchange rates on cash	(5,841,498)	(2,516,649)	(6,266,700)	(5,383,354)
<b>Net increase in cash</b>	<b>40,964,356</b>	<b>(1,017,904)</b>		
<b>Net increase (decrease) in cash</b>			<b>42,686,274</b>	<b>(614,431)</b>
Cash, beginning of period	51,250,505	46,163,704	51,250,505	46,163,704
Cash, end of period	\$ 92,214,861	\$ 45,145,800	\$ 93,936,779	\$ 45,549,273
<b>Supplemental disclosures of cash flow information</b>				
Income tax paid	\$ 2,961,494	\$ 1,045,215		
			<b>\$ 2,938,610</b>	<b>\$ 2,181,273</b>
<b>Non-cash financing activities</b>				
Cashless stock issuance for convertible promissory notes payable			\$ 22,338	\$ -

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

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## WETOUGH TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements (Unaudited)

#### NOTE 1 — BUSINESS DESCRIPTION

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

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

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

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

#### Corporate History of BVI Wetouch

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

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

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

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

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

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

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

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

The following diagram illustrates our current corporate structure:

A diagram of a company Description automatically generated

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## Note 2 — BASIS OF PRESENTATION

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

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

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### *Use of Estimates*

The preparation of condensed financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the related disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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

### *Significant Accounting Policies*

For a detailed discussion about Wetouch's significant accounting policies, refer to Note 2 — "Summary of Significant Accounting Policies," in Wetouch's consolidated financial statements included in Company's 2022 audited consolidated financial statements. During the six-month nine-month periods ended June 30, 2023 September 30, 2023, there were no significant changes made to Wetouch significant accounting policies.

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### NOTE-3- ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Accounts receivable	\$ 13,963,453	\$ 9,057,741	\$ 13,931,782	\$ 9,057,741
Allowance for doubtful accounts	-	-	-	-
Accounts receivable, net	\$ 13,963,453	\$ 9,057,741	\$ 13,931,782	\$ 9,057,741

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

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

Prepaid expenses and other current assets consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Advance to suppliers	\$ 327,861	\$ 333,920	\$ 325,852	\$ 333,920
VAT input credits	-	355,482	-	355,482
Issue cost related to convertible promissory notes	74,047	81,614	69,566	81,614
Prepayment for land use right (i)	541,314	569,105	537,998	569,105
Security deposit (ii)	54,197	56,979	53,865	56,979
Others receivable (iii)	57,002	53,520	55,989	53,520
Prepaid expenses and other current assets	\$ 1,054,421	\$ 1,450,620	\$ 1,043,270	\$ 1,450,620

- (i) On July 23, 2021, Sichuan Vtouch entered into a contract with Chengdu Wenjiang District Planning and Natural Resources Bureau for purchasing a land use right of 131,010 square feet with a consideration of RMB3,925,233 (equivalent to \$541,314/537,998) for the new facility. The Company made a full prepayment by November 18, 2021. Upon a certificate of land use right issued by the local government, which is estimated to be obtained by the fourth quarter of 2023, the Company will reclassify this prepayment to intangible assets accordingly.
- (ii) On July 28, 2021, Sichuan Vtouch made a security deposit of RMB393,000 (equivalent to \$54,197/53,865) to Chengdu Cross-Strait Science and Technology Industry Development Park Management Committee to obtain a construction license for new facility. This deposit will be refunded upon the issuance of the construction license by the end of 2023.
- (iii) Other receivables are mainly employee advances, and prepaid expenses.

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Buildings	\$ 11,877	\$ 12,487
Vehicles	40,380	42,453
Construction in progress	10,351,603	10,883,051
Subtotal	10,403,860	10,937,991
Less: accumulated depreciation	(18,270)	(14,381)
<b>Property, plant and equipment, net</b>	<b>\$ 10,385,590</b>	<b>\$ 10,923,610</b>
	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Buildings	\$ 11,804	\$ 12,487
Vehicles	40,132	42,453
Construction in progress	10,288,183	10,883,051
Subtotal	10,340,119	10,937,991
Less: accumulated depreciation	(20,439)	(14,381)
<b>Property, plant and equipment, net</b>	<b>\$ 10,319,680</b>	<b>\$ 10,923,610</b>

Depreciation expense was \$2,372,294 and \$7,216,234 for the three-month period ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$4,805,9465 and \$9,838,12,494 for the six-month nine-month period ended June 30, 2023 September 30, 2023 and 2022, respectively, respectively

Pursuant to local PRC government guidelines on local environment issues and the national overall plan, Sichuan Wetouch is under the government directed relocation order to relocate no later than December 31, 2021 and received compensation accordingly. On March 18, 2021, pursuant to the agreement with the local government and an appraisal report issued by a mutual agreed appraiser, Sichuan Wetouch received a compensation of RMB115.2 million (\$15.9 million) ("Compensation Funds") for the withdrawal of the right to use of state-owned land and the demolition of all buildings, facilities, equipment and all other appurtenances on the land.

On March 16, 2021, in order to minimize interruption of our business, Sichuan Vtouch entered into a leasing agreement with Sichuan Renshou Shigao Tianfu Investment Co., Ltd. (later renamed as Meishan Huantian Industrial Co., Ltd.), a limited company owned by the local government, to lease the property, and all buildings, facilities and equipment thereon ("Demised Properties") of Sichuan Wetouch, commencing from April 1, 2021 until December 31, 2021 at a monthly rent of RMB300,000 (\$41,372), and renewed on December 31, 2021 at a monthly rent of RMB 400,000 (\$55,162,52,825) from January 1, 2022 till October 31, 2023 October 31, 2024 for the use of the Demised Properties.

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**NOTE 6 – RELATED PARTY TRANSACTIONS**

Amounts due from to a related party are as follows:

	<u>Relationship</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>Note</u>
Mr. Zongyi Lian	President and CEO of the Company	\$ 1,023	\$ -	Receivable from employee
<b>Total</b>		<b>\$ 1,023</b>	<b>\$ -</b>	

Amounts due to a related party are as follows:

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

**NOTE 7 — INCOME TAXES**Wetouch

Wetouch Technology Inc. files a U.S. federal income tax return.

BVI Wetouch

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

Hong Kong

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

PRC

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

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

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

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

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

The effective income tax rates for the six-month nine-month periods ended June 30, 2023 September 30, 2023 and 2022 were 28.4 28.5% and 28.2 27.9%, respectively.

The estimated effective income tax rate for the year ended December 31, 2023 would be similar to actual effective tax rate of the six-month nine-month periods ended June 30, 2023 September 30, 2023.

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**NOTE 8— ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Advance from customers</b>	\$ 530,739	\$ 397,886	\$ 532,069	\$ 397,886
<b>Accrued payroll and employee benefits</b>	83,034	89,359	82,015	89,359
<b>Accrued interest expenses</b>	178,490	122,135	209,397	122,135
<b>Accrued underwriter fees (i)</b>	1,200,000	-	1,200,000	-
<b>Other tax payables (ii)</b>	321,377	261	595,183	261
<b>Other payable to a former shareholder (iii)</b>	-	191,180	-	191,180
<b>Accrued professional fees</b>	99,412	-	332,313	-
<b>Others (iv)</b>	159,481	153,803	111,074	153,803
<b>Accrued expenses and other current liabilities</b>	<b>\$ 2,572,533</b>	<b>\$ 944,624</b>	<b>\$ 3,062,051</b>	<b>\$ 944,624</b>

(i) On March 18, 2023, the Company entered into a private placement consent agreement with representatives related to Representatives of the private placement consummated taken place on January 19, 2023 (see Note 10) on the underwriting fees of US\$1.2 million, payable only on the completion of the underwriting offering.

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

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

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

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## NOTE 9 – CONVERTIBLE PROMISSORY NOTES PAYABLE

### a) Convertible promissory notes

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

The details of convertible notes are as follows:

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

The Lenders have the right to convert any or all of the principal and accrued interest on the Notes into shares of common stock of the Company on the earlier of (i) 180 calendar days after the issuance date of the Notes or (ii) the closing of a listing for trading of the common stock of the Company on a national securities exchange offering resulting in gross proceeds to the Company of \$15,000,000 or more (an "Uplist Offering" "Uplist Offering"). If the Company closes an Uplist Offering on or before the 180<sup>th</sup> calendar date after the issuance date of the Notes, the conversion price shall be 70% of the per share offering price in the Uplist Offering; otherwise, the conversion price is \$0.75 15.0 per share.

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

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

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

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

	June 30, 2023		December 31, 2022		
	Interest rate	Principal Amount	Carrying Amount	Principal Amount	Carrying Amount
Convertible Note - Talos Victory (Note 9 (b))	8%	\$ -	\$ -	\$ -	-
Convertible Note - Mast Hill (Note 9 (b))	8%	725,000	658,988	740,000	635,535
Convertible Note - First Fire (Note 9 (b))	8%	176,250	125,922	181,250	156,594
Convertible Note - LGH Note 9 (b))	8%	202,500	194,094	207,500	188,987
Convertible Note - Fourth Man (Note 9 (b))	8%	152,000	133,510	157,000	128,703
Convertible Note - Jefferson Street Note 9 (b))	8%	165,000	141,240	170,000	142,554
Convertible Note - Blue Lake Note 9 (b))	8%	-	-	-	-
<b>Total</b>		<b>\$ 1,420,750</b>	<b>\$ 1,253,754</b>	<b>\$ 1,455,750</b>	<b>\$ 1,252,373</b>
<b>Amortization of discounts for the six months ended June 30, 2023</b>			(3,888)		
<b>Convertible promissory notes payable as of June 30, 2023</b>			<b>\$ 1,249,866</b>		

  

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

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

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

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

For the six-month period ended June 30, 2023, the Company recognized interest expenses of the Notes in the amount of US\$71,507, 211,383 and US\$113,563, 172,255, respectively.

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

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

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## b) Warrants

### Accounting for Warrants

In connection with the issuance of a convertible promissory notes (see Note 11 (a) in October, November and December, 2021, the Company also issued seven (7) three-year warrant (the "Warrant") to purchase an aggregate of 1,800,000 90,000 shares of the Company's common stock (the "Warrant Shares").

The Warrants issued to the Lenders granted each of the Lenders the right to purchase up to 200,000 10,000 shares of common stock of the Company at an exercise price of \$1.25 25 per share. However, if the Company closes an Uplist Offering on or before the 180<sup>th</sup> calendar date after the issuance date of the Warrants, then the exercise price shall be 125% of the offering price of a share in the Uplist Offering. If the adjusted exercise price as a result of the Uplist Offering is less than \$1.25 25 per share. share, then the number of shares for which the Warrants are exercisable shall be increased such that the total exercise price, after taking into account the decrease in the per share exercise price, shall be equal to the total exercise price prior to such adjustment.

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

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

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

On January 17, 2022, we closed a private offering of ordinary shares and warrants to purchase ordinary shares. A total of 2,750,000 137,500 ordinary shares (the "Shares") were issued to a total of five (5) investors (the "Investors") at a subscription price of \$0.80 16.0 per share, for total subscription proceeds of \$2,200,000. In addition, for each share subscribed for by the Investors, we issued one (1) warrant to purchase one (1) ordinary share at an exercise price of \$0.88 17.6 per share, exercisable for a period of twenty-four (24) months (the "Warrants"). We have agreed to register the Investors' re-sale of the Shares by way of a prospectus supplement to our currently effective unallocated shelf registration statement on Form F-3, (SEC File No. 333-267116). The offer and sale of the Shares and the Warrants was exempt under Rule 506 of Regulation D under the Securities Act of 1933 (the "Securities Act"). We engaged in no general solicitation or advertising with regard to the offering and the offering was made solely to "Accredited Investors" as defined in Rule 501 of Regulation D under the Securities Act.

On April 14, April 27, and September 1, 2022 During the year ended December 31, 2022, three lenders exercised cashless for 115,540 14,233 (4th Man), 111,972 (Talos) and (Blue lake) warrant shares, respectively. shares.

On June 16, 2023 During the nine-month period ended September 30, 2023, one lender two lenders exercised cashless for 300,000 22,338 (Mast Hill) warrants warrant shares.

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

	June 30, 2023										
	Volatility (%)	Expected dividends yield (%)	Weighted average expected life (year)	Risk-free interest rate (%) (per annum)	Common stock purchase warrants liability as of December 31, 2022(US\$)	Changes of fair value of common stock purchase warrants liability (+ (loss)/(- gain) (US\$)	Common stock purchase warrants liability as of June 30, 2023 (US\$)	Volatility (%)	Expected dividends yield (%)	Weighted average expected life (year)	Risk-free interest rate (%) (per annum)
Convertible Note - Talos Victory (Note 9 (a))	355.5%	\$ 0.0%	\$ 1.3	5.14%	14,803	5,369	20,172	522.6%	\$ 0.0%	\$ 1.1	5.46%
Convertible Note - Mast Hill (Note 9 (a))	355.5%	0.0%	1.4	5.14%	101,293	(101,293)	-	522.6%	0.0%	-	5.46%
Convertible Note - First Fire (Note 9 (a))	355.5%	0.0%	1.4	5.14%	33,919	12,315	46,234	522.6%	0.0%	1.1	5.46%
Convertible Note - LGH Note 9 (a))	355.5%	0.0%	1.4	5.14%	34,028	12,355	46,383	522.6%	0.0%	1.2	5.46%
Convertible Note - Fourth Man (Note 9 (ab))	355.5%	0.0%	1.4	5.14%	14,398	5,228	19,626	522.6%	0.0%	1.2	5.46%
Convertible Note - Jefferson Street Note 9 (a))3,054	355.5%	0.0%	1.4	5.14%	34,134	12,392	46,526				
Convertible Note - Jeffery Street Note 9 (a))								522.6%	0.0%	1.2	5.46%
Convertible Note - Blue Lake Note 9 (a))	355.5%	0.0%	1.4	5.14%	24,382	8,851	33,233	522.6%	0.0%	1.2	5.46%
<b>Total</b>				<b>Total</b>	<b>256,957</b>	<b>(44,784)</b>	<b>212,174</b>				<b>Total</b>

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**(c) Registration Rights Agreements**

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

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## NOTE 10— SHAREHOLDERS' EQUITY

### 1) Ordinary Shares

The Company's authorized number of ordinary shares was 300,000,000 15,000,000 shares with par value of \$0.001.

On December 22, 2020, December 22, 2020, the Company issued 103,610 5,181 shares of common stock to The Crone Law Group, P.C. or its designees for legal services (see Note 11).

On January 1, 2021, the Company issued an aggregate of 310,830 15,541 shares to a third party service provider for consulting services that had been rendered.

On April 14, April 27, 2022 and September 1, 2022, the Company issued cashless warrant shares of 115,540 5,777, 111,972 5,599 and 57,142 2,857 to three lenders respectively. (see Note 9 (b)).

During the year ended December 31, 2022, the Company issued 124,223 6,211 shares to a third party for warrant exercise (see Note 11).

During the year ended December 31, 2022, the Company issued 1,384,564 69,228 shares of common stock for the conversion of convertible promissory note payable (see note 9 (a)).

On January 19, 2023, the Company sold an aggregate of 160,000,000 8,000,000 shares of the common stock to buyers of the private placement Private Placement for an aggregate purchase price of \$40,000,000, or \$0.25 5.00 per share share. On January 20, 2023, the Company received net proceeds of \$40 million accordingly.

During the six-month nine-month ended June 30, 2023 September 30, 2023, the Company issued 300,000 25,000 shares of common stock for the conversion of convertible promissory note payable (see note 9 (a)).

During the nine-month ended September 30, 2023, the Company issued 22,338 shares to a two third party for warrant exercise (see Note 9) 9(b)).

As of June 30, 2023 September 30, 2023, the Company had 193,904,965 9,732,948 issued and outstanding shares.

### 2) Reverse Stock Split

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

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

**NOTE 11- SHARE BASED COMPENSATION**

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

On December 22, 2020, the Board of Directors of the Company authorized the issuance of an aggregate of 103,610 5,181 shares and 210,360 10,518 warrants to The Crone Law Group, P.C. or its designees for legal services that had been rendered. The five-year warrants are exercisable at one cent per share.

The shares of 103,610 5,181 were vested on December 22, 2020 and no 6,211 warrants warrant shares were exercised. exercised on September 21, 2022 and had 4,307 warrant shares remaining for the Crone law Group, P.C. or its designees for legal services. The fair value of above award was estimated at the grant date using Black-Scholes model for pricing the share compensation expenses. The fair value of the Black-Scholes model includes the following assumptions: expected life of 2.5 years, expected dividend rate of 0%, volatility of 43.5% and an average interest rate of 0.11%.

On January 1, 2021, the Board of Directors of the Company authorized the issuance of an aggregate of 310,830 15,541 shares and 631,080 31,554 warrants to a third party service provider for consulting services that had been rendered. The five-year warrants are exercisable at one cent per share.

The 310,830 15,541 shares of common stock and 631,080 31,554 warrants were vested on January 1, 2021 and during the year ended December 31, 2022, 124,223 warrant shares were exercised cashless.

The fair value of above award was estimated at the grant date using Black-Scholes model for pricing the share compensation expenses. The fair value of the Black-Scholes model includes the following assumptions: expected life of 1.5 2.5 years, expected dividend rate of 0%, volatility of 215.4 51.3% and an average interest rate of 2.96 0.12%.

As of June 30, 2023 September 30, 2023, the Company had 717,217 35,861 warrants outstanding related to above mentioned services with i) weighted average exercise price of \$0.01 0.2; ii) weighted average remaining contractual life of 0.5 0.2 years; and iii) aggregate intrinsic value of \$0.3 0.4 million.

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## NOTE 12- RISKS AND UNCERTAINTIES

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

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

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

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

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

For the three-month periods ended **June 30, 2023** September 30, 2023 and 2022, **six** five customers accounted for **23.2** 20.5%, **17.6** 17.4%, **14.8** 15.7%, **13.6**%, **10.2** 15.6% and **10.2** 12.3%, and five customers accounted for **21.4** 21.9%, **15.6** 16.3%, **15.6** 15.0%, **15.3** 13.4% and **11.7** 12.9%, respectively, of the Company's revenue.

For the **six-month** **nine-month** periods ended **June 30, 2023** September 30, 2023 and 2022, five customers accounted for 22.0%, 16.1%, 15.9%, 14.4%, and 11.6%, and six customers accounted for **22.7** 20.5%, **16.3** 15.9%, **15.2** 15.6%, **13.9** 14.5%, **11.2** 12.3% and 10.3%, and four customers accounted for 26.8%, 21.5%, 13.4% and **13.0** 10.2%, respectively, of the Company's revenue.

And the Company's top ten customers aggregately accounted for **99.9** 99.8% and **99.9** 99.1% of the total revenue for the three-month periods ended **June 30, 2023** September 30, 2023 and 2022, and 99.6% and **99.4** 99.2% for the **six-month** **nine-month** periods ended **June 30, 2023** September 30, 2023 and 2022.

As of **June 30, 2023** September 30, 2023, **three** two customers accounted for **35.7**%, **17.6** 26.7%, and **11.1** 14.1% of the total accounts receivable balance, respectively.

The Company purchases its raw materials through various suppliers. Raw material purchases from these suppliers which individually exceeded 10% of the Company's total raw material purchases, accounted for approximately **28.4** 23.0% (two suppliers) and **46.7** 47.7% (four suppliers) for the three-month periods, respectively, **25.3** 11.9% (two suppliers) (one supplier) and **47.0** 47.2% (four suppliers) for the **six-month** **nine-month** periods ended **June 30, 2023** September 30, 2023 and 2022, respectively.

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## NOTE 13 — COMMITMENTS AND CONTINGENCIES

### **Legal Proceedings**

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

Please also refer to NOTE 13 - commitments and contingencies of the Annual Report our 2023 10K-Annual report for year ending December 31, 2022 filed on April 17, 2023.

### **Capital expenditure commitment Expenditure Commitment**

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

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## NOTE 14 — REVENUES

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

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,		Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Sales in PRC	\$ 9,108,145	\$ 8,104,365	\$ 18,395,711	\$ 16,262,309	\$ 7,423,695	\$ 8,159,260	\$ 25,819,405	\$ 24,421,569
Sales in Overseas								
—Republic of China (ROC, or Taiwan)	1,900,147	1,851,955	4,019,287	3,856,534				
-Republic of China (ROC, or Taiwan)					1,943,123	1,851,599	5,962,410	5,708,133
-South Korea	1,733,135	1,797,900	3,644,432	3,566,827	1,742,589	1,578,002	5,387,021	5,144,829
-Others	33,005	(1,286)	148,463	61,811	14,199	34,157	162,662	95,968
Sub-total	3,666,287	3,648,569	7,812,182	7,485,172	3,699,910	3,463,758	11,512,093	10,948,930
Total Revenue	\$ 12,774,432	\$ 11,752,934	\$ 26,207,893	\$ 23,747,481	\$ 11,123,605	\$ 11,623,018	\$ 37,331,498	\$ 35,370,499

## NOTE 15 — SUBSEQUENT EVENT EVENTS

On September 7, 2023, Wetouch Technology Inc. (the "Company") filed a Certificate of Change Pursuant to Nevada Revised Statutes Section 78.209 with the Secretary of State of the State of Nevada to affect a 1-for-20 reverse stock split (the "Reverse Stock Split"). On September 11, 2023, the Financial Industry Regulatory Authority ("FINRA") notified us that the Reverse Stock Split will become effective on the OTCQB marketplace of OTC Markets on September 12, 2023 (the "Effective Date"). At the opening of business on the Effective Date, the Company's common stock began trading on a split-adjusted basis. In connection with the Reverse Stock Split, the CUSIP number for the common stock will change to 961881208. The Company's shares of common stock will continue to trade on the OTCQB marketplace under the symbol "WETHD" for a period of 20 business days, and thereafter, the symbol will return to "WETH". Pursuant to Nevada Revised Statutes Section 78.209, the reverse stock split does not have to be approved by the shareholders of the Company. Fractional shares resulting from the Reverse Stock Split will be rounded up to the nearest whole number.

On February 17, 2023 Prior to the effective date of the Certificate of Change, the Company was authorized to issue 300,000,000 shares of common stock. As a result of the Reverse Stock Split, the Company is authorized to issue 15,000,000 shares of common stock. As of September 8, 2023 (immediately prior to the Effective Date of the Reverse Stock Split), there were 194,551,716 shares of common stock outstanding. As a result of the Board Reverse Stock Split, there are approximately 9,727,586 shares of Directors common stock outstanding (subject to adjustment due to the effect of rounding fractional shares into whole shares). The Reverse Stock Split will not have any effect on the stated par value of the common stock.

Each shareholder's percentage ownership interest in the Company and proportional voting power remains virtually unchanged as a result of the Reverse Stock Split, except for minor changes and adjustments that will result from rounding fractional shares into whole shares. The rights and privileges of the holders of shares of common stock will be substantially unaffected by the Reverse Stock Split. All options, warrants and convertible securities of the Company authorized a reverse stock split with a ratio of not less than one outstanding immediately prior to five (1:5) and not more than one to eighty (1:80), with the exact amount and Reverse Stock Split (to the timing of the reverse stock split to extent they don't provide otherwise) will be as determined appropriately adjusted by the Chairman of the Board. On July 16, 2023, the Chairman of Company issued a certificate to determine that the reverse stock split ratio of its common stock was fixed at 1-for-20. The Company will retroactively restate dividing the number of shares of common stock outstanding once it is implemented, into which the options, warrants and convertible securities are exercisable or convertible by 20 and multiplying the exercise or conversion price thereof by 20, as a result of the Reverse Stock Split.

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

### Forward-Looking Statements

The following management's discussion and analysis should be read in conjunction with our historical financial statements and the related notes thereto. The management's discussion and analysis contain forward-looking statements, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect" and the like, and/or future tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including those under "Risk Factors" in our Annual Report filed with the SEC on April 17, 2023 April 14, 2023, as updated in subsequent filings we have made with the SEC that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report.

### Basis of Presentation

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

### Overview

We were originally incorporated under the laws of the state of Nevada in August 1992. On October 9, 2020, we entered into a share exchange agreement (the "Share Exchange Agreement") with Wetouch Holding Group Limited, a British Virgin Islands ("BVI") company incorporated on August 14, 2020 under the laws of the British Virgin Islands ("BVI Wetouch"), Wetouch and all the shareholders of BVI Wetouch, (each a "Shareholder" and collectively the "Shareholders"), to acquire all the issued and outstanding capital stock of BVI Wetouch in exchange for the issuance to the Shareholders such shareholders an aggregate of 28 million shares of our common stock (the "Reverse Merger"). The Reverse Merger closed on October 9, 2020. Immediately after the closing of the Reverse Merger, we had a total of 31,396,394 1,569,820 issued and outstanding shares of common stock. As a result of the Reverse Merger, BVI Wetouch is now our wholly-owned subsidiary.

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

We are engaged in the research, development, manufacturing, sales and servicing of medium to large sized projected capacitive touchscreens, which constitutes our source of revenues, revenues through BVI Wetouch, which owns Hong Kong Wetouch, HK Wetouch, Sichuan Wetouch and Sichuan Vtouch. We are specialized in large-format touchscreens, which are developed and designed for a wide variety of markets and used in by the financial terminals, automotive, POS, point of sale (POS), gaming, lottery, medical, HMI, human machine interface (HMI), and other specialized industries. Our product portfolio comprises medium to large sized projected capacitive touchscreens ranging from 7.0 inch to 42 inch screens. In terms of the structures of touch panels, we offer (i) Glass-Glass ("GG"), primarily used in GPS/car entertainment panels in mid-size and luxury cars, industrial HMI, financial and banking terminals, POS and lottery machines; (ii) Glass-Film-Film ("GFF"), mostly used in high-end GPS and entertainment panels, industrial HMI, financial and banking terminals, lottery and gaming industry; (iii) Plastic-Glass ("PG"), typically adopted by touchscreens in GPS/entertainment panels motor vehicle GPS, smart home, robots and charging stations; and (iv) Glass-Film ("GF"), mostly used in industrial HMI. The following discussion and analysis pertain financial condition and results of operations of our subsidiary subsidiaries Hong Kong Wetouch, HK Wetouch, Sichuan Wetouch and Sichuan Vtouch for the six-month period quarter ended June 30, 2023 and 2022, respectively. September 30, 2022.

## Effects of COVID-19

The COVID-19 pandemic and resulting global disruptions have affected our businesses, as well as those of our customers and suppliers. To serve our customers while also providing for the safety of our employees and service providers, we have modified numerous aspects of our logistics, transportation, supply chain, purchasing, and after-sale processes. Beginning in Q1 2020, we made numerous process updates across our operations worldwide, and adapted our fulfillment network, to implement employee and customer safety measures, such as enhanced cleaning and physical distancing, personal protective gear, disinfectant spraying, and temperature checks. We will continue to prioritize employee and customer safety and comply with evolving state and local standards as well as to implement standards or processes that we determine to be in the best interests of our employees, customers, and communities.

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

Commencing in the spring of 2021, China began to experience an increase in COVID-19 cases, and to some extent, local governments and the national government began to take more restrictive measures to stem the spread of the virus, particularly from October 2021 to December 2021 and various periods in 2022. Since December 2022, many of the restrictive policies previously adopted by the PRC government to control the spread of COVID-19 have been revoked or replaced with more flexible measures. Although there were occasional increases in COVID-19 cases in China after the government abandoned its restrictive policies, as of the date of this Quarterly Report, our PRC subsidiary has resumed normal operations. There are still uncertainties of future impact of the COVID-19 pandemic, and the extent of the impact will depend on a number of factors, including the duration and severity of the pandemic; and the macroeconomic impact of government measures to contain the spread of COVID-19 and related government stimulus measures.

### Highlights for the three-month period ended June 30, 2023 September 30, 2023 include:

- Revenues were \$12.8 million \$11.1 million, an increase a decrease of 8.4% 4.3% from \$11.8 million \$11.6 million in the second third quarter of 2022
- Gross profit was \$6.3 million \$4.8 million, an increase a decrease of 23.5% 5.9% from \$5.1 million in the second third quarter of 2022
- Gross profit margin was 49.0% 42.9%, compared to 43.0% 43.6% in the second third quarter of 2022
- Net income was \$4.7 million \$2.9 million, compared to \$2.9 million \$3.3 million in the second third quarter of 2022
- Total volume shipped was 590,140 557,503 units, an increase a decrease of 4.1% 2.6% from 556,875 572,241 units in the second third quarter of 2022

### Results of Operations

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

(in US Dollar millions, except percentage)	Three-Month Period Ended June 30,			Six-Month Period Ended June 30,			Three-Month Period Ended September 30,			Nine-Month Period Ended September 30,		
			Change			Change			Change			Change
	2023	2022	%	2023	2022	%	2023	2022	%	2023	2022	%
Revenues	\$ 12.8	\$ 11.8	8.5 %	\$ 26.2	\$ 23.7	10.5 %	\$ 11.1	\$ 11.6	(4.3) %	\$ 37.3	\$ 35.4	5.4 %
Cost of revenues	(6.5)	(6.7)	(3.0) %	(13.9)	(14.4)	(3.5) %	(6.3)	(6.6)	(4.5) %	(20.2)	(20.9)	(3.3) %
Gross profit	6.3	5.1	23.5 %	12.3	9.4	30.9 %	4.8	5.1	(5.9) %	17.1	14.4	21.3 %
Total operating expenses	(0.2)	(1.0)	(80.0) %	(1.9)	(1.9)	(0.0) %	(0.5)	(0.3)	66.7 %	(2.4)	(2.2)	9.1 %
Operating income	6.1	4.1	48.8 %	10.4	7.5	38.7 %	4.3	4.7	(8.5) %	14.7	12.2	20.5 %
Gain on changes of fair values of Common Stock Purchase Warrant	0.1	0.0	N/A	0.0	0.2	(100.0) %						
Loss on changes of fair values of Common Stock Purchase Warrant							(0.2)	(0.2)	0.0 %	(0.1)	0.0	N/A
Income before income taxes	6.2	4.1	51.2 %	10.4	7.7	35.1 %	4.0	4.5	(11.1) %	14.4	12.2	18.0 %
Income tax expense	(1.5)	(1.2)	25.0 %	(2.9)	(2.2)	31.8 %	(1.1)	(1.2)	(8.3) %	(4.1)	(3.4)	20.6 %
Net income	\$ 4.7	\$ 2.9	62.1 %	\$ 7.5	\$ 5.5	36.4 %	\$ 2.9	\$ 3.3	(12.1) %	\$ 10.3	\$ 8.8	17.0 %

Results of Operations - Three Months Ended **June 30, 2023** September 30, 2023 Compared to Three Months Ended **June 30, 2022** September 30, 2022

Revenues

We generated revenue of \$12.8 million \$11.1 million for the three months ended **June 30, 2023** September 30, 2023, an increase a decrease of \$1.1 million \$0.5 million, or 8.5% 4.3%, compared to \$11.8 million \$11.6 million in the same period of last year, primarily year. This was mainly due to increase of 4.1% in sales volume, an increase of 10.4% in the average selling price of our products, and partially offset by 6.1% 5.7% negative impact from exchange rate due to depreciation of RMB against US dollars, a decrease of 2.6% in sales volume and partially offset by an increase of 3.8% in the average RMB selling price of our products, compared with those of the same period of last year.

	For the Three-Month Period Ended June 30,						For the Three-Month Ended September 30,					
	2023		2022		Change		2023		2022		Change	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US Dollar millions except percentage)						(in US Dollar millions except percentage)					
Revenue from sales to customers in PRC	\$ 9.1	71.1%	\$ 8.1	68.6%	\$ 1.0	12.3%	\$ 7.4	66.7%	\$ 8.1	69.8%	\$ (0.7)	(8.6)%
Revenue from sales to customers overseas	3.7	28.9%	3.7	31.4%	0.0	0.0%	3.7	33.3%	3.5	30.2%	0.2	5.7%
Total Revenues	\$ 12.8	100%	\$ 11.8	100%	\$ 1.0	8.5%	\$ 11.1	100%	\$ 11.6	100%	\$ (0.5)	(4.3)%

	For the Three-Month Period Ended June 30,						For the Three-Month Ended September 30,					
	2023		2022		Change		2023		2022		Change	
	Unit	%	Unit	%	Unit	%	Unit	%	Unit	%	Unit	%
	(in UNIT, except percentage)						(in UNIT, except percentage)					
Units sold to customers in PRC	418,190	70.9%	382,711	67.5%	35,479	9.3%	365,623	65.6%	390,542	68.2%	(24,919)	(6.4)%
Units sold to customers overseas	171,950	29.1%	184,164	32.5%	(12,214)	(6.6)%	191,880	34.4%	181,699	31.8%	10,181	5.6%
Total Units Sold	590,140	100%	566,875	100%	23,265	4.1%	557,503	100%	572,241	100%	(14,738)	(2.6)%

(i) Domestic market

For the three months ended **June 30, 2023** September 30, 2023, revenue from the domestic market increased decreased by \$1.0 million \$0.7 million or 12.3% 8.6% as a combined result of: (i) an increase of 9.3% in sales volume and (ii) an increase of 8.8% in the average RMB selling price of our products, and partially offset by 6.1% 5.7% negative impact from exchange rate due to depreciation of RMB against US dollars, a decrease of 6.4% in sales volume due to the fluctuation of product demand for products such as POS touchscreens and industrial control touchscreens with increase of raw material costs and higher selling price, and partially offset by an increase of 2.3% in the average RMB selling price of our products. For example, our POS touchscreens had an increase of 16% of selling price due to the pricing control capability of the Company, compared with those of the same period of last year.

As for the RMB selling price, the increase of 8.8% 2.3% was mainly due to the increased sales of new models of higher-end products such as POS touchscreens, and industrial control computer touchscreens with higher selling prices in the domestic market during the three-month period ended **June 30, 2023** September 30, 2023.

The weakening in macroeconomic conditions since the outbreak of COVID-19 pandemic in January 2020 continued to exacerbate the touch screen business environment. **Due to Despite** our proactive efforts to market new models such as POS touchscreens, medical touchscreens, and industrial control computer touchscreens, and efforts to obtain new customers and penetrate into new regions, we had our sales increases of 35.5% decreased by 6.0% in South China, 5.5% in Southwest China, 19.4% and 2.2% in South East China and 13.5% in Eastern China during the second quarter three-month period ended **June 30, 2023** as compared to that of last year, September 30, 2023.

(ii) Overseas market

For the three-month period ended **June 30, 2023** and 2022, September 30, 2023, revenues from overseas market remained stable at \$3.7 million. We had an increased by 5.7% or \$0.2 million as compared to the same period of 2022, mainly due to the increase of 9.9% 5.6% in sales volume and the increase of 7.7% in average selling price although in RMB in gaming touchscreens and automotive touchscreens during the sales volume were flat, three-month period ended September 30, 2023.

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

	Revenues					
	For the Three-Month Period Ended June 30,					
	2023		2022		Change	Change
	Amount	%	Amount	%	Amount	Margin%
	(in US Dollars, except percentage)					
<b>Product categories by end applications</b>						
Automotive Touchscreens	\$ 3,210,054	25.1%	\$ 2,904,951	24.7%	\$ 305,103	10.5%
Industrial Control Computer Touchscreens	2,422,606	19.0%	2,344,118	20.0%	78,488	3.3%
POS Touchscreens	2,278,814	17.8%	2,017,900	17.2%	260,914	12.9%
Medical Touchscreens	1,888,053	14.8%	1,576,755	14.4%	311,298	19.7%
Gaming Touchscreens	1,733,135	13.6%	1,803,630	15.3%	(70,495)	(3.9)%
Multi-Functional Printer Touchscreens	1,241,770	9.7%	1,105,671	9.4%	136,099	12.3%
Others*	-	0.0%	(91)	0.0%	91	0.0%
<b>Total Revenues</b>	<b>\$ 12,774,432</b>	<b>100.0%</b>	<b>\$ 11,752,934</b>	<b>100.0%</b>	<b>\$ 1,021,498</b>	<b>8.5%</b>

	Revenues					
	For the Three-Month Ended September 30,					
	2023		2022		Change	Change
	Amount	%	Amount	%	Amount	Margin%
	(in US Dollars, except percentage)					
<b>Product categories by end applications</b>						
Automotive Touchscreens	\$ 2,945,460	26.5%	\$ 2,841,960	24.5%	\$ 103,500	3.6%
Industrial Control Computer Touchscreens	2,297,924	20.7%	2,609,467	22.5%	(311,543)	(11.9)%
POS Touchscreens	1,738,935	15.6%	1,989,250	17.1%	(250,315)	(12.6)%
Gaming Touchscreens	1,742,589	15.7%	1,578,004	13.5%	164,585	10.4%
Medical Touchscreens	1,398,203	12.6%	1,579,007	13.6%	(180,804)	(11.5)%
Multi-Functional Printer Touchscreens	1,000,494	9.0%	1,024,278	8.8%	(23,784)	(2.3)%
Others*	-	0.0%	1,052	0.0%	(1,052)	(100.0)%
<b>Total Revenues</b>	<b>\$ 11,123,605</b>	<b>100.0%</b>	<b>\$ 11,623,018</b>	<b>100.0%</b>	<b>\$ (499,413)</b>	<b>(4.3)%</b>

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

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

#### Gross Profit and Gross Profit Margin

(in millions, except percentage)	Three-Month Period Ended June 30,				Change				Three-Month Period Ended September 30,		Change	
	2023		2022		Amount		%		2023	2022	Amount	%
	\$		\$		\$				\$		\$	
<b>Gross Profit</b>	6.3		5.1		1.2		23.5%		4.8	5.1	(0.3)	(5.9)%
<b>Gross Profit Margin</b>	49.0%		43.0%				6.0%	42.9%	43.6%		(0.7)%	

Gross profit was \$6.3 million \$4.8 million in the second third quarter ended June 30, 2023 September 30, 2023, compared to \$5.1 million in the same period of 2022. Our gross profit margin increased decreased to 49.0% 42.9% for the second third quarter ended June 30, 2023, September 30, 2023 as compared to 43.0% 43.6% for the same period of 2022, primarily due to the decrease of 4.3% in sales revenues and increase in revenues of 8.5%, particularly high-end products such as POS touchscreens, medical touchscreens, and multi-functional printer touchscreens for the quarter ended June 30, 2023, partially offset by the increase 3.8% in cost of goods sold, by 1.7% including the increase of 7.7% in labor cost and increase of 4.0% in the raw materials such as chip cost by 1.5% 3.8%, despite the Company shifting our products to higher gross profit margin products such as automotive touchscreens and gaming touchscreens and POS touchscreens.

#### Selling Expenses

(in millions, except percentage)	Three-Month Period Ended September 30,				Change			
	2023		2022		Amount		%	
	\$		\$		\$			
Selling Expenses	0.3		0.2		0.1		50.0%	
as a percentage of revenues	2.7%		1.7%				1.0%	

Selling expenses were \$0.3 million for the three-month period ended June 30, 2023 September 30, 2023, compared to \$0.2 million in the same period in 2022, primarily due to the more marketing expenses incurred during the three-month period ended September 30, 2023 in order to market new models and penetrate into new regions.

## General and Administrative Expenses

	Three-Month Period Ended June 30,		Change		Three-Month Period Ended September 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
<b>(in US dollars, except percentage)</b>								
<b>(in millions, except percentage)</b>								
<b>General and Administrative Expenses</b>	\$ 56,907	\$ 443,146	\$ (386,239)	(87.2)%	\$ 0.2	\$ 0.1	\$ 0.1	100.0%
<b>as a percentage of revenues</b>	0.4%	3.8%		(3.4)%	1.8%	0.8%		1.0%

General and administrative (G&A) expenses were \$56,907 \$0.2 million for the three-month period quarter ended June 30, 2023 September 30, 2023, compared to \$443,146 \$0.1 million in the same period in 2022. The decrease was 2022, primarily due to \$0.1 million in professional fees and traveling expenses during the decrease third quarter of salary and wages expenses and miscellaneous expenses, 2023.



## Research and Development Expenses

(in US dollars, except percentage)	Three-Month Period Ended June 30,				Three-Month Period Ended September 30,			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Research and Development Expenses</b>	\$ 20,384	\$ 21,713	\$ (1,329)	(6.1)%	\$ 20,580	\$ 20,737	\$ (157)	(0.8)%
<i>as a percentage of revenues</i>	0.2%	0.2%		0.0%	0.0%	0.0%		0.0%

Research and development (R&D) expenses were \$20,384 \$20,580 for the three-month period quarter ended June 30, 2023 September 30, 2023, compared to \$21,713 \$20,737 in the same period in 2022, representing a decrease of \$1,329 \$157 of material consumption.

## Operating Income

Total operating income was \$6.1 million \$4.3 million for the three-month period third quarter ended June 30, 2023 as September 30, 2023, compared to \$4.0 million of \$4.7 million for the same period of last year, primarily due to lower gross profit, and higher gross margin and lower selling expenses, and administrative expenses for the three-month period ended June 30, 2023. operating expenses.

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

(in millions, except percentage)	Three-Month Period Ended June 30,				Change	
	2023	2022	Amount	%	Amount	%
Gain on changes in fair value of Common Stock Purchase Warrants	\$ 0.1	\$ 0.0	\$ 0.1	N/A		
<i>as a percentage of revenues</i>	0.8%	0.0%		0.8%		

(in US\$ millions, except percentage)	Three-Month Period Ended September 30,				Change	
	2023	2022	Amount	%	Amount	%
Loss on changes in fair value of Common Stock Purchase Warrants	\$ (0.2)	\$ (0.2)	\$ (0.0)	0.0%		
<i>as a percentage of revenues</i>	1.8%	1.7%		0.1%		

Gain Loss on changes in fair value of common stock purchase warrants was \$0.1 million and \$0.0 million stayed the same as \$0.2 million for the three-month periods period ended June 30, 2023 September 30, 2023 and 2022, respectively respectively. (See Note 9 (b)).

## Income Taxes

(in millions, except percentage)	Three-Month Period Ended June 30,				Three-Month Period Ended September 30,			
			Change				Change	
	2023	2022	Amount	%	2023	2022	Amount	%
<b>Income before Income Taxes</b>	\$ 6.2	\$ 4.1	\$ 2.1	51.2%	\$ 4.0	\$ 4.5	\$ (0.5)	(11.1)%
<b>Income Tax (Expense)</b>	(1.5)	(1.2)	(0.3)	25.0%	(1.1)	(1.2)	0.1	(8.3)%
<b>Effective income tax rate</b>	25.0%	28.3%		(3.3)%	28.7%	27.3%		1.4%

The effective income tax rates for the three-month periods ended June 30, 2023, September 30, 2023 and 2022 were 25.0%, 28.7% and 28.3%, 27.3%, respectively.

### Net Income

As a result of the above factors, we had a net income of \$4.7 million in the second quarter of 2023, as compared to a net income of \$2.9 million in the same quarter period of 2022.

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

Revenues

We generated revenue of \$26.2 million \$37.3 million for the six months nine-month period ended June 30, 2023 September 30, 2023, an increase of \$2.5 million \$1.9 million, or 10.5% 5.4%, compared to \$23.7 million \$35.4 million in the same period of last year. This was mainly primarily due to an increase of 28.1% 4.9% in sales volume, and an increase of 6.8% in the average RMB selling price of our products, and partially offset by the decrease of 7.9% in sales volume and 6.9% 6.2% negative impact from exchange rate due to depreciation of RMB against US dollars, compared with those of the same period of last year.

	For the Six-Month Period Ended June 30,						For the Nine-Month Ended September 30,					
	2023		2022		Change		2023		2022		Change	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US Dollar millions except percentage)						(in US Dollar millions except percentage)					
Revenue from sales to customers in PRC	\$ 18.4	70.3 %	\$ 16.2	68.5 %	\$ 2.2	13.6 %	\$ 25.8	69.2 %	\$ 24.5	69.2 %	\$ 1.3	5.3 %
Revenue from sales to customers overseas	7.8	29.7 %	7.5	31.5 %	0.3	4.0 %	11.5	30.8 %	10.9	30.8 %	0.6	5.5 %
<b>Total Revenues</b>	<b>\$ 26.2</b>	<b>100 %</b>	<b>\$ 23.7</b>	<b>100 %</b>	<b>\$ 2.5</b>	<b>10.5 %</b>	<b>\$ 37.3</b>	<b>100 %</b>	<b>\$ 35.4</b>	<b>100 %</b>	<b>\$ 1.9</b>	<b>5.4 %</b>

	For the Six-Month Period Ended June 30,						For the Nine-Month Ended September 30,					
	2023		2022		Change		2023		2022		Change	
	Unit	%	Unit	%	Unit	%	Unit	%	Unit	%	Unit	%
	(in UNIT, except percentage)						(in UNIT, except percentage)					
Units sold to customers in PRC	842,308	68.7 %	739,398	55.6 %	102,910	13.9 %	1,207,931	66.5 %	1,129,764	66.5 %	78,167	6.9 %
Units sold to customers overseas	383,108	31.3 %	590,706	44.4 %	(207,598)	(35.1) %	574,988	33.5 %	569,144	33.5 %	5,844	1.0 %
<b>Total Units Sold</b>	<b>1,225,416</b>	<b>100 %</b>	<b>1,330,104</b>	<b>100 %</b>	<b>(104,688)</b>	<b>(7.9) %</b>	<b>1,782,919</b>	<b>100 %</b>	<b>1,698,908</b>	<b>100 %</b>	<b>84,011</b>	<b>4.9 %</b>

(i) Domestic market

For the six months nine-month period ended June 30, 2023 September 30, 2023, revenue from domestic market increased by \$2.2 million \$1.3 million or 13.6% as a combined result of: (i) 5.3%. This was primarily due to an increase of 13.9% 6.9% in sales volume due to market demand for gaming touchscreen, and (ii) medical touchscreens, and an increase of 6.2% 4.8% in the average RMB selling price of our products, and partially offset by 6.9% 6.2% negative impact from exchange rate due to depreciation of RMB against US dollars, compared with those of the same period of last year.

As for the RMB selling price, the increase of 6.2% 4.8% was mainly due to the increased sales of new models of higher-end products such as medical touchscreens, automotive touchscreens, POS touchscreens, industrial control computer touchscreens and gaming touch screens with higher selling prices in the domestic market during the three-month period ended June 30, 2023 September 30, 2023.

The weakening in macroeconomic conditions since the outbreak of COVID-19 pandemic in January 2020 continued to exacerbate the touch screen business environment. Due to our proactive efforts to market new models such as POS touchscreens, medical touchscreens, and industrial control computer touchscreens, and POS touchscreens and efforts to obtain new customers and penetrate into new regions, we had sales increases of 35.5% 20.5% in Southwest China, 19.4% 10.4% in South China, and 13.6% 8.3% in East China during the six-month nine-month period ended June 30, 2023 September 30, 2023.

(ii) Overseas market

For the six-month nine-month period ended June 30, 2023 September 30, 2023, revenues from overseas market were \$7.8 million \$11.5 million as compared to \$7.5 million \$10.9 million of the same period of 2022, representing an increase by \$0.3 million of \$0.6 million or 4.0% 5.5% mainly due to the increase of 5.6% 11.2% in average selling price, and partially offset by the decrease increase of 35.1% 1.0% in sales volume due to decreased sales in as a result of demand increasing from overseas market such as gaming touchscreens and automotive touchscreens as a result of demand decreasing from overseas market, for the nine-month period ended September 30, 2023.

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

Product categories by end applications	Revenues For the Six-Month Period Ended June 30,						Revenues For the Nine-Month Period Ended September 30,					
	2023		2022		Change		2023		2022		Change	
	Amount	%	Amount	%	Amount	Margin%	Amount	%	Amount	%	Amount	Margin%
	(in US Dollars, except percentage)						(in US Dollars, except percentage)					
Automotive Touchscreens	\$ 6,444,890	24.6%	\$ 5,917,676	24.9%	\$ 527,214	8.9%	\$ 9,390,350	25.2%	\$ 8,759,635	24.8%	\$ 630,715	7.3%
Industrial Control Computer Touchscreens	5,094,856	19.4%	4,642,261	19.6%	452,595	5.7%	7,392,780	19.8%	7,251,728	20.5%	141,052	1.9%
POS Touchscreens	4,345,588	16.6%	3,566,699	15.0%	778,889	21.8%	6,084,523	16.3%	5,963,500	16.9%	121,023	2.0%
Gaming Touchscreens							5,387,021	14.4%	5,144,703	14.5%	242,318	4.7%
Medical Touchscreens	3,982,295	15.2%	3,048,846	12.8%	933,449	30.6%	5,380,498	14.4%	4,627,854	13.1%	752,644	16.4%
Gaming Touchscreens	3,644,432	13.9%	3,974,250	16.8%	(329,818)	(8.3)%						
Multi-Functional Printer Touchscreens	2,695,832	10.3%	2,593,846	10.9%	101,986	3.9%	3,696,326	9.9%	3,618,124	10.2%	78,202	2.1%
Others*	-	0.0%	3,903	0.0%	(3,903)	(0.0)%	-	0.0%	4,955	0.0%	(4,955)	(100.0)%
<b>Total Revenues</b>	<b>\$ 26,207,893</b>	<b>100.0%</b>	<b>\$ 23,747,481</b>	<b>100.0%</b>	<b>\$ 2,460,412</b>	<b>10.5%</b>	<b>\$ 37,331,498</b>	<b>100.0%</b>	<b>\$ 35,370,499</b>	<b>100.0%</b>	<b>\$ (1,960,999)</b>	<b>5.6%</b>

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

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

#### Gross Profit and Gross Profit Margin

(in millions, except percentage)	Six-Month Period Ended June 30,				Nine-Month Period Ended September 30,			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Gross Profit</b>	\$ 12.3	30.9%	\$ 9.4	26.9%	\$ 17.1	45.7%	\$ 14.4	40.8%
<b>Gross Profit Margin</b>	<b>46.9%</b>		<b>39.4%</b>		<b>45.7%</b>		<b>40.8%</b>	<b>4.9%</b>

Gross profit was \$12.3 million \$17.1 million during the six-month nine-month period ended June 30, 2023 September 30, 2023, compared to \$9.4 million \$14.4 million in the same period of 2022. Our gross profit margin increased to 46.9% 45.7% for the six-month nine-month period ended June 30, 2023, September 30, 2023 as compared to 39.4% 40.8% for the same period of 2022, primarily due to the increase in of sales of 10.5% by 5.4%, particularly high-end products such as POS touchscreens, medical touchscreens, automotive touchscreens, and automotive gaming touchscreens for the six-month nine-month period ended June 30, 2023 September 30, 2023, partially offset by the increase in cost of goods sold by 2.8% 2.4% including increase of cost of materials such as chip cost by 2.7% 2.6% and labor cost by 8.2%, for the six-month nine-month period ended June 30, 2023 September 30, 2023.

## Selling Expenses

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

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

## General and Administrative Expenses

(in millions, except percentage)	Six-Month Period Ended June 30,				Nine-Month Period Ended September 30,					
	2023		2022		2023		2022		Change	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
General and Administrative Expenses	\$ 1.7		\$ 0.8		\$ 1.9		\$ 0.9		\$ 1.0	111.1%
<i>as a percentage of revenues</i>	6.5%		3.4%		5.1%		2.5%		2.6%	

General and administrative (G&A) expenses were \$1.7 million \$1.9 million for the six-month nine-month period ended June 30, 2023 September 30, 2023, compared to \$0.8 million \$0.9 million in the same period in 2022, representing an increase of \$0.9 million 111.1%, or 112.5% \$1.0 million. The increase was primarily due to the increase of accrued \$1.2 million underwriting fees in connection with a private placement, partially offset by the decrease of \$0.2 million in salary and wages and other miscellaneous expenses. On March 18, 2023, the Company entered into a consent agreement with representatives related to the private placement on the fees of US\$1.2 million, payable only on the completion of an underwritten offering (see Note 8).

## Research and Development Expenses

(in US dollars, except percentage)	Six-Month Period Ended June 30,		Change		Nine-Month Period Ended September 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
<b>Research and Development Expenses</b>	\$ 41,269	\$ 44,570	\$ (3,301)	(7.4)%	\$ 61,849	\$ 65,307	\$ (3,458)	(5.3)%
<i>as a percentage of revenues</i>	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%

Research and development (R&D) expenses were \$41,269 \$61,849 for the six-month nine-month period ended June 30, 2023 September 30, 2023 compared to \$44,570 \$65,307 in the same period in 2022.

## Operating Income

Total operating income was \$10.4 million \$14.7 million for the six-month nine-month period ended June 30, 2023 September 30, 2023 as compared to \$7.5 million \$12.2 million of the same period of last year due to higher gross profit and lower selling expenses, partially offset by higher general & administration G&A expenses.

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

(in US\$ millions, except percentage)	Six-Month Period Ended June 30,				Change		
	2023		2022		Amount	%	
Gain on changes in fair value of Common Stock Purchase Warrants	\$	0.0	\$	0.2	\$	(0.2)	(100.0)%
<i>as a percentage of revenues</i>		0.0%		0.8%			(0.8)%

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

Gain Loss on changes in fair value of common stock purchase warrants was \$44,784 \$0.2 million for the six-month nine-month period ended June 30, 2023 September 30, 2023, as compared to a gain of \$0.2 million on changes in fair value of common stock purchase warrants \$35,542 in the same period of 2022 (See Note 9 (b)).

### Income Taxes

(in millions, except percentage)	Six-Month Period Ended June 30,				Change		Nine-Month Period Ended September 30,		Change		
	2023		2022		Amount	%	2023	2022	Amount	%	
<b>Income before Income Taxes</b>	\$	10.4	\$	7.7	\$	2.7	35.1%	\$ 14.4	\$ 12.2	\$ 2.2	18.0%
<b>Income Tax (Expense)</b>		(2.9)		(2.2)		(0.7)	31.8%	(4.1)	(3.4)	(0.7)	20.6%
<b>Effective income tax rate</b>		28.4%		28.2%		0.2%	28.5%	27.9%		0.6%	

The effective income tax rates for the six-month nine-month periods ended June 30, 2023 September 30, 2023 and 2022 were 28.4% 28.5% and 28.2% 27.9%, respectively. The effective income tax rate for the nine-month period ended September 30, 2023 increase was primarily due to more taxable income for the nine-month periods ended September 30, 2023.

Our PRC subsidiary Sichuan Vtouch had \$92.2 million \$93.9 million of cash and cash equivalents of June 30, 2023 September 30, 2023, which are planned to be indefinitely reinvested in PRC. The distributions from our PRC subsidiary are subject to the U.S. federal income tax at 21%, less any applicable foreign tax credits. Due to our policy of indefinitely reinvesting our earnings in our PRC business, we have not provided for deferred income tax liabilities related to PRC withholding income tax on undistributed earnings of our PRC subsidiaries.



## Net Income

As a result of the above factors, we had a net income of \$7.5 million \$10.3 million in the six-month nine-month period ended June 30, 2023 September 30, 2023 compared to a net income of \$5.5 million \$8.8 million in the same period of 2022.

## Liquidity and Capital Resources

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

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

As of June 30, 2023 September 30, 2023, we had current assets of \$107.4 million \$109.1 million, consisting of \$92.2 million \$93.9 million in cash, including \$40.0 million from the stock issuance of a private placement, \$14.0 million \$13.9 million in accounts receivable, \$0.2 million in inventories, and \$1.1 million \$1.0 million in prepaid expenses and other current assets. Our current liabilities as of June 30, 2023 September 30, 2023, were \$8.1 million \$7.3 million, which is comprised of \$2.4 million \$1.5 million in accounts payable, \$1.5 million \$3.1 million in accrued expenses, \$1.1 million in income tax payable, \$2.5 million in accrued expenses and other current liabilities \$0.5 million from a third-party loan, and \$1.2 million in convertible promissory notes payable.

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

(in US Dollar millions)	Six-Month Period Ended June 30,		Nine-Month Period Ended September 30,	
			2023	2022
	2023	2022	2023	2022
<b>Net cash provided by operating activities</b>	\$ 6.8	\$ 1.5	\$ 9.0	\$ 4.8
<b>Net cash provided by investing activities</b>	-	-	-	-
<b>Net cash provided by financing activities</b>	40.0	-	-	-
<b>Net cash used in financing activities</b>			39.9	-
<b>Effect of foreign currency exchange rate changes on cash and cash equivalents</b>	(5.8)	(2.5)	(6.2)	(5.4)
<b>Net increase (decrease) in cash and cash equivalents</b>	41.0	(1.0)	42.7	(0.6)
<b>Cash and cash equivalents at the beginning of period</b>	51.2	46.1	51.2	46.1
<b>Cash and cash equivalents at the end of period</b>	\$ 92.2	\$ 45.1	\$ 93.9	\$ 45.5

#### Operating Activities

Net cash provided by operating activities was \$6.8 million \$9.0 million for the six-month nine-month period ended June 30, 2023 September 30, 2023, as compared to \$1.5 million \$4.8 million used in operating activities for the same period of the last year, primarily due to (i) the increase of \$1.9 million \$1.5 million net income for the six-month nine-month period ended June 30, 2023 September 30, 2023 as compared to the same period of 2022, (ii) the increase of \$0.3 million \$0.2 million loss on changes of FV of common stock purchase warrants for the six-month nine-month period ended June 30, 2023 September 30, 2023; (iii) the decrease of \$2.1 million \$1.8 million of accounts receivable for the six-month nine-month period ended June 30, 2023 September 30, 2023 due to faster collection of receivables, (iv) the decrease of \$0.5 million \$0.4 million in inventories, (v) the decrease of \$0.3 million in accounts payable, (vi) the increase of \$0.4 million in income tax payable, and (vii) the decrease of \$1.0 million \$1.8 million of accrued expenses and other current liabilities for the six-month nine-month period ended June 30, 2023 September 30, 2023, partially offset by (vi) the decrease in \$0.8 million \$0.5 million in account payable, and (vii) the increase of \$0.8 million in prepaid expenses and other current assets for the six-month nine-month period ended June 30, 2023 September 30, 2023.

### **Investing Activities**

There ~~was~~ were nil investing activities for the six-month periods nine-month period ended ~~June 30, 2023~~ September 30, 2023 and 2022.

### **Financing Activities**

Net cash provided by financing activities for the six-month nine-month period ended ~~June 30, 2023~~ September 30, 2023 was \$40.0 million, due to the \$40.0 million proceeds from stock issuance in a private ~~placement,~~ placement, partially offset by the repayment of \$55,000 convertible promissory note payable.

There were nil financing activities for the six-month period ended ~~June 30, 2022~~ September 30, 2022.

As of ~~June 30, 2023~~ September 30, 2023, our cash and cash equivalents were ~~\$92.2 million~~ \$93.9 million, as compared to ~~\$51.3 million~~ \$51.2 million at December 31, 2022.

Days Sales Outstanding ("DSO") has decreased to ~~79~~ 83 days for the six-month nine-month period ended ~~June 30, 2023~~ September 30, 2023 from 81 days for the year ended December 31, 2022.

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

	June 30, 2023	December 31 2022	September 30, 2023	December 31, 2022
-Current	\$ 8,031,102	\$ 1,252,152	\$ 6,473,561	\$ 1,252,152
-1-3 months past due	4,600,385	4,998,596	5,527,382	4,998,596
-4-6 months past due	1,331,966	2,806,973	1,930,839	2,806,973
7-12 months past due	-	20	-	20
-greater than 1 year past due	-	-	-	-
<b>Total accounts receivable</b>	<b>\$ 13,963,453</b>	<b>\$ 9,057,741</b>	<b>\$ 13,931,782</b>	<b>\$ 9,057,741</b>

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

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

#### Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

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

Not applicable because we are a smaller reporting company.

#### ITEM 4. Controls and Procedures.

##### Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of **June 30, 2023** **September 30, 2023** due to the material weaknesses in internal control over financial reporting described below. Because of our limited operations, we have a limited number of employees which prohibits a segregation of duties. **In addition, we lack a formal audit committee with a financial expert.** As we grow and expand our operations we will engage additional employees and experts as needed. However, there can be no assurance that our operations will expand.

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

There were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

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

As of **June 30, 2023** **September 30, 2023**, we know of no material, active, pending or threatened proceeding against us or our subsidiaries, nor are we, or any subsidiary, involved as a plaintiff or defendant in any material proceeding or pending litigation.

### ITEM 1A. RISK FACTORS.

Not required for smaller reporting companies.

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

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

### ITEM 5. OTHER INFORMATION.

**None.** During the three months ended **September 30, 2023**, there were no modifications, adoptions or terminations by any directors or officers to any contract, instruction or written plan for the purchase or sale of securities of the Company that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or non-Rule 10b5-1 trading agreements.

### ITEM 6. EXHIBITS.

<u>Exhibit No.</u>	<u>Description</u>
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certifications 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</a>
32.2	<a href="#">Certifications 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</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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## SIGNATURES

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

### WETOUGH TECHNOLOGY INC.

Date: August 16, 2023 November 14, 2023

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

Date: August 16, 2023 November 14, 2023

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

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Exhibit 31.1

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

I, Zongyi Lian, certify that:

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

Date: August 16, 2023 November 14, 2023

By: /s/ Zongyi Lian  
Name: Zongyi Lian  
Title: Chief Executive Officer  
(Principal Executive Officer)

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

I, Yuhua Huang, certify that:

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

Date: August 16, 2023 November 14, 2023

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

**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**

In connection with this quarterly report on Form 10-Q of Wetouch Technology Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

Date: August 16, 2023 November 14, 2023

By: /s/ Zongyi Lian  
 Name: Zongyi Lian

Title: Chief Executive Officer  
(Principal Executive Officer)

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Exhibit 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**

**In connection with this quarterly report on Form 10-Q of Wetouch Technology Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:**

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

Date: August 16, 2023 November 14, 2023

By: /s/ Yuhua Huang

Name: Yuhua Huang

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

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