

Risk Factors Comparison 2023-06-29 to 2022-06-23 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

All of our customers in our garment manufacturing business are garment wholesalers and retailers. Consequently, our business and results of operations are directly affected by the demand of their end customers for their products supplied by us. Drastic changes in consumer preferences are beyond our control and will affect the demand for certain products supplied by us. We may not be able to anticipate and respond to such changes in consumer preferences in a timely manner. If the sales of our customers' products decrease or do not grow as we expect, our customers may decrease the volume or purchase price of their orders, which could materially and adversely affect our business, financial condition and results of operations. Our future expansion plans are subject to uncertainties and risks. We have set out our future business plans in the "Business Strategies" section in this report. The implementation of such future plans requires us to effectively manage our sales, procurement, new logistics points and other aspects of our operations. If we fail to effectively and efficiently implement our future plans, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our future plans, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results from the implementation of our future plans, such as changes in our ability to comply with local rules and regulations or any delays or difficulties in obtaining the necessary licenses and approvals from local governments. Our business, financial condition, results of operations and growth prospects may be materially and adversely affected if our future expansion plans fail to achieve positive results. If we are unable to create brand influence, we may face difficulties in attracting new business partners and clients. Our brand is still being nurtured. It is of critical importance that we create and develop brand awareness in our industry in order to attract new clients and business partners. Our major competitors have built well-known brands and continue to increase their influence. Our failure to create and develop brand awareness for any reason may result in a material adverse effect on our business, operational results, and financial position. Our ability to adequately protect our trade names, trademarks and patents could have an impact on our brand images and ability to penetrate new markets. We believe that our trade names, trademarks and patents are important assets and an essential element of our strategy. We have applied the registration of these trade names, trademarks and patents in China and Hong Kong, and these registrations are currently pending approval from the corresponding departments. There can be no assurance that we will obtain such registrations or that the registrations we obtain will prevent the imitation of our products or infringement of our intellectual property rights by others. In particular, the laws of certain foreign countries may not protect proprietary rights to the same extent as the laws of the U. S. If any third-party copies our products or our stores in a manner that projects lesser quality or carries a negative connotation, it could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows. We may be impacted by our ability to adequately source, distribute and sell merchandise and other materials in China. We face a variety of other risks generally associated with doing business in China. For example: ● political instability, significant health hazards, environmental hazards or natural disasters which could negatively affect international economies, financial markets and business activity; ● imposition of new or retaliatory trade duties, sanctions or taxes and other charges on imports or exports; ● evolving, new or complex legal and regulatory matters; ● volatility in currency exchange rates; ● local business practice and political issues (including issues relating to compliance with domestic or international labor standards) which may result in adverse publicity or threatened or actual adverse consumer actions, including boycotts; ● potential delays or disruptions in shipping and transportation and related pricing impacts; ● disruption due to labor disputes; and ● changing expectations regarding product safety due to new legislation or other factors. We also rely upon third-party transportation providers for certain of our product shipments, including shipments to and from our distribution centers, to our customers. Our utilization of these delivery services for shipments is subject to risks, including increases in labor costs and fuel prices, which would increase our shipping costs, and associate strikes and inclement weather, which may impact our transportation providers' ability to provide delivery services that adequately meet our shipping needs. Future price increases in raw materials or changes in the supply of raw materials may materially and adversely affect our business, financial condition and results of operations. The purchase of raw materials accounted for a substantial amount of our total purchases. The price of finished fabric and yarns can be volatile and affected by factors such as weather, industry demand and supply. We cannot assure you that we can fully pass on the increased cost in raw materials to our customers. Future price increases in raw materials or changes in the supply of raw materials may materially and adversely affect our business, financial condition and results of operations. ~~Future increases in cost of epidemic prevention supplies or changes in the demand and supply may materially and adversely affect our business, financial condition and results of operations. The purchase of epidemic prevention supplies accounted for a substantial amount of our total purchases for the fiscal year 2021. The price of finished face masks and nitrile gloves can be volatile and affected by factors such as COVID-19 outbreak condition, weather, industry demand and supply. We cannot assure you that we can fully pass on the increased cost to our customers. Future increases in cost of epidemic prevention supplies or changes in the demand and supply may materially and adversely affect our business, financial condition and results of operations. The company's revenue increased in the first nine months of fiscal 2021 due to a new business segment of epidemic prevention supplies business. The company made a significant net loss despite of its overall revenue increase and the addition of a new business segment. During first nine months of fiscal 2021, we accepted a nitrile glove purchase order from a customer. However, due to significant price increase in nitrile glove due to the COVID-19 driven demand surge and the shortage of raw materials, the Company incurred a significant loss during this period.~~ Our top customers accounted for a major portion of our total revenue for the years ended March 31, **2023 and 2022** and 2021 and may materially adversely affect our financial condition and results of operations. For the year ended March 31, ~~2022~~ **2023**,

one two customer customers accounted for approximately 96.41, 9.23% and 17.23% of the Company's total garment manufacturing revenues. For the year ended March 31, 2021-2022, two one customers customer accounted for approximately 76.96, 9.2% and 13.5% of the Company's total garment manufacturing revenues. For the year ended March 31, 2022-2023, one customer accounted for approximately 14.20, 4.39% of the Company's total logistic services revenues. For the year ended March 31, 2021-2022, three one customers customer accounted for approximately 13.14, 4.6%, 13.2% and 10.5% of the Company's total logistic services revenues. For epidemic prevention supplies business, one customer accounted for approximately 98.8% of the total revenue of the segment for the year ended March 31, 2022. For the year ended March 31, 2021, two customers accounted for approximately 75.4% and 14.6% of the total revenue of the segment. However, our top customers are not obligated in any way to continue to provide us with new businesses in the future at a level similar to that in the past or at all. If any of our top customers reduce their orders with us or terminate their business relationship with our Group and if we are not able to secure orders of a comparable size from other customers as replacement, our business operations and financial performance may be materially and adversely affected. We are exposed to concentration risk of heavy reliance on our major supplier for the supply of our products, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation. During the years ended March 31, 2023 and 2022 and 2021, approximately 100.0% and 99.3% and 98.7% of total inventory purchases were from the Company's five largest suppliers, respectively. Our business, financial condition and operating results depend on the continuous supply of products from our largest suppliers and our continuous supplier- customer relationship with them. Our heavy reliance on our largest suppliers for the supply of our products will have significant impact on our business and results of operation in the event of any shortage of, or delay in the supply. Any labor shortages, increased labor costs or other factors affecting labor supply for our production materials may materially and adversely affect our business operations. We rely on skilled workers to a significant extent as our production process in our garment manufacturing business is labor intensive in nature. Our business performance relies on the steady supply of relatively low cost labor in the PRC. There is no guarantee that our supply of labor will not be disrupted or that our labor costs will not increase. If we fail to retain our existing labor resources and / or recruit sufficient labor in a timely manner, we may not be able to accommodate sudden increases in demand for our products. Labor costs are affected by the demand for and supply of labor and economic factors, such as the inflation rate and costs of living. Labor costs may further increase in the future due to a shortage of skilled labor and growing industry demands. The failure to identify and recruit replacement staff immediately following the unexpected loss of skilled workers could reduce our competitiveness. In addition, we expect continued increases in labor costs in the PRC. In these circumstances, our business, financial condition, results of operations and prospects could be materially and adversely affected. We may be impacted by our ability to attract, develop and retain qualified associates and manage labor- related costs. We believe our competitive advantage is providing a positive, engaging and satisfying experience for each customer, which requires us to have highly trained and engaged associates. Our success depends in part upon our ability to attract, develop and retain a sufficient number of qualified associates, including skill intensive labor. The turnover rate in the textile industry is generally high, and qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply in our operations. Competition for such qualified individuals or changes in labor laws could require us to incur higher labor costs. Our inability to recruit a sufficient number of qualified individuals in the future may delay planned delivery of finished products or affect the speed with which we expand. Delayed deliveries, significant increases in associate turnover rates or significant increases in labor- related costs could have a material adverse effect on our results of operations, financial condition and cash flows. We may be impacted by our vendors' ability to manufacture and deliver raw materials in a timely manner, meet quality standards and comply with applicable laws and regulations. We purchase raw materials from third-party vendors. Factors outside our control, such as production or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns. In addition, quality problems could result in a product liability judgment or a widespread product recall that may negatively impact our sales and profitability for a period of time depending on product availability, competition reaction and consumer attitudes. Even if the product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertions could adversely impact our reputation with existing and potential customers and our brand image. Our business could also suffer if our third- party vendors fail to comply with applicable laws and regulations. While our internal and vendor' s operating guidelines promote ethical business practices and our associates visit and monitor the operations of our third- party vendors, we do not control these vendors or their practices. The violation of labor, environmental or other laws by third- party vendors used by us, or the divergence of a third- party vendor' s or partner' s labor or environmental practices from those generally accepted as ethical or appropriate, could interrupt or otherwise disrupt the shipment of finished products to us or damage our reputation. Large and similar sized competitors could steal our market share by offering lower prices. We endeavor to provide the highest possible quality service to our clients at the best possible price, however, large and similar sized competitors might steal some of our market share by offering lower prices, causing us to lose some of our clients. If this happens, we might not be able to generate adequate revenues and may soon find ourselves lacking the capital that is required to continue operations. If we are unable to attract additional customers and clients to purchase our services (and future products we may develop or sell), it will have a negative effect on our ability to generate the revenue. We currently have a limited number of clients and customers. We have identified additional potential clients, but we cannot guarantee that we will be able to secure them as clients. Even if we obtain additional clients and customers, there is no guarantee that we will be able develop products and / or services that our clients and customers will want to purchase. If we are unable to attract enough customers and clients to purchase services (and any products we may develop or sell) it will have a negative effect on our ability to generate the revenue that is necessary to operate or expand our business. The lack of sufficient revenue will have a negative effect on the ability of our company to continue operations and could force us to cease operations. We may be adversely affected by the performance of third- party contractors. We engaged third- party contractors to carry out logistics services. We endeavor to engage third- party companies with a strong reputation and track

record, high performance reliability and adequate financial resources. However, any such third- party contractor may still fail to provide satisfactory logistics services at ~~the a~~ level of quality or within the timeframe required by us or our customers. While we generally require our logistics contractors to fully reimburse us for any losses arising from delay in delivery or non- delivery, our results of operation and financial condition may be adversely affected if any of the losses are not borne by them. If the performance of any third- party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions, which could adversely affect the cost structure and delivery schedule of our products and thus have a negative impact on our reputation, financial position and business operations. In addition, as we are expanding our business into other geographical locations in the PRC, there may be a shortage of third- party contractors that meet our quality standards and other selection criteria in such locations and, as a result, we may not be able to engage a sufficient number of high- quality third- party contractors in a timely manner, which may adversely affect our delivery schedules and delivery costs and hence our business, results of operations and financial conditions. We may be exposed to concentration risk of heavy reliance on third- party contractors for our logistic business, and any shortage of third- party contractors may significantly impact on our business and results of operation. The Company relied on a few subcontractors for our logistic business, in which the subcontracting fees to our largest contractor represented approximately ~~25.2 % and 14.8 % and 7.6 %~~ of total cost of revenues for our **logistics** service segment for the years ended March 31, ~~2023 and 2022 and 2021~~, respectively. The increase in subcontracting fee to the largest contractor was mainly to optimize resources and cost efficiencies. We have not experienced any disputes with our subcontractors, and we believe we maintain good relationships with our contract logistic service provider. If we are unable to control the reliance of third- party contractors efficiently and effectively, our business prospects and results of operations may be materially and adversely affected. We engaged subcontractors to carry out logistics services. Subcontracting fees for our logistics business for the year ended March 31, ~~2022-2023~~ **increased decreased** to approximately \$ ~~2-1.3-1~~ million from \$ ~~1-2.8-3~~ million for the year ended March 31, ~~2021-2022~~, representing an ~~a increase decrease~~ of approximately ~~25-53.7-0~~%. Subcontracting fees accounted for ~~23.24 % and 42.9 % and 39.5 %~~ of our total logistics business revenue in the years ended March 31, ~~2023 and 2022 and 2021~~, respectively. If we are unable to control the reliance of subcontractors efficiently and effectively, our business prospects and results of operations may be materially and adversely affected. Our insurance may not be sufficient. We carry insurance that we consider adequate in regard to the nature of the covered risks and the costs of coverage. We are not fully insured against all possible risks, nor are all such risks insurable. ~~We have a limited operating history for the new business segment of property management and subleasing, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful. In addition, our historical growth rates and profitability may not be indicative of our future growth and profitability. We have a limited operating history for the new business segment of property management and subleasing, this is a new business segment we commenced developing in 2020. Our property management and subleasing business provides shops subleasing and property management services for garment wholesalers and retailers in garment market. We have experienced rapid growth in recent periods and may not develop or continue to grow as expected. Revenue generated from our property management and subleasing business contributed approximately \$ 4.3 million, or approximately 33.6 %, of our total revenue for the year ended March 31, 2022. Revenue generated from our property management and subleasing business contributed approximately \$ 1.3 million, or approximately 5.2 %, of our total revenue for the year ended March 31, 2021. We may fail to continue our growth or maintain our historical growth rates or profitability. You should not consider our historical growth and profitability as indicative of our future financial performance.~~ Natural disasters, public health crises or other catastrophic events may significantly limit our ability to conduct business as normal, disrupt our business operation and materially affect our financial condition. Our operations, and the operations of our new business segment of property management and subleasing, are vulnerable to interruptions by natural disasters, public health crises and catastrophic events. For example, the outbreak of COVID- 19 pandemic caused the Chinese government to take unprecedented measures to contain the virus, such as lock- down of cities, nationwide travel restriction and compulsory quarantine requirements. During the outbreak, we had to temporarily close our office facilities, restrict employee travel, switch to online virtual meetings or even cancel meetings with partners. There continue to be significant uncertainties associated with the coronavirus, including with respect to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and actions that may be taken by Chinese or other governmental authorities to contain the coronavirus or to treat its impact. Any significant disruption resulting from this or similar epidemics on a large scale or over a prolonged period of time could cause significant disruption to our business until we would be able to resume normal business operations, negatively affecting our business, results of operations and financial condition. ~~We may not succeed in continuing to maintain, protect and strengthen our reputation, and any negative publicity about us, our business, our management, our business partners, may materially and adversely affect our reputation, business, results of operations and growth. Our property management and subleasing business provides shops subleasing and property management services for garment wholesalers and retailers in garment market. We conduct our property management and subleasing operation through a wholly owned subsidiary, namely Dongguan Yingxi Daying Commercial Co., Ltd. We believe that the recognition and reputation of our Company’ s image among our customers in general have significantly contributed to the success of our business. Continuing to maintain, protect and strengthen our Company’ s image is critical to our market position. Maintaining and strengthening our Company’ s image will likely depend significantly on our ability to provide high- quality property management and subleasing services. We market our brands through word- of- mouth marketing. This effort may not always achieve the desired results. If we fail to maintain a strong brand, our business, results of operations and prospects will be materially and adversely affected.~~ Our business depends on the continued contributions made by Mr. Hong Zhida, as our key executive officer, the loss of **who whom** may result in a severe impediment to our business. Our success is dependent upon the continued contributions made by our CEO and President, Mr. Hong Zhida. We rely on his expertise in business operations when we are developing new products and services. The Company has no “ Key Man ” insurance to cover the resulting losses in the event that any of our officer or directors should die or resign. If

Mr. Hong Zhida cannot serve the Company or is no longer willing to do so, the Company may not be able to find alternatives in a timely manner or at all. This would likely result in a severe damage to our business operations and would have an adverse material impact on our financial position and operational results. To continue as a viable operation, the Company may have to recruit and train replacement personnel at a higher cost. Additionally, if Mr. Hong Zhida joins our competitors or develops similar businesses that are in competition with our Company, our business may also be negatively impacted. Our future success depends on our ability to attract and retain qualified long- term staff to fill management, technology, sales, marketing, and customer services positions. We have a great need for qualified talent, but we may not be successful in attracting, hiring, developing, and retaining the talent required for our success. We may be adversely impacted by certain compliance or legal matters. We, along with third parties we do business with, are subject to complex compliance and litigation risks. Actions filed against us from time to time include commercial, tort, intellectual property, customer, employment, wage and hour, data privacy, securities, anti- corruption and other claims, including purported class action lawsuits. The cost of defending against these types of claims against us or the ultimate resolution of such claims, whether by settlement or adverse court decision, may harm our business. Further, potential claimants may be encouraged to bring lawsuits based on a settlement from us or adverse court decisions against us. We cannot currently assess the likely outcome of such suits, but if the outcome were negative, it could have a material adverse effect on our reputation, results of operations, financial condition and cash flows. In addition, we may be impacted by litigation trends, including class action lawsuits involving consumers and shareholders, that could have a material adverse effect on our reputation, the market price of our common stock, results of operations, financial condition and cash flows. Failure to make adequate contributions to various employee benefits plans as required by PRC regulations may subject us to penalties. Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare- oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. As of March 31, 2022, we have made adequate employee benefit payments in strict compliance with the relevant PRC regulations for and on behalf of our employees. There is no guarantee that we will not fail in making adequate employee benefit payments in strict compliance with applicable PRC labor related laws and regulations in the future. Our failure in making contributions to various employee benefits plans in strict compliance with applicable PRC labor related laws and regulations may subject us to late payment penalties, and we could also be required to make up the contributions for these plans as well as to pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected. A recent joint statement by the SEC and the Public Company Accounting Oversight Board (United States), or the “ PCAOB, ” proposed rule changes submitted by Nasdaq, and the newly enacted “ Holding Foreign Companies Accountable Act ” all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non- U. S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to investing in us. On April 21, 2020, the SEC and the PCAOB released a joint statement highlighting the risks associated with investing in companies based in or having substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets. On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply a minimum offering size requirement for companies primarily operating in a “ Restrictive Market, ” (ii) adopt a new requirement relating to the qualification of management or the board of directors for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company’ s auditor. On December 18, 2020, the “ Holding Foreign Companies Accountable Act ” was signed by previous President of the United States and became law. This legislation requires certain issuers of securities to establish that they are not owned or controlled by a foreign government. Specifically, an issuer must make this certification if the PCAOB is unable to audit specified reports because the issuer has retained a foreign public accounting firm not subject to inspection by the PCAOB. Furthermore, if the PCAOB is unable to inspect the issuer’ s public accounting firm for three consecutive years, the issuer’ s securities are banned from trade on a national exchange or through other methods. On March 24, 2021, the SEC announced that it had adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the HFCAA. The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report on Forms 10- K, 20- F, 40- F or N- CSR with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction. The SEC will implement a process for identifying such a registrant and any such identified registrant will be required to submit documentation to the SEC establishing that it is not owned or controlled by a governmental entity in that foreign jurisdiction, and will also require disclosure in the registrant’ s annual report regarding the audit arrangements of, and governmental influence on, such a registrant. Furthermore, on June 22, 2021, the U. S. Senate passed the Accelerating Holding Foreign Companies Accountable Act (“ AHFCAA ”), which, if enacted, would amend the HFCAA and require the SEC to prohibit an issuer’ s securities from trading on any U. S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three. If the AHFCAA is enacted, and if we are subject to it, it would decrease the number of “ non- inspection years ” from three years to two years, and thus, would reduce the time before our securities may be prohibited from trading or delisted. On September 22, 2021, the PCAOB adopted rules to create a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether it is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. On December 2, 2021, the SEC issued amendments to finalize the interim final rules previously adopted in March 2021 to

implement the submission and disclosure requirements in the HFCAA. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB is unable to inspect or investigate completely because of a position taken by an authority in a foreign jurisdiction. On December 16, 2021, the PCAOB issued a Determination Report which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People's Republic of China, because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. The PCAOB has made such designations as mandated under the HFCAA. Pursuant to each annual determination by the PCAOB, the SEC will, on an annual basis, identify issuers that have used non-inspected audit firms and thus are at risk of such suspensions in the future. The PCAOB is currently unable to conduct inspections in China without the approval of Chinese government authorities. If it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, investors may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in China that prevents the PCAOB from regularly evaluating our auditors' audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate. Our auditor, ~~BF Borgers CPA PC, is an~~ **Pan - China Singapore, the** independent registered public accounting firm ~~with that issued~~ the PCAOB, and as an auditor ~~audit report included~~ of publicly traded companies in **this Annual Report** the U. S., is subject to laws in the U. S. pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. ~~BF Borgers CPA PC~~ **Pan - China Singapore** is based ~~headquartered~~ in **Singapore and** ~~there are no limitations in Singapore on~~ United States and has been inspected by the PCAOB on a regular basis, with the last inspection ~~inspections~~ in November and December 2021. **Therefore** ~~BF Borgers CPA PC,~~ **we believe that, as of the date of this Annual Report, our auditor** is not headquartered in mainland China or Hong Kong and was not identified as a firm subject to the determinations announced by the PCAOB on December 16, 2021. ~~Should relating to the PCAOB be unable~~ **'s inability** to fully conduct inspection ~~inspect or investigate completely registered public accounting firms headquartered in the PRC or Hong Kong because of a position taken by one or more authorities in the PRC or Hong Kong. However, to the extent that~~ our auditor's work papers **may, in the future, become located** in China, ~~it such work papers will not be subject to inspection by the PCAOB because the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities. Inspections of certain other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections of our auditors' work papers in China would~~ make it **more** difficult to evaluate the effectiveness of our auditor's audit procedures or ~~equity-~~ **quality** control procedures **as compared to auditors outside of China that are subject to PCAOB inspections**. **As a result, our investors** ~~investors~~ **may consequently be deprived of the benefits of the PCAOB's oversight of our auditor through such inspections and they may** lose confidence in our reported financial information and procedures ~~or and the~~ quality of ~~the our~~ financial statements ~~which~~. **We cannot assure you whether Nasdaq or other regulatory authorities will apply additional or more stringent criteria to us. Such uncertainty would** ~~could cause the market price of our Ordinary Shares to be materially and~~ adversely ~~affected~~ **affected** us and our securities. Moreover, if trading in our securities is prohibited under the HFCAA in the future because the PCAOB determines that it cannot inspect or fully investigate our auditor at such future time, an exchange may determine to delist our securities. There are uncertainties under the PRC Securities Law relating to the procedures and requisite timing for the U. S. securities regulatory agencies to conduct investigations and collect evidence within the territory of the PRC. On December 28, 2019, the newly amended Securities Law of the PRC (the "PRC Securities Law") was promulgated, which became effective on March 1, 2020. According to Article 177 of the PRC Securities Law ("Article 177"), the securities regulatory authority of the State Council may establish a regulatory cooperation mechanism with securities regulatory authorities of another country or region for the implementation of cross-border supervision and administration. Article 177 further provides that overseas securities regulatory authorities shall not engage in activities pertaining to investigations or evidence collection directly conducted within the territories of the PRC, and that no Chinese entities or individuals shall provide documents and information in connection with securities business activities to any organizations and / or persons aboard without the prior consent of the securities regulatory authority of the State Council and the competent departments of the State Council. As of the date of this annual report, we are not aware of any implementing rules or regulations which have been published regarding application of Article 177. As advised by our PRC counsel, Article 177 is only applicable where the activities of overseas authorities constitute a direct investigation or evidence collection by such authorities within the territory of the PRC. Our principal business operation is conducted in the PRC. In the event that the U. S. securities regulatory agencies carry out an investigation on us such as an enforcement action by the Department of Justice, the SEC or other authorities, such agencies' activities will constitute conducting an investigation or collecting evidence directly within the territory of the PRC and accordingly fall within the scope of Article 177. In that case, the U. S. securities regulatory agencies may have to consider establishing cross-border cooperation with the securities regulatory authority of the PRC by way of judicial assistance, diplomatic channels or establishing a regulatory cooperation mechanism with the securities regulatory authority of the PRC. However, there is no assurance that the U. S. securities regulatory agencies will succeed in establishing such cross-border cooperation in this particular case and / or establish such cooperation in a timely manner. Furthermore, as Article 177 is a recently promulgated provision and, as the date of this annual report, there have not been implementing rules or regulations regarding the application of Article 177, it remains unclear as to how it will be interpreted, implemented or applied by the Chinese Securities Regulatory Commission or other relevant government authorities. As such, there are uncertainties as to the procedures and requisite timing for the U. S. securities regulatory agencies to conduct investigations and collect evidence within the territory of the PRC. If the U. S. securities

regulatory agencies are unable to conduct such investigations, there exists a risk that they may determine to suspend or de-register our registration with the SEC and may also delist our securities from Nasdaq or other applicable trading market within the US. We are exposed to liabilities relating to environmental protection and safety laws and regulations. Our operations are subject to comprehensive and frequently changing laws and regulations relating to environmental protection and health and safety. The discharge of waste and pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. If we violate such laws or regulations, we may be required to implement corrective actions and could be subject to civil or criminal fines or penalties or other sanctions. However, we cannot assure you that any environmental laws adopted in the future will not materially increase our operating costs and other expenses. We cannot assure you that we will not have to make significant capital or operating expenditures in the future in order to comply with existing or new laws and regulations or that we will comply with applicable environmental laws at all times. Such violations or liability could have a material adverse effect on our business, financial condition and results of operations. If our employees do not maintain a strong work ethic and comply with our code of ethics, including our confidentiality requirements, their actions may negatively influence our business and reputation. Employees with good professional ethics are important for any company's development. An employee might, either intentionally or unintentionally, disclose confidential information about our Company or our clients and particularly unscrupulous employees might endeavor to sell material information to industry competitors. Furthermore, our employees will develop relationships with our business partners and clients, and may acquire information that could be used to harm their business interests. If this should happen, our partners and clients might lose faith in our company. While we can never eliminate these ethical risks entirely, we will attempt to reduce the likelihood of breaches of trust and mitigate their impacts of it by hiring highly professional employees and establishing strong internal information management systems. We also plan to establish a series of policies to reduce the likelihood of such events. However, in the event that any employee discloses confidential information about our Company or our clients or sells material information to industry competitors, it could have a material adverse effect on our reputation, operations and cash flow. We face risks associated with future Chinese regulations. Currently there are no government regulations in China regarding our type of services. The Chinese government encourages small- medium sized traditional industry companies to conduct business model transformation and technology updates, which may help companies gain more competitive advantages in international markets. Other than the required adherence to general business laws and regulatory disclosures, our services are not affected by any specific additional Chinese government regulations. However, this does not preclude the possibility that China may institute regulations that will make it difficult or impossible for us to operate successfully, if at all, in the future. If that occurs, we may have to focus our business on companies located outside China. This could cause our results of operations to be materially adversely ~~effected~~ **affected**, reduce our revenues and cause the value of our securities to decline in value. We may require additional financing in the future and our operations could be curtailed if we are unable to obtain required additional financing when needed. We may need to obtain additional debt or equity financing to fund future capital expenditures. While we do not anticipate seeking additional financing in the immediate future, any additional equity may result in dilution to the holders of our outstanding shares of capital stock. Additional debt financing may include conditions that would restrict our freedom to operate our business, such as conditions that: • limit our ability to pay dividends or require us to seek consent for the payment of dividends; • increase our vulnerability to general adverse economic and industry conditions; • require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes; and • limit our flexibility in planning for, or reacting to, changes in our business and our industry. We cannot guarantee that we will be able to obtain any additional financing on terms that are acceptable to us, or at all. Natural disasters and other events beyond our control could materially adversely affect us. Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. This may result in delivery delays, malfunctioning of facilities or shutdown of logistic points. Such events could make it difficult or impossible for us to deliver our products and services to our customers and could decrease demand for our services. In the past, there was no significant disruption of operation at our production facilities and logistic points. However, we could not assure you that the production facilities and logistic points will always operate normally in the future. We are an “ emerging growth company ” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors. We are an “ emerging growth company, ” as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “ emerging growth companies ” including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. General Risks Associated with Business Operations in China The PRC government **may intervene or influence our** ~~has significant oversight and discretion over the conduct of a PRC company's~~ **business operations at any time** ~~or to~~ **may exert more control over any offering** ~~offerings of securities~~ **conducted overseas and /or foreign investment in China based issuers, which could result in a material change in our business operations and / or the value of our securities. Additionally, the governmental and regulatory interference could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. Recent statements by the Chinese government have indicated an intent to exert more oversight and control over offerings that are conducted**

overseas and / or foreign investments in China-based issuers, and may intervene with or influence our operations, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless, as the government deems appropriate to further regulatory, political and societal goals. The PRC government may intervene or influence our operations at any time, which could result in a material change in our operations and / or the value of our common stock. For example, the PRC government has **proposed** recently published new policies rules that **would require companies collecting or holding large amounts of data to undergo a cybersecurity review prior to listing in foreign countries, a move that would significantly affected certain industries tighten oversight over China based internet giants.** The Cybersecurity Review Measures that took effect from February 15, 2022 stipulates that **an internet platform operator who possesses more than 1 million users' personal information must report to the Office of Cybersecurity Review for a cybersecurity review when seeking listings in other nations. On April 2, 2022, the CSRC released the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), which provide that a domestic company that seeks to offer and list its securities in a overseas market shall strictly abide by applicable PRC laws and regulations, enhance legal awareness of keeping state secrets and strengthening archives administration, institute a sound confidentiality and archives administration system, and take necessary measures to fulfill confidentiality and archives administration obligations. In the event that the above proposed provisions and rules are enacted, the relevant filing procedures of the CSRC and other governmental authorities may be required in connection with this offering. On July 7, 2022, CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer, effective on September 1, 2022, which requires the data processors to apply for data cross-border security assessment coordinated by the CAC under the following circumstances: (i) any data processor transfers important data to overseas; (ii) any critical information infrastructure operator or data processor who processes personal information of over 1 million people provides personal information to overseas; (iii) any data processor who provides personal information to overseas and has already provided personal information of more than 100,000 people or sensitive personal information of more than 10,000 people to overseas since January 1st of the previous year; and (iv) other circumstances under which the data cross-border transfer security assessment is required as prescribed by the CAC. Since the majority of our operations are located in the PRC, our business may be subject to PRC laws relating to the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and the other education and internet industries data. As of the date of this prospectus, and we cannot rule out the these possibility that new laws and guidelines have not impacted the Company's ability to conduct it its will in the future release regulations or policies regarding any industry that could adversely affect the business, accept foreign investments, financial condition and results of operations of our or list company. Furthermore, the PRC government has also recently indicated an and trade on a U. S. or intent to exert more oversight and control over securities offerings and other capital markets activities that are conducted overseas and foreign exchange investment in China-based companies. Any such action, once taken by the PRC government, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or in extreme cases, become worthless. Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using variable interest entity structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. As confirmed by our PRC counsel at the date of September 2, we 2022, the business of our subsidiaries until our registration** are not subject to cybersecurity review with the Cyberspace Administration of China, or CAC, given that: (i) our products and services are offered not directly to individual users but through our institutional customers; (ii) we do not possess a large amount of personal information in our business operations; and (iii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. liabilities .We cannot assure you that PRC regulatory agencies, including the CAC, would take the same view as we do, and there is no assurance that we can fully or timely comply with such laws. In the event that we are subject to any mandatory cybersecurity review and other specific actions required by the CAC, we face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. Given such uncertainty, we may be further required to suspend our relevant business, shut down our website, or face other penalties, which could materially and adversely affect our business, financial condition, and results of operations. See also "Risk Factors - General Risks Associated with Business Operations - Operation in China - We Our business may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to a variety of PRC laws income tax on our global income" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022. The PRC government also imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The majority of our income is received in RMB and shortages in foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations regarding cybersecurity and data protection." In addition, as confirmed by our if any. Under existing PRC counsel, we are not subject to merger control review by China's anti-monopoly enforcement agency due to the level of our revenues which provided from us and audited by our auditor BF Borgers CPA PC, and the fact that we currently do not expect to propose or implement any acquisition of control of, or decisive influence over, any company with revenues within China of more than RMB400 million. Currently, these statements and regulatory actions have had no impact on our daily business operation, the ability to accept foreign investments and list our securities on an U. S. or other foreign exchange. Since these statements and regulatory regulations actions, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE as long as certain procedural requirements are new, it met.

Approval from appropriate government authorities is highly uncertain how soon legislative **required if RMB is converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies.** The PRC government may, at its discretion, impose restrictions on access to foreign currencies or for current account transactions administrative regulation-making bodies will respond and **if this occurs in the future, we may not** what existing or new laws or regulations or detailed implementations and interpretations will be modified **able to pay dividends in foreign currencies to or our** promulgated, if any, and **shareholders. As a result of the potential impact above, to the extent cash in the business is in the PRC or a PRC entity,** such modified **funds or assets may not be available to fund operations or for new laws other use outside of the PRC, due to interventions in or the imposition of restrictions and limitations** regulations will have on our daily business operation, the ability of us, to accept foreign investments and list our **or securities on an U. S. or our subsidiaries by other-- the foreign exchange PRC government to transfer cash.** You may have difficulty enforcing judgments against us. We are a Nevada corporation and most of our assets are and will be located outside of the United States. Almost all of our operations will be conducted in China. In addition, our officers and directors are nationals and residents of a country other than the United States. All of their assets are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon them. It may also be difficult for you to enforce in U. S. courts judgments on the civil liability provisions of the U. S. federal securities laws against us and our officer and director, since he is not a resident in the United States. In addition, there is uncertainty as to whether the courts of China would recognize or enforce judgments of U. S. courts. Foreign exchange fluctuations may affect our business. We accept the payment for services in Chinese Yuan (CNY), Hong Kong Dollars (HKD), and U. S. Dollars (USD). Therefore, foreign exchange fluctuations may influence our business in unpredictable ways. The value of the Renminbi against the U. S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. For instance, in August 2015, the People's Bank of China, or PBOC, changed the way it calculates the mid- point price of Renminbi against the U. S. dollar, requiring the market- makers who submit for reference rates to consider the previous day's closing spot rate, foreign- exchange demand and supply as well as changes in major currency rates. In 2016 and 2017, the value of the Renminbi depreciated approximately 7.2 % and appreciated 6.3 % against the U. S. dollar, respectively. From April 2020-2022 through the end of March 2021-2023, the value of the Renminbi appreciated **depreciated** by approximately **7-8.43** % against the U. S. dollar. It is difficult to predict how market forces or PRC or U. S. government policy, including any interest rate increases by the Federal Reserve, may impact the exchange rate between the Renminbi and the U. S. dollar in the future. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, including from the U. S. government, which has threatened to label China as a " currency manipulator, " which could result in greater fluctuation of the Renminbi against the U. S. dollar. A substantial percentage of our revenues and costs are denominated in Renminbi, and a significant portion of our assets are also denominated in Renminbi. We are a holding company and we rely on dividends, loans and other distributions on equity paid by our operating subsidiaries in China. Any significant fluctuations in the value of the Renminbi may materially and adversely affect our liquidity and cash flows. Appreciation of the U. S. dollar against the Renminbi would have a negative effect on the U. S. dollar amount we would receive. Conversely, to the extent that we need to convert U. S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U. S. dollar would have an adverse effect on the Renminbi amount we would receive. Inflation could pose a risk to our business. Inflation is an important factor that must be considered as we move forward. A change in the rate of inflation could influence the profits that we generate from our business. When the rate of inflation rises, the operational costs of running our company would increase, such as labor costs, raw materials and public utilities, affecting our ability to provide our services at competitive prices. An increase in the rate of inflation would force our clients to search for other service providers, causing us to lose business and revenue. Changes in the policies, regulations, rules and the enforcement of laws of the PRC government may be quick with little advance notice and could have a significant impact upon the business we may be able to conduct in the PRC and the profitability of such business. The PRC's economy is in a transition from a planned economy to a market oriented economy subject to five- year and annual plans adopted by the central government that set national economic development goals. Policies of the PRC government can have significant effects on the economic conditions of the PRC. The PRC government has confirmed that economic development will follow the model of a market economy. Under this direction, we believe that the PRC will continue to strengthen its economic and trading relationships with foreign countries and business development in the PRC will follow market forces. While we believe that this trend will continue, we cannot assure you that this will be the case. Changes in policies, regulations, rules and the enforcement of laws by the PRC government, which changes may be quick with little advance notice, could adversely affect our interests by, among other factors: changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports or sources of supplies, or the expropriation or nationalization of private enterprises. Although the PRC government has been pursuing economic reform policies for more than two decades, we cannot assure you that the government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption, or other circumstances affecting the PRC's political, economic and social environment. There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations. Most of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC Subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to

significant degree of interpretation by PRC regulatory agencies and courts. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the non- precedential nature of these decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. Therefore, it is possible that our existing operations may be found not to be in full compliance with relevant laws and regulations in the future. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations. PRC regulations regarding acquisitions impose significant regulatory approval and review requirements, which could make it more difficult for us to pursue growth through acquisitions. Under the PRC Anti- Monopoly Law, companies undertaking acquisitions relating to businesses in China must notify the anti- monopoly enforcement agency, in advance of any transaction where the parties' revenues in the China market exceed certain thresholds and the buyer would obtain control of, or decisive influence over, the other party. In addition, on August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State- Owned Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the China Securities Regulatory Commission, or the CSRC, and the State Administration of Foreign Exchange, or SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M & A Rules, which came into effect on September 8, 2006 and was amended on June 22, 2009. Under the M & A Rules, the approval of MOFCOM must be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire domestic companies affiliated with such PRC enterprises or residents. Applicable PRC laws, rules and regulations also require certain merger and acquisition transactions to be subject to security review. ~~While the approval of the China Securities Regulatory Commission is not currently required for our offerings, it may be required in the future in connection with such offerings under the M & A Rules and, if required, we cannot predict whether we will be able to obtain such approval. The M & A Rules requires overseas special purpose vehicles that are controlled by PRC companies or individuals formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies using shares of such special purpose vehicles or held by their shareholders as considerations to obtain the approval of the China Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle' s securities on an overseas stock exchange. However, the application of the M & A Rules remains unclear. According to the searches conducted by us and our PRC counsel on the official website of the CSRC and its administrative license processing hall (<https://neris.csrc.gov.cn/alappl/home/guideH>), at present, only one administrative license related to overseas public offering and listing is enacted, that is, "examination and approval of overseas public offering shares and listing (including additional issuance) of joint-stock companies". Such examination and approval license requirements are only applicable to issuers which are formed as PRC joint-stock companies in China under PRC law. None of our operating PRC Subsidiaries is formed as a PRC joint-stock company in China, and as such, we do not believe that we need CSRC approval. We do not believe that the current PRC regulations and rules including China Securities Law require explicitly and directly that the overseas listing of foreign issuers who indirectly hold the rights and interests of Chinese domestic enterprises be examined and approved by the CSRC. If CSRC approval is required, it is uncertain whether it would be possible for us to obtain the approval. Any failure to obtain or delay in obtaining CSRC approval for our offerings would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies. On December 24, 2021, the China Securities Regulatory Commission, or the CSRC, issued Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (the "Administration Provisions"), and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (the "Measures"), which were open for public comments by January 23, 2022. The Administration Provisions and Measures for overseas listings lay out specific requirements for filing documents and include unified regulation management, strengthening regulatory coordination, and cross-border regulatory cooperation. Domestic companies seeking to list abroad must carry out relevant security screening procedures if their businesses involve supervisions such as foreign investment security and cyber security reviews. Companies endangering national security are among those off-limits for overseas listings. As the Administration Provisions and Measures have not yet come into effect, we are currently unaffected by them. However, it is uncertain when the Administration Provision and the Measures will take effect or if they will take effect as currently drafted. While the application of the M & A Rules remain unclear, we believe, based on the advice of our PRC legal counsel, Hiways Law Firm (Shenzhen), based on its understanding of the current PRC laws, regulations and rules that the CSRC' s approval is not required the context of overseas public offerings of our securities to foreign investors given that: (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether the overseas offerings to foreign investors of securities of foreign issuers who indirectly hold the rights and interests of Chinese domestic enterprises through the holding corporate structure are subject to this regulation, (ii) Qianhai Yingxi Textile & Garments Co., Ltd. or our WFOE, was incorporated as a wholly foreign-owned enterprise by means of direct investment, or an enterprise that was already controlled by a foreign-owned enterprise before the merger, rather than by merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M & A Rules; (iii) Qianhai Yingxi Textile & Garments Co., Ltd. or our WFOE did not encounter any substantial obstacles in the process of establishment or equity transfer. Our PRC legal counsel has also made a formal telephone inquiry with the International Department of the CSRC and received~~

an oral response from the CSRC. The CSRC confirmed in its response to our inquiry that our contemplated overseas public offerings of our securities to foreign investors does not require the examination and approval of the CSRC in accordance with the existing PRC legislation and regulations. We neither received nor were denied permission from CSRC or other PRC government agencies to list our securities on the NASDAQ and issue our securities to foreign investors. There remains some uncertainty as to how the M & A Rules will be interpreted or implemented in the context of an overseas offering. We cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as we do. If it is determined that CSRC approval is required for our contemplated overseas public offerings, or if we inadvertently conclude that such approval is not required when it is, we may face sanctions by the CSRC or other PRC regulatory agencies for failure to obtain or delay in obtaining CSRC approval for this offering. These sanctions may include fines and penalties on our operations in China, limitations on our operating privileges in China, delays in or restrictions on the repatriation of the proceeds from this offering into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our subsidiaries in China, or other actions that could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our securities. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt our offerings before the settlement and delivery of the securities that we offer. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the securities we offer, the investors would be doing so at the risk that the settlement and delivery may not occur. In addition, if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for our offerings, we may be unable to obtain a waiver of such approval requirements. As of the date of this annual report, other than the response from the CSRC as discussed above, we have not received any inquiry, notice, warning, sanctions or regulatory objection to our offerings from the CSRC or any other PRC governmental authorities, and our PRC Subsidiaries have obtained all requisite permissions from PRC governmental authorities to operate our business as currently conducted under relevant PRC laws and regulations. Currently, each of our PRC Subsidiaries holds and maintains a business license issued by the local market supervision and administration bureau, and has received all requisite permissions in order to conduct and operate our business. As of the date of this annual report, none of our PRC Subsidiaries has been denied or punished by relevant governmental authorities due to its business qualifications. Our business may be subject to a variety of PRC laws and other obligations regarding cybersecurity and data protection. Our business may be subject to PRC laws relating to the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. These laws continue to develop, and the PRC government may adopt other rules and restrictions in the future. Non-compliance could result in penalties or other significant legal liabilities. Pursuant to the PRC Cybersecurity Law, which was promulgated by the Standing Committee of the National People's Congress on November 7, 2016 and took effect on June 1, 2017, personal information and important data collected and generated by a critical information infrastructure operator in the course of its operations in China must be stored in China, and if a critical information infrastructure operator purchases internet products and services that affects or may affect national security, it should be subject to cybersecurity review by the Cyberspace Administration of China ("CAC"). Due to the lack of further interpretations, the exact scope of "critical information infrastructure operator" remains unclear. On April 13, 2020, twelve Chinese government agencies jointly promulgated the Measures for Cybersecurity Review, which became effective on June 1, 2020, set forth the cybersecurity review mechanism for critical information infrastructure operators, and provided that critical information infrastructure operators who intend to purchase internet products and services that affect or may affect national security shall be subject to a cybersecurity review. On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law, which will take effect in September 2021. The Data Security Law provides for a security review procedure for the data activities that may affect national security. Moreover, the State Internet Information Office issued the Measures of Cybersecurity Review (Revised Draft for Comments, not yet effective) on July 10, 2021, which requires operators with personal information of more than 1 million users who want to list abroad to file a cybersecurity review with the CAC. Furthermore, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severe and Lawful Crackdown on Illegal Securities Activities, which was available to the public on July 6, 2021. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. As these laws, opinions and the draft measures were recently issued, official guidance and interpretation of these remain unclear in several respects at this time, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws, opinions and the draft measures. Therefore, it is uncertain whether the future regulatory changes would impose additional restrictions on our business. The Data Security Law also sets forth the data security protection obligations for entities and individuals handling personal data, including that no entity or individual may acquire such data by stealing or other illegal means, and the collection and use of such data should not exceed the necessary limits. The costs of compliance with, and other burdens imposed by, PRC Cybersecurity Law and any other cybersecurity and related laws may limit the use and adoption of our products and services and could have an adverse impact on our business. Further, if the enacted version of the Measures for Cybersecurity Review mandates clearance of cybersecurity review and other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. As confirmed by our PRC counsel **at the date of September 2, 2022**, we are not be subject to the cybersecurity review by the CAC for overseas public offerings of our securities to foreign investors, given that: (i) our products and services are offered not directly to individual users but through our institutional customers; (ii) we do not possess a large amount of personal information in our business operations; and (iii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. **Further, we believe our newly**

established companies and our business plan will not change the above conclusion. However, there remains uncertainty as to how the Draft Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Draft Measures. If any such new laws, regulations, rules, or implementation and interpretation comes into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us. **We cannot assure you that PRC..... financial condition, and results of operations.** PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC- resident beneficial owners or our PRC Subsidiaries to liability or penalties, limit our ability to inject capital into our PRC Subsidiaries or limit our PRC Subsidiaries' ability to increase their registered capital or distribute profits. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC Subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross- border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC Subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. We have notified substantial beneficial owners of shares of common stock who we know are PRC residents of their filing obligation, and pursuant to SAFE Circular 37, we have periodically filed and updated the above- mentioned foreign exchange registration on behalf of certain employee shareholders who we know are PRC residents. However, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and cannot assure you that all of our PRC- resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject the beneficial owners or our PRC Subsidiaries to fines and legal sanctions. On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Pursuant to SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under the SAFE Circular 37, with designated domestic banks, instead of SAFE. The designated domestic banks will directly review the applications and conduct the registration. Furthermore, since it is unclear how those new SAFE regulations, and any future regulation concerning offshore or cross- border transactions, will be interpreted, amended and implemented by the relevant PRC government authorities, we cannot predict how these regulations will affect our business operations or future strategy. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC Subsidiaries and limit our PRC Subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations. We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income. Under the PRC Enterprise Income Tax Law and its implementing rules, both of which came into effect on January 1, 2008, enterprises established under the laws of jurisdictions outside of China with "de facto management bodies" located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25 % on their global income. "De facto management body" refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese- Controlled Offshore- Incorporated Enterprises as PRC Tax Resident Enterprises on the basis of de facto management bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese- controlled offshore- incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25 % on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." Restrictions on currency exchange may limit our ability to utilize our PRC revenue effectively. We (Addentax Group Corp.) are a Nevada holding company with no material operations of our own. We conduct substantially all of our operations through the operating companies established in the PRC, primarily Shenzhen Qianhai Yingxi Industrial Chain Service Co., Ltd. ("YX"), our wholly owned subsidiary and its subsidiaries. We are a holding company and do not directly own any substantive business operations in

the-China. Substantially all of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the “ current account, ” which includes dividends, trade and service- related foreign exchange transactions, but requires approval from or registration with appropriate government authorities or designated banks under the “ capital account, ” which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries. Currently, one of our PRC Subsidiaries, which is a wholly- foreign owned enterprise, may purchase foreign currency for settlement of “ current account transactions, ” including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities or the local bank may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since 2016, PRC governmental authorities have imposed more stringent restrictions on outbound capital flows, including heightened scrutiny over “ irrational ” overseas investments for certain industries, as well as over four kinds of “ abnormal ” offshore investments, which are: ● investments through enterprises established for only a few months without substantive operation; ● investments with amounts far exceeding the registered capital of onshore parent and not supported by its business performance shown on financial statements; ● investments in targets which are unrelated to onshore parent’ s main business; and ● investments with abnormal sources of Renminbi funding suspected to be involved in illegal transfer of assets or illegal operation of underground banking. On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, which tightened the authenticity and compliance verification of cross- border transactions and cross- border capital flow, including requiring banks to verify board resolutions, tax filing forms and audited financial statements before wiring foreign invested enterprises’ foreign exchange dividend distribution of over US \$ 50, 000. In addition, the Outbound Investment Sensitive Industry Catalogue (2018) lists certain sensitive industries that are subject to NDRC pre- approval requirements prior to remitting investment funds offshore, which subjects us to increased approval requirements and restrictions with respect to our overseas investment activity. Since a significant amount of our PRC revenue is denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC, make investments, service any debt we may incur outside of China or pay dividends in foreign currencies to our shareholders. The disclosures in our reports and other filings with the SEC and our other public pronouncements are not subject to the scrutiny of any regulatory bodies in the PRC. We are regulated by the SEC and our reports and other filings with the SEC are subject to SEC review in accordance with the rules and regulations promulgated by the SEC under the Securities Act and the Exchange Act. Our SEC reports and other disclosure and public pronouncements are not subject to the review or scrutiny of any PRC regulatory authority. For example, the disclosure in our SEC reports and other filings are not subject to the review by China Securities Regulatory Commission, a PRC regulator that is responsible for oversight of the capital markets in China. Accordingly, you should review our SEC reports, filings and our other public pronouncements with the understanding that no local regulator has done any review of us, our SEC reports, other filings or any of our other public pronouncements. Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business. The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines. Unlike common law jurisdictions like the U. S., decided cases (which may be taken as reference) do not form part of the legal structure of the PRC and thus have no binding effect on subsequent cases with similar issues and fact patterns. Furthermore, in line with its transformation from a centrally- planned economy to a more free market- oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to further changes. For example, the PRC government may impose restrictions on the amount of service fees that may be payable by municipal governments to wastewater and sludge treatment service providers. Also, the PRC central and municipal governments may impose more stringent environmental regulations which would affect our ability to comply with, or our costs to comply with, such regulations. Such changes, if implemented, may adversely affect our business operations and may reduce our profitability. Risks Relating to Our Holding Company Structure Substantial uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations. On March 15, 2019, the PRC National People’ s Congress approved the Foreign Investment Law, which came into effect on January 1, 2020 and replaces the trio of existing laws regulating foreign investment in the PRC, namely, the Sino- Foreign Equity Joint Venture Enterprise Law, the Sino- Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign- Invested Enterprise Law, together with their implementation rules and ancillary regulations and become the legal foundation for foreign investment in the PRC. Meanwhile, the Implementation Regulation of the Foreign Investment Law and the Measures for Reporting of Information on Foreign Investment came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law. The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre- entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign entities and individuals are prohibited from investing in the areas that are not open to foreign investments, (ii) foreign investments in the restricted industries must satisfy certain requirements under the law, and (iii) foreign investments in business sectors outside of the negative list will be treated equally with domestic investments. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information reporting system, through which foreign investors or foreign- invested enterprises are required to submit initial report, report of changes, report of deregistration and annual report relating to their investments to the Ministry of Commerce, or MOFCOM, or its local branches. Although our operating structure is legal and permissible under the current Chinese law and regulations, including the Foreign Investment Law, Chinese regulatory authorities could disallow our operating structure, which would likely result in a material change in our operations and / or the value of our common stock, including that it could cause the value of such securities to significantly decline or become worthless. We may rely on dividends and other distributions on

equity paid by our PRC Subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC Subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business. We are a Nevada holding company and we rely principally on dividends and other distributions on equity from our PRC Subsidiaries for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders for services of any debt we may incur. If our PRC Subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC Subsidiaries, which are wholly foreign- owned enterprises, may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign- owned enterprise is required to set aside at least 10 % of its accumulated after- tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50 % of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, a wholly foreign- owned enterprise may allocate a portion of its after- tax profits based on PRC accounting standards to an enterprise expansion fund, or a staff welfare and bonus fund. A portion of our revenue was generated by our PRC Subsidiaries in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC Subsidiaries to use their Renminbi revenues to pay dividends to us. The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by SAFE for cross- border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC Subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10 % will be applicable to dividends payable by Chinese companies to non- PRC- resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non- PRC- resident enterprises are incorporated. PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our offerings to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business. We are an offshore holding company conducting our operations in China through our PRC Subsidiaries. We may in the future make loans or provide guarantee to our PRC Subsidiaries subject to the approval or registration from governmental authorities and limitation of amount, or we may make additional capital contributions to our wholly foreign- owned subsidiary in China. Any loans to our wholly foreign- owned subsidiaries in China, which are treated as foreign- invested enterprise under PRC law, are subject to foreign exchange loan registrations. In addition, a foreign- invested enterprise, or FIE, shall use its capital pursuant to the principle of authenticity and self- use within its business scope. The capital of an FIE shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or investments other than banks' principal- secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non- affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self- use (except for the foreign- invested real estate enterprises). In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC Subsidiaries or with respect to future capital contributions by us to our PRC Subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds from our offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Risks Related to our Common Stock

The market price of our shares is likely to be highly volatile and subject to wide fluctuations in response to factors such as:

- variations in our actual and perceived operating results;
- news regarding gains or losses of customers or partners by us or our competitors;
- news regarding gains or losses of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry by us or our competitors;
- changes in earnings estimates or buy / sell recommendations by financial analysts;
- potential litigation;
- the imposition of fines or penalties related to our activities in the PRC and failure to comply with applicable rules and regulations;
- general market conditions or other developments affecting us or our industry; and
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of the shares. We may never be able to pay dividends and are unlikely to do so. To date, we have not paid, nor do we intend to pay in the foreseeable future, dividends on our common stock, even if we become profitable. Earnings, if any, are expected to be used to advance our activities and for working capital and general corporate purposes, rather than to make distributions to stockholders. Since we are not in a financial position to pay dividends on our common stock and future dividends are not presently being contemplated, investors are advised that return on investment in our common stock is restricted to an appreciation in the share price. The potential or likelihood of an increase in share price is uncertain. In addition, under Nevada law, we may only pay dividends subject to our ability to service our debts as they become due and provided that our assets will exceed our liabilities after the dividend. Our ability to pay dividends will therefore depend on our ability to generate sufficient profits. Further, because of the various rules applicable to our operations in China and the regulations on foreign investments as well as the applicable tax law, we may be subject to further limitations on our ability to declare and pay dividends to our shareholders. Shareholders may be diluted significantly through our efforts to obtain financing and satisfy obligations through the issuance of securities. Wherever possible, our board of directors will attempt to use non- cash

consideration to satisfy obligations. In many instances, we believe that the non-cash consideration will consist of shares of our common stock, warrants to purchase shares of our common stock or other securities. Our board of directors has authority, without action or vote of the shareholders, to issue all or part of the authorized but unissued shares of common stock or warrants to purchase such shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market in the future. These actions will result in dilution of the ownership interests of existing shareholders and may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management's ability to maintain control of us, because the shares may be issued to parties or entities committed to supporting existing management. In the event that our shares are traded, they may trade under \$ 5.00 per share and thus will be a penny stock. Trading in penny stocks has many restrictions and these restrictions could severely affect the price and liquidity of our shares. In the event that our stock trades below \$ 5.00 per share, our stock would be known as a "penny stock", which is subject to various regulations involving disclosures to be given to you prior to the purchase of any penny stock. The SEC has adopted regulations which generally define a "penny stock" to be any equity security that has a market price of less than \$ 5.00 per share, subject to certain exceptions. Depending on market fluctuations, our common stock could be considered to be a "penny stock". A penny stock is subject to rules that impose additional sales practice requirements on broker / dealers who sell these securities to persons other than accredited investors. For transactions covered by these rules, the broker / dealer must make a special suitability determination for the purchase of these securities. In addition, he must receive the purchaser's written consent to the transaction prior to the purchase. He must also provide certain written disclosures to the purchaser. Consequently, the "penny stock" rules may restrict the ability of broker / dealers to sell our securities, and may negatively affect the ability of holders of shares of our common stock to resell them. These disclosures require you to acknowledge that you understand the risks associated with buying penny stocks and that you can absorb the loss of your entire investment. Penny stocks are low priced securities that do not have a very high trading volume. Consequently, the price of the stock is often volatile and you may not be able to buy or sell the stock when you want to.

The issuances of our Common Stock to the Selling Stockholders or the Placement Agent upon conversion of Warrants or exercise of the Notes, as the case may be, will cause dilution to our existing stockholders, and the sale of the shares of Common Stock acquired by the Selling Stockholders or the Placement Agent, or the perception that such sales may occur, could cause the price of our Common Stock to fall. Depending on market liquidity at the time, issuances and any subsequent sales of our common stock may cause the trading price of our common stock to fall. We previously registered 197, 227, 433 shares of our common stock for their resale by selling stockholders which consisted of:

- Up to 164, 373, 089 shares of common stock (the "PIPE Stocks"), consisting of (i) 82, 186, 544 shares of common stock issuable upon the conversion of our senior secured convertible notes (the "Notes") issued to the selling stockholders pursuant to the securities purchase agreement, dated as of January 4, 2023, by and between us and the selling stockholders (the "PIPE Securities Purchase Agreement"), and (ii) 82, 186, 544 additional shares of common stock that we are required to register pursuant to a registration rights agreement between us and certain selling stockholders obligating us to register 200 % of the maximum number of shares of common stock issuable upon conversion of the Notes;
- Up to 32, 154, 344 shares of common stock (the "PIPE Warrant Stocks"), consisting of (i) 16, 077, 172 shares of our common stock issued or issuable upon the exercise of warrants (the "PIPE Warrants") that were issued pursuant to the PIPE Securities Purchase Agreement, and (ii) 16, 077, 172 additional shares of common stock that we are required to register pursuant to a registration rights agreement between us and certain selling stockholders obligating us to register 200 % of the maximum number of shares of common stock issuable upon exercise of the PIPE Warrant Stocks; and
- Up to 700, 000 shares of common stock (the "Placement Agent Warrant Stocks") issued or issuable upon the exercise of placement agent warrants (the "Placement Agent Warrants") that were issued to the placement agent pursuant to the PIPE placement agency agreement (the "PIPE Placement Agency Agreement"), dated as of January 4, 2023. If and when the selling stockholders or placement agent convert and / or exercise their warrants or Notes, as the case may be, after the selling stockholders or the placement agents has acquired the shares, the selling stockholders or the placement agent may resell all, some, or none of those shares at any time or from time to time in its discretion. Therefore, issuances to the selling stockholders or the placement agent upon exercise of their warrants or conversion of the Notes could result in substantial dilution to the interests of other holders of our common stock. Even though the current trading price is significantly below our IPO price, the selling shareholders or the placement agent may have an incentive to sell because they will still profit because of the lower price that they acquired their shares than the retail investors. Additionally, the issuance of a substantial number of shares of our common stock to the selling stockholders or the placement agent, or the anticipation of such issuances, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales. You may experience future dilution as a result of future equity offerings and other issuances of our securities. In order to raise additional capital, we may in the future offer additional common stocks or other securities convertible into or exchangeable for our common stocks at prices that may not be the same as the price per share paid by the investors in this offering. We may not be able to sell shares or other securities in any other offering at a price per share that is equal to or greater than the price per share paid by the investors in this offering, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional common stocks or securities convertible into common stocks in future transactions may be higher or lower than the price per share paid to the selling stockholders. Our stockholders will incur dilution upon exercise of any outstanding stock options, warrants or other convertible securities or upon the issuance of common stocks under our share incentive programs. We expect to require additional capital in the future in order to develop our business operations. If we do not obtain any such additional financing, it may be difficult to effectively realize our long-term strategic goals and objectives. Any additional capital raised through the sale

of equity or equity-backed securities may dilute our stockholders' ownership percentages and could also result in a decrease in the market value of our equity securities. The terms of any securities issued by us in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have a further dilutive effect on the holders of any of our securities then outstanding. In addition, we may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition. Future sales of substantial amounts of the shares of common stock by existing stockholders could adversely affect the price of our common stock. If we or our existing stockholders, our directors or their affiliates or certain of our executive officers, sell a substantial number of our common stocks in the public market, including the Resale Shares once issuable upon exercise of the PIPE Warrants and the Placement Agent Warrants, the market price of our common stocks could decrease significantly. The perception in the public market that we or our stockholders might sell our common stocks could also depress the market price of our common stocks and could impair our future ability to obtain capital, especially through an offering of equity securities. The market price of our common stocks may be subject to fluctuation and you could lose all or part of your investment. Our common stocks were first offered publicly in our IPO in August 2022 at a price of \$ 5.00 per share, and our common stocks have subsequently traded as high as \$ 656.54 per share and as low as \$ 0.647 per share through June 23, 2023. The market price of our common stocks on the Nasdaq Capital Market may fluctuate as a result of a number of factors, some of which are beyond our control, including, but not limited to: These factors and any corresponding price fluctuations may materially and adversely affect the market price of our common stocks and result in substantial losses being incurred by our investors. In the past, following periods of market volatility, public company stockholders have often instituted securities class action litigation. If we were involved in securities litigation, it could impose a substantial cost upon us and divert the resources and attention of our management from our business. [Item 1B.

Unresolved Staff Comments