Risk Factors Comparison 2024-03-26 to 2023-04-17 Form: 10-K

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Our business is subject to numerous risks. You should carefully consider the following risks and all other information contained in this Annual Report, as well as general economic and business risks, together with any other documents we file with the SEC. If any of the following events actually occur or risks actually materialize, it could have a material adverse effect on our business, operating results and financial condition and cause the trading price of our ordinary shares to decline. INDEX TO RISK FACTORS Strategic Risks3Business and Operational Risks3Risks Related to Doing Business in China4Competitive ~~Risks22Technology~~ **Risks23Technology** and Intellectual Property ~~Risks23Litigation~~ **Risks24Litigation** and Regulatory Risks25Risks Related to Our ~~Securities27General~~ **Securities28General** Risk ~~Factors30~~ **Factors31** ~~Our~~ **Strategic RisksOur** BPC organic growth strategy is focused on capturing higher incremental gross margins by increasing our share of branded products, expanding into new product categories and creating new sales channels, all of which are impacted by a number of economic factors and other factors. Our business relies on residential repair and remodel (" R & R ") activity and, to a lesser extent, on new home and commercial construction activity. A number of factors impact consumers' spending on home improvement projects as well as new home construction activity, including: ● consumer confidence levels; ● fluctuations in home prices; ● existing home sales; ● inflationary pressures and interest rates; ● unemployment and underemployment levels; ● consumer income and debt levels; ● household formation; ● the availability of skilled tradespeople for R & R work; ● the availability of home equity loans and mortgages and the interest rates for and tax deductibility of such loans; ● trends in lifestyle and housing design; and ● natural disasters, terrorist acts, pandemics, wars or conflicts or other catastrophic events. The fundamentals driving our business are impacted by economic cycles, and we have been negatively impacted by recent supply chain disruptions, rising interest rates and inflationary pressures. Adverse changes or uncertainty involving the factors listed above or an economic contraction in the United States and worldwide could result in a decline in spending on residential R & R activity and a decline in demand for new home construction and could adversely impact our businesses by: causing consumers to delay or decrease homeownership; making consumers more price conscious resulting in a shift in demand to smaller, less expensive homes; making consumers more reluctant to make investments in their existing homes, including large kitchen and bath R & R projects; or making it more difficult or expensive to secure loans for major renovations, which could have a material adverse effect on our results of operations and financial position. Prolonged economic downturns may adversely impact our sales, earnings and liquidity. Our industry can fluctuate with economic cycles. During economic downturns, our industry could experience longer periods of recession and greater declines than the general economy. We believe that our industry, particularly North American home improvement, R & R and new home construction activity, is significantly influenced particularly by housing activity, consumer confidence, the level of personal discretionary spending, demographics, credit availability, inflation and interest rates and other business conditions. **Recently, higher interest rates, inflation and general tightening of credit availability have affected these markets.** These factors may affect not only the ultimate consumer of our products, but also may impact home centers, builders and our other primary customers. As a result, a worsening of economic conditions ~~, including due to the COVID- 19 pandemic~~ , could have a material adverse effect on our sales and earnings as well as our cash flow and liquidity. ~~Our~~ **14Our** ability to grow and compete in the future will be adversely affected if adequate capital is not available to us or not available on terms favorable to us. The ability of our business to grow and compete depends on the availability of adequate capital, which in turn depends in large part on our cash flow from operations and the availability of equity and debt financing. Furthermore, our existing indebtedness, which was approximately $ ~~9~~ **7** . ~~8~~ **0** million as of December 31, ~~2022~~ **2023** , may adversely affect our financial flexibility and our competitive position in the future. We cannot assure you that our cash flow from operations will be sufficient or that we will be able to obtain equity or debt financing on acceptable terms to implement our " BPC " growth strategy. We may need additional cash resources in the future if we experience changed business conditions or other developments and may also need additional cash resources in the future if we wish to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. As a result, we cannot assure you that adequate capital will be available to finance our current growth plans, take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our results of operations and financial position. We may not achieve all of the anticipated benefits of our strategic initiatives. We continue to pursue our strategic initiatives of investing in our branded products, developing new product categories, and utilizing sales channels positioned for long term growth through the " BPC " strategy, our methodology to ~~14drive~~ -- **drive** growth and productivity. These initiatives are designed to grow shareholder value over the long term. Our results of operations and financial position could be materially and adversely affected if we are unable to successfully execute these initiatives or if we are unable to execute these initiatives in a timely and efficient manner. We could also be adversely affected if we have not appropriately prioritized and balanced our initiatives or if we are unable to effectively manage change throughout our organization. We may not be able to successfully execute our acquisition strategy or integrate businesses that we acquire. Pursuing the acquisition of businesses complementary to our portfolio is a component of our strategy for future growth. If we are not able to identify suitable acquisition candidates or consummate potential acquisitions within a desired time frame or with acceptable terms and prices, our long- term competitive positioning may be affected. Even if we are successful in acquiring and / or merging with businesses, the businesses we acquire or merge with may not be able to achieve the revenue, profitability or growth we anticipate, or we may experience challenges and risks in integrating these businesses into our existing business. Such risks include: ● difficulties realizing expected synergies and economies of scale; ● diversion of management attention and our resources; ● unforeseen liabilities; ● issues or conflicts with our new or existing customers or suppliers; and ● difficulties in retaining critical employees of the acquired businesses. Future foreign acquisitions may also increase our exposure to foreign currency risks and risks associated with interpretation and enforcement of foreign regulations. Our failure to address these risks could cause us to incur additional costs and fail to realize the anticipated benefits of our acquisitions and could have a material adverse effect on our results of operations and financial position. We could continue to pursue growth opportunities through either acquisitions, mergers or internally developed projects, which may be unsuccessful or may adversely affect our future financial condition and operating results. Although we are not currently considering any specific business combinations, we could pursue opportunities for growth through either acquisitions, mergers or internally developed projects as part of our " BPC " growth strategy. We cannot assure you that we will be successful in integrating an acquired business or that an internally developed project ~~will~~ **15will** perform at the levels we anticipate. We may pay for future acquisitions using cash, stock, the assumption of debt, or a combination of these. Future acquisitions could result in dilution to existing shareholders and to earnings per share. In addition, we may fail to identify significant liabilities or risks associated with a given acquisition that could adversely affect our future financial condition and operating results or result in us paying more for the acquired business or assets than they are worth. Business and Operational RisksWe recently began as a stand- alone business and have a limited operating history as a stand- alone business. The historical financial information we have included does not reflect, and the pro forma financial information included may not reflect, what our financial condition, results of operations or cash flows would have been had we been a stand- alone entity during the historical periods presented, or what our financial condition, results of operations or cash flows will be in the future as an independent entity. In addition, we have not made pro forma adjustments to reflect many significant changes that will occur in our cost structure, funding and operations as a result of our transition to becoming a public company, including changes in our employee base, potential increased costs associated with reduced economies of scale and increased costs associated with being a publicly traded, stand- alone company. ~~15Variability~~ -- **Variability** in the cost and availability of our raw materials, component parts and finished goods, including the imposition of tariffs, could affect our results of operations and financial position. We purchase substantial amounts of raw materials, component parts and finished goods from outside sources, including international sources, and our products are manufactured outside of the United States. Increases in the cost of the materials we purchase have in the past and may in the future increase the prices for our products, including as a result of new tariffs. There is a risk that additional tariffs on imports from China or new tariffs could be imposed, which could further increase the cost of the materials we purchase or import or the products we manufacture internationally. Further, our production could be affected if we or our suppliers are unable to procure our requirements for various commodities, including, among others, brass, porcelain, wood and engineered wood, or if a shortage of these commodities results in significantly increased costs. Rising energy costs could also increase our production and transportation costs. These factors could have a material adverse effect on our results of operations and financial position. It can be difficult for us to pass on to customers our cost increases. Our existing arrangements with customers, competitive considerations and customer resistance to price increases may delay or make us unable to adjust selling prices. If we are not able to sufficiently increase the prices of our products or achieve cost savings to offset increased material and production costs, including the impact of increasing tariffs, our results of operations and financial position could be adversely affected. When our material costs decline, we may in the future receive pressure from our customers to reduce our prices. Such reductions could have a material adverse effect on our results of operations and financial position. We have entered into long- term agreements with certain significant suppliers to help ensure continued availability of our manufactured product supply and to establish firm pricing, but at times these contractual commitments may result in our paying above market prices for manufactured products during the term of the contract. Our top ten customers represent a large portion of our sales. A significant adverse change in such relationships could adversely impact our results of operations and financial condition. Our sales are concentrated with ten significant customers who collectively represented over **72 % and** 76 ~~% and 77~~ % of our consolidated net sales for **2023 and** 2022 ~~and 2021~~, respectively, and this concentration may continue to increase. In particular, The Home Depot represented approximately **18 % and** 22 ~~% and 24~~ % of our consolidated net sales in **2023 and** 2022 ~~and 2021~~, respectively. The Home Depot and other home center retailers can significantly affect the prices we receive for our products and the terms and conditions on which we do business with them. Additionally, these home center retailers may reduce the number of vendors from which they purchase and could make significant changes in their volume of purchases from us. ~~The~~ **16The** loss of one or more key customers, a material reduction in products purchased by them, or our inability to maintain our competitive position in our industries could cause us to experience a decline in net sales, which could adversely affect our results of operations and financial position. In addition, there can be no assurance that such customers will not experience financial difficulties or other adverse conditions which could delay such customers in paying for products on a timely basis or at all. Although other retailers, dealers, distributors and homebuilders represent other channels of distribution for our products and services, we might not be able to quickly replace, if at all, the loss of all or a substantial portion of our sales, and any such loss would have a material adverse effect on our business, results of operations and financial position. We are dependent on **a few key** third- party suppliers. We are dependent on third- party suppliers for many of our products and components, and are largely dependent on one large supplier, Tangshan Huida Ceramic Group Co., Ltd, an entity formed and located in China (" Huida "), who accounted for and approximately **71 % and** 86 ~~% and 66~~ % of the total balance of our accounts payable as of December 31, **2023 and** 2022 ~~and 2021~~, respectively, for the majority of our sanitaryware products, and our ability to offer a wide variety of products depends on our ability to obtain an adequate and timely supply of these products and components ~~. Pursuant to a certain Agreement for Co- operations (the " Huida Agreement "), dated October 20, 2020, by and between Huida and FGI Industries, our wholly owned subsidiary, so long as we meet certain annual product placement volume requirements, (i) we have an exclusive right to distribute and resell in the United States and Canadian markets any products designed and created by Huida and for which Huida retains all intellectual property rights, and (ii) Huida may not manufacture or sell any products we design or create, for which we retain all intellectual property rights, without our prior consent. 16We had been involved in arbitration~~

~~with Huida regarding the scope and duration of the Huida Agreement. OnSeptember 28, 2022, the Company received notice that the arbitrator ruled that the Huida Agreement was not unlimitedin duration and was being terminated. Huida remains a supplier of the Company' s sanitaryware products and theCompany intends to work towards a new agreement with Huida that complies with the arbitrator' s findings. However, there is no guarantee that an agreement can be reached on mutually agreeable terms~~ . Failure of our suppliers and, particularly, of Huida, to timely provide us quality products on commercially reasonable terms, or to comply with applicable legal and regulatory requirements, or our policies regarding our supplier business practices, could have a material adverse effect on our results of operations and financial position or could damage our reputation. Sourcing these products and components from alternate suppliers, including suppliers from new geographic regions, is time- consuming and costly and could result in inefficiencies or delays in our business operations. Accordingly, the loss of Huida or other critical suppliers, or a substantial decrease in the availability of products or components from our suppliers, could disrupt our business and have a material adverse effect on our results of operations and financial position. **We previously had an agreement with Huida pursuant to which we had an exclusive right to distribute and resell in the United States and Canadian markets** ~~Many~~ - **any products designed and created by Huida and Huida was not permitted to manufacture or sell any products we designed or created, for which we retained all intellectual property rights, without our prior consent. This agreement was ended in 2022, but Huida remains a key supplier and we believe we maintain a good business relationship. However, it is possible that, in the future, Huida may seek to sell directly into markets in which we operate, which may affect our supplier relationship or negatively impact our sales in such markets. Additionally, many** of the suppliers we rely upon are located in foreign countries, primarily China. The differences in business practices, shipping and delivery requirements, changes in economic conditions and trade policies and laws and regulations, together with the limited number of suppliers, have increased the complexity of our supply chain logistics and the potential for interruptions in our production scheduling. If we are unable to effectively manage our supply chain or if we experience constraints to or disruption in transporting the products or components or we have to pay higher transportation costs for timely delivery of our products or components, our results of operations and financial position could be materially and adversely affected. See " — Risks Related to Doing Business In China " below. We are dependent on third- party manufacturers. We are reliant upon Foremost, our former parent company, and other third- party manufacturers to supply the majority of our products. Failure of our manufacturers to timely deliver quality products on commercially reasonable terms, or to comply with applicable legal and regulatory requirements, or our policies regarding our manufacturer business practices, could have a material adverse effect on our results of operations and financial position or could damage our reputation. In addition, we may experience delays, disruptions or quality control problems in our manufacturing operations, over which we have little to no control. ~~Natural~~ **17Natural** disasters or other disruptions could have a material adverse effect on our business, financial condition or results of operations. Our manufacturers and suppliers are located in regions that are vulnerable to natural disasters and other risks, such as earthquakes, fires, floods, tropical storms, hurricanes and snow and ice, which at times have disrupted the local economy and posed risks to our supply chain. In addition, the continued threat of terrorism and heightened security and military action in response to this threat, or any future acts of terrorism, may cause further disruptions to the economies of the United States and other countries. Our redundant, multiple site capacity may not be sufficient in the event of a natural disaster, terrorist act or other catastrophic event. Such disruptions could, among other things, disrupt our manufacturing or distribution facilities or those of our suppliers and result in delays or cancellations of customer orders for our products, which in turn could have a material adverse effect on our business, financial condition and results of operations. Further, if a natural disaster occurs in a region from which we derive a significant portion of our revenue, end- user customers in that region may delay or forego purchases of our products, which may materially and adversely impact our operating results for a particular period. There are risks associated with our international operations and global strategies. In each of **2023 and** 2022 ~~and 2021~~ , approximately 36 % and ~~38~~ **36** %, respectively of our sales were made outside of the United States (principally in Canada and Europe) and transacted in currencies other than the U. S. dollar. In addition to our ~~17Canadian~~ -- **Canadian** and European operations, we manufacture products and source products and components from China and parts of Southeast Asia. Risks associated with our international operations include: ● differences in culture, economic and labor conditions and practices; ● the policies of the U. S. and foreign governments; ● disruptions in trade relations and economic instability; ● differences in enforcement of contract and intellectual property rights; ● social and political unrest; and ● natural disasters, terrorist attacks, pandemics or other catastrophic events. We are also affected by domestic and international laws and regulations applicable to companies doing business abroad or importing and exporting goods and materials. These include tax laws, laws regulating competition, anti- bribery / anti- corruption and other business practices, and trade regulations, including duties and tariffs. Compliance with these laws is costly, and future changes to these laws may require significant management attention and disrupt our operations. Additionally, while it is difficult to assess what changes may occur and the relative effect on our international tax structure, significant changes in how U. S. and foreign jurisdictions tax cross- border transactions could materially and adversely affect our results of operations and financial position. ~~Our results of operations and financial position are also impacted by changes in currency exchange rates. Unfavorable currency exchange rates between the US Dollar and foreign currencies, particularly the Euro, the Chinese Renminbi and the Canadian dollar, have in the past adversely affected us, and could adversely affect us in the future. Fluctuations in currency exchange rates may present challenges in comparing operating performance from period to period. Additionally, following the United Kingdom' s exit from the European Union, we could experience volatility in the currency exchange rates or a change in the demand for our products and services, particularly in our European markets, or there could be disruption of our operations and our customers' and suppliers' businesses.~~ For specific risks associated with operations in China, see " — Risks Related to Doing Business in China " below **. The international scope of our business exposes us to risks associated with foreign exchange rates. We report our financial results in U. S. dollars. However, a significant portion of our revenues, expenses, assets, indebtedness and other liabilities are denominated in foreign currencies, particularly the Euro, the Chinese Renminbi and the Canadian dollar.**

Fluctuations in currency exchange rates, including as a result of inflation, central bank monetary policies, currency controls or other currency exchange restrictions have had, and could continue to have, an adverse impact on our financial performance. We may seek to mitigate the risk of such impacts through hedging, but such hedging activities may be costly and may not be effective. In addition, emerging market economies in which we operate may be particularly vulnerable to the impact of rising interest rates, inflationary pressures, weaker oil and other commodity prices, and large external deficits. Risks in one country can limit our opportunities for portfolio growth and negatively affect our operations in another country or countries. Such conditions or developments could have an adverse impact on our operations. In addition, we may be exposed to credit risks in some of those markets. 18Global or regional unrest, conflict, geopolitical disputes or catastrophic events could affect our operations and results of operations. Our business can be affected by war, large- scale terrorist or other hostile acts, especially those directed against the United States or other major industrialized countries in which we do business or supply products, major natural disasters, long- term periods of drought, or widespread outbreaks of infectious diseases. Such events could impair our ability to manage our business, could disrupt our supply of raw materials, and could affect production, transportation and delivery of products. For example, the U. S.- China trade relations remain uncertain, and if tensions continue to worsen, we may our supply chain, production and delivery of products could be negatively impacted. Further, regional conflicts, such as the Ukraine- Russia and Israel- Hamas conflicts, could escalate and expand, which in turn could have negative impacts on our operations, the global economy and financial markets. Such disruptions of regional or global economic activity can affect consumers' purchasing power in the affected areas and, therefore, reduce demand for our products . The long- term performance of our businesses relies on our ability to attract, develop and retain talented and diverse personnel. To be successful, we must invest significant resources to attract, develop and retain highly qualified, talented and diverse employees at all levels, who have the experience, knowledge and expertise to implement our strategic initiatives. We compete for employees with a broad range of employers in many different industries, including large multinational firms, and we may fail in recruiting, developing, motivating and retaining them, particularly when there are low unemployment levels. From time to time, we have been affected by a shortage of qualified personnel in certain geographic areas. Our growth, competitive position and results of operations and financial position could be materially and adversely affected by our failure to attract, develop and retain key employees and diverse talent, to build strong leadership teams, or to develop effective succession planning to assure smooth transitions of those employees and the knowledge and expertise they possess, or by a shortage of qualified employees. Failure to effectively monitor and respond to environmental, social and governance (" ESG ") matters, including our ability to set and meet reasonable goals related to climate change and sustainability efforts, may negatively affect our business and operations. Regulatory developments and stakeholder expectations relating to ESG matters are rapidly changing. Concern over climate change has increased focus on the sustainability of practices and products in the markets we serve, and changes to laws and regulations regarding climate change mitigation may result in increased costs and disruption to operations. Moreover, the standards by which ESG matters are measured are developing and evolving, and certain areas are subject ~~18to~~ **to** assumptions that could change over time. If we are unable to recognize and respond to such developments, or if our existing practices and procedures are not adequate to meet new regulatory requirements, we may miss corporate opportunities, become subject to regulatory scrutiny or third- party claims, or incur costs to revise operations to meet new standards. The ~~ongoing~~ **outbreak of contagious diseases, such as the** COVID- 19 pandemic ~~is~~ **, could** ~~disrupting~~ --- **disrupt** our business ~~,~~ and ~~has and may continue to~~ impact our results of operations and financial condition. **Our business could be** ~~We operate facilities in the United States and around the world which have been~~ adversely affected by **the effects of a widespread outbreak of contagious diseases, similar to COVID- 19, which impacted global, national and local economies, created a number of macroeconomic challenges that impacted our business, including volatility and uncertainty in business planning, disruptions in global supply chains, material, freight and labor inflation, shortages of and delays in obtaining certain materials and labor shortages. The extent of the impact of a pandemic similar to** the COVID- 19 pandemic **on our business and financial results will depend on numerous evolving factors that we are not able to accurately predict and that all will vary by market** , including **the duration** ~~decreased employee availability~~ and **scope of the pandemic** ~~reduced capacity at certain facilities~~ , **the emergence of new variants of the virus and the efficacy of vaccines against such variants, global economic conditions during and after the pandemic, including disruptions in the global** supply chain ~~disruptions and increases in costs of materials~~ , **inflation and labor shortages, government actions that may be taken in the future, in response to the pandemic, and changes in customer behavior in response to the pandemic, some of** which ~~has resulted and may continue to result in delays in our ability to produce and distribute our products. While many~~ - **may be more than just temporary** ~~of the market factors from the COVID- 19 pandemic are trending towards a " new normal ", current macroeconomic conditions remain very dynamic, including impacts from rising inflation and interest rates, volatile changes in currency exchange rates, political unrest, and legislative and regulatory changes~~ . ~~Any future or continued disruption of our operations and an on- going slowdown in domestic and international economic activity could materially and adversely affect our results of operations and financial condition. To the extent COVID- 19 continues to impact our business, financial position and results of operations, it may also have the effect of heightening certain of the other risks described in this Annual Report on Form 10- K, such as those relating to our international operations and global strategies and our dependence on third- party suppliers. Risks~~ **19Risks** Related to Doing Business in ChinaWe have limited operations in China, but many of our products are sourced from China. Our ability or the ability of our suppliers to operate in China may be impaired by changes in Chinese laws and regulations, including those relating to taxation, environmental regulation, restrictions on foreign investment, and other matters. While we are a Cayman Islands exempted company headquartered in the United States and derive no revenue from China, we do have limited sourcing and product development operations in China. As of the date of this report, approximately ~~17~~ **27** of our ~~145~~ **287** employees are based in China. Moreover, suppliers of a majority of our product materials are based in China. The

Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. The central Chinese government or local governments having jurisdiction within China may impose new, stricter regulations, or interpretations of existing regulations, that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. As such, our subsidiaries or our third- party suppliers in the People' s Republic of China (PRC) maybe subject to governmental and regulatory interference in the provinces in which they operate. Our subsidiaries or our third- party suppliers could also be subject to regulation by various political and regulatory entities, including local and municipal agencies and other governmental subdivisions. Our ability, and the ability of our suppliers, to operate in China may be impaired by any such laws or regulations, or any changes in laws and regulations in the PRC. We or our third- party suppliers may incur increased costs necessary to comply with existing and future laws and regulations or penalties for any failure to comply. If our suppliers incur increased costs, they may attempt to pass such costs on to us. Any such increased costs or disruptions to our operations or the operations of our suppliers could adversely impact our results of operations. **We** ~~In light of recent events indicating greater oversight by the Cyberspace Administration of China, or CAC, over data security, we~~ could become subject to a variety of laws and other obligations regarding cybersecurity and data protection, and any failure to comply with applicable laws and obligations could have an adverse effect on our business operations in China. We are subject to various risks and costs associated with the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. This data is wide ranging and relates to our investors, employees, contractors and other counterparties and third parties. Our compliance obligations ~~19include -~~- **include** those relating to the Data Protection Act (As Revised) of the Cayman Islands and the relevant PRC laws in this regard. These PRC laws apply not only to third- party transactions, but also to transfers of information between us and our subsidiaries, and other parties with which we have commercial relations. We do not believe the PRC laws have a material impact on our current operations, but 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, 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 CAC. The Revised Cybersecurity Review Measures, which took effect on February 15, 2022, require critical information infrastructure operators procuring network products and services and online platform operators carrying out data processing activities, which affect or may affect national security, to conduct a cybersecurity review pursuant to the provisions therein. We do not believe that our company constitutes a " critical information infrastructure operator " under the Cybersecurity Review Measures, however, the exact scope of " critical information infrastructure operators " under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of the applicable laws. Additionally, the PRC Data Security Law took effect on September 1, 2021 and requires data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data protection, data processing activities must be conducted based on data classification and hierarchical protection system for data security. We believe we are compliant with these regulations, to the extent they are applicable to us, and we do not believe our business will be materially affected by these measures. However, if we were selected for review, or one of our 20suppliers was selected for review, we or such supplier may be required to suspend operations in China during such review. Cybersecurity review could also result in negative publicity with respect to our company or our suppliers and could divert managerial attention and financial resources. Furthermore, if we or one of our suppliers were found to be in violation of applicable laws and regulations in China during such review, we or such supplier could be subject to administrative penalties, such as warnings, fines, or service suspension** . 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 CAC. Due to the lack of further interpretations, the exact scope of " critical information infrastructure operator " remains unclear. On July 10, 2021, the CAC publicly issued the Measures for Cybersecurity Censorship (Revised Draft for Comments) aiming to, upon its enactment, replace the existing Measures for Cybersecurity Censorship. The draft measures extend the scope of cybersecurity reviews to data processing operators engaging in data processing activities that affect or may affect national security, including listing in a foreign country. PRC Data Security Law, which was promulgated by the Standing Committee of the National People' s Congress on June 10, 2021 and took effect on September 1, 2021, requires data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data protection, data processing activities must be conducted based on data classification and hierarchical protection system for data security. We believe we are compliant with these regulations, to the extent they are applicable to us, and we do not believe our business would be materially affected by these recent measures. However, if we were selected for review, or one of our suppliers was selected for review, we or such supplier may be required to suspend operations in China during such review. Cybersecurity review could also result in negative publicity with respect to our company or our suppliers and could divert managerial attention and financial resources. Furthermore, if we or one of our suppliers were found to be in violation of applicable laws and regulations in China during such review, we or such supplier could be subject to administrative penalties, such as warnings, fines, or service suspension. We could be subject to regulation by various political and regulatory entities, including local and municipal agencies and other governmental subdivisions. We may incur increased costs necessary to comply with existing and future laws and regulations or penalties for any failure to comply. Outside of general business licenses in the ordinary course, FGI China and FGI International are not required to obtain permission from any Chinese authorities to operate and, as a Cayman Islands entity based in the United States, we are not required to obtain any permission from the China Securities Regulatory Commission, CAC or similar entity in China to issue our ordinary shares. No such permission or business license required for our subsidiaries' operations has been denied. Recently, 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 Severely Cracking Down on Illegal Securities Activities According to Law " (the " Opinions "), which were made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen administration over illegal securities activities and the need to strengthen supervision with respect to overseas listings of Chinese companies. We believe the Opinions are inapplicable to us, as we are a Cayman Islands entity and our operations in China are limited. However, some of our major suppliers could be affected, and our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to its business or industry. Additionally, future laws or regulations that adversely affect our suppliers or their ability to source and provide materials to us could have an adverse impact on our operations. Accordingly, the Chinese government' s actions in the future, including any decision to intervene in or influence our operations or the operations of our suppliers at any time may cause our company or our suppliers to make changes to our or their operations. ~~20Regulatory~~ **21Regulatory** bodies of the United States may be limited in their ability to conduct investigations or inspections of our operations in China. From time to time, we may receive requests from certain U. S. agencies to investigate or inspect our operations or to otherwise provide information. While we will comply with requests from these regulators, there is no guarantee that such requests will be honored by those entities that provide services to us or with which we associate, especially for any such entities that are located in China. Furthermore, an on- site inspection of our facilities by any of these regulators may be limited or entirely prohibited. Such inspections, though permitted by our company and our affiliates, are subject to the unpredictability of the Chinese enforcement and other government agencies and may therefore be impossible to facilitate. Our auditor, Marcum LLP, is a Registered Public Accounting Firm with the PCAOB and is based in New York, New York. Under the Holding Foreign Companies Accountable Act (the " HFCAA "), the PCAOB is permitted to inspect our independent public accounting firm. If the PCAOB later determined that it cannot inspect or fully investigate our auditor for three consecutive years, trading in our securities may be prohibited under the HFCAA, and, as a result, Nasdaq may determine to delist our securities. Moreover, **in December** ~~on June 22, 2021~~ **2022** , ~~the U. S. Senate passed~~ the Accelerating Holding Foreign Companies Accountable Act **was** ~~, which, if~~ enacted **and** ~~, would amend~~ **amended** the HFCAA ~~and~~ **to** require the U. S. Securities and Exchange Commission to prohibit an issuer' s securities from trading on U. S. exchanges if its auditor is not subject to PCAOB inspection for two consecutive years instead of three, thus reducing the time period before such securities would be delisted. Changes in China' s economic, political or social conditions or legal system or government policies could have a material adverse effect on our business and operations. While we have limited sourcing and product development operations located in China through FGI China and FGI International, many of our products are sourced or manufactured in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by the significant discretion of Chinese governmental authorities. The Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China' s economic growth through allocating resources, controlling payment of foreign currency- denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. The increased global focus on environmental and social issues and China' s potential adoption of more stringent standards in these areas may adversely impact us or our suppliers. Furthermore, 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 may have a retroactive effect. As a result, we or our suppliers may not be aware of our violation of any of these policies and rules until sometime after the alleged violation. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Further, such evolving laws and regulations and the inconsistent enforcement thereof could also lead to failure to obtain or maintain licenses and permits to do business in China, which would adversely affect us or our suppliers in China. Any such disruption, or if one or more of our Chinese suppliers was prevented from operating, could have an adverse impact on our results of operations and financial condition. We may be subject to risks that the Chinese government may intervene or influence our operations at any time. Because we have employees located in China, and source products from Chinese manufacturers, we are subject to the risk that the Chinese government may intervene or influence our operations at any time. However, because we conduct only limited operations in China with only ~~17~~ **27** employees focused on these matters, we do not expect that such intervention or influence would result in a material change in our operations and / or the value of our securities, although in such circumstance, we might experience a disruption in our ability to develop and source product manufacturing within China, which could have a material adverse effect on our results of operations. We also understand that the Chinese government has recently made statements indicating an intent to exert more oversight and control over offerings that are conducted by foreign investment China based issuers. While we are not a China based ~~21issuer~~ **22issuer** , in such instance, we may still be unable to offer securities in China, which could limit the number of buyers of our securities and cause our securities to trade at a lower price than they would in the absence of the exercise of such oversight and control. If we inadvertently conclude that such approvals are not required, or applicable laws, regulations or interpretations change and we do not receive or maintain such approvals in the future, we may be subject to an investigation by regulators, fines or penalties or an order preventing us from offering securities in China in the future. Competitive RisksWe could lose market share if we do not maintain our strong brands, develop innovative products or respond to changing purchasing practices and consumer preferences or if our reputation is damaged. Our competitive advantage is due, in part, to our ability to maintain our strong brands and to develop and introduce innovative new and improved products. Our initiatives to invest in brand building, brand awareness and product innovation may not be successful. The uncertainties associated with developing and introducing innovative and improved products, such as gauging changing consumer demands and preferences and successfully developing, manufacturing, marketing and selling these products, may impact the success of our product introductions. If the products we introduce do not gain widespread acceptance or if our competitors improve their products more rapidly or effectively than we do, we could lose market share or be required to reduce our prices, which could have a material adverse effect on our results of operations and financial position. In recent years, consumer purchasing practices and preferences have shifted and our customers' business models and strategies have changed. As our customers execute their strategies to reach end consumers through multiple channels, they rely on us to support their efforts with our infrastructure, including maintaining robust and user- friendly websites with sufficient content for consumer research and providing comprehensive supply chain solutions and differentiated product development. If we are unable to successfully provide this support to our customers or if our customers are unable to successfully execute their strategies, our brands may lose market share. If we do not timely and effectively identify and respond to changing consumer preferences, including a continued shift in consumer purchasing practices toward e- commerce, our relationships with our customers and with consumers could be harmed, the demand for our brands and products could be reduced and our results of operations and financial position could be materially and adversely affected. We face significant competition and operate in an evolving competitive landscape. Our products face significant competition. We believe that brand reputation is an important factor affecting product selection and that we compete on the basis of product features, innovation, quality, customer service, warranty and price. We sell many of our products through home center retailers, online retailers, distributors and independent dealers and rely on these customers to market and promote our products to consumers. Our success with our customers is dependent on our ability to provide quality products and timely delivery. In addition, home center retailers, which have historically concentrated their sales efforts on retail consumers and remodelers, are selling directly to professional contractors and installers, which may adversely affect our margins on our products that contractors and installers would otherwise buy through our dealers and wholesalers. Certain of our customers are selling products sourced from low- cost foreign manufacturers under their own private label brands, which directly compete with our brands. As this trend continues, we may experience lower demand for our products or a shift in the mix of some products we sell toward more value- priced or opening price point products, which may affect our profitability. In addition, we face competitive pricing pressure in the marketplace, including sales promotion programs, that could affect our market share or result in price reductions, which could materially and adversely impact our results of operations and financial position. Further, the growing e- commerce channel brings an increased number of competitors and greater pricing transparency for consumers, as well as conflicts between our existing distribution channels and a need for different ~~22distribution~~ **23distribution** methods. These factors could affect our results of operations and financial position. In addition, our relationships with our customers, including our home center customers, may be affected if we increase the amount of business we transact in the e- commerce channel. Our failure to develop new products or respond to changing consumer preferences and purchasing practices could have a material adverse effect on our business, financial condition or results of operations. We operate in an industry that is subject to changing consumer trends, demands and preferences. The uncertainties associated with developing and introducing new products, such as gauging changing consumer preferences and successfully developing, manufacturing, marketing and selling new products, could lead to, among other things, rejection of a new product line, reduced demand and price reductions for our products. If our products do not keep up with consumer trends, demands and preference, we could lose market share, which could have a material adverse effect on our business, financial condition or results of operations **. Moreover, the role of technology is changing rapidly in our industry. We are in the process of introducing certain customer- facing tools powered by artificial intelligence (" AI ") to help promote our product offerings. If these AI products do not work as intended, or if our competitors are better able to effectively integrate these new technologies into their offerings, our competitive position may suffer** . Changes in Cayman Islands or U. S. tax law could adversely affect our financial condition and results of operations. The rules dealing with Cayman Islands and U. S. federal, state, and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U. S. Treasury Department, as well as the regulators in the Cayman Islands. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our securities. In recent years, many such changes have been made and changes are likely to continue to occur in the future. Future changes in Cayman Islands or U. S. tax laws could have a material adverse effect on our business, cash flow, financial condition or results of operations. We urge investors to consult with their legal and tax advisors regarding the implications of potential changes in Cayman Islands or U. S. tax laws on an investment in our securities. The loss of certain members of our management may have an adverse effect on our operating results. Our success will depend, in part, on the efforts of our senior management and other key employees. These individuals possess sales, marketing, engineering, manufacturing, financial and administrative skills and know- how that are critical to the operation of our business. If we lose or suffer an extended interruption in the services of one or more of our senior officers or other key employees, our financial condition and results of operations may be negatively affected. Moreover, the pool of qualified individuals may be highly competitive, and we may not be able to attract and retain qualified personnel to replace or succeed members of our senior management or other key employees, should the need arise. The loss of the services of any key personnel, or our inability to hire new personnel with the requisite skills, could impair our ability to develop new products or enhance existing products, sell products to our customers or manage our business effectively. Technology and Intellectual Property RisksWe have been and may continue to be subject to cybersecurity attacks, which could adversely affect our results of operations and financial position. Global cybersecurity vulnerabilities, threats and more frequent, sophisticated and targeted attacks pose a risk to our information technology systems and to critical third- party information technology platforms we utilize. We have implemented security policies, processes and layers of defense designed to help identify and protect against misappropriation or corruption of our systems and information and disruption of our operations. Despite these efforts, systems we utilize have been and may in the future be damaged, disrupted, ransomed or shut down due to cybersecurityattacks by unauthorized access, malware, ransomware, undetected intrusion, hardware failures, or other events, and in these circumstances our disaster recovery plans may be ineffective or inadequate. These attacks have led and could in the future lead to business interruption, production or operational downtime, product shipment delays, exposure or loss of proprietary confidential or financial information or the personal information of our employees, suppliers, customers or ~~consumers~~ **24consumers** , data corruption, an inability to report our financial results in a timely manner, damage to the reputation of our brands, damage to our relationships with our employees, suppliers, customers and consumers, exposure to litigation, and increased costs associated with the remediation and mitigation of such attacks. In addition, we could be adversely ~~23affected~~ -- **affected** if any of our significant customers, suppliers or service providers experiences any similar events that disrupt their business operations or damage their reputation. Such events could adversely affect our results of operations and financial position. We rely on information systems and technologies, and a breakdown of these systems could adversely affect our results of operations and financial position. We rely on many information systems and technologies to process, transmit, store and manage information to support our business activities **, including new AI capabilities** . We may be adversely affected if our information systems breakdown, fail, or are no longer supported **or if our AI capabilities do not function as intended** . In addition to the consequences that may occur from interruptions in our systems, global cybersecurity vulnerabilities, threats and more sophisticated and targeted attacks pose a risk to our information technology systems. We have implemented security policies, processes and layers of defense designed to help identify and protect against intentional and unintentional misappropriation or corruption of our systems and information and disruption of our operations. Despite these efforts, our systems may in the future be damaged, disrupted, or shut down due to cybersecurity attacks by unauthorized access, malware, ransomware, undetected intrusion, hardware failures, or other events, and in these circumstances our disaster recovery plans may be ineffective or inadequate **. In addition, the rapid evolution and increased adoption of new technologies, such as artificial intelligence, may intensify our cybersecurity risks** . These breaches or intrusions could in the future lead to business interruption, production or operational downtime, product shipment delays, exposure or loss of proprietary, confidential, personal or financial information, data corruption, an inability to report our financial results in a timely manner, damage to the reputation of our brands, damage to our relationships with our customers and suppliers, exposure to litigation, and increased costs associated with the remediation and mitigation of such attacks. Such events could adversely affect our results of operations and financial position. In addition, we could be adversely affected if any of our significant customers or suppliers experiences any similar events that disrupt their business operations or damage their reputation. We may not be able to adequately protect or prevent the unauthorized use of our intellectual property. Protecting our intellectual property is important to our growth and innovation efforts. We own a number of patents, trade names, brand names and other forms of intellectual property in our products and manufacturing processes throughout the world. There can be no assurance that our efforts to protect our intellectual property rights will prevent violations. Our intellectual property may be challenged or infringed upon by third parties, particularly in countries where property rights are not highly developed or protected. In addition, the global nature of our business increases the risk that we may be unable to obtain or maintain our intellectual property rights on reasonable terms. Furthermore, others may assert intellectual property infringement claims against us. Current and former employees, contractors, customers or suppliers have or may have had access to proprietary or confidential information regarding our business operations that could harm us if used by them, or disclosed to others, including our competitors. Protecting and defending our intellectual property could be costly, time consuming and require significant resources. If we are not able to protect our existing intellectual property rights, or prevent unauthorized use of our intellectual property, sales of our products may be affected and we may experience reputational damage to our brand names, increased litigation costs and adverse impact to our competitive position, which could have a material adverse effect on our results of operations and financial position. ~~The recent completion of the Reorganization may impact our brand recognition. We rely on the reputation of our brands to distinguish our products from the products of our competitors. The recent completion of the Reorganization, as described in the section of this Annual Report on Form 10- K entitled " Business, " and, specifically, the separation of the K & B Business from Foremost, could result in loss of brand recognition due to a reduced breadth of product offerings for customers that have traditionally sought products in both business segments, and could require us to devote additional resources to marketing our brands in connection with FGI. Also, the transition from the " Foremost " company name to " FGI " could lead to some confusion by its customers. In addition, a loss of brand recognition may have an adverse impact to our competitive position, which could have a material adverse effect on our results of operations and financial position. 24Litigation~~ -- **Litigation** and Regulatory RisksWe are currently involved in legal proceedings and may in the future be a party to additional claims and litigation, which could be costly and divert significant resources. **As noted in Part 1, Item 3,** FGI USA, our wholly- owned subsidiary, ~~is currently~~ **has been** involved in ~~litigation~~ **efforts to recover damages from Ayers Bath (USA) Corporation and Tangshan Ayers** arising from ~~its~~ **the Company' s** efforts to protect an exclusivity ~~agreement~~ **25agreement** with ~~sanitaryware manufacturer Tangshan~~ Huida ~~Ceramic Group Co~~. **These proceedings** , ~~Ltd~~ **including the current actions in the bankruptcy court, against Ayers Bath** (**USA** ~~" Huida "~~) ~~, with whom we have had an exclusive relationship for over twenty years. Proceedings against Huida~~ have been pending for over ten years. We may, from time to time, be involved in various other claims and litigation, including class actions, mass torts and regulatory proceedings, that arise in the ordinary course of our business and that could have a material adverse effect on us. The types of matters may include, among others: competition, product liability, employment, warranty, advertising, contract, personal injury, environmental, intellectual property, product compliance and insurance coverage. The outcome and effect of these matters are inherently unpredictable, and defending and resolving them can be costly and can divert management' s attention. We have and may continue to incur significant costs as a result of claims and litigation. We are also subject to product safety regulations, product recalls and direct claims for product liability that can result in significant costs and, regardless of the ultimate outcome, create adverse publicity and damage the reputation of our brands and business. Also, we rely on other manufacturers to provide products or components for products that we sell. Due to the difficulty of controlling the quality of products and components we source from other manufacturers, we are exposed to risks relating to the quality of such products and to limitations on our recourse against such suppliers. We maintain insurance against some, but not all, of the risks of loss resulting from claims and litigation. The levels of insurance we maintain may not be adequate to fully cover our losses or liabilities. If any significant accident, judgment, claim or other event is not fully insured or indemnified against, it could have a material adverse effect on our results of operations and financial position. For more information about ~~the Huida~~ **our current legal** ~~proceeding~~ **proceedings** , refer to the section of this Annual Report on Form 10- K entitled " Legal Proceedings. " Compliance with laws, government regulation and industry standards is costly, and our failure to comply could adversely affect our results of operations and financial position. We are subject to a wide variety of federal, state, local and foreign laws and regulations pertaining to: ● securities matters; ● taxation; ● anti- bribery / anti- corruption; ● employment matters; ● minimum wage requirements; ● environment, health and safety matters; ● the protection of employees and consumers; ● product compliance; ● competition practices; ● trade, including duties and tariffs; ● data privacy and the collection and storage of information, including regulation on data protection and oversight by the CAC in China; ~~and25~~ -- **and** ● climate change and protection of the environment. The regulatory environment surrounding data privacy and protection is constantly evolving and can be subject to significant change. New data protection laws, including recent California legislation and regulation which affords California consumers an array of new rights, including the right to be informed about what kinds of personal data companies have collected and why it was collected, or increased oversight by the CAC in China, pose increasingly complex compliance challenges and potentially elevate our costs. Complying with varying jurisdictional requirements ~~could~~ **26could** increase the costs and complexity of compliance, and violations of applicable data protection laws could result in significant penalties. Any failure, or perceived failure, by us to comply with applicable data protection laws could result in proceedings or actions brought against us by governmental entities or others, subject us to significant fines, penalties, judgments and negative publicity, require us to change our business practices, increase the costs and complexity of compliance, and adversely affect our business. In addition to complying with current requirements and known future requirements, even more stringent requirements could be imposed on us in the future. As we sell new types of products or existing products in new geographic areas or channels or for new applications, we are subject to the legal requirements applicable to those products or geographic areas. Additionally, some of our products must be certified by industry organizations. Compliance with new or changed laws, regulations and industry standards may require us to alter our product designs, our manufacturing processes, our packaging or our sourcing. These compliance activities are costly and require significant management attention and resources. If we do not effectively and timely comply with such regulations and industry standards, our results of operations and financial position could be materially and adversely affected. Our failure to maintain acceptable quality standards could result in significant unexpected costs. Any failure to maintain acceptable quality standards could require us to recall or redesign such products, or pay substantial damages in litigation, any of which would result in significant unexpected costs. We may also have difficulty controlling the quality of products or components sourced from manufacturers, so we are exposed to risks relating to the quality of such products and to limitations on our recourse against such suppliers. Further, any claim or product recall could result in adverse publicity against us, which could decrease our credibility, harm our reputation, adversely affect our sales, or increase our costs. Defects in our products could also result in decreased orders or sales to our customers, which could have a material adverse effect on our business, financial condition or results of operations. Unauthorized disclosure of confidential information provided to us by customers, employees or third parties could harm our business. We rely on the Internet and other electronic methods to transmit confidential information and store confidential information on our networks. Any disclosure of confidential information provided by, or concerning, our employees, customers or other third parties, including through inadvertent disclosure, unapproved dissemination, or unauthorized access, our reputation could be harmed and we could be subject to civil or criminal liability and regulatory actions could require us to comply with various breach notification laws and may expose us to litigation, remediation and investigation costs, increased costs for security measures, loss of revenue, damage to our reputation, and potential liability. We are subject to anti- corruption, anti- bribery, anti- money laundering, financial and economic sanctions and similar laws, and non- compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, results of operations, financial condition and reputation. We are subject to anti- corruption, anti- bribery, anti- money laundering, financial and economic sanctions and similar laws and regulations in various jurisdictions in which we conduct or in the future may conduct activities, including the U. S. Foreign Corrupt Practices Act (" FCPA ") and other anti- corruption laws and regulations. The FCPA prohibits us and our officers, directors, employees and business partners acting on our behalf, including agents, from corruptly offering, promising, authorizing or providing anything of value to a " foreign official " for the purposes of influencing ~~26official~~ -- **official** decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation. Our policies and procedures designed to ensure compliance with these regulations may not be sufficient and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible. ~~Non~~ **27Non** - compliance with anti- corruption, anti- bribery, anti- money laundering or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. In addition, changes in economic sanctions laws in the future could adversely impact our business and investments in our shares. Our business could be affected by unexpected changes in U. S. and international regulatory standards and laws. We market and sell our products in the United States, Canada and Europe. We also source and manufacture a majority of our products in Asia. As such, we and our manufacturing partners are subject to the normal risks of doing business abroad. Unexpected changes in government and industry regulatory standards, including labor, environmental and taxation laws, and export and import restrictions could materially and adversely affect our business, results of operations and financial position. Moreover, the failure of our manufacturing partners to comply with such regulations could affect our supply arrangements and materially and adversely affect our business, results of operations and financial position. Risks Related to Our SecuritiesForemost Groups Ltd. holds a significant majority of the voting power of our ordinary shares, approximately 72 %, and will be able to exert significant control over us. Foremost holds ordinary shares that represent approximately 72 % of all outstanding voting power, and, as such, may significantly influence the results of matters voted on by our shareholders and could effectively control many other major decisions regarding our operations, capital allocation priorities and corporate governance. In addition, we are reliant upon Foremost for manufacturing and other support. Mr. Liang Chou Chen holds approximately 49. ~~75~~ **89** % of the voting control of Foremost. The interests of Foremost, particularly with respect to change- in- control transactions and election of directors, may conflict with those of our company and / or our shareholders, and Foremost may not always act in the best interest of our company. This significant concentration of share ownership and reliance for support may adversely affect the trading price for our securities because investors may perceive disadvantages in owning shares in companies with controlling shareholders. The price of our ordinary shares may be volatile. The market price of our ordinary shares is likely to be highly volatile and may fluctuate substantially due to many factors, including: ● our ability to maintain our strong brands and reputation and to develop innovative products; ● our ability to maintain our competitive position in our industries; ● risks associated with our reliance on information systems and technology; ● product liability claims or other litigation; ● quarterly variations in our results of operations or those of others in our industry; ● changes in governmental regulations; ~~27~~ ● changes in earnings estimates or recommendations by securities analysts; and ● general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors. In recent years, the stock markets generally have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies, including as a result of disruptions and dislocations arising out of the COVID- 19 pandemic. Broad market and industry factors may significantly affect the ~~market~~ **28market** price of our ordinary shares, regardless of our actual operating performance. Due to these risks and the other risks described in this report, investors could lose their entire investment in our company. In addition, in the past, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Securities litigation brought against us following volatility in our share price, regardless of the merit or ultimate results of such litigation, could result in substantial costs, which would have a material adverse effect on our financial condition and operating results and divert management' s attention and resources from our business. Provisions of the currently outstanding warrants could discourage an acquisition of us by a third party. In addition to the provisions of our amended and restated memorandum and articles of association discussed below, certain provisions of the currently outstanding warrants could make it more difficult or expensive for a third party to acquire us. The warrants prohibit us from engaging in certain transactions constituting " fundamental transactions " unless, among other things, the surviving entity assumes our obligations under the warrants. We do not intend to pay dividends on our ordinary shares. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on, among other factors, our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. Any return to shareholders will therefore be limited to the appreciation in the value of their shares, if any. If we sell ordinary or preference shares in future financings, shareholders may experience immediate dilution and, as a result, our share price may decline. We may from time- to- time issue additional preference shares or ordinary shares at a discount from the current trading price of our ordinary shares. As a result, our shareholders would experience immediate dilution upon the purchase of any shares sold at such discount. In addition, as opportunities present themselves, we may enter into financing or similar arrangements in the future, including the issuance of debt securities, preference shares or ordinary shares. If we issue ordinary shares or securities convertible into ordinary shares, our ordinary shareholders would experience additional dilution and, as a result, our share price may decline. We are an emerging growth company and a smaller reporting company within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to " emerging growth companies " or " smaller reporting companies, " this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies. We are an " emerging growth company " within the meaning of the Securities Act, as modified by the JOBS Act, and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not " emerging growth companies " including, but not limited to, 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 ~~28payments~~ -- **payments** not previously approved. As a result, our shareholders may not have access to certain information they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our ordinary shares held by non- affiliates equals or exceeds $ 700 million as of the last business day of any second fiscal quarter before that time, in which case we would no longer be an emerging growth company as of the end of such fiscal year. We cannot predict whether investors would find our securities less attractive in the event that we rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the trading prices of our securities may be lower than they otherwise ~~would~~ **29would** be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile. Further, Section 102 (b) (1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the

Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non- emerging growth companies but any such an election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used. Additionally, we are a " smaller reporting company " as defined in Item 10 (f) (1) of Regulation S- K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (1) the market value of our ordinary shares held by non- affiliates exceeds $ 250 million as of the last business day of that year' s second fiscal quarter, or (2) our annual revenues exceeded $ 100 million during such completed fiscal year and the market value of our ordinary shares held by non- affiliates equals or exceeds $ 700 million as of the last business day of that year' s second fiscal quarter. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our financial statements with other public companies difficult or impossible. Because we are incorporated under the laws of the Cayman Islands, you may face difficulties in protecting your interests, and your ability to protect your rights through the U. S. federal courts may be limited. We are an exempted company incorporated under the laws of the Cayman Islands. As a result, it may be difficult for investors to effect service of process within the United States upon our directors or officers, or enforce judgments obtained in the United States courts against our directors or officers. Our corporate affairs are governed by our amended and restated memorandum and articles of association, the Companies Act (as the same may be supplemented or amended from time to time) and the common law of the Cayman Islands. We are also subject to the federal securities laws of the United States. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the decisions of whose courts are of persuasive authority, but are not binding on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are different from what they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a different body of securities laws as compared to the United States, and certain states, such as Delaware, may have more fully developed and judicially interpreted bodies of corporate law. In addition, Cayman Islands companies may not have standing to initiate a shareholders derivative action in a Federal court of the United States. ~~29We~~ **We** have been advised by Travers Thorp Alberga, our Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or any state; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the federal securities laws of the United States or any state, so far as the liabilities imposed by those provisions are penal in nature. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the ~~judgment~~ **30judgment** debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a United States company. Provisions in our amended and restated memorandum and articles of association may inhibit a takeover of us, which could limit the price investors might be willing to pay in the future for our ordinary shares and could entrench management. Our amended and restated memorandum and articles of association contain provisions that may discourage unsolicited takeover proposals that shareholders may consider to be in their best interests. These provisions will include a staggered board of directors, the ability of the board of directors to designate the terms of, and issue, new series of preference shares, which may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities. General Risk FactorsManagement' s determination that a material weakness exists in our internal controls over financial reporting could have a material adverse impact on our ability to produce timely and accurate financial statements and could negatively impact our business and the market for our ordinary shares. The process of designing and implementing an effective accounting and financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain an accounting and financial reporting system that is adequate to satisfy our reporting obligations. Based upon an evaluation conducted in connection with the preparation of FGI' s audited consolidated financial statements as of December 31, ~~2022~~ **2023** , management concluded that our internal controls over financial reporting were not effective due to the material ~~weaknesses~~ -- **weakness** in our internal controls over financial reporting. **The** ~~Material~~ **material** ~~weaknesses~~ -- **weakness** that ~~have~~ **has** been identified **represents** ~~are summarized as the following: (1) weaknesses in IT security environment, controls and~~ - **an** ~~procedures~~

~~including lack of formal IT policies and procedures, and (2) lack of sufficient documentation of our existing financial processes, risk assessment and internal controls activities and assessment of effectiveness of internal controls; and~~ inadequate segregation of duties ~~for~~ **related to** certain **accounting** functions due to **the size of the Company' s subsidiaries. In addition, the Company lacks evidence of management review controls activity taking place, such as but not** limited ~~staffs~~ **to, the review** and ~~resources~~ **approval of journal entries and account reconciliations** . We believe that the material ~~weaknesses~~ -- **weakness** set forth above did not have an effect on our financial results ~~.~~. We are evaluating and beginning to implement certain practices and procedures to address the foregoing material weaknesses with plans to complete the remediation of the foregoing deficiencies in the future. We continue to identify and implement actions to improve the effectiveness of our internal controls over financial reporting and disclosure controls and procedures, but there can be no assurance that such remediation efforts will be successful. We also expect to continue to incur or expend, substantial accounting and other expenses and significant management time and resources. ~~30Our~~ -- **Our** future assessment, or the future assessment by our independent registered public accounting firm, may reveal additional material weaknesses in our internal controls. Failure to remediate a material weakness or the discovery of any future potential material weaknesses, could result in future misstatements in our financial statements or in documents we file with the SEC and could have a negative impact on our business and the market for our ordinary shares. For more information on our material weaknesses and the status of our remediation efforts, see Item 9A- Controls and Procedures, which includes Management' s Report on Internal Controls Over Financial Reporting. ~~We expect to incur significant additional costs as a result of being a public company. We expect to incur costs associated with corporate governance requirements that are now applicable to us as a public company, including rules and regulations of the SEC, under the Sarbanes- Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the Securities Exchange Act of 1934, as amended, or the Exchange Act, as well as the rules of Nasdaq. These rules and regulations are expected to significantly increase our accounting, legal and financial compliance costs and make some activities more time- consuming. We also expect these rules and regulations to make it more expensive for us to maintain directors' and officers' liability insurance. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. Accordingly, increases in costs incurred as a result of becoming a publicly traded company may have a material adverse effect on our business, financial condition and results of operations. Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud. We are subject to the periodic reporting requirements of the Exchange Act. We designed our disclosure controls and procedures to provide reasonable assurance that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures, no matter how well those controls and procedures are conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision- making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected. We are at risk of securities class action litigation. In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. If we face such litigation, it could result in substantial costs and a diversion of management' s attention and resources, which may have a material adverse effect on our business, financial condition and results of operations. If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline. If a trading market for our ordinary shares or warrants develops, the trading market will be influenced to some extent by the research and reports that industry or financial analysts publish about us and our business. We do not control these analysts. As a newly public company, we may be slow to attract research coverage and the analysts who publish information about our ordinary shares or warrants will have had relatively little experience with us or our business and products, which could affect their ability to accurately forecast our results and could make it more likely that we fail to meet their estimates. In the event we obtain securities or industry analyst coverage, if any of the analysts who cover us provide inaccurate or unfavorable research or issue an adverse opinion regarding our ordinary share price, our ordinary share price could decline. If one or more of these analysts cease coverage of us or fail to publish reports covering us regularly, we could lose visibility in the market, which in turn could cause our share price or trading volume to decline and result in the loss of all or a part of your investment in us.~~ 31