

Risk Factors Comparison 2024-09-27 to 2023-09-19 Form: 10-K

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Risks Related to Our Business and Industry • Existing laws, regulations and policies and the issuance of new or more stringent laws, regulations, policies and any other restrictions or limitations in relation to the nicotine vaping industry have and can materially and adversely affect our business operations. • Cannabis vapor products are subject to regulations and restrictions in the United States and are prohibited in many other countries. • Because Tuanfang Liu, our co- chief executive officer, who is also director, and his wife, Jiangyan Zhu, who is also a director, beneficially own a majority of our Common Stock and Mr. Liu owns 95 % of the equity of our majority supplier, Mr. Liu has a conflict of interest. • The recent implementation of regulations relating to e- cigarettes has resulted in our decision not to market nicotine products in the United States until we secure PMTA approvals on our ENDS devices. • Recently enacted legislation and regulations in the United States may make it more difficult to sell nicotine and cannabis vaping products in the United States. • ~~We sustained~~ are exposed to risks relating to our relationship with a related party, and we may not be able to successfully operate manufacturing operations. • If it is determined or perceived that the usage of nicotine or cannabis vaping products poses long- term health risks, the use of vaping products may decline significantly, which is likely to materially and adversely affect our business, financial condition, and results of operations. • Our business, financial condition and results of operations may be adversely impacted by product defects or other quality issues. • Our business and the industry in which we operate are subject to inherent risks and uncertainties, including, among others, developments in regulatory landscape, medical discovery and market acceptance of vaping devices. • Misuse or abuse of our products may lead to potential adverse health effects, subjecting us to complaints, product liability claims and negative publicity. • One customer accounts for a significant portion of our sales. • We may become subject to governmental regulations and other legal obligations related to privacy, information security, and data protection, and any security breaches, and our actual or perceived failure to comply with our legal obligations could harm our brand and business. • Any significant cybersecurity incident or disruption of our information technology systems or those of third- party partners could materially damage user relationships and subject us to significant reputational, financial, legal and operation consequences. • We may be subject to intellectual property infringement claims from third parties, which may be expensive to defend with no assurance of success and may disrupt our business and operations. iii • As the patents we own or are licensed to us may expire and may not be extended, our patent applications may not be granted and our patent rights may be contested, circumvented, invalidated or limited in scope, our patent rights and license may not protect us. • If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected. • Our success depends on our ability to retain our core management team and other key personnel. • Our business, financial condition and results of operations may be adversely affected by an economic downturn. • Our need to restate our unaudited financial statements reflected a material weakness in our internal controls over financial reporting. • As a result of our restatement of our unaudited financial statements as described in the preceding risk factor, our internal controls over financial reporting were not effective, which could have a significant and adverse effect on our business and reputation. • Although we believe that our business is not subject to PRC Laws, our business could be materially impaired if it is determined that our business is subject to PRC Laws. • Our failure to collect accounts receivable from our customers may adversely affect the results of our operations. Risks Related to Our Common Stock • Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our Common Stock. • The trading price of our Common Stock may be volatile, which could result in substantial losses to investors. • As an “ emerging growth company ” under the Jumpstart Our Business Startups Act, or JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. • If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our Common Stock and trading volume could decline. • Our by- laws include forum selection provisions which may limit your ability to commence an action against us. ITEM 1. Business Overview We are engaged in the research and development, design, commercialization, sales, marketing and distribution of branded e- cigarettes and cannabis vaping products. We sell our e- cigarette products worldwide except for the People’ s Republic of China (the “ PRC ”), the United States, and Russia. We currently sell our cannabis vaping hardware in the United States, Europe, Canada, and South Africa. Vaping refers to the practice of inhaling and exhaling the vapor produced by an electronic vaping device, and includes dabbing, which is the recreational inhalation of extremely concentrated cannabinoids, typically tetrahydrocannabinol, the main psychotropic cannabinoid derived from the marijuana plant. The market for cannabis / CBD vaping continues to grow and is expected to reach \$ 20. 5 billion in 2031 according to Transparency Market Research. Our management anticipates that the increasing demand of legal cannabis products in the United States will coincide with higher levels of social acceptability for these products among adult consumers. As a result, we expect to see increasing demand for our cannabis vaping products in coming years. Our cannabis products are marketed under the Ispire brand name, primarily on an original design manufacturer (“ ODM ”) basis to consumer- facing cannabis vapor companies and third- party co- packers. ODM generally involves the design and customization of core products to meet each brand’ s unique image and needs, and our products are sold by our customers under their own brand names although they may also include our brand name on the products. Some of our products use our BDC (bottom dual coil) coil technology which uses bottom dual coils to provide much higher temperature and an expanded

heating which we believe achieves much greater flavor and vapor production than other available technologies. We believe that the use of our dual-coil technology enhances the flavor performance of e-liquid, and the hidden wick cotton with special designed wick holes can both extend the tank e-liquid capacity and improve the speed of wicking to increase the coil life. We believe that our BVC (bottom vertical coil) coil represents a significant technological breakthrough for us in coil technology utilizing a vertical heating wire surrounded by cotton. This design can enable the coil heating to provide uniform temperature from the tank, together with more efficient wicking. This technology, which was originally introduced by Aspire Global in 2014, enables the coil to last longer while still giving users what we believe is the purest and cleanest taste from e-liquids. We believe that our Cleito tank brings new and innovative technological advancement to the vaping industry. The Cleito uses a revolutionary coil design that replaces the standard chimney and, we believe, delivers maximized airflow. This design frees up even more restriction in the airflow by eliminating the need for a static chimney within the tank itself, which results in an expanded flavor profile and increased vapor production. Combined with a Clapton kanthal coil for maximum flavor, the Cleito tank delivers a rush of intense flavor and huge vapor with a broad profile. The simple top-fill design makes filling the device very easy and more convenient and enjoyable to use. Our Ispire cannabis vapor products use our patented DuCore™ (Dual Coil) technology for cannabis vaporizers. This technology enables users to create massive plumes of vape without burning the cannabis oil. These products incorporate our patented dual coil technology for what we believe is best-in-class airflow and taste, and our technology for eliminating the leakage of the oil from the unit, which overcomes a major disadvantage with many existing products. In June 2023, we introduced our proprietary Ispire ONE™ technology and products. Ispire ONE™ is designed to eliminate capping issues in the manufacturing / co-packing process; increase consistency and quality of the filled devices; eliminate leaking, spitting, or overheating for cartridges, disposables, and PODs; and improve consumer safety, as the devices are sealed in a sterilized factory environment to eliminate risk of contamination during filling process by Ispire's customers. In addition, Ispire ONE™ offers a more streamlined approach to cartridge filling versus conventional methods improving productivity and lowering production costs per unit. A majority of our products are manufactured and supplied by Shenzhen Yi Jia, which is 95% owned by our co-chief executive officer and controlling stockholder, Tuanfang Liu. We have taken steps toward the establishment and operation of our own manufacturing facilities. On February 5, 2024, we commenced manufacturing on two of the six lines in our approximately 31,000 square foot manufacturing facility in Malaysia. This facility is operational, with its current manufacturing operations focused on the assembly of components that we purchase from other companies. Our Malaysian facility has received several ISO certifications, including ISO9001, ISO14001, ISO13485, and a GMP certification. Because we have only recently commenced Malaysian assembly operations, we may encounter unexpected timing issues or operational and regulatory challenges which could impact our ability to be fully operational on our expected time schedule. Accordingly, we cannot assure you that we will be able to effectively and efficiently operate our facilities, or profitably or efficiently manage variations in manufacturing costs, capacity and demand planning issues, workforce and labor pricing, and local labor laws. Any one of these items could negatively impact the costs of production and thus our gross margins. We sell the Aspire brand of tobacco vaporizer technology products in more than 30 countries through our global network of more than 150 distributors. The primary markets for our e-cigarette products are Europe and the Asia Pacific region, which does not include the PRC. The following table sets out the breakdown of our revenue and percentage by region for the years ended June 30, 2023 and 2024 based on information provided to us by our distributors (dollars in thousands) and from the company's sales.

	Year Ended June 30, 2023	Revenue	% Revenue	Year Ended June 30, 2024	Revenue	% Revenue
Europe	\$ 58,764	50.8%	\$ 65,260	43.0%		
North America (the U.S. and Canada)	41,608	36.0%	63,080	41.5%		
Asia Pacific (excluding PRC)	14,919	12.9%	17,589	11.6%		
Others	315	0.3%	5,980	3.9%		
Total	115,606	100%	151,909	100%		

Acquisition of Our Business from a Related Party We were formed on June 13, 2022. We have two operating subsidiaries, Aspire North America LLC, a California limited liability company ("Aspire North America"), and Aspire Science and Technology Limited, a Hong Kong corporation ("Aspire Science"). On July 29, 2022, we acquired 100% of the equity interest in Aspire North America from Aspire Global Inc. ("Aspire Global"), and our wholly-owned subsidiary Ispire International Limited, a British Virgin Islands corporation ("Ispire International"), acquired 100% of the equity interest in Aspire Science from a wholly-owned subsidiary of Aspire Global in connection with a restructure by Aspire Global pursuant to which the equity in Aspire North America and Aspire Science was transferred to us, and, at the time of the transfer, we had the same stockholders as Aspire Global. Aspire North America commenced marketing cannabis vaping products in mid-2020. Aspire Science markets nicotine vaping products worldwide, except for the PRC and Russia. Aspire Global is a related party. Tuanfang Liu is Aspire Global's chief executive officer and a director of both us and Aspire Global, and his wife, Jiangyan Zhu, is also a director of both companies. Mr. Liu and Ms. Zhu beneficially own 58.7% and 4.4%, respectively, of our outstanding common stock, par value \$ 0.0001 per share (the "Common Stock") and 66.5% and 5.9% of Aspire Global's ordinary shares. Upon our formation we issued 50,000,000 shares of Common Stock to the stockholders of Aspire Global in the same proportion as their stockholdings in Aspire Global. We presently purchase the majority of our e-cigarette and cannabis vaping hardware from Shenzhen Yi Jia. Pursuant to agreements dated January 27, 2023, between Aspire North America and Shenzhen Yi Jia and between Aspire Science and Shenzhen Yi Jia, we purchase our cannabis and tobacco vaping products from Shenzhen Yi Jia at market prices, provided that the price, delivery, warranty and other terms are no less favorable to us than the price, delivery, warranty and other terms that are provided to any other customer of Shenzhen Yi Jia. Our intellectual property was developed primarily by our co-chief executive officer, Tuanfang Liu. Our research and development team is headed by Mr. Liu. Our intellectual property was owned by Shenzhen Yi Jia, which had patents or patent application in the United States, the PRC, the European Union and elsewhere relating to various functional and ornamental aspects of our products. These patents

cover both the cannabis and tobacco products. Pursuant to the Intellectual Property Transfer Agreement, Mr. Liu, Aspire Global and Shenzhen Yi Jia transferred to Aspire North America all patent and other intellectual property rights, including trademarks, Know-how and Know-how Documentation, as defined in the agreement, relating to the cannabis vaping products, and to transfer to us any new intellectual property developed or acquired by Mr. Liu, Aspire Global and Shenzhen Yi Jia which relates to cannabis vaping products. The patents have been transferred to Aspire North America for nil consideration. Pursuant to the Intellectual Property License Agreement (the "License Agreement"), Mr. Liu, Aspire Global and Shenzhen Yi Jia granted Aspire Science a perpetual, royalty-free sole license to use Licensed Technology worldwide, except for the PRC and Russia. This license is for exclusive use of the Licensed Technology, so no other parties may use or practice this intellectual property. The Licensed Technology includes all patents, know-how, know-how documentation and trademarks, whether now existing or hereafter developed or acquired by, or for, Mr. Liu, Aspire Global and / or Shenzhen Yi Jia that relate, directly or indirectly, to the e-cigarette market. Pursuant to the License Agreement, neither Mr. Liu, Aspire Global nor Shenzhen Yi Jia has any right to market or sell or grant distributors the right to market or sell tobacco vaping products in the world other than in the PRC and Russia.

Matters Relating to PRC Laws The majority of our operations are in United States. We do not conduct business and we do not have any employees, assets or funds in mainland China. Although most of our cash is in Hong Kong banks, a significant portion of these funds is to be paid to related parties. See "Certain Relationships and Related Party Transactions." Our operations are primarily in the United States. Although Tuanfang Liu, our co-chief executive officer, lives in mainland China, where Shenzhen Yi Jia is located, the services that he performs for us in his capacity as our co-chief executive officer are performed primarily in Hong Kong and the United States. In addition to serving as our co-chief executive officer, Mr. Liu is chairman of Shenzhen Yi Jia, and the services he provides in mainland China are performed in his capacity as chairman of Shenzhen Yi Jia. Our employees are largely in the United States, with 67 employees based in the United States and where our research and development activities are conducted, 37 in Malaysia, and 10 employees in Hong Kong. Our facilities are located primarily in the United States, where we lease more than 41, 221 square feet of office, manufacturing and storage space and where our research and development activities are conducted, as compared with 1, 850 square feet of office space in Hong Kong. We are also leasing approximately 31, 000 square feet for our manufacturing facility in Malaysia. We do not have any variable interest entities arrangements or any similar agreements in mainland China. As of the date of this Annual Report, we do not believe we are subject to PRC Laws applicable to those Chinese companies established in mainland China, based on advice from Han Kun Law Offices. We have two operating subsidiaries established in California and Hong Kong. Hong Kong was established as a special administrative region of the PRC in accordance with Article 31 of the Constitution of the PRC. The Basic Law of the Hong Kong Special Administrative Region of the PRC (the "Basic Law") was adopted and promulgated on April 4, 1990 and became effective on July 1, 1997, when the PRC resumed the exercise of sovereignty over Hong Kong. Pursuant to the Basic Law, Hong Kong is authorized by the National People's Congress of the PRC to exercise a high degree of autonomy and enjoy executive, legislative and independent judicial power, and the PRC laws and regulations shall not be applied to Hong Kong, other than those relating to national defense, foreign affairs, and certain other matters that are not within the scope of autonomy of Hong Kong. While the National People's Congress of the PRC has the power to amend the Basic Law, the Basic Law also expressly provides that no amendment to the Basic Law shall contravene the established basic policies of the PRC regarding Hong Kong. As a result, as of the date of this Annual Report, national laws of the PRC that would be applicable to us if we were a Chinese corporation do not apply to our Hong Kong subsidiary. However, there is no assurance that certain PRC laws and regulations, including existing laws and regulations and those enacted or promulgated in the future, will not be applicable to our Hong Kong subsidiary due to change in the current political arrangements between mainland China and Hong Kong or other unforeseeable reasons. The application of such laws and regulations may have a material adverse impact on us, as relevant PRC authorities may impose fines and penalties upon our Hong Kong subsidiary, delay or restrict the repatriation of the proceeds from this offering into Hong Kong, and any failure of us to fully comply with such new regulatory requirements may significantly limit or completely hinder our ability to offer or continue to offer our Common Stock, cause significant disruption to our business operations, and severely damage our reputation, which would materially and adversely affect our financial condition and results of operations and cause our Common Stock to significantly decline in value or in extreme cases, become worthless.

Our Corporate Organization We are a Delaware corporation, incorporated on June 13, 2022. Aspire North America, LLC, a California limited liability company, was formed on February 22, 2020, and 100 % of its ownership was transferred to Aspire Global on September 23, 2020, and was transferred by Aspire Global to Ispire Technology on July 29, 2022. Aspire Science, a Hong Kong corporation, was formed on December 9, 2016, as a subsidiary of Aspire Global, and 100 % of its equity was transferred to our subsidiary, Ispire International, on July 29, 2022. Ispire International was organized on July 6, 2022. Ispire Malaysia Sdn Bhd was formed by on our behalf by Tuanfang Liu, our Chairman and Co-Chief Executive Officer, under the laws of the Federation of Malaysia on August 2, 2023, and assigned to us on September 22, 2023. Aspire North America and Aspire Science are our operating companies. The following chart shows our corporate structure.

Our Strategy We are implementing a multi-prong growth strategy directed at increasing the sales of our e-cigarette and cannabis vaporizer technology products. In addition to increasing sales to our existing customers, we plan to increase sales of our e-cigarette vaporizer technology products by increasing the number of distributors and regions where our products are sold. We plan to increase sales of our cannabis products by increasing sales to existing customers, increasing our customer base in the United States and seeking to penetrate the Canadian and European markets as they develop. We closely follow the legalization of cannabis globally and plan to enter markets when opportunities arise. Research and development is at the core of our business.

We will continue to innovate via our own research and development efforts. Tuanfang Liu, our co- chief executive officer, developed the patented DuCore™ technology, which is being assigned to us enabling our cannabis vaporizer products to heat cannabis oil, which, we believe is the first leak- proof patented design, which enables the consumer to get the full flavor experience of the cannabis. We will continue to expand our technology leadership and invest in vaporizer and similar technology research and development. Our present products are designed for adult use. Our research and development activities will be oriented to focus on both medical and recreational usages of cannabis products. We recognize that industry trends can change rapidly. We believe that our products must be at the forefront of technology if we are going to develop our business. The cannabis vaping business is in its early stages and we will seek to develop a strong and leading position in this market. Currently, this market is largely in the United States and we plan to be at the forefront as other markets develop. Through our global sales network, we have a strong understanding of all of the markets in which our products are sold. We will use online forum and community groups as a means to increase engagement and collect feedback for future improvements in product research and development. We will seek to introduce new products to meet customer needs based on our assessment of the direction of the market. We will also pursue mergers and acquisitions and strategic relationships to increase our technological human resources and technology and product portfolio. We believe that we have a strong management team adept at integrating such acquisitions and that we are an attractive platform to potential acquirers. We plan to develop further manufacturing capabilities. However, currently, and for the foreseeable near term, our manufacturing operations will primarily involve the assembly of products from components manufactured for us in accordance with our specifications. We are expanding our cannabis and e- cigarette Original Equipment Manufacturer (“ OEM ”) and Original Design Manufacturer (“ ODM ”) business. OEM generally means making and selling the products as we design them and putting customers’ logos on the products. For OEM products, cost is important to the customer. ODM generally involves the design and customization of the core products to meet each brand’ s unique image and needs. For ODM products, our customers often consider technology, performance and uniqueness more important than cost, which is often a secondary consideration. Historically, for our e- cigarette products, we have focused on building and growing our own branded business, with OEM and ODM sales accounting for a minor portion of our revenue. OEM and ODM sales accounted for approximately \$ 24. 5 million and \$ 22. 1 million, or 6 .0 % and 25. 9 %, of total revenue of e- cigarette products in the years ended June 30, 2023 and 2024, respectively. As Aspire Global continued to innovate in the last decade and the Aspire brand has become recognized as a leading innovator in the vaping industry, Aspire Science has been sought after by other brands for OEM and ODM work. We believe that OEM and ODM for our e- cigarette products will represent a key growth area for us in the future. In seeking to introduce new products, we will, at least initially, rely upon our chairman, Tuanfang Liu, who has been largely responsible for the development of the technology underlying our e- cigarette and cannabis vaping products. Sales of our cannabis products to date are largely sales to cannabis brands on an ODM basis, and, while some hardware products are sold to end users, we anticipate that our cannabis product sales will continue to be primarily ODM sales for the near future. It is the responsibility of our customers, which are cannabis brands, to manufacture the cannabis oil and load the oil into our vaping hardware product. None of our products include cannabis oil or hemp oil. Our Products E- Cigarette Products We develop and sell both branded and, to a significantly lesser extent, OEM and ODM nicotine vaping systems and components (cartridges and batteries) to meet the needs of adult users worldwide, excluding the United States, the PRC and Russia. There are generally two types of vaping systems – open systems and closed systems. Initially, all of our products were “ open system ” vaping devices. The term “ open system ” generally refers to vaping devices consisting of tanks, which include heating coils, and battery mods, which include the battery packs. Open system vaping devices allow end consumers to refill the tanks with their own liquid by themselves. With open systems, consumers have great flexibility in mixing different coils, mods, and e- liquid to create a more personalized experience. Our open system vaping devices are sold under our own brands, including “ Nautilus, ” and “ Zestquest. ” In 2018, we introduced our first “ closed system ” vaping device. The term “ closed system ” generally refers to vaping devices that consist of cartridges, which include a heating core (sometimes referred to as atomizers) and is filled with e- liquid, and batteries, which power the cartridges. The closed system vaping devices include rechargeable and disposable vaping devices. A cartridge for a closed- system vaping device typically can last from a few days to approximately two weeks, depending upon the frequency of use. We market a line of closed systems through our licensed brands under the brand names BRKFST and Hidden Hills Club. We believe that the market for closed system vaping devices is increasing rapidly and is becoming the dominant form of tobacco vaping. Our vaping components include cartridges, lithium batteries, metal parts such as coils, plastic parts that are molded, circuit boards (printed circuit board assembly) and liquid cartridges for our products. The cartridges of closed system vaping devices are consumable products that need to be frequently replaced. Some of our products use our BDC (bottom dual coil) coil technology which uses bottom dual coils to provide expanded heating area and achieve double flavor and vapor production. This technology allows for two separate oil tanks / cartridges to be integrated into one product / design. Each of the cartridges has its own heating coil that can be regulated separately to generate the desired heating temperatures independently of the other. This is beneficial to the consumers because one cartridge could be designed for terpenes (which has a very low evaporation temperature, typically 100- 120 degrees Fahrenheit), and the other can be for cannabis oil (which has an evaporating temperature in the range of 400- 430 degrees Fahrenheit). Conventional cartridge design would have the terpenes and cannabis oil mixed together in one cartridge and be heated to a single temperature that would typically burn the terpenes and yet under- heat the cannabis oil. With the double flavor design, we can optimize the heating temperature to evaporate both terpenes and cannabis oil without burning them. We believe that the use of our dual- coil technology enhances the flavor performance of e- liquid, and the hidden wick cotton with specially

designed wick holes can both expand the tank e-liquid capacity and improve the speed of wicking to increase the coil life. Our BVC (bottom vertical coil) coil represents a major technological breakthrough for us in coil technology with a vertical heating wire surrounded by cotton. This design can enable the coil heating to provide uniform temperature to the tank, together with more efficient wicking. This technology, which Aspire Global introduced in 2014, enables the coil to last longer while still giving users what we believe is the purest and cleanest taste from e-liquids. The BVC coils are still very popular for MTL (mouth to lung) vapors today. We believe that our Cleito tank brings new and innovative technological advancement to the vaping industry. The Cleito uses a revolutionary new coil design that replaces the standard chimney and, we believe, delivers maximized airflow. This design frees up even more restriction in the airflow by eliminating the need for a static chimney within the tank itself, which results in an expanded flavor profile and increased vapor production. Combined with a Clapton kanthal coil for maximum flavor, the Cleito tank delivers a rush of intense flavor and huge vapor with a broad flavor profile. We believe the simple top-fill design makes filling the device more convenient and more enjoyable when compared to other designs. Cannabis Products In December 2020, we introduced the Ispire line of cannabis vaping products. Our Ispire products use our patented Ducore™ (Dual Coil) technology for cannabis vaporizers. Similar to the Nautilus series, this technology enables users to create extremely large plumes of vape without burning the cannabis oil. These products incorporate our patented dual coil technology for what we believe is best-in-class airflow and taste, as well as our technology for eliminating the leakage of the oil from the unit, which overcomes a major disadvantage with many existing products. In addition to the base unit, we offer a range of cartridge, mouthpiece and color options. In our ODM services, we work with the customer to design a product that has the desired appearance. All the products are made of stainless steel and the fluid housing is Pyrex glass. We are not involved in cannabis or hemp plant or oil business, and we do not provide or procure cannabis or hemp oil. Our product, which is hardware only, is designed for our customers to fill the cartridge with their own cannabis or hemp oil. Cannabis oil, unlike nicotine oil or liquids which are generally of a uniform consistency, is not of a uniform consistency. If the oil is too viscous, the user will not have good experience with the product and our customer may reject or return the product. We do not package the oil with our product. Our ODM customers purchase the oil separately from the product they purchase from us or the end user of our product purchases the oil independently. We have no way to ensure that any consumer will use a cannabis oil that will work in a product we have manufactured for our customers. In June 2023, we introduced our proprietary Ispire ONETM technology and associated products. Ispire ONETM is designed to eliminate capping issues in the manufacturing / co-packing process, increase consistency and quality of filled devices, eliminate leaking, spitting, or overheating for cartridges, disposables, and PODs, and improve consumer safety. The devices are sealed in a sterilized factory environment to eliminate risk of contamination during the filling process by our customers. Sales and Distribution Most of our revenue from our e-cigarette products comes from sales to our distributors. We are looking to increase our OEM and ODM sales of e-cigarette products, which accounted for 4.5% and 25.9% of our e-cigarette revenue for the years ended June 30, 2023 and 2024, respectively. We have secured a major e-cigarette OEM contract in May of 2024 and believe that this contract will yield significant revenue increases from the OEM and ODM business in our 2025 fiscal year. Most of our revenue from cannabis products is from ODM sales to other cannabis vaping brands, and we work with the customer to design the product, which is sold under the customer's brand name. For some customers, the Ispire brand is also on the product. Prior to our acquisition, Aspire Global sold e-cigarette vaping products in the United States through its distribution network. We decided not to market in the United States as a result of changes in regulations in the United States. Aspire North America would currently only be able to sell one product line in the United States and that product line does not generate sufficient revenue to justify the marketing and regulatory expenses at this time. However, we have submitted a new premarket tobacco product application ("PMTA") for a disposable e-cigarette with several flavors, and are hopeful that, with the incorporation of age-gating technology from our IKE Tech LLC joint venture, we will be able to sell this product into the U.S. market, if approved. We also plan to file PMTAs for a pod-based e-cigarette system with a variety of flavors, which includes point-of-use age-gating technology, in the next 6 to 12 months. We believe that we have the ability to evaluate the market need for vaping products and develop products for both the e-cigarette and cannabis markets. We believe that we have the state-of-the-art technology, which enables us to market to other cannabis vaping brands. We believe that we have implemented systems of quality control that cover the key steps of supply chain management to provide high-quality products to adult smokers in a consistent manner. We strictly uphold our extensive internal standards for various aspects of our products and conduct thorough quality assurance and control practices throughout the entire production cycle. Our cannabis vapor products are sold directly by us, with most of our sales being to other cannabis vaping brands who purchase the product from us on an ODM basis and sell the products under their brand name, although our Ispire brand may be included on the product. We work with the customer in the design and appearance of the product. We do not sell cannabis or hemp oil, either as part of a product or separately. For our e-cigarette products, we have a network of more than 150 distributors, whose territories cover more than 30 countries or regions. Our distributors have non-exclusive agreements and generally are not restricted from selling competing vapor products. Our largest distributor, whose territory was the United Kingdom and France, is Your-Buyer International Limited, which accounted for revenue of approximately \$37.4 million, or 32.4% of revenue and approximately \$45.6 million, or 30.0% of revenue for the years ended June 30, 2023 and 2024, respectively. No other distributor or customer accounted for 10% or more of our revenues for either the year ended June 30, 2023 or 2024. Typically, our distributors sell our products to wholesalers who in turn sell to retail distributors, although distributors may sell products directly to retail outlets. The vast majority of sales of all classes of e-cigarettes are sold in stores, primarily grocery stores, convenience stores and tobacco stores, which generally purchase product from wholesale distributors. Our products are also available from our distributors on

the internet, including both websites and services such as Amazon. These internet distribution channels are operated by our distributors. The distributors are responsible for complying with the laws of the countries in which they sell our products. We previously sold tobacco vaping products to a distributor for Russia; however, we no longer sell to that distributor. We assist our distributors in marketing our products through websites, blogs, search engine optimization (SEO), opt-in and e-mail marketing, social media marketing, influencer, marketing and digital advertising promotions. Opt-in and email marketing strategies include newsletter sign-ups to receive new product updates and promotions, giveaway promotional activities to drive conversion, coupons and discount promotion activities to increase sales to adult consumers in compliance with local laws and regulations. We may use social media to promote our products and we market to adult consumers through our websites and Instagram. We use social media to educate on current and new products and offers as well as to provide real-time support to customers. Our social media strategies aim to convert and nurture leads, to increase brand awareness among adult consumers. We also provide distributors with discounts and other sales incentives. From time to time, based on our sales or marketing strategy for a specific region or product, we will give distributors discounts. Although our distributors do not have sales quotas, they have sales goals and, from time to time, we may reward distributors for exceeding their sales targets. These promotions are not part of a standard plan, but developed by us from time to time based on our sales and marketing program. Our sales of Ispire cannabis products to date, which have been primarily through direct sales of Ispire branded atomizers to other cannabis brands as semi-finished products on an ODM basis. Pursuant to our agreements with our ODM customers, we design and sell these atomizers pursuant to purchase orders by the customers. To a lesser extent we sell heating devices directly to consumers as internet sales.

Source of Supply We purchase a majority of our current e-cigarette and cannabis vaping products from Shenzhen Yi Jia. The products that we sell are the same products that Aspire Science and Aspire North America sold prior to the transfer of the equity in these subsidiaries to us. Pursuant to agreements dated January 27, 2023, between Aspire North America and Shenzhen Yi Jia and between Aspire Science and Shenzhen Yi Jia, we purchase our cannabis and e-cigarette vaping products from Shenzhen Yi Jia at market prices, provided that the price, delivery, warranty and other terms are no less favorable to us than the price, delivery, warranty and other terms that are provided to any other customer of Shenzhen Yi Jia. In addition, the agreement provides that Shenzhen Yi Jia will be responsible for any warranty expenses. In February of 2024, we began operations at our Company-owned manufacturing facility in Malaysia. We are currently operating with 6 production lines at the Malaysia factory. We plan to continue expanding our production capabilities in Malaysia as a way to diversify our source of supply. In connection with the Malaysian operations, we may purchase components from Shenzhen Yi Jia's present suppliers as well as other suppliers which we may identify. Quality control will be a crucial part of our manufacturing process. We will need to include quality control checks and balances throughout our supply chain and manufacturing process. When selecting suppliers, we will have our quality control and procurement team visit potential suppliers. We will need to conduct annual inspections of the factories and we will also visit the factory if any quality issues arise. In connection with the establishment of any manufacturing facilities we will have to employ qualified manufacturing, supervisory and administrative personnel.

Warranties We will pass on to our customers the warranties which Shenzhen Yi Jia provides to us as a customer. These warranties are of an assurance-type, come standard with all of products we purchase from Shenzhen Yi Jia, and cover repair or replacement should product not perform as expected. We offer these warranties for all major products, including all types of E-vapor kits, atomizers, replacement coils and mods, but no warranty for accessories such as spare parts or packaging consumables. Shenzhen Yi Jia generally offers 90-day warranty period from date of purchase for products sold to all regions, but Shenzhen Yi Jia offers six months warranty period from date of purchase for products sold in the United Kingdom and France. The warranty offers the refund or replacement of products for manufacturer defective items, dead on arrival items and items that do not appear the same as listed on our website, and exclude damaged goods caused by misuse or unauthorized repair. We generally require our customers to test our hardware with their oils to confirm the hardware performance and approve the hardware designs, in order to minimize any hardware related discrepancy or performance issues specific to the formulation of their oils. Since we are passing on the warranties of Shenzhen Yi Jia, we do not provide for estimated expenses related to product warranties. Management actively studies trends of warranty claims and takes action to improve product quality and minimize warranty costs. We estimate the actual historical warranty claims coupled with an analysis of unfulfilled claims to record a liability for specific warranty purposes. As of June 30, 2023 and 2024, products returned for repair or replacement have been immaterial. Accordingly, a warranty liability has not been deemed necessary.

Research and Development We believe that design and attention to detail are at the heart of our business. Historically, research and development relating to our existing products were conducted primarily by Shenzhen Yi Jia. We have commenced research and development activities independent of Shenzhen Yi Jia, which has related primarily to cannabis vaping products. This research and development effort, which is headed by our chairman, Tuanfang Liu, has eleven members, who are primarily based in Los Angeles. Prior to the transfer of the equity of Aspire North America and Aspire Science to us, the research and development activities were conducted by Shenzhen Yi Jia. As discussed under "Business – Intellectual Property" we have rights to intellectual property generated by the research and development efforts of Shenzhen Yi Jia and Mr. Liu. During the years ended June 30, 2023 and 2024, research and development efforts included the development of the Ispire cannabis vaping system, patented dual-coil technology, self-sealing technology and a closed system for e-cigarette vaping that is designed to eliminate the problem of oil leaking out of the unit. These research and development efforts were conducted by Shenzhen Yi Jia under the leadership of Tuanfang Liu, our co-chief executive officer and the chief executive officer of Aspire Global. Since the transfer of Aspire North America and Aspire Science to us in July 2022, we have established our research and development group independent of Aspire Global and Shenzhen

Yi Jia, and the Shenzhen Yi Jia research and development activities relating to both cannabis and e- cigarette product have transitioned to us. We are also entitled to the benefits of Shenzhen Yi Jia' s research and development pursuant to the Intellectual Property Transfer Agreement and the License Agreement. IKE Tech LLC Joint Venture As reported in our Form 8- K on April 11, 2024, Aspire North America LLC entered into a capital contribution, subscription, and joint venture agreement with Chemular Inc, Touch Point Worldwide, Inc. d / b / a / Berify, and Ike Tech LLC, a Delaware limited liability company (the “ Joint Venture ”) pursuant to which the Parties agreed to participate in the Joint Venture. The business of the Joint Venture is developing, licensing, owning, and operating and- GDPR. We are also subject to laws restricting disclosure of information relating to our employees. We strive to comply with all applicable laws, policies, legal obligations, and industry codes of conduct relating to privacy, data security, cybersecurity and data protection. However, given that the scope, interpretation, and application of these laws and regulations are often uncertain and may be conflicting, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us or our third- party service- providers to comply with our privacy or security policies or privacy- related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, may result in governmental enforcement actions, litigation, or negative publicity, and could have an adverse effect on our business and operating results. Although we maintain cybersecurity insurance, we cannot assure you that this insurance will cover or satisfy any claim made against us or adequately cover any defense costs we may incur \$ 6. 1 million for the year ended June 30, 2023 (as restated) and \$ 14. 8 million for the year ended June 30, 2024, and we cannot assure you that we can or will operate profitably in the future. We sustained a loss of approximately \$ 2. 6 million, or \$ 0. 04 per share (basic and diluted) in the year ended June 30, 2022 and a loss of approximately \$ 6. 1 million, or \$ 0. 12 per share (basic and diluted) for in the year ended June 30, 2023 (as restated), and a loss of approximately \$ 14. 8 million, or \$ 0. 27 per share (basic and diluted) for the year ended June 30, 2024. The losses resulted primarily because of increased operating expenses for both periods. We cannot assure you that we will be able to operate profitably in the future. Existing laws, regulations and policies and the issuance of new or more stringent laws, regulations, policies and any other restrictions or limitations in relation to the tobacco nicotine vaping industry have and can materially and adversely affect our business operations. As vaping products have become more and more popular in recent years, government authorities worldwide have imposed laws, regulations and policies to regulate nicotine vaping products and the vaping industry and may impose more stringent controls either with changes in existing laws or regulations, with new laws or regulations, or with new interpretations of existing laws or regulations. Some governments have prohibited the usage of vaping products in certain areas, imposed specific taxes on vaping products or imposed restrictions, in certain areas such as product advertising, flavorings or nicotine concentration. Governments, primarily state and municipal, have imposed restrictions or prohibitions on smoking in public and on public transportation, such as on trains, airplanes and buses. Such prohibitions have been or may in the future be extended to e- cigarettes, including vaping products, and such restrictions may be imposed by local, regional or national governments. As a result of government laws and regulations affecting tobacco products, we ceased selling nicotine vaping products in the United States. We cannot assure you that government authorities will not impose further restrictions on vaping nicotine products in the future, including but not limited to requirements to obtain and maintain licenses, approvals or permits for relevant business operation. Such restrictions, if any, may adversely affect supplies of raw materials, production and sales activities, taxation or other aspects of our business operation. We may not be able to comply with any or all changes in existing laws and regulations or any new laws and regulations and may incur significant compliance costs. All of the above may affect our production or market demand for vaping products and thus adversely affect our business, financial condition and results of operations. To the extent that we grow in scale and significance, we expect to face increased scrutiny, which may result in increased investment in compliance and related capabilities. The WHO and the United States Centers for Disease Control and Prevention (“ CDC ”) have been clear in their view of the harmful effects of nicotine. Although they recognize that e- cigarettes may expose users to fewer harmful chemicals than burned cigarettes, which are considered very dangerous, and that any tobacco product, including e- cigarettes, is unsafe particularly for young people and pregnant women. Countries have taken different steps to address the dangers of nicotine and to consider the difference between e- cigarettes and burned cigarettes. However, instances of death or serious illness resulting or perceived to result from the use of e- cigarettes as well as significant reported use by certain populations, including adolescents as well as nicotine- naïve individuals, may spur governments at all levels to increase restrictions on vaping products. We cannot assure you that the actions taken by municipal, state or provincial and national governments will not materially and adversely affect the market for vaping products generally and our business in particular. Cannabis vapor products are subject to regulations and restrictions in the United States and are prohibited in many other countries. Cannabis products are subject to federal and state regulation in the United States, and Western Europe generally prohibits the sale and use cannabis products, although some countries permit the use of approved cannabis products for medical purposes. Although an increasing number of states in the United States permit adult use of recreational marijuana, states have restrictions as to where the products can be sold and many of the states that permit recreational use of marijuana require that sales be made only at licensed stores. The U. S. federal government still prohibits non- hemp cannabis products (unless approved by the FDA) but has generally not enforced against entities and individuals operating in compliance with state laws permitting such products. Likewise, under certain circumstances, devices intended for use in consuming federally prohibited cannabis products may also technically qualify as prohibited drug paraphernalia under federal law and the laws of certain states that continue to broadly restrict production and sale of non- hemp cannabis. However, the Federal Controlled Substances Act includes an exemption for “ any person authorized by local, State, or Federal law to manufacture, possess, or distribute such items. ” **No On April 1, 2024, Germany legalized recreational cannabis use and is likely to accelerate the cannabis debate within the EU and promote the development of the industry at a regional level. However, no other country countries** in Western Europe have has yet legalized recreational cannabis, but

the region has some of the most developed cannabis cultures in the world, such as in the Netherlands and Spain. However, great differences persist among consumers, with older generations typically being more reluctant to allow cannabis use. ~~Clear generational and social gaps still exist that make legalization and development of the market a slow process, although the potential legalization of adult-use cannabis in Germany is likely to accelerate the cannabis debate within the EU and promote the development of the industry at a regional level.~~ Our ability to expand our marketing of cannabis products in the European market is dependent upon whether recreational cannabis will become legal in **other Western European countries**, and we cannot give any assurance that we will be able to sell products in Western Europe. These restrictions on the sale and use of cannabis could impair our ability to market and sell our products. The U. S. Department of Health and Human Services (“ HHS ”) recently made a recommendation to the US Drug Enforcement Agency (“ DEA ”) to reschedule cannabis as a Schedule 3 drug. **The DEA is currently going through a public comment period on the potential rescheduling.** If the DEA accepts HHS’ s recommendation and reschedules cannabis, there may be new regulatory compliance obligations placed upon cannabis operators in the U. S. — Under the FD & C Act, Schedule 3 drugs must be dispensed with a prescription and the safety and efficacy of such products would be governed by FDA regulation under the FD & C Act. It is unclear how this would impact state- legal cannabis programs (both medical and adult use), if at all. If there are significant new regulatory barriers for the U. S. adult use cannabis industry, such increased regulation may negatively impact the sale of our cannabis vaporizer products in the U. S. marketplace. While we believe that our business and sales do not violate the Federal Paraphernalia Law, legal proceedings alleging violations of such law or changes in such law or interpretations thereof could adversely affect our business, financial condition or results of operations. Under U. S. Code Title 21 Section 863 (the “ Federal Paraphernalia Law ”), the term “ drug paraphernalia ” means “ any equipment, product or material of any kind which is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance. ” That law exempts “ (1) any person authorized by local, State, or Federal law to manufacture, possess, or distribute such items ” and “ (2) any item that, in the normal lawful course of business, is imported, exported, transported, or sold through the mail or by any other means, and traditionally intended for use with tobacco products, including any pipe, paper, or accessory. ” Any non- exempt drug paraphernalia offered or sold by any person in violation of the Federal Paraphernalia Law can be subject to seizure and forfeiture upon the conviction of such person for such violation, and a convicted person can be subject to fines under the Federal Paraphernalia Law and even imprisonment. Several states with legal cannabis programs, including California, have enacted legislation invoking this exemption to shield state- legal businesses from federal enforcement on paraphernalia grounds. In addition, a recent court decision from the U. S. Court of International Trade applied this exemption in prohibiting U. S. Customs and Border Protection from refusing import entry of cannabis paraphernalia components that the importer could legally possess in the state of importation. We believe our sales do not violate the Federal Paraphernalia Law. We restrict the sale of products to comply with the Federal Paraphernalia Law’ s exemption for sales authorized by state law. In particular, we (a) do not sell any vaping equipment or hardware into the 11 states that have maintained complete or near complete cannabis prohibition (i. e., Georgia, Idaho, Indiana, Kansas, Kentucky, Nebraska, North Carolina, South Carolina, Tennessee, Wisconsin, and Wyoming), and have the distributors we work with covenant that they will not sell our products into these states, and (b) in any states with laws that allow the sale of vaping equipment or hardware, but require such products to be sold to licensed cannabis businesses (such as dispensaries), we limit sales accordingly. While we believe that our business and sales are legally compliant with the Federal Paraphernalia Law in all material respects, any legal action commenced against us under such law could result in substantial costs and could have an adverse impact on our business, financial condition or results of operations. In addition, changes in cannabis laws or interpretations of such laws are difficult to predict and are subject to change, which could significantly affect our business. Because Tuanfang Liu, our co- chief executive officer, who is also director, and his wife, Jiangyan Zhu, who is also a director, beneficially own **65.63. 21** % of our **common stock** ~~Stock as of September 24, 2024~~ and Mr. Liu owns 95 % of the equity of our **sole majority** supplier, Mr. Liu has a conflict of interest. Because our co- chief executive officer, Tuanfang Liu, and his wife own **65.63. 21** %, of our **common stock** ~~Stock as of September 24, 2024~~, they have the power to elect all of our directors and to approve any matter which is subject to stockholder approval. Mr. Liu also own 95 % of the equity in Shenzhen Yi Jia, which is currently our **sole major** supplier. Mr. Liu is chairman of Shenzhen Yi Jia and his wife, Jiangyan Zhu, is its vice president of finance. The price and other terms at which Shenzhen Yi Jia sells product to us have been largely determined by Mr. Liu. In addition, as our co- chief executive officer, Mr. Liu has significant authority in the implementation of our business plan, including the expected commencement of our manufacturing operations in California and the **opening of** ~~proposed search for a location for~~ additional manufacturing operations in **Malaysia** ~~Southeast Asia~~. He has also historically been responsible for our product development and our present products have been the result of his research and development efforts. Mr. Liu’ s interests may be different from our interests. Because of Mr. Liu’ s conflict of interest, there is a risk that any actions he may take may have an adverse effect upon the success and development of our business and the price of our **common stock** ~~Stock~~. As a result of the voting power of Mr. Liu and his wife, Ms. Zhu, investors will have little, if any, power to influence our business or to approve any action submitted to stockholders for their approval. The fact that they have a controlling interest in us may, by itself, serve as a deterrent to any person seeking to obtain control of us or to enter into any business relationship which might be beneficial to the minority stockholders. Although our supply agreements with Shenzhen Yi Jia require Shenzhen Yi Jia to sell products to us at the most favorable market price that it sells similar products to third parties, because our products are designed for us and based on technology that was either developed by Mr. Liu prior to the date of the agreement or is developed by us, we cannot determine whether another supplier would be able to provide the products at the same or a better price. However, all pricing will be designed to enable us to sell the products at a price which enables us to generate a gross margin that we consider acceptable, and Mr. Liu will have significant input as to what is an acceptable gross margin. Our supply agreements also require Shenzhen Yi Jia to provide us with quality products and services in a timely manner, to provide to our customers the same warranty that

we provide to our customer and to give first priority to the manufacture of our products over any other manufacturing obligations. However, as our co- chief executive officer, Mr. Liu has the ability to determine whether to pursuant any legal action to enforce our supply agreements. Thus, we will be relying on Mr. Liu taking actions that are in our best interests, and we run the risk that he may not do so. The recent implementation of regulations relating to e- cigarettes has resulted in our decision not to market nicotine products in the United States **until we secure PMTA approvals on our ENDS devices**. The FDA has authority to regulate e- liquids, e- cigarettes, and other vaping products that contain (or are used to consume e- liquid containing) tobacco- derived ingredients and nicotine from any source as “ tobacco products ” under the federal Food, Drug and Cosmetic Act (the “ Food, Drug and Cosmetic Act ”), as amended by Family Smoking Prevention and Tobacco Control Act of 2009 (the “ Tobacco Control Act ”) and subsequent legislation. Through the issuance of the “ Deeming Regulation ” that became effective on August 8, 2016, the FDA began regulating e- liquids, e- cigarettes, and other vaping products that qualify as “ tobacco products ” under the Food, Drug and Cosmetic Act ’ s requirements added by the Tobacco Control Act. The Food, Drug and Cosmetic Act requires that any Deemed Tobacco Product that was not commercially marketed as of the “ grandfather ” date of February 15, 2007, obtain premarket authorization before it can be marketed in the United States. The compliance policy generally allowed companies to market Deemed Tobacco Products that qualify as “ new tobacco products ” but that were on the U. S. market on August 8, 2016, until September 9, 2020, and the continued marketing of such products without otherwise- required authorization for up to one year during the FDA ’ s review of a pending marketing application submitted by September 9, 2020. The compliance policy did not apply to otherwise- eligible products (i) for which the manufacturer has failed to take (or is failing to take) adequate measures to prevent minors’ access and (ii) that are targeted to minors or with marketing that is likely to promote use by minors. In the absence of this policy, we would have had to obtain prior authorization from the FDA to market any of our products after August 8, 2016. Accordingly, through September 9, 2020, Aspire North America marketed tobacco vaping products in the United States pursuant to the FDA ’ s compliance policy based on evidence that they were on the U. S. market on August 8, 2016, and had not been physically modified since. FDA authorization to introduce a “ new tobacco product ” (or to continue marketing a “ new tobacco product ” covered by the current compliance policy for Deemed Tobacco Products that were on the U. S. market on August 8, 2016) could be obtained via any of the following three authorization pathways: (1) submission of a ~~premarket tobacco product application (“ PMTA ”)~~ and receipt of a marketing authorization order; (2) submission of a substantial equivalence report and receipt of a substantial equivalence order; or (3) submission of a request for an exemption from substantial equivalence requirements and receipt of a substantial equivalence exemption determination. Since there were few, if any, e- liquid, e- cigarette, or other vaping products on the market as of February 15, 2007, there is no way to utilize the less onerous substantial equivalence or substantial equivalence exemption pathways that traditional tobacco companies can utilize for cigarettes, smokeless tobacco, and other traditional tobacco products. In order to obtain marketing authorizations, manufacturers of practically all e- liquid, e- cigarette, or other vaping products would have to use the PMTA pathway, which could potentially cost \$ 1. 0 million or more per application. Furthermore, the Deeming Regulation created a significant barrier to entry for any new e- liquid, e- cigarette, or other vaping product seeking to enter the market after August 8, 2016, since any such product would require an FDA marketing authorization through one of the aforementioned pathways. We filed a PMTA for the Nautilus Prime open system vaping products on September 9, 2020, and the FDA has not to date taken final action on our PMTA. For this reason, and based on public FDA statements, it appears that the FDA would not prioritize enforcement of the premarket review requirements against any covered Nautilus Prime products during the continued pendency of the PMTA ’ s review, despite the fact that the one- year compliance period closed on September 9, 2021. **On September 6** ~~The PMTA application process is very expensive, and~~ **2024, we filed did not submit** a PMTA for **any a disposable ENDS device with a variety of characterizing flavors. We believe that, when equipped with our IKE Tech LLC Joint Venture age- gating technology, other— there is a path to getting an approval for these product products , as they will have strong technological barriers to prevent youth usage . The Nautilus Prime System FDA has repeatedly indicated that the only way it will approve characterizing flavors in ENDS devices is if they are equipped with technology to prevent youth usage. We believe the technology we have access to will be desirable to the FDA** ~~an and~~ **enhancement of an earlier developed Nautilus line IKE Tech LLC has a meeting with the FDA on November 13 , for which 2024, to discuss this technology. Further, although we did are not marketing e- cigarette products** ~~submit a PMTA. Our tobacco vaping sales in the United States market were \$ 0. 9 million for the year ended June 30, 2022 and~~ **we can contractually prohibit** ~~approximately \$ 0. 9 million for the year ended June 30, 2023, largely as a result of our inability to sell distributors from selling our e- cigarette vaping products in the United States market, in the event that we those products are sold in prior years. We the United States market, we~~ **cannot assure you that our pending PMTA (or any other PMTA filed in the future) will ultimately result in the FDA ’ s timely issuance of marketing orders for the Nautilus Prime product line (or other products): See “ Regulations. ” We have stopped marketing tobacco vapor products in the United States because our sales volume in the United States did not justify the marketing and regulatory compliance costs. Further, although we are not marketing tobacco vapor products in the United States market, and we can contractually prohibit our distributors from selling our tobacco vaping products in the United States market, in the event that those products are sold in the United States market, we cannot assure you that** ~~we will not be subject to regulatory or enforcement action as a result of such products’ being sold in the United States. We~~ **Though it is highly unlikely, we** may also face regulatory or enforcement action from the FDA for certain of our products that remained distributed in the United States between September 9, 2020, and April 30, 2021, and for which we did not file a PMTA by the September 9, 2020, deadline. While we have taken steps intended to ensure that no such distribution occurs, we cannot assure you that, should the FDA prioritize these violations for regulatory action, the FDA will follow its standard of approach of issuing a public warning letter and seeking voluntary corrective action rather than initiating an enforcement action under its various Food, Drug, and Cosmetic Act authorities. Such a result could materially and adversely affect our business, financial condition, and results of operations. On March 17, 2021, the FDA issued letters to four companies operating in the e- cigarette

industry, including Aspire North America, requesting documents related to their social media marketing practices. Specifically, the FDA requested the documents “ to further understand the relationship between rising youth exposure to online e- cigarette marketing and youth e- cigarette use, ” and the FDA asserted in each letter that each recipient had “ active brand pages on multiple popular social media platforms, a large number of followers, and did not use age restriction tools to prevent youth exposure. ” Under its Food, Drug, and Cosmetic Act authority requiring industry members to produce certain documents upon request, the FDA requested that we respond within 60 days but granted us a 30- day extension. On June 15, 2021, Aspire North America provided the required information to the FDA. To date, the FDA has not substantively responded or taken any further action in the matter. However, we cannot assure you that the FDA will consider the response adequate and will not initiate regulatory or enforcement action based on an alleged failure to comply with the request or that the FDA will not initiate regulatory or enforcement action on other grounds based on the contents of the documents produced in the response. Either result could materially and adversely affect our business, financial condition, and results of operations. In the event that similar legislation or regulations are adopted with respect to cannabis products, our business is likely to be materially impaired since all of our sales of cannabis products were in the United States. Recently enacted legislation and regulations in the United States may make it more difficult to sell nicotine and cannabis vaping products in the United States. Provisions of the 2021 Appropriations Act subjected e- cigarettes and other vaping devices (including, based on recent regulations, cannabis and hemp vaporization products that aerosolize liquids), as well as e- liquids products, to the provisions of the Prevent All Cigarette Trafficking Act of 2009 (the “ PACT Act ”), which imposes stringent rules on interstate shippers and, in particular, online sellers. Under the PACT Act, interstate shippers must register with the U. S. Attorney General and the tobacco tax administrator of each jurisdiction into which they ship products as well as submit monthly reports to such tobacco tax administrators. In addition, online retailers making delivery sales to consumers must also (i) verify the age of customers using a commercially available database, (ii) use private shipping services that collect an adult signature and verify the recipient’ s age using government- issued identification at the point of delivery, (iii) if shipping to jurisdictions that tax vaping products, collect and remit all applicable local and state taxes and comply with all applicable licensing requirements of the recipient’ s jurisdiction, (iv) comply with shipping- package quantity restrictions and labeling requirements, and (v) maintain records for five years of any delivery interrupted because the carrier or delivery service determines or has reason to believe that the person ordering the delivery is in violation of the PACT Act. Shippers and delivery sellers who do not comply with the PACT Act are subject to civil and criminal penalties. Accordingly, compliance with the requirements of the PACT Act may significantly increase the costs of our and our customers’ online businesses, increasing the prices of our products sold online and making them less attractive to consumers as compared to products sold at local retailers. In addition, failure to comply with the PACT Act could expose us to significant penalties that could materially adversely affect our business and our financial condition and results of operations. Further, as a result of the issuance of final regulations implementing the PACT Act amendments by the United States Postal Service (the “ USPS ”), the USPS generally prohibits the mailing of such products, subject to potential exceptions already applicable to combusted cigarettes and smokeless tobacco (e. g., for shipments between legally operating businesses). The USPS issued these final regulations on October 21, 2021, and the regulations took effect immediately. Further, the most commonly used carriers, Federal Express and United Parcel Service, have recently announced that they would cease all deliveries of vapor products. These restrictions on use of the USPS to ship our products and the decisions by private carriers not to deliver vapor products in the United States could materially impair our ability to sell products in the United States which would adversely affect our business, financial condition and results of operations. Further, since most of our revenue from cannabis vapor product sales is from sales to other cannabis vaping brands, if our customers are not able to deliver product in the United States, which is the largest market for cannabis vaping products, our ability to generate revenue from cannabis products would be materially impaired. We use a combination of advanced accounting software and PACT Act compliant carriers to remain compliant with the tax and delivery restrictions of the PACT Act. To the extent that the carriers that we currently use change their policies and refuse to ship or are prohibited from shipping vaping products and we are not able to find other carriers that are PACT Act compliant, our business and prospects will be materially impaired, and we may not be able to continue in the cannabis vaping business. We are exposed to risks relating to our relationship with a related party, and we may not be able to successfully establish and operate manufacturing operations. **All The majority** of our products are presently manufactured by Shenzhen Yi Jia, a related party. Due to the reliance on our business relationship with Shenzhen Yi Jia, any interruption of its operations, any failure of Shenzhen Yi Jia to accommodate our growing business demands, any termination or suspension of our cooperation terms, or any deterioration of cooperative relationships with Shenzhen Yi Jia may materially and adversely affect our operation. Failure by Shenzhen Yi Jia to provide us satisfactory products and / or services in a timely manner is likely to have a material adverse effect on our business, financial condition and results of operations. There is a risk in relying on any third- party supplier in that we are dependent on the supplier’ s ability to **product produce** a product which meets our quality standards and delivery requirements as well as being dependent upon the supplier’ s priorities. These risks are present when the supplier is controlled by Tuanfang Liu, our co- chief executive officer. We do not presently have any plans to engage another supplier since Shenzhen Yi Jia is familiar with our products, and we are devoting our efforts to establishing our own production facilities with no assurance that we can successfully establish manufacturing facilities. In 2021, Shenzhen Yi Jia suffered a chip shortage resulting in a slowdown in delivery of its products to us from April to August 2021. Since September 2021, Shenzhen Yi Jia has obtained a supply of chips to meet its production need and Shenzhen Yi Jia has advised us that a chip shortage no longer affect its production. However, we cannot assure you that we will not suffer from a chip shortage affecting Shenzhen Yi Jia or any other supplier. The delay in shipment and chip shortage had a negative impact on the results of our operation. ~~In the year ended June 30, 2022, we suffered a loss of potential sales orders of approximately \$ 2 million, around 2. 3 % of our total sales, which caused a decline of \$ 0. 3 million in our gross profit, resulting from delay in supply chain.~~ Although we are not presently experiencing delays in our orders for Shenzhen Yi Jia, we cannot assure you that

we will not suffer delays or shortages in the future. We cannot assure you that we will not suffer from a chip shortage affecting Shenzhen Yi Jia or any other supplier. If it is determined or perceived that the usage of nicotine or cannabis vaping products poses long- term health risks, the use of vaping products may decline significantly, which is likely to materially and adversely affect our business, financial condition and results of operations. Since vaping products were only introduced to the market in the last two decades and are rapidly evolving, studies relating to the long- term health effects of nicotine and cannabis vaping product usage are still ongoing. Currently, there remain uncertainties regarding whether vaping products are sufficiently safe for their intended use, and health risks associated with the usage of vaping products have been under scrutiny. According to the WHO, there is no conclusive evidence that the use of nicotine vaping products facilitates smoking cessation. The WHO recommended governments to strengthen relevant laws and regulations on the sale of vaping products, including to, among others, prohibit marketing strategies targeting the underage and the non- smoking population. Negative publicity on the health consequences of vaping products or other similar devices may also adversely affect the usage of vaping products. For example, the FDA and the CDC issued a joint statement on August 30, 2019, linking a number of cases of respiratory illnesses to nicotine vaping product use. On November 8, 2019, the CDC announced that it had preliminarily linked cases of severe respiratory illness to the presence of Vitamin E acetate, which was found in certain cannabis- derived tetrahydrocannabinol- containing vaping cartridges not intended for use with nicotine- containing e- liquids that may have been obtained illegally. However, evidence is not sufficient to rule out the contribution of other chemicals of concern, including chemicals in either cannabis or non- cannabis products. In January 2020, after further research, the FDA and CDC recommended against the use of cannabis- containing vaping products, especially those from unofficial sources, and that the underage, pregnant women and adults who do not currently use tobacco products should not start using vaping products. On February 25, 2020, the CDC issued a final update, stating that the number of cases of severe respiratory illnesses had declined to single digits as of February 9, 2020. The CDC also reconfirmed that (i) Vitamin E acetate, which was found in some cannabis- derived vaping cartridges that were mostly obtained illegally, was strongly linked to and indicated to be the primary cause of the severe respiratory illnesses, and (ii) cannabis- derived vaping products from illicit sources were linked to most cases of severe respiratory illnesses. ~~Furthermore, there have been recent claims that users of vaping products may suffer a greater risk of more serious COVID- 19 complications. However, it remained unclear whether the exposure to toxic chemicals through vaping product usage will increase the risk of COVID- 19. Research regarding the actual causes of these illnesses is still ongoing.~~ If vaping product usage is determined or perceived to pose long- term health risks or to be linked to illnesses, the usage of vaping products may significantly decline, which would have a material adverse effect on our business, financial condition and results of operations. Any perceived correlation between cannabis and Vitamin E acetate may adversely affect the public’ s perception of vaping products in general, regardless of whether such products contain cannabis and / or Vitamin E acetate and may impact sales of our cannabis vapor product. Because cannabis oil, unlike nicotine oil, is not of a uniform quality, products we design may not perform as intended, which could result in a loss of business. We do not include cannabis oil in our products. The cannabis oil is provided by our customer before selling the product or a cartridge with oil is inserted in the product by the customer or the end user. Unlike nicotine oil, cannabis oil is not of a uniform quality or viscosity. If the end user uses cannabis oil that is too viscous for ~~or our~~ product and does not have the desired experience from the product, our client may reject an order, cancel an order or seek a refund of the payment made to us and / or discontinue purchasing our products. These refunds and the cost of cancellation of orders are reflected as sales return, ~~the~~ **The amount of sales return** for both the years ended June 30, 2022 and 2023 ~~and 2024~~ was ~~not material~~ **\$ 1, 932, 280 and \$ 4, 764, 434**. We cannot assure you that we will not incur significant warranty expenses and lose business as a result cannabis oil not providing the end user’ s desired experience or that we will not lose significant business as a result of this problem. The vaping market may develop more slowly or differently than we expect. The ~~tobacco e- cigarette~~ **vaping market** worldwide has experienced rapid growth through 2019 and the cannabis market is developing, with the United States accounting for the overwhelming majority of sales. The growth rate for ~~tobacco vapor e- cigarette~~ **products** decreased in 2021 and 2022, in part, we believe, because of the steps taken by governments worldwide to address the COVID- 19 pandemic, which negatively affected our revenue and industry sales in general. The growth of cannabis vaping products is largely confined to those states in the United States where recreational cannabis is legal. The growth rate may decrease or decline due to uncertainties with respect to the acceptance of vaping technologies and products, health studies relating to vaping product use, general economic conditions, disposable income growth, and pace of development of technologies and other factors. There can be no assurance that the penetration of vaping products among adult smokers will further deepen, or that the tobacco and cannabis vaping market will grow at a pace that we expect. Additionally, vapor market development is subject to the uncertainty of overall regulatory landscape for such products, which may have a material impact on the market development of vaping products, particularly in Western Europe. There can be no assurance that the regulatory regime will be favorable to ~~us~~ **or** nicotine or cannabis vaping products in general ~~and us~~. It is also uncertain whether our products and services will achieve and sustain high levels of market acceptance and meet users’ expectations. Our ability to increase the sales of our vaping products depends on several factors, some of which may be beyond our control, including users’ receptiveness towards and adoption of vaping technologies and products, market awareness of our brand, the market acceptance of our products and services, the “ word- of- mouth ” effects of our products and services, our ability to attract, retain and effectively train customer representatives, our ability to develop effective relationships with distributors and expand our distribution networks and the cost, performance and functionality of our products and services and meeting consumer trends. The market for nicotine products has recently seen a change in consumer preference as closed systems are overtaking open systems in market share. If we are not successful in implementing our business strategies, developing our vaping products, anticipating consumer trends or reaching adult smokers, or if these users do not accept our vaping products, the market for our products may not develop or may develop more slowly than we expect, any of which could materially and adversely affect our profitability and growth prospects. We are exposed to product liability and user complaints arising from the products we sell, which could have a material adverse impact

on us. Currently, we primarily sell our **tobacco e-cigarette** products to our distributors, who then supply our products to wholesale companies that in turn sell to retail outlets, and we sell our cannabis products primarily to other cannabis brands on an ODM basis, and the customers sell the products through their own distribution networks. The retail market is dominated by stores, primarily grocery stores, convenience stores and tobacco stores. Even though we generally do not sell our products directly to users, we may nevertheless be liable for defects in our products pursuant to general laws on product liability. We are exposed to potential product liability claims from users of our products in the event that the use of our products results in any personal injury, property damage or health and safety issues. There is no assurance that we can succeed in defending ourselves, and we may be required to pay significant amounts of damages for product liability claims and, to the extent that we are able to obtain product liability coverage, product liability insurance may not provide sufficient coverage against claims of injury based on the fact that they are inhaling a nicotine product. Further, product liability claims against us, whether or not successful, are costly and time-consuming to defend. These claims, whether against us or another manufacturer, may result in negative publicity that could severely damage our reputation and affect the marketability of our products, and could result in substantial costs and diversion of our resources and management's attention. Any of the above could in turn materially and adversely affect our business, financial condition and results of operations. Although we may seek indemnification or contribution from our suppliers in certain circumstances, we cannot assure you that we will be able to receive indemnification or contribution in full, or at all. We maintain limited product liability insurance for claims of personal injury and property damage caused by our products. Our insurance coverage may not be adequate to cover claims which may be made against us. Our insurance does not provide coverage for all liabilities (including liability for certain events involving pollution or other environmental claims). In addition, there can be no assurance that we will be able to maintain our product liability insurance on acceptable terms. If we cannot maintain our product liability insurance on reasonable terms or our insurance does not sufficiently compensate us for the losses we sustain in the event of a legal proceeding, our business, financial condition and results of operations would be adversely affected. At present, **a majority of** our products are manufactured by Shenzhen Yi Jia, a Chinese company of which Tuanfang Liu, our co- chief executive officer is a 95 % owner. In the event of any claim of product liability resulting from a product manufactured by Shenzhen Yi Jia, any legal action would most likely be brought against us since the plaintiff may not be willing or able to commence an action against Shenzhen Yi Jia in China. Our co- chief executive officer has a conflict of interest in determining the extent to which Shenzhen Yi Jia would accept responsibility for any product liability claim relating to a product manufactured by Shenzhen Yi Jia or for making changes in the manufacturing process to address the substance of any claim, whether or not such claim is valid. To the extent that that we have product liability insurance, the insurer may seek to recover any amount paid from Shenzhen Yi Jia for products manufactured by Shenzhen Yi Jia. Further, although we may have legal recourse against Shenzhen Yi Jia pursuant to applicable laws, attempts to enforce our rights against Shenzhen Yi Jia may be expensive, time-consuming and may not be successful, particularly since Shenzhen Yi Jia is located in China, and we may not be able to prevail in a Chinese court. The interests of the stockholders of Shenzhen Yi Jia in their capacities as such stockholders may differ from our interests. What is in the best interests of Shenzhen Yi Jia may not be in our best interests, including with respect to matters such as the warranty period and allocation of expenses with respect to the warranted repair or replacement. There can be no assurance that when conflicts of interest arise, the stockholders of Shenzhen Yi Jia, principally, our chairman as 95 % owner, will act in our best interests or that any conflicts of interest will be resolved in our favor. In addition, these related parties may breach or refuse to renew the existing cooperation arrangements with us. Since our products involve inhaling nicotine or cannabis, we may be subject to claims based on the known effects of nicotine or cannabis. Because e- vaping is a relatively recent method of ingesting nicotine and cannabis and is thought by some that, for adults, it may be less toxic than cigars and cigarettes or marijuana cigarettes, it is possible that long- term effects of inhaling nicotine or cannabis may not become generally known for many years and may prove to be not significantly less toxic than cigars, cigarettes and marijuana cigarettes, and we cannot assure you that manufacturers and distributors of vaping products may not face liability resulting from the nature of the product – a device for inhaling nicotine or cannabis, which could materially impair our ability to operate profitably if at all. Furthermore, negative publicity including but not limited to negative online reviews on social media and crowd- sourced review platforms, industry findings or media reports related to the quality, functionality and health concerns of vaping products, whether or not accurate, and whether or not concerning our products, can adversely affect our business, results of operations and reputation. Such negative publicity may reduce users' confidence in us, our products and our brand, which may adversely affect our business and results of operations. Our business, financial condition and results of operations may be adversely impacted by product defects or other quality issues. Our products may contain defects that are not detected until after they are shipped or inspected by our users. The failure of our supplier or, when we commence manufacturing operations, our operations to maintain the consistency and quality throughout our production process could result in substandard quality or performance of our products, and product defects could cause significant damage to our market reputation and reduce our sales and market share. For example, the products we distribute may contain lithium- ion or similar types of batteries. Defects in these products could result in personal injury, property damage, pollution, release of hazardous substances or damage to equipment and facilities. As we primarily rely on one supplier, Shenzhen Yi Jia, which is a related party, to supply our products, if this supplier does not produce products that meet the industrial and our standards, we may fail to maintain our quality control over our products. Actual or alleged defects in the products we distribute may give rise to claims against us for losses and expose us to claims for damages. If we deliver any defective products, or if there is a perception that our products are of substandard quality, we may incur substantial costs associated with mass product recalls, product returns and replacements and significant warranty claims, our credibility and market reputation could be harmed and our results of operations and market share may be adversely affected. Further, defective products may result in compliance issues that could subject us to administrative proceedings and unfavorable results such as product recall and other actions. Such proceedings and unfavorable results could have a material adverse effect on our brand, reputation and results of operations. Our business and the industry in

which we operate are subject to inherent risks and uncertainties, including, among others, developments in regulatory landscape, medical discovery and market acceptance of vaping devices. Our business and the industry in which we operate are subject to inherent risks and uncertainties, including, among others, developments in regulatory landscape, medical discovery and market acceptance of vaping devices. Our business and the vaping industry are subject to inherent risks, challenges and uncertainties, including but not limited to the following: ● the regulatory landscape in the jurisdictions to which we market our products are constantly evolving, and there may be further restrictions, bans or requirements with respect to e- cigarettes and vaping devices that may increase our cost of compliance or prevent us from marketing our products to certain jurisdictions; ● we may face unforeseen capital requirements caused by the changing industry requirements or consumer tastes and demands; demands for our vaping devices may decline significantly due to the decrease in market acceptance for our products or vaping devices generally; ● we may not be able to establish business relationships with customers or compete with other more established competitors as, for an evolving industry, customers generally prefer to choose more established suppliers, including Juul Labs, Inc. the largest producer of nicotine vapor products, rather than us. ● we may not be able to adjust our procurement and / or production in time to meet the changes in market demands; and ● future changes in our industry may not be consistent with our prediction. Therefore, our industrial prospects, research and development focus and business plans may not be effective in helping sustain our competitive position in the vaping industry. If we fail to cope with the challenges and compete with other industry players in such uncertain and evolving vaping industry, our future prospects, business, financial conditions and results of operations may be materially and adversely affected. We may not be able to develop and introduce new products or upgrade existing products in a timely and cost- effective manner, which may adversely affect our business, results of operations and prospects. To optimize adult **smokers vapers**’ experience, we must introduce new products and upgrade our existing products to meet our users’ evolving preferences and to incorporate the latest technological developments. It is difficult to predict the preferences of users or a specific segment of users. Changes and upgrades to our existing products may not be well received by our users, and newly introduced products may not achieve expected results. Going forward, we may introduce new products with different features. Such efforts may require substantial investments of additional human capital and financial resources. However, if we are not able to develop or obtain rights to the latest technological developments, we may not be able to market a product that meets the adult consumer’ s changing taste. If we fail to improve our existing products or introduce new products that meet consumer taste ones in a timely or cost- effective manner, our ability to attract and retain users may be impaired, and our results of operations and prospects may be adversely affected. Although we endeavor to understand user preferences through surveys, sampling and other forms of interactions from time to time, we cannot assure you that we can anticipate, identify, develop or market products that respond to changes in users’ preferences and expectations. For example, our surveys may not yield accurate or useful insights on user behaviors, and feedbacks on our products may be different after such products are commercially available to a wider public. There can be no assurance that any of our new products will achieve market acceptance or generate sufficient revenues to offset the costs and expenses incurred in relation to our development and promotion efforts. There can be no assurance that each of our new products will achieve market acceptance and be successful. Outbreaks of communicable diseases, natural disasters or other events, such as the COVID- 19 pandemic, have materially and adversely affected, and in the future, may materially and adversely affect our business, results of operations and financial condition. Our business could be adversely affected by the effects of communicable diseases, pandemics and epidemics, such **as** COVID- 19 . ~~On January 30, 2020, the World Health Organization (“ WHO ”) declared the outbreak a public health event of international concern, and on March 11, 2020, the WHO declared the COVID- 19 outbreak a pandemic. The World Health Organization ended the global emergency status for COVID- 19 on May 5, 2023, and the United States Department of Health and Human Services declared that the public health emergency from COVID- 19 expired at the end of the day on May 11, 2023. Despite these declarations, the lasting impacts of COVID- 19 on the United States and broader global economy, including, in particular, China, including supply chain disruption, may have a significant continuing negative effect on the Company and may continue to materially impact the Company. The extent to which COVID- 19 impacts our operations on an ongoing basis is highly uncertain. Since our products are presently manufactured in China by a related party, any changes in the outbreak in China and any changes in the Chinese government’ s policy may affect our supplier’ s operations which could affect its ability to manufacture and deliver product in a timely manner.~~ We are also vulnerable to natural disasters and other calamities that may affect our supplier and may affect us when we establish our own manufacturing facilities. Misuse or abuse of our products may lead to potential adverse health effects, subjecting us to complaints, product liability claims and negative publicity. We are unable to control how our users choose to use our products. For example, we cannot prevent the users from misusing or abusing our products or prevent minors from obtaining access to our products. Our users may also use our products to inhale chemicals obtained from informal sources and in other potentially hazardous applications that can result in personal injury, product liability and environmental claims. Misuse or abuse of our products, including use of our products in combination with other products and components from third parties, may significantly and adversely affect the health of our users, subjecting us to user complaints and product liability litigation, even though such products were not used in the manner recommended by us. Applicable law may render us liable for damages without regard to negligence or fault. The FDA strongly advises against vaping during pregnancy on the ground that any products containing nicotine are not safe to use during pregnancy since nicotine is a health risk for pregnant women and developing babies and can damage a baby’ s brain and lungs. We cannot assure you that we would not be subject to liability resulting from a birth defect in a baby born to a woman who used vaping products during pregnancy, notwithstanding our warnings not to use during pregnancy. Any such liability may not be covered by insurance and may materially impair our ability to operate profitably. Regardless of whether these complaints or product liability litigation have merit, they may be costly and time- consuming to defend and resolve, bring negative publicity that could damage our reputation and result in higher scrutiny by the government or stricter regulations, all of which could materially and adversely affect our business, financial condition and results of operations. ~~Our business may be impacted by supply chain~~

issues, which are affecting businesses worldwide. One of effects of the COVID-19 were delays resulting from supply chain issues, which relate to the difficulty that companies have in having their products manufactured, shipped to the country of destination, and delivered from the port of entry to the customer's location. To the extent that products are shipped by sea, there are additional risks resulting from ports not being able to unload ships promptly, causing delays in getting into port, including potential damage from seawater and fire, product degradation and the possibility of containers being destroyed, damaged or falling off the ship into the water. The inability to delivery products to the ultimate vendor impaired our ability to generate revenue from our products. As the port delays have significantly decreased, we do not believe that the supply chain issues that affected our operations are currently affecting us. We cannot assure you that such delays will not affect our business in the future. In 2021, our supplier, Shenzhen Yi Jia, suffered a chip shortage resulting in a slowdown in the delivery of its products to us from April to August 2021. Since September 2021, Shenzhen Yi Jia has been able to meet our requirements and a chip shortage no longer affect its production. However, we cannot assure you that Shenzhen Yi Jia and, if and when we commence manufacturing operations, any other supplier we may engage, will not suffer from a chip shortage in the future. The delay in shipment and chip shortage had a negative impact on our results of operation. In 2022, there was a loss of potential sales orders of approximately \$ 2 million, around 2.3 % of our total sales, which caused a decline of \$ 0.3 million in our gross profit, resulting from delay in supply chain. We believe delays in supply chain may continue in the coming year, which may affect around 3 % of our total sales orders. Since our manufacturing operations will initially be assembly, we may continue to face supply chain issues with respect to components and delivery delays with respect to one or a small number of components may affect our ability to assemble our products. Failure to manage inventory at optimal levels could adversely affect our business, financial condition, and results of operations. We are required to manage a large volume of inventory effectively for our business. We depend on our forecasts for the anticipated demand for our products to make procurement plans and manage our inventory. Our forecast for demand, however, may not accurately reflect the actual market demands, which depends on a number of factors including, without limitation, launches of new products, changes in product life cycles and pricing, product defects, changes in user spending patterns, supplier back orders and other supplier-related issues, distributors' and retailers' procurement plans, as well as the volatile economic environment in the markets where we sell our products. We do not have long-term contracts with some of our distributors, which makes the demands for our products from distributors unstable and unpredictable. In addition, when we launch a new product with new components or raw material, it may be difficult to establish relationships, determine appropriate raw material and product selection, and accurately forecast market demand for such product. We cannot assure you that we will be able to maintain proper inventory levels for our business at all times, and any such failure may have a material and adverse effect on our business, financial condition and results of operations. Inventory levels in excess of distributor demand with respect to tobacco products and customer demand with respect to cannabis products may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. As we plan to continue expanding our product offerings, we expect to include more products in our inventory, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition. Conversely, if we underestimate distributor demand, or if our supplier fails to provide products to us in a timely manner, we may experience inventory shortages, which may, in turn, require us to purchase our products at higher costs, result in unfulfilled user orders, leading to a negative impact on our financial condition and our relationships with distributors. Additionally, the distributors largely determine the inventory levels of the retail outlets they operate or to whom they sell, based on their estimation, and such inventory levels might not correspond to actual market demands and could lead to under-stocking or over-stocking in the retail outlets. We cannot assure you that there will not be under-stocking or over-stocking in these stores which would materially impact the results of our operations and our working capital. Under-stocking can lead to missed sales opportunities, while over-stocking could result in inventory depreciation and decreased shelf space for stocks that are in higher demands. These results could adversely affect our business, financial condition and results of operations. One customer accounts for a significant portion of our sales. Although we have more than 150 distributors, our largest distributor, who is a non-exclusive distributor for the United Kingdom and France, accounted for approximately 38-32.6-4 % and 32-30.4-0 % of our revenue for the years ended June 30, 2022 and 2023 and 2024, respectively. On January 1, 2021, we signed a distributorship agreement with this distributor in our standard form, which does not provide any special terms or prices. No other customer accounted for 10 % or more of our revenue during either year or nine-month period. The loss of **this distributor or a significant reduction in our sales to** this distributor could have a material adverse effect upon our business. See "Business – Sales and Distribution."

Economic factors beyond our control, and changes in the global economic environment, including fluctuations in inflation and currency exchange rates, could result in lower revenues, higher costs and decreased margins and earnings A majority of our products are manufactured and sold outside of the United States which creates exposure to the volatility of global economic conditions, including fluctuations in inflation and foreign currency exchange rates. Central banks deploy various strategies to combat inflation, including increasing interest rates, which impact our borrowing costs. Government shutdowns or the risk of government shutdowns, as well as the impact or expected impact of elections, both in the United States and in other countries around the world, may also increase volatility. Additionally, there has been, and may continue to be, volatility in currency exchange rates that impact the U. S. Dollar value relative to other international currencies. Our business may be international revenues and expenses generally are derived from sales and operations in foreign countries, and these revenues and expenses are affected by inflation-currency fluctuations. Although

~~inflation has not~~ **Currency exchange rate fluctuations could also disrupt the business of the independent manufacturers that produce our products by making their purchases of raw materials more expensive and more difficult to finance. Foreign currency fluctuations have adversely** ~~affected our business and could continue to have an adverse effect on or our~~ ~~the results of our operations through the years ended June 30, 2022 and~~ **financial condition** ~~2023, in view of the global inflationary trends, we may incur increased costs of manufacture and delivery which we may not be able to pass on to our customers as a result of competitive pressure which would impact the results of our operations.~~ We face competition from companies in the vaping industry as well as other sources of nicotine and cannabis, and we may fail to compete effectively. Vaping products for both ~~tobacco~~ **nicotine** and cannabis compete with tobacco and marijuana cigarettes and a wide range of other tobacco and legal and illegal cannabis products. The vaping industry worldwide is intensely competitive. Some of our current and potential competitors have greater financial, marketing, ordering quantities, portfolios of products and intellectual properties and other resources and some, such as JUUL Labs, Inc., which is the major seller of vaping nicotine products, and British American Tobacco Plc, another major producer of vaping nicotine products, are better known and have greater resources than we do. Certain competitors may be able to secure raw materials and products from suppliers and manufacturers on more favorable terms, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies, and devote substantially more resources to product development and technology. Increased competition may adversely affect our results of operations, market share and brand recognition, or force us to incur losses. There can be no assurance that we will be able to successfully compete against current and future competitors, and competitive pressures may have a material adverse effect on our business, prospects, financial condition and results of operations. The cannabis vaping market is in the early stages and at present is mainly limited to the United States, although there is a developing market in Canada and a potential market in Europe. Our ability to be successful in this market is dependent upon our ability to develop vaping systems that attracts and retains consumer interest and the regulatory environment in the United States. Our cannabis vaping products compete with other forms of legal and illegal cannabis, marijuana cigarettes, CBD oil and other CBD products, food products and other vaping products. Since most of our revenue from cannabis is derived from sales to other brands rather than sales to distributors and consumers, we compete based on our technology and ability to work with the customers to develop a product that they can successfully market. Misconduct, including illegal, fraudulent or collusive activities, by our employees, distributors, retailers, suppliers and manufacturers, may harm our brand and reputation and adversely affect our business and results of operations. Misconduct, including illegal, fraudulent or collusive activities, unauthorized business conduct and behavior, or misuse of corporate authorization by our employees, contractors, distributors, retailers, suppliers and manufacturers and other business relationships could subject us to liability and negative publicity. Our employees, distributors, retailers, suppliers and manufacturers may conduct fraudulent activities or violations of the Foreign Corrupt Practices Act, such as accepting payments from or making payments to other distribution channel participants or other third parties in order to bypass our internal system and to complete shadow transactions and / or transactions outside our official or authorized distribution channels, disclosing users' information to competitors or other third parties for personal gains, or applying for fake reimbursement. They may conduct activities in violation of unfair competition law, which may expose us to unfair competition allegations and risks. We cannot assure you that such incidents will not occur in the future. It is not always possible to identify and deter such misconduct, and the precautions we take to detect and prevent these activities may not be effective. Such misconduct could damage our brand and reputation, which could adversely affect our business and results of operations. We may become subject to governmental regulations and other legal obligations related to privacy, information security, and data protection, and any security breaches, and our actual or perceived failure to comply with our legal obligations could harm our brand and business. Most of our revenue is derived from sales to distributors for our ~~tobacco~~ **e-cigarette** products and other cannabis brands for our cannabis products, and we do not sell online. As a result, in the normal course of business we do not collect, store and process personal, transactional, statistical and behavioral data, including certain personal and other sensitive data from our users. To the extent that we market to the public and collect personal data, such as credit card information, we would face risks inherent in handling large volumes of data and in securing and protecting such data. In particular, we would face a number of data- related challenges related to our business operations, including: (i) protecting the data in and hosted on our system and cloud servers, including against attacks on our system and cloud servers by external parties or fraudulent behavior by our employees; (ii) addressing concerns related to privacy and sharing, safety, security and other factors; and (iii) complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data. We may be subject to liability if private information that we receive is not secure or if we violate privacy laws and regulations. We are or may become subject to a variety of laws and regulations in the United States and abroad regarding privacy, data security, cybersecurity and data protection. These laws and regulations are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly with respect to foreign laws. In particular, there are numerous United States federal, state, and local laws and regulations and foreign laws and regulations regarding privacy and the collection, sharing, use, processing, disclosure, and protection of personal information and other user data. Such laws and regulations often vary in scope, may be subject to differing interpretations, and may be inconsistent among different jurisdictions. To the extent that we deal with the public and obtain private information on our computer system including information on our system as a result of internet sales of our products, we would be subject to these laws. In June 2018, California adopted the California Consumer Privacy Act ("CCPA"), which became effective in 2020. Under the law, any California consumer has a right to demand to see all the information a company has saved on the consumer, as well as a full list of all the third parties that data is shared with. The consumer also has the right to request that we delete the information it has on the consumer. The CCPA broadly defines "protected data." The CCPA also has specific requirements for companies subject to the law. The CCPA provides for a private right of action for unauthorized access, theft or disclosure of personal information in

certain situations, with possible damage awards of \$ 100 to \$ 750 per consumer per incident, or actual damages, whichever is greater. The CCPA also permits class action lawsuits. To the extent that we sell products to consumers through our website or otherwise through the Internet, we may become subject to the CCPA and any other similar consumer protection laws. The European Union Parliament approved a new data protection regulation, known as the General Data Protection Regulation (“GDPR”), which came into effect in May 2018. The GDPR includes operational requirements for companies that receive or process personal data of residents of the European Economic Area. The GDPR imposes significant penalties for non-compliance. Although we do not conduct any business in the European Economic Area, in the event that residents of the European Economic Area access our website and input protected information, including information provided in ordering products through our website, we may become subject to provisions of the GDPR. We are also subject to laws..... cover any defense costs we may incur. Any significant cybersecurity incident or disruption of our information technology systems or those of third-party partners could materially damage user relationships and subject us to significant reputational, financial, legal and operation consequences. We depend on our information technology systems, as well as those of third parties, to develop new products and services, host and manage our services, store data and process transactions. Any material disruption or slowdown of our systems or those of third parties upon whom we depend could cause outages or delays in our services, particularly in the form of interruption of services delivered by our website, which could harm our brand and adversely affect our operating results. Our failure to implement adequate cybersecurity protections could subject us to claims for any breach of security, particularly if it results in disclosure of information relating to our customers. If changes in technology cause our information technology systems, or those of third parties whom we depend upon, to become obsolete, or if our or their information systems are inadequate to handle our growth, we could lose users, and our business and operating results could be adversely affected. Infringement of our intellectual property by any third party or loss of our intellectual property rights may materially and adversely affect our business, financial condition and results of operations. We, through our operating subsidiaries, either own or will own or license as an exclusive licensee patent, trademark, copyright and trade secret and other intellectual property, as well as confidentiality procedures and contractual provisions, to protect our intellectual property rights. We also enter into confidentiality agreements with our employees and any third parties who may access our proprietary information, and we control access to our proprietary technology and information. Intellectual property protection may not be sufficient. Confidentiality agreements may be breached by counterparties, we may not be able to enforce these agreements and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights, and, with respect to rights licensed to us, the licensor, which is a related party, may not be willing or able to enforce its intellectual property rights against alleged infringers. Policing any unauthorized use of our intellectual property, whether owned or licensed, is difficult, time-consuming and costly, and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation, and we cannot assure you that our licensor will take steps to sufficiently protect the licensed intellectual property. Furthermore, we or our licensor may be subject to the risks of losing our intellectual property rights or the intellectual property rights licensed from other third-parties due to several reasons. Certain intellectual property rights, such as patents, are subject to a limited period of time. Upon the expiry of such period of time, others may freely use such intellectual properties without any license or charges, which may impose competitive harm to us and in turn adversely affect our business and prospects. The intellectual property rights that we currently have may also be revoked, invalidated or deprived by regulatory authorities as a result of intellectual property claims or challenges successfully raised by third parties. We may also rely on certain intellectual property rights licensed from other third parties. There can be no guarantee that we will be able to maintain such licenses at all times or renew such licenses upon expiry. Moreover, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations. We may be subject to intellectual property infringement claims from third parties, which may be expensive to defend with no assurance of success and may disrupt our business and operations. We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. Through our operating subsidiaries, we are acquiring patent, trademark and other intellectual rights from Tuanfang Liu, Aspire Global and Shenzhen Yi Jia all of their intellectual property relating to the cannabis vaping products, and we are licensing patent, trademarks and other intellectual property rights relating to the tobacco vaping products from Mr. Liu, Aspire Global and Shenzhen Yi Jia. We may, and from time to time in the future be, subject to legal proceedings and claims relating to the intellectual property rights of others. There could also be existing patents or other intellectual property of which we are not aware that we may infringe. While we do not know of any intellectual property rights on which our products or our business infringe, we cannot assure you that holders of patents or other intellectual property rights purportedly relating to some aspect of our technology or business, would not seek to enforce such patents against us or the licensor of intellectual property licensed by us, including intellectual property licensed by Shenzhen Yi Jia, or that they will not be successful in any such enforcement action. If we fail to maintain our patents or if our licensor is not able to maintain its rights, we may be subject to intellectual property infringement claims from third parties. We and Shenzhen Yi Jia have patents and patent applications in a number of jurisdictions, including the United States and the European Union. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or damages or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management’s time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Although the intellectual property transfer agreement (the “Intellectual Property Transfer

Agreement”) dated September 30, 2022, among Mr. Liu, Aspire Global, Shenzhen Yi Jia, us and Aspire North America, and the exclusive license agreement (the “ Intellectual Property License Agreement ”) dated September 30, 2022, among Mr. Liu, Aspire Global, Shenzhen Yi Jia, us and Aspire Science, provide that Mr. Liu, Aspire Global and Shenzhen Yi Jia will indemnify us against any liability in the event that the transferred or licensed intellectual property infringes the intellectual property rights of a third party, we cannot assure you that we will be able to enforce such indemnification. Further, since Shenzhen Yi Jia and Mr. Liu are located in the PRC, we cannot assure you that we will be able to enforce any action or any judgment we may receive from a U. S. court in a Chinese court. As the patents we own or are licensed **to us** may expire and may not be extended, our patent applications may not be granted and our patent rights may be contested, circumvented, invalidated or limited in scope, our patent rights and license may not protect us. As of the date of this **annual Annual report Report**, our operating subsidiaries own or license more than 200 patents relating to various aspects of our operations. The rights granted under any issued patents, however, may not provide us with proprietary protection or competitive advantages. The claims under any patents that issue may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. It is also possible that the intellectual property rights of others will bar us from licensing. Numerous patents owned by others exist in the fields in which we have developed and are developing our technology. These patents and patent applications might have priority over our patent applications filed by our transferor or licensor and we or our licensor may not be able to enforce these rights. Finally, in addition to those who may claim priority, any of our existing patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable. Any failure in extending our existing patents, or if our patent rights were to be contested, circumvented, invalidated or limited in scope could materially and adversely affect our business, financial condition and results of operations. If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected. To accommodate our growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to continue to expand, train, manage and motivate our workforce and manage our relationships with customers and third- party suppliers. All of these endeavors involve risks and will require substantial management effort and significant additional expenditures. We may not be able to manage our growth or execute our strategies effectively, and any failure to do so may have a material adverse effect on our business and prospects. Our success depends on our ability to retain our core management team and other key personnel. Our performance depends on the continued service and performance of our directors and senior management as they play an important role in guiding the implementation of our business strategies and future plans. Our co- chief executive officer, Tuanfang Liu, is responsible primarily for our product development, since all of the patents we own or license are based on his inventions, and we anticipate that he will continue to be responsible for product development. Because of his knowledge of the market and the underlying technology for our products, the loss of Mr. Liu could have a material adverse effect on our business, financial condition and prospects. If any of our other members of senior management were to terminate his or her employment, there can be no assurance that we would be able to find suitable replacements in a timely manner, at acceptable cost or at all. The loss of services of key personnel or the inability to identify, hire, train and retain other qualified and managerial personnel in the future may materially and adversely affect our business, financial condition, results of operations and prospects. Additionally, in addition to our co- chief executive officer, we rely on our research and development personnel for product development and technology innovation. If any of our key research and development personnel were to leave us, we cannot assure you that we can secure equally competent research and development personnel in a timely manner, or at all. ~~If we are able to identify a location in Southeast Asia where we can establish manufacturing facilities, we would need to hire key personnel who have experience and operating manufacturing operations in Southeast Asia, and become familiar with all legal requirements affecting our business since each country in the region has its own legal requirements and business customs and our failure to comply with any such legal requirements and to operate in accordance with local practice could materially impair our business and the results of our operations.~~ Competition for highly skilled employees is intense, and we may not be able to attract and retain the highly skilled employees needed to support our business. As we continue to experience growth, we believe our success depends on the efforts and talents of our employees, including management team and financial personnel. Our future success depends on our continued ability to attract, develop, motivate and retain highly qualified and skilled employees. Competition for highly skilled personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Many of the companies with which we compete for experienced employees have greater resources than we do and may be able to offer more attractive terms of employment. In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and the quality of our services and our ability to serve customers could diminish, resulting in a material adverse effect on our business. Our business, financial condition and results of operations may be adversely affected by an economic downturn. In recent years, the United States and other markets have experienced cyclical or episodic downturns, and worldwide economic conditions remain uncertain, including, as a result of the COVID- 19 pandemic, supply chain disruptions, the Russian invasion of Ukraine, instability in the U. S. and global banking systems, rising fuel prices, increasing interest rates or foreign exchange rates and increased inflation and the possibility of a recession. A significant downturn in economic conditions may affect the market for our products and our supplier’ s ability to provide products to us on acceptable terms. We cannot predict the timing, strength, or duration of any future economic slowdown or any subsequent recovery generally, or in any industry. If the conditions in the general economy and the markets in which we operate worsen from present levels, our business, financial condition, operating results could be adversely affected. For example, in January 2023, the outstanding national debt of the U. S. government reached its statutory limit. The U. S. Department of the Treasury has announced that, since then, it has been using extraordinary measures to prevent the U. S. government’ s default on its payment

obligations, and to extend the time that the U. S. government has to raise its statutory debt limit or otherwise resolve its funding situation. The failure by Congress to raise the federal debt ceiling could have severe repercussions within the U. S. and to global credit and financial markets. If Congress does not raise the debt ceiling and if the U. S. government defaults on its payment obligations or experiences delays in making payments when due, such payment default or delay by the U. S. government, as well as continued uncertainty surrounding the U. S. debt ceiling or the U. S. Government's ability to pay debts, could result in a variety of adverse effects for financial markets, market participants and U. S. and global economic conditions. In addition, U. S. debt ceiling and budget deficit concerns have increased the possibility a downgrade in the credit rating of the U. S. government and could result in economic slowdowns or a recession in the United States. Although U. S. lawmakers have passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States as a result of disputes over the debt ceiling. The impact of a potential downgrade to the U. S. government's sovereign credit rating or its perceived creditworthiness could adversely affect economic conditions, as well as our business, financial condition and operating results. Our need to restate our unaudited financial statements **reflects reflected** a material weakness in our internal controls over financial reporting. During the preparation of our financial statements for the year ended June 30, 2023, we determined that we needed to restate our unaudited financial statements for the six months ended December 31, 2022 and the nine months ended March 31, 2023. In September 2022, certain intangible assets were transferred to us by a controlling stockholder. The value of the transferred assets was initially determined based on the fair value of the assets. Because the transfer was from a controlling stockholder, under GAAP, the transfer should have been recorded at the value on the books of the transferor and not at fair market value. In our unaudited condensed consolidated statements of changes in stockholders' equity, we reflected the transfer of the intangible assets at the fair value of \$ 74, 259, 915 rather than the carrying cost of nil. As a result of the restatement, our net loss for the six months ended December 31, 2022 decreased from \$ 2, 950, 921, or \$ 0. 06 per share (basic and diluted), to \$ 2, 178, 290, or \$ 0. 04 per share (basic and diluted) and our net loss for the nine months ended March 31, 2023 decreased from \$ 6, 057, 776, or \$ 0. 12 per share (basic and diluted), to \$ 4, 512, 513, or \$ 0. 09 per share (basic and diluted). The decrease in net loss reflects the reduced amortization of the intangible assets transferred from the controlling stockholder. On the March 31, 2023 balance sheet, (i) intangible assets decreased from \$ 74, 480, 651 to nil. (ii) capital contribution decreased from \$ 74, 259, 915 to nil and (iii) stockholders' equity decreased from \$ 79, 953, 608 to \$ 7, 238, 957. Similar changes affected our financial statements at December 31, 2022 and for the six months ended December 31, 2022. **During the preparation of our financial statements for the year ended June 30, 2024, we determined that we needed to restate our audited financial statements for the year ended June 30, 2023, as well as our unaudited financial statements as of and for the periods ended September 30, 2023, December 31, 2023, March 31, 2024. The restatement was to correct identified errors related to (i) the incorrect statement of cash flows presentation for right-of-use assets and lease liabilities (and related activity), (ii) the omitted disclosure of supplement non-cash activities related to the acquisition of right-of-use assets in exchange for operating lease liabilities, (iii) the incorrect statement of operations presentation of shipping and handling costs as sales and marketing expenses and not cost of revenue, and (iv) the incorrect calculation of right-of-use assets and lease liabilities at inception for the Company's operating leases, as well as the incorrect recognition of rent expense. As a result of the restatement, and as of June 30, 2023, the Company's total assets decreased from \$ 90, 693, 349 to \$ 90, 395, 744, total liabilities decreased from \$ 59, 318, 416 to \$ 58, 925, 834 and stockholders' equity increased from \$ 31, 374, 933 to \$ 31, 469, 910. For the year ended June 30, 2023, cost of revenue increased from \$ 94, 529, 769 to \$ 94, 828, 472, gross profit decreased from \$ 21, 075, 767 to \$ 20, 777, 064, total operating expenses decreased from \$ 25, 644, 901 to \$ 25, 251, 221, loss before income taxes decreased from \$ 4, 853, 300 to \$ 4, 758, 323, and net loss decreased from \$ 6, 098, 603 to \$ 6, 003, 626. For the year ended June 30, 2023, net cash used in operating activities increased from \$ 7, 581, 759 to \$ 8, 455, 798, net cash used in financing activities decreased from \$ 16, 443, 844 to \$ 15, 569, 805 and from a non-cash supplement disclosure standpoint, leased assets obtained in exchange for operating lease liabilities was recognized as \$ 4, 988, 032. Similar changes affected our unaudited financial statements for the periods noted above.** A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the issuing company's annual or interim financial statements will not be prevented or detected on a timely basis. Our need to restate our **financial statements for the periods noted above reflects certain material weaknesses in our internal control over financial reporting. We are taking steps to address these material weaknesses. The** unaudited financial statements at December 31, 2022 and for the six months ended December 31, 2022 and at March 31, 2023 and for the nine months ended March 31, 2023 **reflects a material weakness. We are taking steps to address this material weakness. The unaudited financial statements for the six months ended December 31, 2021** , were included in our final prospectus dated April 3, 2023 , relating to our initial public offering. We cannot assure you that a claim will not be made against us as a result of our failure to accurately reflect in accordance with GAAP the value of the intangible assets acquired from a controlling stockholder and the resulting restatement of our financial statements. As a result of our restatement of our unaudited financial statements as described in the preceding risk factor, our internal controls over financial reporting **are were** not effective, which could have a significant and adverse effect on our business and reputation. We are subject to the reporting requirements of the Securities Act, the Exchange Act, the Sarbanes- Oxley Act and the rules and regulations of Nasdaq. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems and resources. The Sarbanes- Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. **We Based upon our** need to restate our **unaudited** financial statements for the **year six months ended 2023 for identified errors related to (i) the incorrect statement of cash flows presentation for right-of-use assets and lease liabilities (and related activity), (ii) the omitted disclosure of supplement non-cash activities related to the acquisition of right-of-use assets in exchange for operating**

lease liabilities, (iii) the incorrect statement of operations presentation of shipping and handling costs as sales and marketing expenses and not cost of revenue, and (iv) the incorrect calculation of right- of- use assets and lease liabilities at inception for the Company’ s operating leases, as well as the incorrect recognition of rent expense. Similar restatement adjustments will be required for our financial statements for the quarters ended September 30, 2023, December 31, 2022 2023 and the nine months ended March 31, 2023-2024 . Based on above , we have determined that our disclosure controls and procedures were not effective as of June 30, 2023-2024 . On May 15 Subsequent to June 30, 2023-2024 , our previous chief financial officer completed his service with us and we appointed a new chief financial officer , James Patrick McCormick. We have and a vice president of finance and we are implementing implemented new controls in order that we can be confident that we maintain books are records such that we are able to generate financial statements that are prepared in accordance with GAAP. Any controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our internal controls may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could adversely affect our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal controls also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports that we will file with the SEC under Section 404 of the Sarbanes- Oxley Act when the company is subject to Section 404 (b) . Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended and anticipate that we will continue to expend significant resources, including accounting- related costs, and provide significant management oversight. Any failure to maintain the adequacy of our internal controls, or our consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially and adversely affect our ability to operate our business. In the event that our internal controls are perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and the price of our common Common stock Stock could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to maintain our listing on Nasdaq. Our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting until after we are no longer an emerging growth company or a non- accelerated filer. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our company’ s business and operating results. Although we believe that our business is not subject to PRC Laws, our business could be materially impaired if it is determined that our business is subject to PRC Laws. Based upon the nature of our existing business operations we do not believe, based on advice from PRC counsel, that we are subject to PRC Laws. There is no assurance that certain PRC Laws, including existing laws and regulations and those enacted or promulgated in the future, will not be applicable to our Hong Kong subsidiary due to change in the current political arrangements between mainland China and Hong Kong or other unforeseeable reasons. The application of such PRC Laws may have a material adverse impact on us, as relevant PRC authorities may impose fines and penalties upon our Hong Kong subsidiary, delay or restrict the repatriation of the proceeds from this offering into Hong Kong, and any failure of us to fully comply with such new regulatory requirements may significantly limit or completely hinder our ability to offer or continue to offer our common Common stock Stock , cause significant disruption to our business operations, and severely damage our reputation, which would materially and adversely affect our financial condition and results of operations and cause our Common Stock to significantly decline in value or in extreme cases, become worthless. We have limited insurance coverage, which could expose us to significant costs and business disruption. We are exposed to various risks associated with our business and operations, and we have limited liability insurance coverage and product liability insurance coverage, and Aspire Science does not have product liability insurance. A successful liability claim against us due to injuries or damages suffered by users of our product could materially and adversely affect our reputation, results of operations and financial conditions. Even if unsuccessful, such a claim could cause us adverse publicity, require substantial costs to defend, and divert the time and attention of our management. In addition, we do not have any business disruption insurance. Any business disruption event could result in substantial costs to us and a diversion of our resources. The occurrence of natural disasters may adversely affect our business, financial condition and results of operations. The occurrence of natural disasters, including hurricanes, floods, earthquakes, tornadoes, fires and other disasters disease may adversely affect our business, financial condition or results of operations. The potential impact of a natural disaster on our results of operations and financial position is speculative and would depend on numerous factors. The extent and severity of these natural disasters determines their effect on a given economy. We cannot assure you that natural disasters will not occur in the future or that our business, financial condition and results of operations will not be adversely affected . In particular, our factory in Malaysia may be at risk to certain natural disasters that could interrupt production or even cause a catastrophic loss of equipment and inventory. Further, our logistics and supply chain could be interrupted by hurricane or typhoon activity in Southeast Asia . Because we are a “ controlled company ” as defined in the Nasdaq Stock Market Rules, you may not have protection of certain corporate governance requirements which otherwise are required by Nasdaq’ s rules. Under Nasdaq’ s rules, a controlled company is a company of which more than 50 % of the voting power for the election of directors is held by an individual, group or another company. We are a controlled company because Mr. Tuanfang Liu, our co- chief executive officer, holds more than 50 % of our voting power. For so long as we remain a controlled company, we are not required to comply with the following permitted to elect to rely, and may rely, on certain exemptions from the obligation to comply with certain corporate governance requirements, including: ● our board of

directors is not required to be comprised of a majority of independent directors. • our board of directors is not subject to the compensation committee requirement; and • we are not subject to the requirements that director nominees be selected either by the independent directors or a nomination committee comprised solely of independent directors. We have not taken advantage of these exemptions except that our co- chief executive officer and principal stockholder, Tuanfang Liu, is chairman of the nominating and corporate governance committee. As a result, to the extent that we take advantage of these exemptions, you will not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements. Although we do not currently intend to take advantage of the controlled company exemptions, except as set forth above, we cannot assure you that, in the future, we will not seek to take advantage of these exemptions. If we cease to be a “ controlled company ” in the future, we will be required to comply with the Nasdaq listing standards, which may require replacing a number of our directors and will require development of certain other governance- related policies and practices. These and any other actions necessary to achieve compliance with such rules may increase our legal and administrative costs, will make some activities more difficult, time- consuming and costly and may also place additional strain on our personnel, systems and resources. You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against two of our directors, **Tuanfang Liu, our co- chief executive officer and chairman, and his wife Jiangyan Zhu, who are both based in China. Although we are a Delaware corporation, two of our directors,--** who are Tuanfang Liu, our co- chief executive officer **and his wife Jiangyan Zhu, chairman who are based in China based on foreign laws. Although we are a Delaware corporation, two of our directors,--** who are Tuanfang Liu, our co- chief executive officer, director and controlling stockholder, and his wife, Jiangyan Zhu, who is also a director – live in mainland China. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States. As a result, it may not be possible for investors to serve process upon our co- chief executive officer, or to enforce any judgments obtained from non- PRC jurisdictions against any of them in China. As a result, it may be difficult for you to effect service of process upon those persons inside mainland China. It may also be difficult for you to enforce judgments obtained in U. S. courts based on the civil liability provisions of the U. S. federal securities laws against us and our officers and directors who do not reside in the United States or have substantial assets located in the United States. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U. S. courts against such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against our directors and officers who are residents of China if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States. Our failure to collect accounts receivable from our customers may adversely affect the results of our operations. Our business relies on the collection of accounts receivable from our customers in a timely manner to maintain liquidity and support our ongoing operations. We recorded an allowance for **doubtful accounts credit losses** of approximately \$ **0-1. 5 million** for the year ended June 30, **2022-2023**, and approximately \$ **1-5 . 9** million for the year ended June 30, **2023-2024**. Our failure or inability to collect accounts receivable when due results from a number of factors, including (i) our customer’ s failure to pay as a result of adverse economic conditions affecting the customers; (ii) our failure to accurately assess the creditworthiness of our customers; (iii) our failure to implement effective collection efforts; and (iv) disputes over contract terms, product quality or delays in delivery. Although we may implement strategies to mitigate these risks, but there can be no assurance that such measures will be entirely effective, and we may continue to incur write- offs of accounts receivable, which may impair our ability to operate profitably. **Risks Related to Our Common Stock**—Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our **common Common stock Stock**. If we fail to satisfy the continued listing requirements of Nasdaq, such as the corporate governance requirements or the minimum closing bid price requirement, Nasdaq may take steps to delist our **common Common stock Stock**. Such a delisting would likely have a negative effect on the price of our **common Common stock Stock** and would impair your ability to sell or purchase our **common Common stock Stock** when you wish to do so. In the event of a delisting, we would take actions to restore our compliance with Nasdaq’ s listing requirements, but we can provide no assurance that any such action taken by us would allow our **common Common stock Stock** to become listed again, stabilize the market price or improve the liquidity of our **common Common stock Stock**, prevent our **common Common stock Stock** from dropping below the Nasdaq minimum bid price requirement or prevent future non- compliance with Nasdaq’ s listing requirements. If our shares are delisted from Nasdaq and become subject to the penny stock rules, it would become more difficult to trade our shares. The SEC has adopted rules that regulate broker- dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$ 5. 00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. If we do not obtain or retain a listing on Nasdaq and if the price of our **common Common stock Stock** is less than \$ 5. 00, our **common Common stock Stock** will be deemed a penny stock. The penny stock rules require a broker- dealer, before a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that before effecting any transaction in a penny stock not otherwise exempt from those rules, a broker- dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive (i) the purchaser’ s written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated

copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our ~~common~~ **Common stock** ~~Stock~~, and therefore stockholders may have difficulty selling their shares. The trading price of our ~~common~~ **Common stock** ~~Stock~~ may be volatile, which could result in substantial losses to investors. The trading price of our ~~common~~ **Common stock** ~~Stock~~ may be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors. The securities of some newly public companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial increase followed by a substantial decline in their trading prices. The trading performances of other vaping companies' securities after their offerings may affect the attitudes of investors toward vaping companies listed in the United States, which consequently may impact the trading performance of our ~~common~~ **Common stock** ~~Stock~~, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other vaping companies may also negatively affect the attitudes of investors towards us. In addition to the above factors, the price and trading volume of our ~~common~~ **Common stock** ~~Stock~~ may be highly volatile due to multiple factors, including the following: • regulatory developments affecting us, our customers, or our industry; • announcements of studies and reports relating to our service offerings or those of our competitors; • actual or anticipated fluctuations in our results of operations and changes or revisions of our expected results; • changes in financial estimates by securities research analysts; • announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures or capital commitments; • additions to or departures of our senior management; • detrimental negative publicity about us, our management or our industry; • release or expiry of lock- up or other transfer restrictions on our outstanding ~~common~~ **Common stock** ~~Stock~~; and • sales or perceived potential sales of additional ~~common~~ **Common stock** ~~Stock~~. As an "emerging growth company" under the Jumpstart Our Business Startups Act, or JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. As an "emerging growth company" under the JOBS Act, we are permitted to rely and rely on exemptions from certain disclosure requirements. We are an emerging growth company until the earliest of: • the last day of the fiscal year during which we have total annual gross revenues of \$ 1. 235 billion or more; • the last day of the fiscal year following the fifth anniversary of our initial public offering, which was on April 3, 2023; • the date on which we have, during the previous three- year period, issued more than \$ 1 billion in non- convertible debt; or • the date on which we are deemed a "large accelerated filer" as defined under the federal securities laws. For so long as we remain an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to 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 for up to five fiscal years after the date of this our initial public offering. We cannot predict if investors will find our ~~common~~ **Common stock** ~~Stock~~ less attractive because we may rely on these exemptions. If some investors find our ~~common~~ **Common stock** ~~Stock~~ less attractive as a result, there may be a less active trading market for our ~~common~~ **Common stock** ~~Stock~~ and the trading price of our ~~common~~ **Common stock** ~~Stock~~ may be more volatile. In addition, our costs of operating as a public company may increase when we cease to be an emerging growth company. If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ~~common~~ **Common stock** ~~Stock~~ and trading volume could decline. The trading market for our ~~common~~ **Common stock** ~~Stock~~ depends in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover us downgrade our ~~common~~ **Common stock** ~~Stock~~ or publish inaccurate or unfavorable research about our business, the market price for our ~~common~~ **Common stock** ~~Stock~~ would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ~~common~~ **Common stock** ~~Stock~~ to decline. Our by- laws include forum selection provisions which may limit your ability to commence an action against us. Our by- laws provide that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim for breach of a fiduciary duty owed by any of our directors, officers, employees, or agents to us or our stockholders; (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation, or our by- laws; or (iv) any action asserting a claim governed by the internal affairs doctrine; in each case, subject to said court having personal jurisdiction over the indispensable parties named as defendants therein. Our by- laws also provide that unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint for the resolution of any complaint for which such courts have exclusive jurisdiction, including, but not limited to, any complaint asserting a cause of action arising under the Securities Exchange Act. Our by- laws also provide that the exclusive forum provisions do not apply to actions arising under the Securities Act. There is uncertainty as to whether a court would enforce these provisions, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. 41