

Risk Factors Comparison 2025-03-26 to 2024-04-15 Form: 10-K

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

Any investment in our securities involves a high degree of risk. You should carefully consider the risks described below, which we believe represent certain of the material risks to our business, together with the information contained elsewhere in this Report, before you decide to invest in our shares of common stock. Please note that the risks highlighted here are not the only ones that we may face. For example, additional risks presently unknown to us or that we currently consider immaterial or unlikely to occur could also impair our operations. If any of the following events occur or any additional risks presently unknown to us actually occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline and you could lose all or part of your investment.

Summary of Significant Risks Affecting Our Company

Our significant risks may be summarized as follows:

- We have a limited operating history on which to judge our performance and assess our prospects for future success.
- ~~Resources devoted to product innovation may not yield new products that achieve commercial success.~~
- We rely on independent dealers and distributors to manage the retail distribution of many of our products.
- We rely on third parties to manufacture many of the products we sell.
- The majority of the products we purchase are manufactured by in China and their operations are subject to risks associated with business operations in China. Any disruption of these manufacturers to supply us with appropriately priced products on a timely basis could have a material adverse effect on our business.
- Our management team has no experience operating a company with publicly traded shares.
- Economic conditions that impact consumer spending may have a material adverse effect on our business, and our partners' business.
- We currently maintain all our cash and cash equivalents with three financial institutions.
- We face intense competition in all product lines, including from some competitors that have greater financial and marketing resources.
- Any decline in the social acceptability of our products or any increased restrictions on the access or the use of the Company's products in certain locations could materially adversely affect our business, results operations, or financial condition.
- Our future expansion plans are subject to uncertainties and risks, and distribution centers we intend to open may not result in increased sales or efficiencies.
- Our limited investment in R & D of new products may adversely affect our ability to enhance existing products and develop and market new products.
- The inability of our dealers and distributors to secure adequate access to capital could materially adversely affect our business.
- We depend upon the successful management of inventory levels, both ours and that of our dealers
- There is no assurance there will not be disruptions to trade between China and the United States.
- We may not be able to successfully maintain our strategy of relying upon offshore manufacturers.
- Supply problems, termination or interruption of supply arrangements or increases in the cost of products could have a material adverse effect on our business.
- The high cost of delivering our recreational **Pontoon boats** ~~Boats~~ may limit the geographic market for these products.
- Higher fuel costs can materially adversely affect our business.
- Changes in the credit markets could decrease the ability of consumers to purchase our products and have a material adverse effect on our business.
- We may require additional capital which may not be available.
- Our business depends on the continued contributions made by Mr. Shan, our founder, Chairman and Chief Executive Officer.
- Our business depends on the efforts of our management, and our business may be severely disrupted if we lose their services.
- If we fail to develop and protect our brand names and reputation, we may not attract and retain new distributors and dealers, or customers.
- We may be unable to protect our intellectual property or may incur substantial costs as a result of litigation or other proceedings relating to our intellectual property.
- Significant product repair and / or replacement due to product warranty claims or product recalls could have a material adverse impact on our business.
- The failure of our IT systems or a security breach involving consumer or employee personal data could have a materially adverse effect on our business.
- Retail sales of our new products may be materially adversely affected by declining prices for used versions of our products or the supply of new products by competitors in excess of demand.
- We are subject to laws, rules and regulations regarding product safety, health, environmental and noise pollution, and other issues.
- If product liability lawsuits are brought against us, we may incur substantial liabilities.
- Our insurance may not be sufficient.
- We have been in the past, and may be, in the future subject to several litigation proceedings relating to defective products that have caused property damage, physical injury, and death.
- Our business requires us to pay licensing fees for each state that we operate in. We may not be able to justify the cost of compliance in a particular state or locality thus necessitating that we allow our license to expire.
- We have not made use of confidentiality agreements in the past and, although we intend to rely on such agreements in future dealings with suppliers, employees, consultants, and other parties, the prior lack or the breach of such agreements could adversely affect our business and results of operations.
- Our business could be materially harmed by epidemics, pandemics, **or such as COVID-19** ~~and~~ other public health emergencies.
- ~~Natural disasters, unusually adverse weather, pandemic outbreaks~~, boycotts, and geo-political events could materially adversely affect our business.
- Our ability, or lack thereof, to attract, recruit, and maintain talented sales representatives may adversely affect our business and our plans to expand our market.
- Our ability, or lack thereof, to establish strategic partnerships and expand our distribution channels may adversely affect our business and our plans.
- Policies of the United States granting farmers incentives may cease.
- There is no existing market for our securities, and we do not know if one will develop.
- The market price of our common stock is likely to be highly volatile, and you could lose all or part of your investment.
- We have no current plans to pay cash dividends on our common stock for the foreseeable future.
- Our founder and principal shareholder have substantial influence over our Company.
- We will incur significant increased costs as a result of operating as a public company and will be required to devote substantial time to compliance initiatives.
- Changes to estimates related to our property, fixtures and equipment or operating results that are lower than our current estimates may cause us to incur impairment charges on certain long-lived assets, which may

adversely affect our results of operations. ● As an “ emerging growth company ” under applicable law, we are subject to lessened disclosure requirements, which could leave our stockholders with less information or fewer rights available to stockholders of more mature companies. ● If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or our market, or if they change their recommendations regarding our common stock adversely, the price of our common stock and trading volume could decline. ● Anti- takeover provisions in our Articles of Incorporation and Bylaws and Nevada law could discourage, delay, or prevent a change in control of our company and may affect the trading price of our common stock. ● Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes- Oxley Act could have a material adverse effect on our business and stock price. ● Our Bylaws provide that the Second Judicial District Court of Washoe County of the State of Nevada is the sole and exclusive forum for certain stockholder litigation matters.

Risks Relating to Our Business, Strategy, and Industry We have a limited operating history on which to judge our performance and assess our prospects for future success. In 2017, we entered the market and began distributing recreational vehicles, including UTVs and ATVs. In 2020, we began to distribute pontoon and tritoon boats and, more recently, we began to distribute accessories. Consequently, we have a limited operating history on which to evaluate our prospects and those of our products. We may fail to continue our growth. You should not consider our historical growth and expansion of our business as indicative of our ability to grow in the future. Economic conditions that impact consumer spending may have a material adverse effect on our business, results of operations or financial condition. Our products compete with a variety of other recreational products and activities for consumers’ discretionary income and leisure time. Our results of operations are therefore sensitive to changes in overall economic conditions, primarily in North America, that impact consumer spending and particularly discretionary spending. Weakening of, and fluctuations in, economic conditions affecting disposable consumer income such as personal income levels, the availability of consumer credit, employment levels, consumer confidence, business conditions, changes in housing market conditions, capital markets, tax rates, savings rates, interest rates, fuel and energy costs, as well as the impacts of natural disasters, extreme weather conditions, acts of terrorism or other similar events could reduce consumer spending generally or discretionary spending in particular. Such reductions could materially adversely affect our business, results of operations or financial condition. ~~Worldwide economic conditions continue to be challenging as economics recover from the effects of the COVID-19 global pandemic.~~ Demand for our products ~~is~~ **is** has been significantly influenced by weak economic conditions and increased market volatility worldwide. Any deterioration in general economic conditions that ~~further~~ **further** diminishes consumer confidence or discretionary income may ~~further~~ **further** reduce our sales and materially adversely affect our business, results of operations or financial condition. ~~We cannot predict the timing or strength of economic recovery, either worldwide or in the specific markets where we compete.~~ We currently maintain all our cash and cash equivalents with three financial institutions, and, therefore, our cash and cash equivalents could be adversely affected if the financial institutions in which we hold our cash and cash equivalents fails. We currently maintain all our cash and cash equivalents with three financial institutions. At the current time, our cash balance with such financial institutions is in excess of the Federal Deposit Insurance Corporation insurance (“ FDIC Insurance ”) limit and, therefore, we may not be able to recover a substantial portion of these cash and cash equivalents, in the event of the failure of any such financial institutions. ~~We~~ **We** ~~As a result of the recent inability of certain businesses with accounts at Silicon Valley Bank to gain access to their deposits and the greater focus on the concerns of potential failures of other financial institutions in the future, we are currently diversifying our investments by transferring cash not required for immediate use into short- term treasury bills and also considering transferring a portion of our cash and cash equivalents to other financial institutions in order to reduce the risks associated with maintaining all of our cash and cash equivalents at three financial institutions.~~ ~~Additionally, we~~ are working with our current financial institutions to increase the amount of funds held there that are insured by FDIC Insurance. Notwithstanding these efforts, the failure of one or more of the financial institutions in which our cash and cash equivalents are held, the resulting inability for us to obtain the return of our funds from any of those financial institutions, or any other adverse condition suffered by any of those financial institutions, could impact access to our invested cash or cash equivalents and could adversely impact our operating liquidity and financial performance. We face intense competition in all product lines, including from some competitors that have greater financial and marketing resources. Failure to compete effectively against competitors could materially adversely impact our business, results of operations or financial condition. The Powersports Vehicles and Boats Industry is highly competitive. Competition in such markets is based upon several factors, including price, quality, reliability, styling, product features and warranties. At the dealer level, competition is based on several factors including sales and marketing support programs (such as financing joint advertising programs and cooperative advertising). Certain of our competitors are more diversified and have financial and marketing resources which are substantially greater than ours, which allow these competitors to invest more heavily in intellectual property, product development, and sales and marketing support. If we are not able to compete with new products, product features or models comparable to or superior to those of our competitors, or attract new dealers, our business, results of operations or financial condition could be materially adversely affected. We are subject to competitive pricing. Such pricing pressure may limit our ability to maintain prices or to increase prices for our products in response to raw material, component and other cost increases and so negatively affect our profit margins. Any decline in the social acceptability of our products or any increased restrictions on the access or the use of the Company’ s products in certain locations could materially adversely affect our business, results operations, or financial condition. Demand for our products depends in part on their social acceptability. Public concerns about the environmental impact of our products or their perceived safety could result in diminished social acceptance. Circumstances outside the Company’ s control, such as social actions to reduce the use of fossil fuels, could also negatively impact consumers’ perceptions of our products. Any decline in the social acceptability of our products could negatively impact their sales or lead to changes in laws, rules and regulations that prevent their access to certain locations, including trails and lakes, or restrict their use or manner of use in certain areas or during certain times. Additionally, while we have implemented various initiatives to address these risks, including the improvement of the environmental footprint

and safety of our products, there can be no assurance that the perceptions of customers will not change. Consumers' attitudes towards our products and the activities in which they are used also affect demand. Any failure to maintain the social acceptability of our products could impact our ability to retain existing customers and attract new ones which, in turn, could have a material adverse effect on our business, results of operations or financial condition. Our future expansion plans are subject to uncertainties and risks, and distribution centers we intend to open may not result in sufficient increased sales of our products or the anticipated efficiencies. We intend to seek to expand our operations by opening additional distribution centers in the United States and distributing new products. Our management will devote substantial time and resources to equipping and opening our new distribution centers which may distract them from our current business. We must also devote substantial time and resources any time we introduce a new product. There is no assurance that any new product we introduce will be successful and that we will recoup the amounts expended to introduce such product to our customers and distributors. If our new distribution centers are not operated efficiently or new products we introduce do not gain consumer acceptance, our business, financial condition, results of operations and growth prospects may be materially and adversely affected. **As we intend to use a portion of the proceeds date of our IPO to this report we have open opened five** new distribution centers in California, **Georgia, New Jersey, Texas,** and the Southeast of the United States **Illinois through our partnership with Armlogi**.

Opening these facilities should reduce the costs of delivering our products, particularly our UTVs and ATVs, to dealers, distributors, and customers, and should increase our ability to sharply respond to the needs of our customers for spare parts and equipment. However, there is no assurance that opening these facilities will increase our sales and will not have an adverse impact on our business, financial condition, or results of operations. Our limited investment in R & D of new products may adversely affect our ability to enhance existing products and develop and market new products that respond to customer needs and preferences and achieve market acceptance. We continually review consumer demand for our products and canvass our suppliers and distributors regarding products we might distribute. We, however, devote limited amounts to researching consumer demand and developing new product lines. Thus, we may not be able to compete effectively with those of our competitors that continually seek to develop new products and innovations to enhance consumer appeal. Product development requires significant financial, technological, and other resources and without significant investment in product development, there can be no assurance that we will be able to successfully compete in the marketplace. The new products of our competitors may beat our products to market, be more effective with more features and be less expensive than our products, thus obtaining better market acceptance or rendering our products obsolete. Any new products that our suppliers develop may not receive market acceptance or otherwise generate any meaningful sales or profits for us. Our suppliers may choose not to maintain or increase the level of their investments in manufacturing capacity and product R & D or to fund advertising, marketing, promotional programs necessary to enhance the customer appeal of their products or their manufacturing efficiencies. The sales of new products generally decline over the products' life cycle, with sales being higher early in the life cycle of the new products and decreasing over time as the new products age. We cannot predict the length of the life cycle for any new products we choose to distribute. Any failure by us and our suppliers to enhance existing products and develop and market new products that respond to customer needs and preferences and achieve market acceptance could have a material adverse effect on our business, results of operations or financial condition. Even if we can successfully introduce enhanced existing products and new products in collaboration with suppliers, there is no guarantee that the markets for these products will progress as anticipated. If any of the markets in which our products compete do not develop as expected, our business, results of operations or financial condition could be materially adversely affected. ~~Resources devoted to product innovation may not yield new products that achieve commercial success. Our ability to develop new and innovative products or identify and acquire new and innovative products from third-party manufacturers, depends on, among other factors, our ability to understand evolving market trends and translate our insights into identifying, and then designing and manufacturing or otherwise obtaining, commercially successful new products. If we are unable to do so, our relationships with our distributors and dealers and product sales could be harmed significantly. The recreation industry is characterized by rapid and frequent changes in demand for products. Our failure to accurately predict these trends could harm our relationships and cause us to fail to increase our revenues.~~ We rely on independent dealers and distributors to manage the retail distribution of many of our products. We depend on the capability of independent dealers and distributors to develop and implement effective retail sales plans to create demand among retail purchasers for many of our products. If these independent dealers and distributors are not successful in these endeavors, we will be unable to maintain or increase our sales. Independent dealers and distributors may experience difficulty in funding their day-to-day cash flow needs and paying their obligations resulting from adverse business conditions, including weakened consumer spending or tightened credit. Inability to fund operations can force dealers and distributors to cease business, and we may not be able to obtain alternate distribution in the vacated market, which could negatively impact our sales through reduced market presence or inadequate market coverage. If a dealer or distributor defaults under any floorplan financing arrangements, we may be required to repurchase such dealer's or distributor's inventory. See "The inability of dealers and distributors to secure adequate access to capital could materially adversely affect our business, results of operations or financial condition." In some cases, we may seek to terminate relationships with certain dealers or distributors, leading to a reduction in the number of dealers or distributors which carry our products. Being forced to liquidate a former dealer's or distributor's inventory of our products could add downward pressure on such products' prices. Further, the unplanned loss of any independent dealers or distributors may create negative impressions of us or our products with retail customers and have a material adverse impact on our ability to collect wholesale receivables that are associated with that dealer or distributor. Also, if our dealer and distributor base were to consolidate, competition for the business of fewer dealers and distributors would intensify. If we do not provide product offerings at prices that meet the needs of dealers and distributors, or if we lose a substantial amount of our dealer and distributor base, our business, results of operations or financial condition could be materially adversely affected. Additionally, if we are unable to optimize or expand our dealer network in North America, part of our growth strategy will be negatively impacted,

which could have a material adverse effect on our business, results of operations or financial condition. We sell a majority of our products through distribution and dealer agreements. In general, distributors that are party to such agreements are contractually obligated to offer our products on an exclusive basis. In contrast, the dealers through which we sell our products also carry competing products. Occasionally, we may rely on dealers to service and repair our products. There can be no assurance that dealers will provide high quality repair services to our customers. If dealers fail to provide quality service to our customers, our brand identity and reputation may be damaged, which could have a material adverse effect on our business, results of operations or financial condition. The inability of our dealers and distributors to secure adequate access to capital could materially adversely affect our business, results of operations or financial condition. Our dealers and distributors require adequate liquidity to finance their operations and to purchase our products. Dealers and distributors are subject to numerous risks and uncertainties that could unfavorably affect their liquidity, including, among other things, continued access to adequate financing on a timely basis and on reasonable terms. We currently have agreements in place with two financing companies to provide inventory financing to dealers and distributors to facilitate their purchase of our products. These sources of financing are instrumental in our ability to sell products through our distribution network, as a significant percentage of our sales are done under such arrangements. Our business, results of operations or financial condition could be materially adversely affected if a decline in financing availability to its dealers and distributors occurs, or if financing terms change unfavorably. This could require us to find alternative sources of financing, including providing this financing directly to dealers and distributors, which could require additional capital to fund the associated receivables. We depend on dealers, suppliers, financing sources and other strategic partners who may be sensitive to economic conditions that could affect their businesses, results of operations or financial condition in a manner that materially adversely affects their relationship with us. We distribute products through numerous dealers and distributors. Therefore, we rely on third- party providers for the warehousing and distribution of our products and for IT services. Also, we have relationships with a limited number of sources of product financing for dealers and consumers. Therefore, our business, results of operations or financial condition could be materially adversely affected if a deterioration of economic or business conditions results in a weakening of the financial condition of a material number of our dealers and distributors, suppliers, or financing sources or if uncertainty about the economy or the demand for our products causes these business partners to voluntarily or involuntarily reduce or terminate their relationship with us. We depend upon the successful management of inventory levels, both ours and that of our dealers, and any failure to successfully manage inventory levels could have a material adverse effect on our business, results of operations or financial condition. We must maintain sufficient inventory levels to operate our business successfully. However, we must also guard against accumulating excess inventory as we seek to minimize out- of- stock levels across all product categories and to maintain appropriate in- stock levels. The nature of certain of our product lines, including our ATV, UTV, and recreational Pontoon boat Boat product lines, requires us to purchase or manufacture products well in advance of the time they will be offered for sale. As a result, we may experience difficulty in responding to a changing retail environment, which may lead to excess inventory or to inventory shortages if supply does not meet demand. In addition, sales for many product lines are managed through long- term purchase commitments. We plan our inventory levels on an annual basis including planning for the introduction of new products based on anticipated demand, as determined by our market assessment based in part on communications with our dealers and other customers. If we do not accurately anticipate future demand for a particular product or the time it will take to obtain new inventory, our inventory levels will not be appropriate and our results of operations may be negatively impacted, either through lost sales or through lower gross profit margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels. Any failure by us to maintain appropriate inventory levels could have a material adverse effect on our business, results of operations or financial condition. Additionally, we must work with our dealers and distributors to ensure that they maintain appropriate inventory levels. If our dealers and distributors maintain insufficient inventory, it could result in lost sales. If they place additional orders for our products as sales materialize, we and our suppliers might be unable to respond rapidly to these demands resulting in lost sales. Conversely, if our dealers and distributors have excess inventory levels, it could result in lower gross profit margins due to demands on us to offer greater than anticipated discounts and markdowns. Thus, any failure by our dealers to maintain appropriate inventory levels could materially adversely affect our business, results of operations or financial condition. We rely on third parties to manufacture many of the products we sell. We depend on third party suppliers to manufacture many of the products we sell, in particular, ATVs and UTVs, as opposed to our recreational Pontoon boats Boats which we manufacture in our Dallas facility. Approximately, 58-67% of our purchases in the fiscal year ended December 31, 2022-2023 and 63-74% of our purchases in the fiscal year ended December 31, 2023-2024 were made from two suppliers, and, as of both December 31, 2023 and December 31, 2022-2024, one our largest supplier accounted for more than 30-41% and 33% of the Company's total accounts payable respectively. Competition for the output of these suppliers is intense. If these independent suppliers were unwilling or unable to supply us with products at prices which enable us to maintain our gross margins, it would materially adversely affect our business, results of operations or financial condition. Although we are looking to broaden our supplier base and to reduce our dependence upon a limited number of suppliers, there is no assurance we will be able to do so and increasing the number of suppliers from which we purchase products may increase our costs. We rely on freights to ship the products that we purchase from our suppliers based in China to our facility in Dallas, Texas and as such, we may face risks related to overseas freights cost fluctuation. We have supply agreements with approximately 12-15 suppliers, one 2 of which are based in the U. S. and 11, 1 of which are based in Taiwan, and 12 of which are based in China. Approximately 68-79% of the products we purchased in the fiscal year ended December 31, 2023-2024, based on cost, were purchased from three suppliers in China of which 54-48% was purchased from a single supplier located in Shanghai, China. Approximately 66% of the products we purchased in 2022, based on cost, were purchased from three suppliers in China of which 45% was purchased from a single supplier located in Shanghai, China. Due to the supply chain crisis in the years 2021 and 2022, the cost of our oversea freights increased significantly to double or even triple what it had been in the years 2020 and 2019. To offset

these price increases, we increased the selling prices for the majority of our products. Since 2023, the cost of overseas freights has decreased substantially, though it still exceeds the cost prior to the supply chain crises. Although we are looking to broaden our supplier base outside of China to reduce our dependence upon Chinese- based suppliers in general, there is no assurance we will be able to broaden our supplier base outside of China or that we will be able to raise our prices to offset increased freight cost in the future. The majority of the products we purchase are manufactured by suppliers in China and their operations are subject to risks associated with business operations in China. Any disruption in the ability of these manufacturers to supply us with appropriately priced products on a timely basis could have a material adverse effect on our business, results of operations or financial condition. We have supply agreements with approximately ~~12-15~~ suppliers, ~~one-2~~ of which are based in the U. S. and ~~11, 1~~ of which are based in **Taiwan, and 12 of which are based in** China. Approximately ~~68-79~~ % of the products we purchased in the fiscal year ended December 31, ~~2023-2024~~, based on cost, were purchased from three suppliers in China of which ~~54~~ **48 % was purchased from a single supplier located in Shanghai, China. Approximately 66 % of the products we purchased in the fiscal year ended December 31, 2022, based on cost, were purchased from three suppliers in China of which 45 % was purchased from a single supplier located in Shanghai, China.** Although we are looking to broaden our supplier base outside of China to reduce our dependence upon Chinese based suppliers in general, there is no assurance we will be able to broaden our supplier base outside of China. The Chinese government may intervene or influence the operations of any business located in China or the industry in which a business operates at any time, which could result in a material change to the operations of any or all our suppliers based in China. For example, the Chinese government recently published new policies that significantly affected certain industries such as the education and internet industries, and we cannot rule out the possibility that it will release regulations or policies that could adversely affect the business, financial condition, and results of operations of our Chinese suppliers. China has been subject to political instability and dramatic changes in economic policies. The Chinese economy is in a transition from a planned economy to a market- oriented economy subject to five- year and annual plans adopted by the central government that set national economic development goals. Policies of the Chinese government can have significant effects on the economic conditions of China. The Chinese government has confirmed that economic development will follow the model of a market economy. Under this direction, we believe that China will continue to strengthen its economic and trading relationships with foreign countries and business development in China will follow market forces. While we believe that this trend will continue, we cannot assure you that this will be the case. Changes in policies, regulations, rules, and the enforcement of laws by the Chinese government, may produce quick shifts in policy with little advance notice that could adversely affect our interests by interfering with the operations of our Chinese based suppliers. Although the Chinese government has been pursuing economic reform policies for more than two decades, we cannot assure you that the government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption, or other circumstances affecting China’ s political, economic, and social environment. As a majority of our products are manufactured by suppliers in China, and the Company only registers its patents in the U. S., our products may be subject to scrutiny during manufacturing in China. Our patents applied to our products manufactured in China are only registered in the U. S., and we are not sure whether there are any similar technologies that are registered patents in China by other companies. Based on the relevant PRC laws, it is legal to build and assemble certain products within the territory of China without due registration of the intellectual property rights, as long as the products will not be disseminated in Chinese market. However, our products are manufactured by our suppliers in China, and we may not be able to efficiently regulate them not to apply our technologies on other products they manufactured. Therefore, there is a risk that our suppliers may be found in infringement of other companies’ intellectual property rights and therefore, their business operations may be halted, which in turn affect our normal supplying system. We have suppliers based in Taiwan and the imports that we receive from Taiwan may be subject to certain risks of economic and policy changes in China that could adversely affect our business operations. We also import our products from Taiwan. The sovereignty of Taiwan is a longstanding point of contention between China and the United States. The United States maintains unofficial relations with Taiwan, while also recognizing the “ One China ” policy of China, which acknowledges Beijing as the legitimate government of China. Both China and the United States have engaged in military posturing around the Taiwan Strait. This increases the risk of accidental clashes or misunderstandings that could escalate into conflict, which will affect both our China- mainland- based and Taiwan- based suppliers. Our major supplier is a state- owned entity in China. During ~~2022 and-2023~~ **and 2024**, we purchased a majority of our products from Linhai Powersports, which is a state- owned entity (“ SOE ”) in China. A SOE is a legal entity that is established by the Chinese government to participate in commercial activities on the government’ s behalf. As a SOE, Linhai Powersports is subject to the authority, direction, and mandates of the Chinese government, which may be influenced to a significant degree by the political, economic, and social conditions in China. The Chinese government continues to play a significant role in regulating industries within China by imposing industrial policies, providing subsidies, and heavily regulating or prohibiting unwanted activities. There is no assurance the Chinese government will not interfere with the operations of Linhai Powersports or any of our other suppliers. In addition, the Chinese government has implemented certain measures, including interest rate adjustments, to control the pace of economic growth in China. These measures, or other economic, political, or social developments in China may affect our China- based suppliers, which may adversely affect our business and operating results. There is no assurance there will not be disruptions to trade between China and the United States **The U. S.- China trade relationship has become increasingly strained, leading to substantial tariff increases and other trade- related actions that further impact our business. In 2019 the recent past, the U. S. governments of the United States and China have each imposed a 15 % tariffs- tariff on Chinese imports, later reduced to 7. 5 % in 2020. However, the temporary exclusion for certain products expired in September 2020, and taken- tariffs have since risen. Most recently, in February 2025, other- the actions U. S. introduced a 10 % tariff on all imported goods from China, which doubled to 20 % in March 2025. While we continue exploring ways to mitigate this impact, including potential pricing adjustments, it remains uncertain whether we can pass these costs on to**

customers or if higher prices will negatively affect sales. Beyond tariffs, both governments have implemented additional measures that have disrupted had an adverse impact on trade between, increased costs, and created uncertainty in supply chains. These actions may limit the availability of certain products from China, further restricting our ability to acquire necessary components at competitive prices. There is no assurance that either of these -- the U. S. or Chinese governments will not take similar actions impose additional tariffs or other restrictive measures in the future which . Further trade barriers could disrupt our supply chain, increase costs, and limit the number of products we may acquire from suppliers based in China or our increase ability to source components at competitive prices. If we are unable to offset the these rising cost costs through operational efficiencies of such products. Any such action could limit our or sales or decrease pricing strategies, our margins , which and overall financial performance may be adversely affect affected .

Ongoing trade tensions and regulatory changes continue to create uncertainty, posing a risk to our business and operating operations results and profitability . We may not be able to successfully maintain our strategy of relying upon offshore manufacturers. We continually aim to lower operational costs, increase operational efficiencies and lower costs of acquiring inventory. We believe that reliance upon flexible offshore low- cost product manufacturers mainly based in China is a key element to enable improvements in our ability to respond to customers in a cost- effective manner. Our success in implementing this strategic plan is dependent on the involvement of management, production employees, suppliers, and the stability of China economically and politically. Any inability to achieve this priority could materially adversely impact our business, results of operations or financial condition by disrupting our ability to deliver appropriately priced products to customers at the right time. Any disruption to anticipated levels of productivity and operational efficiencies in the operations of the manufacturers from which we purchase products could have a material adverse impact on our business, results of operations or financial condition. Supply problems, termination or interruption of supply arrangements or increases in the cost of products could have a material adverse effect on our business, results of operations or financial condition. Because we rely upon overseas manufacturers for many of our products, we are particularly susceptible to disruptions in our supply chain. We cannot be certain that we will not experience supply problems, such as the untimely delivery of, or defects or variations in, completed products or parts or components of our products. We obtain a portion of our products from either a sole supplier or a limited number of suppliers, mostly based in China. If these supply arrangements were terminated or interrupted for any reason, we could have difficulty establishing substitute supply arrangements on a timely basis or on satisfactory terms. For example, due to the city lockdown in China where most of our suppliers are, our stock supply was disrupted from May to July 2022. Our ability to re- supply our inventory resumed in August 2022, but we estimate that we lost about \$ 1. 5 million of sales as a result of this supply disruption. Problems with our supplies or supply arrangements could have a material adverse effect on our business, results of operations or financial condition. This situation could be further aggravated if we are overly dependent on a few key suppliers. Moreover, our profitability could be affected by significant fluctuations in the prices of the raw materials, parts, and components that our suppliers purchase to manufacture products. While our business has been impacted by rising inflation, our management does not believe that it has had a material negative impact on our business and results of operations. In recent years, our China- based suppliers have increased the cost of their products as a result of inflation. However, these increases have thus far been offset by the exchange rate fluctuation of the Chinese RMB, which has resulted in there being no material change to our costs. We may not be able to pass along price increases in raw materials, parts, or components to customers. As a result, an increase in the cost of the raw materials, parts, and components our suppliers use in the manufacture of our products could reduce our profitability and have a material adverse effect on our business, results of operations or financial condition. The high cost of delivering our recreational Pontoon boats Boats may limit the geographic market for these products. The cost of delivering a Pontoon Boat is substantial relative to its purchase price. Consequently, many purchasers of our pontoons-- Pontoon Boats arrange to pick up their boats at our facility in Dallas and it may be difficult to sell to reach customers located at substantial distances from our facilities. This may limit our ability to increase sales of our pontoons-- Pontoon Boats without opening new manufacturing facilities. Higher fuel costs can materially adversely affect our business, results of operations or financial condition. Higher fuel costs increase the transportation cost both of acquiring our inventory and shipping products to customers. Increases in energy costs can also adversely affect the pricing and availability of petroleum based raw materials. There is no guarantee that we will be able to pass such higher costs to customers, and so an increase in such costs could have a material adverse effect on our business, results of operations or financial condition. Also, higher fuel costs, whether petroleum based or electric, increase the cost of owning and operating many of our products, which can reduce demand for them and so materially adversely affect our business, results of operations or financial condition. Changes in the credit markets could decrease the ability of consumers to purchase our products and have a material adverse effect on our business, results of operations or financial condition. Changes in economic conditions could result in a deterioration or increased volatility in the credit and lending markets, which could adversely impact the consumers who purchase our products and rely upon financing for such purchases. If financing is not available to consumers or dealers on satisfactory terms, it is possible that our business, results of operations or financial condition could be materially adversely affected. In addition, concerns regarding the debt ceiling of the United States and budget deficit resulting in the downgrade of the United States government' s credit rating and the impact of additional credit agency downgrades could have a material adverse effect on worldwide economic conditions, the financial markets, and the availability of credit and, consequently, have a material adverse effect on our business, results of operations or financial condition. We may require additional capital which may not be available. We will require significant expenditures to fund future growth. We intend to fund our growth out of the proceeds of our IPO and internal sources of liquidity or through additional financing from external sources. Our ability to obtain external financing in the future at a reasonable cost is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows and the condition of the global and domestic financial markets. If we require additional funds and cannot obtain them on acceptable terms when required or at all, we may be unable to fulfill our working capital needs, upgrade our existing facilities or expand our business and may have to

reduce the level of our operations. These factors may also prevent us from entering into transactions that would otherwise benefit our business or implementing our future strategies. Any debt financing that we undertake may be expensive and might impose covenants that restrict our operations and strategic initiatives, including limitations on our ability to incur liens or additional debt, pay dividends, repurchase our capital stock, make investments and engage in mergers, consolidations, and asset sale transactions. Equity financing may be on terms that are dilutive or potentially dilutive to our shareholders, and the prices at which new investors would be willing to purchase our equity securities may be lower than the trading prices of such equities. If new sources of financing are required, but are unattractive, insufficient, or unavailable, then we could be required to modify our business plans or growth strategy which could have a material adverse effect on our business, results of operations or financial condition. Our business depends on the continued contributions made by Mr. David Shan, our founder, Chairman and Chief Executive Officer. The loss of his services may result in a severe impediment to our business. Our success is dependent upon the continued contributions made by our founder, Chairman and Chief Executive Officer, Mr. David Shan. If Mr. Shan cannot serve the Company or is no longer willing to do so, the Company may not be able to find alternatives in a timely manner or at all. This would likely result in severe damage to our business operations and would have an adverse material impact on our financial position and operational results. Our business depends on the efforts of our management, and our business may be severely disrupted if we lose their services. In addition to Mr. Shan, we currently depend on the continued services and performance of key members of our management team. Many of our senior executives have extensive experience in our industries and with our business, products, distributors and dealers, and the markets for our products. The loss of the technical knowledge, management expertise and knowledge of our operations possessed by one or more members of the core management team could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any senior executive who leaves us and would need to spend time usually reserved for managing our business to search for, hire and train new members of management. The loss of some or all our senior executives could negatively affect our ability to develop and pursue our business strategy, which could materially adversely affect our business, results of operations or financial condition. We do not maintain “ Key Employee ” insurance on any members of our management team. In addition, our success depends to a large extent upon our ability to retain skilled employees at rates which enable us to maintain our margins. There is intense competition for qualified and skilled employees, and our failure to recruit, train and retain such employees at appropriate rates of compensation, if at all, could have a material adverse effect on our business, results of operations or financial condition. Our management team has no experience operating a company with publicly traded shares. Mr. David Shan, our founder and principal shareholder, relocated to the United States from China in 1995. Mr. Shan and the members of our senior management team have never operated a company with shares traded in the public markets and consequently, ~~is are~~ not familiar with many of the requirements applicable to a public company with shares listed on Nasdaq. Our management and other personnel ~~will~~ need to devote a substantial amount of time to ensure compliance with these requirements and we ~~often anticipate that we may~~ need to rely upon outside advisors, counsel, and consultants to ensure compliance with applicable laws and regulations and undertaking various actions, such as implementing new internal controls and procedures. ~~We anticipate that compliance~~ **Compliance** with these rules and regulations ~~will have~~ **increase increased** our legal, accounting, and financial compliance costs substantially. If we fail to develop and protect our brand names and reputation, we may not attract and retain new distributors and dealers, or customers, which could adversely affect our revenues and financial performance. We ~~will~~ invest significant resources to promote our brand names to obtain favorable recognition for us and our products among the public and, in particular, prospective distributors and dealers. We may not be able to attract and retain a robust network of distributors and dealers or a significant customer base, which could in turn adversely affect our business, results of operations or financial condition. Our ability to adequately protect our trade names, trademarks and patents could have an impact on our brand images, reputation, and ability to penetrate new markets. We believe that our trade names and trademarks and patents are important assets and an essential element of our strategy. We have applied for the registration of many of our trade names, trademarks, and patents in the United States. Some of these applications have been granted and some of these registrations are currently pending approval from the corresponding departments. There can be no assurance that we will obtain such registrations or that the registrations we obtain will prevent the imitation of our products or infringement of our intellectual property rights by others. Our failure to successfully protect our trademarks could diminish the value and effectiveness of our past and future marketing efforts and could cause customer confusion. This could in turn adversely affect our revenues, profitability, and the market price of our common stock. We may be unable to protect our intellectual property or may incur substantial costs because of litigation or other proceedings relating to the protection of our intellectual property. Our success depends in part on our ability to protect our patents, trademarks, copyrights, trade secrets, and other intellectual property from unauthorized use by others. If substantial unauthorized use of our intellectual property rights occurs, we may incur significant costs in enforcing such rights by prosecuting actions for infringement, particularly considering that policing unauthorized use of our intellectual property may be particularly difficult outside North America. Such unauthorized use could also result in diversion of management resources devoting attention to these matters at the expense of other tasks related to our business. Others may also initiate litigation to challenge the validity of our intellectual property, or allege that we are infringing their intellectual property. If our competitors initiate litigation to challenge the validity of our intellectual property, or allege that we infringe theirs, we may incur substantial costs to defend our rights. If the outcome of any such litigation is unfavorable, our business, results of operations or financial condition could be materially adversely affected. We cannot be sure that any patents we have obtained or may obtain, or other protections such as confidentiality and trade secrets, will be adequate to prevent imitation of our products and technology by others. If we are unable to protect our technology through the enforcement of our intellectual property, our ability to compete based on technological advantages may be harmed. If we fail to prevent substantial unauthorized use of our intellectual property, we risk the loss of certain competitive advantages, which could have a material adverse effect on our business, results of operations or financial condition. Some of our competitors have significantly more resources to direct toward developing and

patenting new technologies. It is possible that our competitors will develop patent equivalent or superior engine technologies and other products that compete with our products. They may assert these patents against us and we may be required to license these patents on unfavorable terms or cease using the technology covered by these patents, either of which could harm our competitive position and may materially adversely affect our business, results of operation or financial condition. Significant product repair and / or replacement due to product warranty claims or product recalls could have a material adverse impact on our business, results of operations or financial condition. We provide a limited warranty against defects for all our products for a period generally varying from 30 days to one year. We also provide a limited emissions warranty for certain emissions- related parts in its products as required by the United States Environmental Protection Agency. Although we employ quality control procedures, sometimes a product is distributed that needs repair or replacement, or that needs to be recalled. Our standard warranties require dealers to repair or replace defective products during such warranty periods at no cost to the consumer. We record provisions in our financial statements based on an estimate of product warranty claims, but there is the possibility that actual claims may exceed these provisions and therefore negatively impact earnings. We could make major product recalls or could be held liable should our products not meet safety standards or statutory requirements on product safety or consumer protection. In addition, the risks of a product recall may be aggravated if production volumes increase significantly, supplied products do not meet our standards, or we fail to perform our risk analysis systematically or product- related decisions are not fully documented. Historically, product recalls have been administered through our dealers and distributors. The repair and replacement costs that we could incur in connection with a recall could have a material adverse effect on our business, results of operations or financial condition. Product recalls could also harm our reputation and cause us to lose customers, particularly if recalls cause consumers to question the safety or reliability of our Company' s products, which could have a material adverse effect on our business, results of operations or financial condition. The failure of our IT systems or a security breach involving consumer or employee personal data could have a materially adverse effect on our reputation and business, results of operations or financial condition. Our business operations utilize a variety of cloud- based IT systems. We are dependent on these systems for all commercial transactions, dealership and distributorship interactions, and supply chain and inventory management. Although (i) have established a firewall for our network, (ii) conduct regular system updates and employee trainings, (iii) regularly backup our data and (iv) have established appropriate contingency plans to mitigate the risks associated with a failure of our IT systems or a security breach, if one of our key IT systems were to suffer a failure or security breach this could have a material adverse effect on our business, results of operations or financial condition. Further, we rely on third parties for certain IT services. If an IT service provider were to fail or the relationship with us were to end, we might be unable to find a suitable replacement in a timely manner, and our business, results of operations or financial condition could be materially adversely affected. We continually modify and enhance our IT systems and technologies to increase productivity and efficiency. As new systems and technologies are implemented, we could experience unanticipated difficulties resulting in unexpected costs and adverse impacts to our manufacturing and other business processes. When implemented, the systems and technologies may not provide the benefits anticipated and could add costs and complications to ongoing operations, which may have a material adverse effect on our business, results of operations or financial condition. We and our dealers and distributors receive and store personal information in connection with human resources operations, credit operations, warranty management, marketing efforts and other aspects of our businesses. Additionally, we exchange information with numerous trading partners across all aspects of our operations. Any security breach of our IT systems or those of our dealers, distributors and trading partners could result in disruptions to our operations or erroneous transactions. To the extent that such a breach results in a loss or damage to our data, or an inappropriate disclosure of confidential or personal information, it could cause significant damage to our reputation, affect our relationships with our customers, lead to claims against us and ultimately materially adversely affect our business, results of operations or financial condition. As of the date of this Report, we have not experienced a material cyber security incident. Retail sales of our new products may be materially adversely affected by declining prices for used versions of our products or the supply of new products by competitors in excess of demand. We have observed that when prices for used versions of our products have declined, it has had the effect of reducing demand among retail purchasers for new versions of our products (at or near manufacturer' s suggested retail prices). Also, while we take steps designed to balance production volumes for our products with demand, our competitors could choose to supply new products to the market in excess of demand at reduced prices which could also reduce demand for new versions of our products. Reduced demand for new versions of our products could lead to reduced sales, which could materially adversely affect our business, results of operations or financial condition. Our results of operations fluctuate from quarter to quarter and from year to year as they are affected, among other things, by the seasonal nature of some of our product lines. Our results of operations experience substantial fluctuations from quarter to quarter and year to year. A portion of our sales revenue generated from Massimo Marine has seasonable sales pattern. For the fiscal years ended December 31, **2024 and 2023** and ~~2022~~, our revenue generated from the Massimo Marine made up approximately **3.4 % and 10.2 %** and ~~9.8 %~~ of our total revenue, respectively. In general, retail sales of our products are highest in their particular season of use and in the immediately preceding period. For example, retail sales for ATVs and **Pontoon boats Boats** will be highest in winter and spring. Revenues in the first half of the fiscal year have generally been lower than those in the second half. However, the mix of product sales may vary considerably from time to time as a result of changes in seasonal and geographic demand, the introduction of new products and models and production scheduling for particular types of products. Any negative economic conditions that occur during the months of traditionally higher sales of a given product could have a disproportionate effect on our results of operations for the entire fiscal year. In addition, our dealers and distributors may modify orders, change delivery schedules, or change the mix of products ordered. We may also make strategic decisions to deliver and invoice products at certain dates to lower costs or improve supply chain efficiencies or may be forced to do so because of supply chain issues or disruption. As a result, our results of operations are likely to fluctuate significantly from period to period such that any historical results should not be considered indicative of the results to be expected for any future period. In addition, we

incur significant additional expenses in the periods leading up to the introduction of new products which may also result in fluctuations in our results of operations. Our annual and quarterly gross profit margins are also sensitive to a number of factors, many of which are beyond our control, including shifts in product sales mix, geographic sales trends, and currency exchange rate fluctuations, all of which we expect will continue. This seasonality in revenues, expenses and margins, along with other factors that are beyond our control, including general economic conditions, changes in consumer preferences, weather conditions, tariffs, free-trade arrangements, geopolitical uncertainty, the cost or availability of raw materials or labor, discretionary spending habits and currency exchange rate fluctuations, could materially adversely affect our business, results of operations or financial condition. We are subject to laws, rules and regulations regarding product safety, health, environmental and noise pollution and other issues that could cause us to incur fines or penalties or increase our operating costs. We are subject to federal, provincial, state local, and municipal laws, rules and regulations in Canada and the United States regarding product safety, health, environmental and noise pollution and other issues that could cause us to incur fines or penalties or increase our operating costs, all of which could have a material adverse effect on our business, results of operations or financial condition. A failure to comply with, or compliance with, any such requirements or any new requirements could result in increased expenses to modify our products, or harm to our reputation, which could have a material adverse effect on our business, results of operations or financial condition. Certain jurisdictions require or are considering requiring a license to operate certain of our products. While such licensing requirements are not expected to be unduly restrictive, they may deter potential customers, thereby reducing sales. Our products are also subject to laws, rules and regulations imposing environmental, noise emission, zoning and permitting restrictions, which laws, rules and regulations are subject to change and may limit the locations where our products may be sold or used or restrict their use during certain times or on certain conditions. ~~Since the beginning of the COVID-19 pandemic, we have had to adapt health and safety measures throughout our facilities to comply with changing local regulations in connection with the COVID-19 health crisis, resulting in incremental costs.~~ Additional costs and investments might be required in the future if new regulations or restrictions are put in place. Climate change is receiving increasing attention worldwide. A ~~perceived~~ consensus among scientists, legislators and others regarding the impact of increased levels of greenhouse gases, including carbon dioxide, on climate change has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. Greenhouse gas regulations could require us to purchase allowances to offset our emissions or result in an overall increase in costs of raw materials or operating expenses, any of which could reduce competitiveness in a global economy or otherwise have a material adverse effect on our business, results of operations or financial condition. Many of our suppliers face similar circumstances. Moreover, we and our suppliers may face greater regulatory or customer pressure to offer products that generate less emissions. This may require the expenditure of significant funds on R & D implementation and subject us to the risk that our competitors may respond to these pressures in a manner that gives them a competitive advantage. The development of such products may also present challenges in maintaining the look, sound and feel of our products. While additional regulations of emissions in the future appear likely, it is too early to predict whether such regulation could ultimately have a material adverse effect on the our business, results of operations or financial condition. If product liability lawsuits are brought against us, we may incur substantial liabilities. We face a risk of lawsuits alleging product liability claims. We may be sued if any of our products allegedly causes injury or are found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in: ● decreased demand for products that we offer for sale; ● injury to our reputation; ● costs to defend the related litigation; ● a diversion of management's time and resources; ● substantial monetary awards to trial participants or customers; and ● product recalls, withdrawals or labeling, marketing or promotional restrictions. We currently maintain product liability insurance. However, there is no guarantee that that such insurance will remain affordable or be sufficient. If we are unable to retain sufficient product liability insurance coverage, it could prevent or inhibit the commercialization of products we intend to market. Even if we maintain product liability insurance in the future, we may have to pay amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. ~~Our insurance may not be sufficient. We carry insurance that we consider adequate in regard to the nature of the covered risks and the costs of coverage. We are not fully insured against all possible risks, nor are all such risks insurable. We may be forced to cover the costs of certain realized risks which may have a material adverse effect on our business, results of operations or financial condition. An adverse determination in any significant product liability claim could materially adversely affect our business, results of operations or financial condition.~~ The development, manufacture, sale and use of our products exposes us to significant risks associated with product liability claims. If our products are defective or used incorrectly by consumers, it may result in bodily injury, property damage or other injury, including death, which could give rise to product liability claims against us. Changes to our suppliers' manufacturing processes and the production of new products could result in product quality issues, thereby increasing the risk of litigation and potential liability. Further, we have limited control over the design, manufacture, and assembly, processes because these are undertaken by our suppliers. Any losses that we may suffer from any liability claims and the effect that any product liability litigation may have upon the brand image, reputation and marketability of our products could have a material adverse impact on our business, results of operations or financial condition. We have **two material** ~~three (3)~~ pending litigation cases as of **April 12, 2024** ~~the date of this report~~. No assurance can be given that our historical claims record will not change, that material product liability claims will not be made in the future against us, or that claims will not arise in the future in excess of our indemnities and insurance coverage. Our records provision for known potential liabilities, but there is the possibility that actual losses may exceed these provisions and therefore negatively

impact earnings. Also, we may not be able in the future to adequately insure our product liability and warranty risk or the cost of doing so may be prohibitive. Adverse determinations of material product liability claims made against us could also harm our reputation and cause us to lose customers and could have a material adverse effect on our business, results of operations or financial condition. **Our insurance may not be sufficient. We carry insurance that we consider adequate in regard to the nature of the covered risks and the costs of coverage. We are not fully insured against all possible risks, nor are all such risks insurable. We may be forced to cover the costs of certain realized risks which may have a material adverse effect on our business, results of operations or financial condition.** We have been in the past and may be in the future subject to several litigation proceedings relating to defective products that have caused property damage, physical injury and death. These proceedings may negatively affect our reputation, hurt the perception of our products being safe and subject us to damages. From 2017 to ~~2023~~ **2024**, we have been subject to **two material pending** ~~over fifty (50)~~ litigation proceedings relating to: accidental fires, defective steering mechanisms, faulty batteries and braking systems, bad engines and other issues of product design and / or manufacturing defect. Some of these proceedings were filed pursuant to the plaintiffs experiencing death, injury or property damage. While we have been able to settle the vast majority of these claims, there remains a possibility that these past claims may adversely affect the future ability to sell our products. Distributors, dealers and customers may perceive our products to be unsafe or poorly built and may refuse to carry them in stores or purchase them for personal use. We may be subject to similar litigation proceedings in the future which may result in additional damages and a poor reputation among our distributors, dealers and customers. This could have a material adverse effect on our business, results of operations or financial condition. See “ An adverse determination in any significant product liability claim could materially adversely affect our business, results of operations or financial condition. ” We have been in the past and may be in the future subject to regulatory inquiries with respect to the safety of our products and compliance with business regulations. These inquiries may negatively affect our reputation, hurt the perception of our products being safe and subject us to costly penalties. We are subject to a variety of federal, state and local laws which regulate our business. These laws include consumer safety protection laws, laws regulating the registration and licensing of motor vehicles, state lemon laws, the Uniform Commercial Code, the Magnuson- Moss Warranty Act and other such laws regulating the motorsports vehicle industry. In the past we have been subject to regulatory inquiries from institutions such as the Missouri Office of the State Attorney General, the California Air Resources Board, the Pennsylvania State Board of Vehicle Manufacturers, Dealers and Salespersons and the U. S. Consumer Product Protection Commission. On at least one occasion, we have received punitive action by the U. S. Consumer Product Protection Commission in the form of a Stop Sale order. The order required us to halt the sale of our Electric Balance Bike due to issues concerning excessive lead content and the lack of a child safety certificate. Stop Sale orders may adversely affect our ability to sell popular products and may cause us to have a poor reputation with the retailers, distributors and dealerships that may carry our products. If such past or future inquiries were to become publicized, it could negatively affect consumers’ perception of our brand and may lead to a significant decrease in sales. Any failure to adhere to the regulations and laws of federal, state and local institutions may result in costly fines, loss of license to do business in a particular jurisdiction and other severe penalties. These penalties could have a material adverse effect on our business, results of operations or financial condition. The burden of compliance with such regulations and laws may come at significant time and expense and despite our best efforts to comply, we may still be subject to regulatory inquiry and sanction. Our business requires us to pay licensing fees for each state that we operate in. We may not be able to justify the cost of compliance in a particular state or locality thus necessitating that we allow our license to expire. This may have a materially adverse effect on our business, results of operations or financial condition. Each state within the United States maintains its own licensing regime with respect to vehicular sales. The applicable fees and compliance rules may prove too costly for us and senior management may choose to permit our license- to- do- business in certain states to expire. We may make such a decision based on the costs outweighing the benefits, although our judgment may prove incorrect, and we may forfeit the possibility of significant profit by withdrawing from a certain state. Poor decision-making with respect to allowing certain licenses to expire or to maintaining them indefinitely may have a materially adverse effect on our business, results of operations or financial condition. We have not made use of confidentiality agreements in the past and, although we intend to rely on such agreements in future dealings with our suppliers, employees, consultants, and other parties, the prior lack or the breach of such agreements could adversely affect our business and results of operations. In the past, we have not made use of confidentiality agreements with our employees, customers, consultants and other parties to protect proprietary information or trade secrets. We intend to rely on such confidentiality agreements on a go- forward basis. Current and former employees not covered under confidentiality agreements may divulge our proprietary information or trade secrets. The release of such proprietary information or trade secrets could adversely affect our business and results of operations. Additionally, for individuals covered by future confidentiality agreements, there can be no assurance that these agreements will not be breached, that we would have adequate remedies for any such breach or that our proprietary information or trade secrets will not otherwise become known to or independently developed by competitors. To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to our proposed projects, disputes may arise as to the proprietary rights to such information that may not be resolved in our favor. We may be involved from time to time in litigation to determine the enforceability, scope and validity of our proprietary rights. Any such litigation could result in substantial cost and diversion of effort by our management and technical personnel at the expense of other tasks related to our business. Unionization activities may disrupt our operations and increase our costs. Although none of our employees are currently covered under collective bargaining agreements, our employees or that of our suppliers, distributors or retailers may elect to be represented by labor unions in the future. If a significant number of our employees or that of our suppliers, distributors or retailers were to become unionized and collective bargaining agreement terms were significantly different from our or our suppliers’, distributors’ or retailers’ current compensation arrangements, it could have a material adverse effect on our business, financial condition and results of operations. In addition, a labor dispute involving some or all

our or that of our suppliers, distributors, retailers or employees may harm our reputation, disrupt our operations and reduce our revenues, and resolution of disputes could increase our costs. Further, if we enter into a new market with unionized construction companies, or the construction companies in our current markets become unionized, construction and build-out costs for new restaurants in such markets could materially increase. Our business could be materially harmed by epidemics, pandemics such as the COVID-19 pandemic, and or any other outbreaks and public health emergencies. In March 2020, the World Health Organization announced that infections caused by COVID-19 had become a pandemic. Economies throughout the world, such as civil unrest and acts of terrorism, upheavals in U. S.-China relations, or similar disruptions could materially adversely affect our business, results of operations or financial condition. Material adverse effects from diseases could result in numerous known and currently unknown ways including those of the United States and China, were severely disrupted by the effects of the pandemic and the quarantines, stay at home orders, business closures and the reluctance of individuals to leave their homes resulting from the outbreak of the COVID-19 Pandemic. These lockdowns and any accompanying travel restrictions adversely impacted many industries in China and disrupted the supply chains on which we and other the businesses relied upon. We temporarily closed our offices and production facilities abilities partially in March 2020, as required by relevant local authorities. Our offices reopened in April 2020 upon approval from the local governments. Due to the extended lock-down and self-quarantine policies in Dallas, Texas, we experienced a business disruption during the lock-down period from early March to June 2020, and have since been picking up slowly after China reopened businesses nationwide. From July 2020, due to the effective containment of COVID-19 in the United States, we resumed our full operation. Then due to ship the city lockdown in China where most of our suppliers are, our stock supply was disrupted from May to July 2022. Our ability to re-supply our inventory resumed in August 2022. We estimate that we lost about \$ 1. 5 million of sales as a result of this supply disruption. We cannot forecast with any certainty the extent to which our business or the manufacturers on which we rely for products may be negatively impacted by an increase in cases as a result of the spread of a new COVID-19 variant or a new pandemic and restrictions imposed by governments or voluntarily undertaken in response to any such event. Any such disruption may materially impact our business, results of operations or financial condition. These events could result in physical damage to one or more of our properties or the properties of our suppliers and distributors, increases in fuel or other energy prices, temporary or permanent closure of one or more of our facilities or the facilities of our suppliers and distributors, temporary lack of an adequate workforce in a market, temporary or long-term disruption in the supply of raw materials, product parts and components, temporary disruption in transport to and from overseas, especially China, and disruption to our information systems, and, ultimately, have a material adverse impact on our business, results of operations or financial condition. Furthermore, even after an outbreak has subsided, we may experience impacts to our business as a result of the global economic impact of the outbreak, including any economic downturn or recession or other long-term effects that have occurred or may occur to us, our customers and vendors in the future. Natural disasters, unusually adverse weather,..... materially adversely affect the financial markets. The price of our common stock may decline significantly if such an event were to occur, in which case you may lose your investment. Our ability, or lack thereof, to attract, recruit, and maintain talented sales representatives may adversely affect our business and our plans to expand our market. We have a team of sales representatives which works with our dealers and distributors and to coordinate sales and distribution of our products through their channels. To execute our expansion into new markets, it is important to attract, employ, and maintain talented sales representatives. Even if we attract new talented sales representatives, there is no guarantee that we can maintain the talented individuals. Our inability to maintain a roster of talented sales representatives may adversely affect our business and planned expansion into new markets. Our ability, or lack thereof, to establish strategic partnerships and expand our distribution channels regionally and nationally may adversely affect our business and our plans to expand our market. We rely on our local and regional sales representatives to assist us with establishing strategic partnerships with dealers and distributors located in new geographic areas. A critical component of our expansion plan is our sales representatives' ability to successfully establish new strategic partnerships in the Northeast, West, Southeast, and Midwest of the United States. Even if we establish new strategic partnerships, there is no guarantee that we can maintain successful relationships with the new dealers and distributors or that our partners will yield additional revenue and profits based on sales. U. S. policies granting farmers incentives may cease and farmers represent a large percentage of our revenue. In fiscal year ended December 31, 2024 and 2023 and 2022, approximately 30-60% and 25-40% of our consumers were farmers, respectively. As a supplier to farmers, we are aware that farmers rely on U. S. governmental programs to fund the purchase of supplies from us and operate their business. For example, the U. S. Department of Agriculture (" USDA ") has a variety of grants and subsidies. The USDA offers farming producers and agricultural businesses funding through its Pandemic Assistance for Producers initiative. The USDA' s program, The Food Safety Certification for Specialty Crops program provides up to \$ 200 million in assistance for specialty crop producers who incur eligible on-farm food safety program expenses to obtain or renew a food safety certification in calendar years 2022 or 2023 or 2024 . In addition to USDA, various other regulatory entities at the federal and state level offer grants and subsidies, which some of our consumers rely on to purchase our products. Most government incentives contain terms. Once the term of the program expires, there is no guarantee that the program will be extended. If the United States' policies granting farmers incentives are not available to our farming consumers, then we may lose consumers and this would adversely affect our business. Risks Relating to Our Securities An active trading market for our common stock may not develop or be sustained. Prior to the commencement of trading of our common stock on April-- Apr 2-1, 2024, no public market for our common stock existed. Although our common stock is listed on Nasdaq, an active trading market for our common stock may not develop, or if developed, be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair value of your shares. Further, an inactive market may also impair our ability to raise capital by

selling shares of our common stock may impair our ability to enter into strategic partnerships or acquire companies or products by using our shares of common stock as consideration. Massimo Group is a holding company. We, Massimo is Group, are a holding company and our only significant assets are the membership interest and capital stock of our subsidiaries. As a result, we are subject to the risks attributable to our subsidiaries. As a holding company, we conduct substantially all of our business through its subsidiaries, which generate substantially all of our revenues. Consequently, our cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of our subsidiaries and the distribution of those earnings to us. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of that subsidiary before any assets are made available for distribution to us. The market price of our common stock is likely to be highly volatile, and you could lose all or part of your investment. The trading price of our common stock is likely to be volatile. This volatility may prevent you from being able to sell your shares at or above the price you paid for your shares. Our stock price could be subject to wide fluctuations in response to a variety of factors, which include:

- actual or anticipated fluctuations in our quarterly or annual operating results;
- publication of research reports by securities analysts about us or our competitors or our industry;
- the public's reaction to our press releases, our other public announcements and our filings with the Securities and Exchange Commission ("SEC");
- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments affecting us or our industry;
- speculation in the press or investment community;
- changes in accounting principles;
- terrorist acts, acts of war or periods of widespread civil unrest;
- natural disasters and other calamities; and
- changes in general market and economic conditions.

In addition, the stock market has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources and could also require us to make substantial payments to satisfy judgments or to settle litigation. Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to seasonality and other factors, some of which are beyond our control, resulting in a decline in our stock price. Our quarterly operating results may fluctuate significantly because of several factors, including:

- labor availability and costs for hourly and management personnel;
- changes in interest rates;
- macroeconomic conditions, both nationally and locally;
- changes in consumer preferences and competitive conditions;
- expansion to new markets;
- increases in infrastructure costs; and
- in commodity prices.

Unanticipated fluctuations in our quarterly operating results could result in a decline in our stock price. Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our common stock. If, after listing, 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 stock. Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the Nasdaq minimum bid price requirement or prevent future non-compliance with Nasdaq's listing requirements. If Nasdaq delists our securities, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our shares of common stock are "penny stock" which will require brokers trading in our shares of common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our shares of common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." Assuming our common stock will be listed on Nasdaq, our common stock will be covered securities. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. Furthermore, if we were no longer listed on Nasdaq, our common stock would not be covered securities and we would be subject to regulation in each state in which we offer our securities. 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 stock is less than \$ 5.00, our common 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 stock, and therefore stockholders may have difficulty selling their shares. We have no current plans to pay cash dividends on our common stock for the foreseeable future, and you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it. We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our credit facility. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it and any potential investor who anticipates the need for current dividends should not purchase our securities. See Item 5. “Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities — Dividends.” There can be no assurance that we will ever provide liquidity to our investors through a sale of our company. While acquisitions of manufacturing and distribution companies like ours are not uncommon, potential investors are cautioned that no assurances can be given that any form of merger, combination, or sale of our Company will take place, or that any merger, combination, or sale, even if consummated, would provide liquidity or a profit for our investors. You should not invest in our Company with the expectation that we will be able to sell the business in order to provide liquidity or a profit for our investors. ~~Our management will have broad discretion in how we use the net proceeds of our IPO and might not use them effectively. Our management will have considerable discretion over the use of proceeds from our IPO. You will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used in a manner which you may consider most appropriate. Our management might spend a portion or all of the net proceeds from our IPO in ways that our stockholders do not desire or that might not yield a favorable return. The failure by our management to apply these funds effectively could harm our business. Furthermore, you will have no direct say on how our management allocates the net proceeds of our IPO. Until the net proceeds are used, they may be placed in investments that do not produce significant income or that may lose value.~~ Our founder and principal shareholder has substantial influence over our Company. His interests may not be aligned with the interests of our other shareholders, and he could prevent or cause a change of control or other transactions. Mr. David Shan owns 77.7% of our outstanding shares. Accordingly, Mr. Shan will have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations, the appointment of directors and other significant corporate actions. Mr. Shan will also have the power to prevent or cause a change in control. Without the consent of Mr. Shan, we may be prevented from entering into transactions that could be beneficial to us or our minority shareholders. In addition, Mr. Shan could violate his fiduciary duties by diverting business opportunities from us to himself or others. The interests of Mr. Shan may differ from the interests of our other shareholders. The concentration in the ownership of our common stock shares may cause a material decline in the value of our common stock. The sale or availability for sale of substantial amounts of our common stock could adversely affect its market price. Sales of substantial amounts of our common stock in the public market, including sales made of any shares pledged for a loan by any holder of a significant number of shares of our common stock, or the perception that these sales could occur, could adversely affect the market price of our common stock and could materially impair our ability to raise capital through equity offerings in the future. Our common stock is freely tradable without restriction or further registration under the Securities Act of 1933, as amended (“Securities Act”), and shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 under the Securities Act and the applicable lock-up agreements. ~~In connection with our IPO, we and each of our directors and officers named in “Item 10. Directors, Executive Officers and Corporate Governance” have agreed not to sell any common stock for 180 days from April 1, 2024 without the prior written consent of the Underwriter, subject to certain exceptions. However, the Underwriters may release these securities from these restrictions at any time, subject to applicable regulations of the Financial Industry Regulatory Authority, Inc. (“FINRA”).~~ We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our common stock. We incur significant increased costs as a result of operating as a public company and our management is required to devote substantial time to new compliance initiatives. As a public company, we now incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and Nasdaq, has imposed various requirements on public companies. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, compliance with these rules and regulations increase our legal, accounting and financial compliance costs substantially. A number of those requirements require us to carry out activities we have not done previously. For example, we have created new board committees and adopted new internal controls and disclosure controls and procedures. In addition, these rules and regulations may make our activities related to legal, accounting and financial compliance more difficult, time-consuming and costly and may also place undue strain on our personnel, systems and resources. Furthermore, if we identify any issues in complying with those requirements (for example, if we or our auditors identify a material weakness or significant deficiency in our internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect us, our reputation or investor perceptions of us. If these requirements divert the attention of our management and personnel from other business concerns, they could have a material adverse effect on our business, financial condition and results of operations. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain our current levels of such coverage. These increased costs require us to divert a significant amount of money

that we could otherwise use to expand our business and achieve our strategic objectives. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase our costs. Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations. We are subject to income taxes in the United States, and our domestic tax liabilities are subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including: ● changes in the valuation of our deferred tax assets and liabilities; ● expected timing and amount of the release of any tax valuation allowances; ● tax effects of stock-based compensation; ● costs related to intercompany restructurings; ● changes in tax laws, regulations or interpretations thereof; or ● lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates. In addition, we may be subject to audits of our income, sales and other transaction taxes by federal, state and local authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations. Changes to accounting rules or regulations may adversely affect the reporting of our results of operations. Changes to existing accounting rules or regulations may impact the reporting of our future results of operations or cause the perception that we are more highly leveraged. Other new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. Changes to estimates related to our property, fixtures and equipment or operating results that are lower than our current estimates at certain locations may cause us to incur impairment charges on certain long-lived assets, which may adversely affect our results of operations. In accordance with accounting guidance as it relates to the impairment of long-lived assets, we make certain estimates and projections with regard to our operations, as well as our overall performance, in connection with our impairment analyses for long-lived assets. When impairment triggers are deemed to exist for our operations, the estimated undiscounted future cash flows are compared to its carrying value. If the carrying value exceeds the undiscounted cash flows, an impairment charge equal to the difference between the carrying value and the fair value is recorded. The projections of future cash flows used in these analyses require the use of judgment and a number of estimates and projections of future operating results. If actual results differ from our estimates, additional charges for asset impairments may be required in the future. If future impairment charges are significant, this could have a material adverse effect on the results of our operations. As an “emerging growth company” under applicable law, we are subject to lessened disclosure requirements, which could leave our stockholders with less information or fewer rights available to stockholders of more mature companies. For as long as we remain an “emerging growth company,” we have elected to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to: ● not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act; ● taking advantage of an extension of time to comply with new or revised financial accounting standards; ● reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and ● exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We expect to take advantage of these reporting exemptions until we are no longer an “emerging growth company.” Because of these lessened regulatory requirements, our stockholders would be left without information or rights available to stockholders of more mature companies. Because we have elected to use the extended transition period for complying with new or revised accounting standards for an “emerging growth company” our financial statements may not be comparable to companies that comply with public company effective dates. We have elected to use the extended transition period for complying with new or revised accounting standards for an emerging growth company. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates, and thus investors may have difficulty evaluating or comparing our business, performance or prospects in comparison to other public companies, which may have a negative impact on the value and liquidity of our common stock. We are a “controlled company” within the meaning of Nasdaq listing standards and, as a result, qualify for exemptions from certain corporate governance requirements. David Shan, our Chief Executive Officer and Chairman of the Board of Directors holds approximately 77.7% of the voting power in us (or approximately 77.3% if the underwriters exercise their option to purchase additional shares in full) and, as a result, we are a “controlled company” within the meaning of the Nasdaq listing standards. For so long as we remain a controlled company, we technically qualify and are eligible to be exempted from the obligation to comply with certain Nasdaq corporate governance requirements, however, we do not plan to take advantage of the exemptions provided to controlled companies, which include ● 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 requirements; 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. ● our Board of Directors is not required to be comprised of a majority of independent directors; The controlled company exemptions do not apply to the audit committee requirement or the requirement for executive sessions of independent directors. We are required to disclose in our annual report that we are a controlled company and the basis for that determination. Although we do not plan to take advantage of the exemptions provided to controlled companies, we may in the future take advantage of such exemptions. Our status as a controlled company could cause our securities to be less attractive to certain investors or otherwise adversely affect our securities’ trading price. If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our common stock adversely, the price of our common stock and trading volume could decline. The trading market for our common stock may be influenced by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our common stock adversely, or provide more favorable

relative recommendations about our competitors, the price of our common stock would likely decline. If any analyst who may cover us was to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the price of our common stock or trading volume to decline. Anti-takeover provisions in our Articles of Incorporation and Bylaws and Nevada law could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock. The anti-takeover provisions of the Nevada law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. Our Articles of Incorporation and our Bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. For example, our Board of Directors has the right to issue preferred stock without stockholder approval that could be used to dilute a potential hostile acquirer. As a result, you may lose your ability to sell your stock for a price in excess of the prevailing market price due to these protective measures, and efforts by stockholders to change the direction or management of the company may be unsuccessful. In addition, our Articles of Incorporation and Bylaws: • provide that vacancies on our Board of Directors, including newly created directorships, may be filled only by a majority vote of directors then in office; • provide that special meetings of stockholders may only be called by our Chairman and / or President, our Board of Directors or a super-majority (66 or 2 / 3 %) of our stockholders; • place restrictive requirements (including advance notification of stockholder nominations and proposals) on how special meetings of stockholders may be called by our stockholders; • not provide stockholders with the ability to cumulate their votes; and provide that only a super-majority of our stockholders (66 or 2 / 3 %) may amend our amended and restated bylaws. Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price. We are ~~not currently required to comply with the rules of the SEC implementing Section 404 of the Sarbanes-Oxley Act and therefore are not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a publicly traded company, we are now required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which requires management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting.~~ ~~Though we are required to disclose changes made in our internal controls and procedures on a quarterly basis, we are not required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC.~~ Our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting until the later of the year following our first annual report required to be filed with the SEC or the date we are no longer an emerging growth company and are an accelerated or large accelerated filer. **We** ~~To comply with the requirements of being a public company, we~~ may need to undertake various actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. In addition, we may identify material weaknesses in our internal control over financial reporting that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify weaknesses in our internal control over financial reporting, are unable to comply with the requirements of Section 404 in a timely manner or to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by Nasdaq on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources. As of December 31, 2023-2024, we **have** ~~and our independent registered public accounting firm identified two no~~ material weaknesses **related to**, as defined in the standards established by the Public Company's Accounting Oversight Board of the United States. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that, ~~Over there --~~ **the** is a reasonable possibility that a **past year, we have implemented measures to address previously identified** material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As of December 31, 2023, we identified the material weakness ~~weaknesses~~ related to (1) lack of sufficient in-house personnel in our **internal control** accounting department with sufficient knowledge of the generally accepted accounting principles in the United States of America ("U. S. GAAP") and **have made significant** SEC reporting rules, and (2) Inadequate segregation of duties resulting from limited accounting staff and resources. Our management is currently in the process **progress in** of evaluating the steps necessary to remediate **remediating** the **these issues** ineffectiveness, such as (i) hiring additional staff, (ii) hiring more qualified accounting personnel with relevant U. S. GAAP and SEC reporting experience and qualifications to strengthen the ~~our~~ financial reporting function, **we have hired additional staff and to set up a engaged external accounting consultants with expertise in U. S. GAAP and SEC reporting. Additionally, we have integrated and automated our financial and reporting system control framework; with our ERP system to minimize manual errors. We have also implemented a series of training programs across departments and enhanced** (iii) strengthening the supervision and controls ~~on over~~ our comprehensive accounting policies and procedures manual in accordance with U. S. GAAP. ~~Measures that we implement may not fully address the material weakness in our internal control over financial reporting and we may not be able to conclude that the material weakness has been fully remedied.~~ Our Bylaws provide that the Second Judicial District Court of Washoe County of the State of Nevada is the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes against us, or our directors and officers. Our Bylaws require, to the fullest extent permitted by Nevada law, that unless we consent in writing to the selection of an alternative forum, the Second Judicial District Court of Washoe County of the State of Nevada (the "Court") shall be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a

fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim against the Company, any director or the Company's officers or employees arising pursuant to any provision of the NRS, Chapters 78 or 92A of the NRS or our Nevada Articles of Incorporation or our Bylaws, or (iv) any action asserting a claim against the Company, any director or the Company's officers or employees governed by the internal affairs doctrine. However, each of these clauses (i) through (iv) will not apply to any claim (x) as to which the Court determines that there is an indispensable party not subject to the jurisdiction of the Court (and the indispensable party does not consent to the personal jurisdiction of the Court within ten (10) days following such determination), (y) for which the Court does not have subject matter jurisdiction, or (z) which is vested in the exclusive jurisdiction of a court or forum other than the Court, including pursuant to Section 27 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), which provides for exclusive federal jurisdiction over suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Furthermore, Section 22 of the Securities Act provides for concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder, and as such the exclusive jurisdiction clauses set forth above would not apply to such suits. Although we believe these provisions benefit us by providing increased consistency in the application of Nevada law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers. Any person or entity purchasing or otherwise acquiring any interest in our shares of capital stock shall be deemed to have notice of and consented to this exclusive forum provision, but will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. If a court were to find the choice of forum provision contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, financial condition, and results of operations. Item 1B. Unresolved Staff Comments.