UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

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

For the transition period from ______, 20___, to _____, 20___.

Commission File Number 001-41204

Hour Loop, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**47-2869399**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
8201 164th Ave. NE **Redmond, VA**	**98052-7615**
(Address of Principal Executive Offices)	(Zip Code)

(206) 385-0488, ext. 100
(Registrant's Telephone Number, Including Area Code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each Exchange on which Registered
Common Stock	HOUR	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 9, 2023, there were 35,070,776 shares of common stock, par value $0.0001 per share, of the registrant issued and outstanding.

Hour Loop, Inc.

Contents

Item 1. Financial Statements.

HOUR LOOP, INC.
CONSOLIDATED BALANCE SHEETS
(In U.S. Dollars, except for share data)
As of June 30, 2023 (Unaudited) and December 31, 2022

		June 30, 2023 (unaudited)		December 31, 2022
ASSETS				
Current assets				
Cash	$	**1,118,671**	$	4,562,589
Accounts receivable, net		**322,334**		352,379
Inventory, net		**14,417,742**		18,801,529
Prepaid expenses and other current assets		**871,771**		741,243
Total current assets		**16,730,518**		24,457,740
Property and equipment, net		**208,297**		274,195
Deferred tax assets		**1,095,258**		549,320
Right-of-use lease assets		**294,678**		450,721
Total non-current assets		**1,598,233**		1,274,236
TOTAL ASSETS	**$**	**18,328,751**	$	25,731,976
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Short-term loan	**$**	**643,294**	$	652,316
Accounts payable		**7,448,841**		11,883,253
Accrued expenses and other current liabilities		**929,294**		1,742,972
Operating lease liabilities-current		**266,672**		385,216
Total current liabilities		**9,288,101**		14,663,757
Non-current liabilities				
Operating lease liabilities-non-current		**15,508**		64,945
Due to related parties		**4,170,418**		4,170,418
Total non-current liabilities		**4,185,926**		4,235,363
Total liabilities		**13,474,027**		18,899,120
Commitments and contingencies				
Stockholders' equity				
Preferred stock: $0.0001 par value, 10,000,000 shares authorized, none issued and outstanding as of June 30, 2023 and December 31, 2022		-		-
Common stock: $0.0001 par value, 300,000,000 shares authorized, 35,070,776 and 35,047,828 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively		3,507		3,506
Additional paid-in capital		**5,709,652**		5,675,320
(Accumulated deficit) retained earnings		**(827,540)**		1,177,072
Accumulated other comprehensive loss		**(30,895)**		(23,042)
Total stockholders' equity		**4,854,724**		6,832,856
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**18,328,751**	$	25,731,976

The accompanying footnotes are an integral part of these unaudited consolidated financial statements.

HOUR LOOP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In U.S. Dollars, except for share and per share data)
For the Three and Six Months Ended June 30, 2023 and 2022
(Unaudited)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	**Six Months Ended June 30, 2023**	Six Months Ended June 30, 2022
Revenues, net	**$ 22,417,448**	$ 14,800,518	**$ 43,485,057**	$ 27,154,501
Cost of revenues	**(11,059,899)**	(6,443,910)	**(22,511,806)**	(12,341,179)
Gross profit	**11,357,549**	8,356,608	**20,973,251**	14,813,322
Operating expenses				
Selling and marketing	**10,245,912**	6,480,625	**19,752,883**	12,006,727
General and administrative	**1,957,975**	2,275,642	**3,671,161**	3,951,606
Total operating expenses	**12,203,887**	8,756,267	**23,424,044**	15,958,333
Loss from operations	**(846,338)**	(399,659)	**(2,450,793)**	(1,145,011)
Other (expenses) income				
Other expense	**(2,438)**	(3,944)	**(14,717)**	(9,394)
Interest expense	**(62,392)**	(20,567)	**(123,488)**	(104,125)
Other income	**20,818**	13,754	**38,448**	20,693
Total other expenses, net	**(44,012)**	(10,757)	**(99,757)**	(92,826)
Loss before income taxes	**(890,350)**	(410,416)	**(2,550,550)**	(1,237,837)
Income tax benefit	**120,982**	97,009	**545,938**	279,542
Net loss	**(769,368)**	(313,407)	**(2,004,612)**	(958,295)
Other comprehensive loss				
Foreign currency translation adjustments	**(9,192)**	(9,497)	**(7,853)**	(11,913)
Total comprehensive loss	**$ (778,560)**	$ (322,904)	**$ (2,012,465)**	$ (970,208)
Basic and diluted loss per common share	**$ (0.02)**	$ (0.01)	**$ (0.06)**	$ (0.03)
Weighted-average number of common shares outstanding	**35,055,293**	34,939,695	**35,056,510**	33,300,000

The accompanying footnotes are an integral part of these unaudited consolidated financial statements.

HOUR LOOP, INC.
CONSOLIDATED STATEMENTS OF CHANGES OF STOCKHOLDERS' EQUITY
(In U.S. Dollars, except for share data)
For the Three and Six Months Ended June 30, 2023 and 2022
(Unaudited)

For the three months ended June 30, 2023 and 2022

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
BALANCE AT March 31, 2023	35,052,833	$ 3,506	$ 5,691,652	$ (58,172)	$ (21,703)	$ 5,615,283
Stock-based compensation	17,943	1	18,000			18,001
Currency translation adjustments					(9,192)	(9,192)
Net loss				(769,368)		(769,368)
BALANCE AT June 30, 2023	35,070,776	$ 3,507	$ 5,709,652	$ (827,540)	$ (30,985)	$ 4,854,724
BALANCE AT March 31, 2022	35,032,753	$ 3,504	$ 5,615,321	$ 2,009,807	$ (10,287)	$ 7,618,345
Stock-based compensation	9,285		30,001			30,001
Currency translation adjustments					(1,626)	(1,626)
Net loss				(313,407)		(313,407)
BALANCE AT June 30, 2022	35,042,578	$ 3,504	$ 5,645,322	$ 1,696,400	$ (11,913)	$ 7,333,313

For the six months ended June 30, 2023 and 2022

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
BALANCE AT DECEMBER 31, 2022	35,047,828	$ 3,506	$ 5,675,320	$ 1,177,072	$ (23,042)	$ 6,832,856
Stock-based compensation	22,948	1	34,332			34,333
Currency translation adjustments					(7,853)	(7,853)
Net loss				(2,004,612)		(2,004,612)
BALANCE AT June 30, 2023	35,070,776	$ 3,507	$ 5,709,652	$ (827,540)	$ (30,985)	$ 4,854,724
BALANCE AT DECEMBER 31, 2021	33,300,000	$ 3,330	$ 4,291	$ 2,654,695	$ (7,871)	$ 2,654,445
Issuance of shares	1,725,000	172	5,580,020			5,580,192
Stock-based compensation	17,578	2	61,011			61,013
Currency translation adjustments					(4,042)	(4,042)
Net loss				(958,295)		(958,295)
BALANCE AT June 30, 2022	35,042,578	$ 3,504	$ 5,645,322	$ 1,696,400	$ (11,913)	$ 7,333,313

The accompanying footnotes are an integral part of these unaudited consolidated financial statements.

HOUR LOOP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. Dollars)
For the Six Months Ended June 30, 2023 and 2022
(Unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities		
Net loss	**$ (2,004,612)**	$ (958,295)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation expenses	**68,634**	22,498
Amortization of right-of-use lease assets	**179,774**	124,570
Deferred tax assets	**(545,938)**	(279,542)
Inventory allowance	**211,979**	169,192
Stock-based compensation	**34,333**	61,013
Changes in operating assets and liabilities:		
Accounts receivable	**30,045**	(25,616)
Inventory	**4,171,808**	(7,745,521)
Prepaid expenses and other current assets	**(130,528)**	191,294
Accounts payable	**(4,434,412)**	(4,180,324)
Accrued expenses and other current liabilities	**(813,678)**	48,803
Operating lease liabilities	**(191,845)**	(98,930)
Net cash used in operating activities	**(3,424,440)**	(12,670,858)
Cash flows from investing activities:		
Purchases of property and equipment	**(5,881)**	(164,174)
Net cash used in investing activities	**(5,881)**	(164,174)
Cash flows from financing activities:		
Payments to related parties	-	(1,024,188)
Deferred IPO expenses	-	(576,167)
Proceeds from issuance of shares	-	6,156,360
Net cash provided by financing activities	-	4,556,005
Effect of changes in foreign currency exchange rates	**(13,597)**	(7,115)
Net change in cash	**(3,443,918)**	(8,286,142)
Cash at beginning of period	**4,562,589**	10,592,572
Cash at end of period	**$ 1,118,671**	$ 2,306,430
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 167,017**	$ -
Cash paid for income tax	**$ -**	$ -
Noncash investing and financing activities:		
Right-of-use of assets and operating lease liabilities recognized	**$ 28,407**	$ 606,443

The accompanying footnotes are an integral part of these unaudited consolidated financial statements.

NOTE 1 - Nature of Operations and Summary of Significant Accounting Policies

Hour Loop, Inc. (“Hour Loop” or the “Company”) is a technology-enabled consumer products company that uses machine learning and data analytics to design, develop, market and sell products. Hour Loop predominantly operates through online retail channels such as Amazon, Walmart, and Hourloop.com. The Company, as an Internet marketplace seller, sells products in multiple categories, including home/garden décor, toys, kitchenware, apparel, and electronics. The Company has only one segment, which is online retail (e-commerce).

The Company was incorporated on January 13, 2015 under the laws of the state of Washington. On April 7, 2021, the Company was converted from a Washington corporation to a Delaware corporation.

In 2019, Hour Loop formed a wholly owned subsidiary, Flywheel Consulting Ltd. (“Flywheel”) located in Taiwan, to provide business operating consulting services exclusively to Hour Loop.

Reorganization - On June 30, 2021, the Company completed a corporate reorganization to convert its status from a S corporation to a C corporation with an effective date of July 27, 2021. The reorganization did not change the ownership of the Company and each of the two stockholders (Sam Lai and Maggie Yu) continued to own 50% of the Company’s outstanding shares following the reorganization. The discussion and presentation of the unaudited consolidated financial statements herein assumes the reorganization had become effective as of the beginning of the first period presented in the accompanying unaudited consolidated financial statements. Consistent with Section 1362 of the Internal Revenue Code of 1986, as amended (the “Code”), the retained earnings as of July 27, 2021 were distributed to the S corporation stockholders. The stockholders and the Company have entered into an agreement for this amount to be loaned to the Company. The amount of this distribution is $4,170,418 and the annual interest rate is 2%. The loan was due on December 31, 2022. On December 28, 2022, the Company, Mr. Lai and Ms. Yu agreed to extend the term of the loan, with the new maturity date of December 31, 2024. As amended, the annual interest rate on the loan is 5.5%.

Basis of Presentation - The unaudited consolidated financial statements and accompanying notes of the Company have been prepared in accordance with the accounting principles generally accepted in the United States of America (“US GAAP”).

These unaudited condensed consolidated financial statements have been prepared in accordance with rules and regulations of the Securities and Exchange Commission (“SEC”) and generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, we have included all adjustments considered necessary for a fair presentation and such adjustments are of a normal recurring nature. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022 and notes thereto and other pertinent information contained in our Form 10-K as filed with the SEC on March 31, 2023. The results of operations for the six months ended June 30, 2023, are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2023.

Principles of Consolidation - The unaudited consolidated financial statements include the accounts of Hour Loop and Flywheel. All material inter-company accounts and transactions were eliminated in consolidation.

Foreign Currency and Currency Translation - The assets and liabilities of Flywheel, having a functional currency other than the U.S. dollar, are translated into U.S. dollars at exchange rates in effect at period-end, with resulting translation gains or losses included within other comprehensive income or loss. Revenues and expenses are translated into U.S. dollars at average monthly rates of exchange in effect during each period. All of the Company’s foreign operations use their local currency as their functional currency. Currency gains or losses resulting from transactions executed in currencies other than the functional currency are included in other income (expense) in the consolidated statement of operations and other comprehensive income.

The Company is exposed to foreign currency exchange risk through its foreign subsidiary in Taiwan, which reports its earnings in Taiwan dollars. The Company translates the foreign assets and liabilities at exchange rates in effect at the consolidated balance sheet date and translates the revenues and expenses using average rates during the year. The resulting foreign currency translation adjustments are recorded as a separate component of accumulated other comprehensive income or loss in the accompanying consolidated balance sheet and the consolidated statements of operations. The Company does not hedge foreign currency translation risk in the net assets and income reported from these sources.

The relevant exchange rates are listed below:

	June 30, 2023	December 31, 2022	June 30, 2022
Period NTD: USD exchange rate	$ 31.090	$ 30.660	$ 29.670
Period Average NTD: USD exchange rate	$ 30.770	$ 30.618	$ 29.579

Going Concern Consideration

As of June 30, 2023, the Company had negative cash flow from operating activities of $3,424,440, and net loss of $2,004,612. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Most of the borrowings of the Company as of June 30, 2023 were from the related parties, which will not be repayable within the next 12 months and are subject to renewal. Management is confident that these borrowings can be renewed upon expiration.

In order to strengthen the Company's liquidity in the foreseeable future, the Company has taken the following measures:

i. Taking various cost control measures to tighten the costs of operations; and
ii. Implementing various strategies to enhance sales and profitability.

As a result of these efforts, the Company managed to mitigate its losses during the three months ended June 30, 2023, demonstrating improvement compared to the three months ended March 31, 2023.

Management represents that there is sufficient working capital to sustain operations longer than twelve months, and the majority shareholders are committed to provide the additional funding if needed.

Use of Estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates, including but not limited to, estimates associated with the collectability of allowance for accounts receivable, accounts receivable, useful life of property and equipment, impairment long lived assets, valuation allowance for deferred tax assets and inventory valuation.

Reclassification - Certain amounts in the consolidated financial statements for the prior financials have been reclassified to conform to the current interim review presentation. These reclassifications had no impact on consolidated net earnings, consolidated financial position, or consolidated cash flows. Additionally, proposed changes involve presenting accrued interest as a current liability, along with its impact on consolidated cash flows, and adjustments were made for the six months ended June 30, 2022.

Cash - The Company considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash. The carrying amount of cash approximates fair value. Our cash is held in the bank and covered by the Federal Deposit Insurance Corporation ("FDIC"), subject to applicable limits. Deposits are insured up to $250,000 per depositor, per FDIC-insured bank, per ownership category.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable are stated at historical cost less allowance for doubtful accounts. On a periodic basis, management evaluates its accounts receivable and determines whether to provide an allowance or if any accounts should be written off based on a past history of write-offs, collections and current credit conditions. A receivable is considered past due if the Company has not received payments based on agreed-upon terms. The Company generally does not require any security or collateral to support its receivables. The collection is primarily through Amazon and the collection period is usually less than 7 days. The Company performs on-going evaluations of its customers and maintains an allowance for bad debt and doubtful receivables as the Company deems necessary or appropriate. As of June 30, 2023 and December 31, 2022, the Company did not deem it necessary to have an allowance for bad debt or doubtful accounts.

Inventory and Cost of Goods Sold - The Company's inventory consists mainly of finished goods. Inventories are stated at the lower of cost or net realizable value. Cost is principally determined on a first-in first-out basis. The Company's costs include the amounts it pays manufacturers for product, tariffs and duties associated with transporting product across national borders, and freight costs associated with transporting the product from its manufacturers to its warehouses, as applicable. The merchandise with terms of FOB shipping point from vendors was recorded as the inventory-in-transit when inventory left the shipping dock of the vendors but not yet reached the receiving dock of the Company. Management continually evaluates its estimates and judgments including those related to merchandise inventory.

The "Cost of revenues" line item in the unaudited consolidated statements of operations is principally inventory sold to customers during the reporting period. The Company had inventory allowance balances of $1,054,242 and $842,263 as of June 30, 2023 and December 31, 2022, respectively. Full inventory allowance is recorded for the inventory SKU not sold for more than one year.

Policy for inventory allowance:

Inventories, consisting of products available for sale, are primarily accounted for using the first-in, first-out method, and are valued at the lower of cost and net realizable value. This valuation requires us to make judgments based on currently available information about the likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category.

Property and Equipment - Property and equipment are recorded at cost and depreciated or amortized over the estimated useful life of the asset using the straight-line method. The Company elected to expense any individual property and equipment items under $2,500.

The majority of the Company's property and equipment is computers, and the estimated useful life is 3 years.

Leases - Leases are classified at lease commencement date as either a finance lease or an operating lease. A lease is a finance lease if it meets any of the following criteria: (a) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, (b) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, (c) the lease term is for the major part of the remaining economic life of the underlying asset, (d) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset or (e) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. When none of the foregoing criteria is met, the lease shall be classified as an operating lease.

For a lessee, a lease is recognized as a right-of-use asset with a corresponding liability at lease commencement date. The lease liability is calculated at the present value of the lease payments not yet paid by using the lease term and discount rate determined at lease commencement. The right-of-use asset is calculated as the lease liability, increased by any initial direct costs, and prepaid lease payments, reduced by any lease incentives received before lease commencement. The right-of-use asset itself is amortized on a straight-line basis unless another systematic method better reflects how the underlying asset will be used by and benefits the lessee over the lease term.

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), and has since issued amendments thereto, related to the accounting for leases (collectively referred to as "ASC 842"). ASC 842 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. As of January 1, 2019, the Company adopted ASC 842, which allows the Company to apply the transition provision at the Company's adoption date instead of at the earliest comparative period presented in the financial statements. Therefore, the Company recognized and measured leases existing at January 1, 2019 but without retrospective application. In addition, the Company elected the optional practical expedient permitted under the transition guidance which allows the Company to carry forward the historical accounting treatment for existing leases upon adoption. No impact was recorded to the beginning retained earnings for ASC 842. The Company's accounting policy is to recognize lease payments as lease expense for short-term leases of less than 12 months.

Fair Value Measurement - Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The carrying amounts reported in the consolidated balance sheets for cash, accounts receivable, accounts payable, due to related parties and short-term debt approximate fair value because of the immediate or short-term maturity of these financial instruments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

i. Level 1 — Valuations based on quoted prices for identical assets and liabilities in active markets.
ii. Level 2 — Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
iii. Level 3 — Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Revenue Recognition - The Company accounts for revenue in accordance with FASB Accounting Standard Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"). The Company adopted ASC Topic 606 as of January 1, 2019. The standard did not affect the Company's consolidated financial position, or cash flows. There were no changes to the timing of revenue recognition as a result of the adoption.

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provided a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

The Company derives its revenue from the sale of consumer products. The Company sells its products directly to consumers through online retail channels. The Company considers customer order confirmations to be a contract with the customer. Customer confirmations are executed at the time an order is placed through third-party online channels. For all of the Company's sales and distribution channels, revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment date. As a result, the Company has a present and unconditional right to payment and record the amount due from the customer in accounts receivable.

The Company evaluated principal versus agent considerations to determine whether it is appropriate to record platform fees paid to Amazon as an expense or as a reduction of revenue. Platform fees are recorded as sales and distribution expenses and are not recorded as a reduction of revenue because the Company as principal owns and controls all the goods before they are transferred to the customer. The Company can, at any time, direct Amazon, similarly, other third-party logistics providers ("Logistics Providers"), to return the Company's inventories to any location specified by the Company. It is the Company's responsibility to make any returns made by customers directly to Logistics Providers and the Company retains the back-end inventory risk. Further, the Company is subject to credit risk (i.e., credit card chargebacks), establishes prices of its products, can determine who fulfills the goods to the customer (Amazon or the Company) and can limit quantities or stop selling the goods at any time. Based on these considerations, the Company is the principal in this arrangement.

The customer can return the products within 30 days after the products are delivered and estimated sales returns are calculated based on the expected returns. The rates of sales returns were 6.77% and 6.36% of gross sales for the periods ended June 30, 2023 and 2022, respectively.

The Company also offers price discounts. From time to time, the Company offers price discounts on certain selected items to stimulate the sales of those items. Revenue is measured as the amount of consideration for which the Company expects to be entitled in exchange for transferring goods. Consistent with this policy, the Company reduces the amount of these discounts from the gross revenue to calculate the net revenue recorded on the statement of operations.

A performance obligation is a promise in a contract to transfer a distinct good to the customer and is the unit of account in ASC Topic 606. A contract's transaction price is recognized as revenue when the performance obligation is satisfied. Each of the Company's contracts has a single distinct performance obligation, which is the promise to transfer individual goods. For consumer product sales, the Company has elected to treat shipping and handling as fulfillment activities, and not a separate performance obligation. The Company had shipping and handling costs of $10,312,496 and $5,800,777 for the periods ended June 30, 2023 and 2022, respectively, which were recorded in selling, and marketing expenses. Accordingly, the Company recognizes revenue for its single performance obligation related to product sales at the time control of the merchandise passes to the customer, which is generally at the time of shipment. The Company bills customers for charges for shipping and handling on certain sales and such charges are recorded as part of net revenue.

For each contract, the Company considers the promise to transfer products to be the only identified performance obligation. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. The Company's revenues for the periods ended June 30, 2023 and 2022 are recognized at a point in time.

Income Taxes - Prior to 2021, the Company, with the stockholders' consent, elected to be taxed as an "S corporation" under the provisions of the Code and comparable state income tax law. As an S corporation, the Company was generally not subject to corporate income taxes, and the Company's net income or loss is reported on the individual tax return of the stockholders of the Company. On July 27, 2021, the Company's tax status changed to a C corporation. Per ASC 740-10-45-19, when deferred tax accounts are recognized or derecognized as required by paragraphs 740-10-25-32 and 740-10-40-6 due to a change in tax status, the effect of recognizing or derecognizing the deferred tax liability of asset shall be included in income from continuing operations.

The Company also complied with state tax codes and regulations, including with respect to California franchise taxes. Management has evaluated its tax positions and has concluded that the Company had taken no uncertain tax positions that could require adjustment or disclosure in the financial statements to comply with provisions set forth in ASC section 740, *Income Taxes*.

Deferred tax assets represent amounts available to reduce income taxes payable in future periods. Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent we believe they will not be realized. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including recent cumulative loss experience and expectations of future earnings, capital gains and investment in such jurisdiction, the carry-forward periods available to us for tax reporting purposes, and other relevant factors.

Presentation of Sales Taxes - Governmental authorities impose sales tax on all of the Company's sales to nonexempt customers. The Company collects sales tax from customers and remits the entire amount to the governmental authorities. The Company's accounting policy is to exclude the tax collected and remitted from revenues and cost of revenues.

The Company makes an assessment of sales tax payable including any related interest and penalties and accrues these estimates on its financial statements. Pursuant to the Wayfair decision, each state enforces sales tax collection at different dates. The Company collects and remits sales tax in accordance with state regulations. The Company estimates that as of June 30, 2023 and December 31, 2022, it owed $288,466 and $288,466, respectively, in sales taxes along with penalties and interest resulting from late filings.

Concentrations of Risks - Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains cash with various domestic and foreign financial institutions of high credit quality. The Company performs periodic evaluations of the relative credit standing of all of the aforementioned institutions.

The Company’s accounts receivable are derived from sales contracts with a large number of customers. The Company maintains reserves for potential credit losses on customer accounts when deemed necessary. Significant customers are those which represent more than 10% of the Company’s total net revenue or gross accounts receivable balance at the balance sheet date. During the three and six months ended June 30, 2023 and 2022, the Company had no customer that accounted for 10% or more of total net revenues. In addition, as of June 30, 2023 and 2022, the Company had no customer that accounted for 10% or more of gross accounts receivable. As of June 30, 2023 and December 31, 2022, all of the Company’s accounts receivable were held by the Company’s sales platform agent, Amazon, which collects money on the Company’s behalf from its customers. Therefore, the Company’s accounts receivable are comprised of receivables due from Amazon and the reimbursement from Amazon to the Company usually takes 15 to 20 days.

The Company’s business is reliant on one key vendor which currently provides the Company with its sales platform, logistics and fulfillment operations, including certain warehousing for the Company’s net goods, and invoicing and collection of its revenue from the Company’s end customers. During the three and six months ended June 30, 2023 and 2022, approximately 100% of the Company’s revenue was through or with the Amazon sales platform.

Selling and Marketing – Selling, and marketing costs are expensed as incurred in accordance with ASC 720-35. Among these, advertising and promotion expenses were $1,567,126 and $935,302 for the six months ended June 30, 2023 and 2022, respectively.

General and Administrative - General and administrative expenses are expensed as incurred in accordance with ASC 720-35.

Commitments and Contingencies - Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Related Parties - The Company accounts for related party transactions in accordance with FASB ASC Topic 850 (Related Party Disclosures). A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

Earnings per Share - The Company computes basic earnings per common share using the weighted-average number of shares of common stock outstanding during the period. For the period in which the Company reports net losses, diluted net loss per share attributable to stockholders is the same as basic net loss per share attributable to stockholders, because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. There were no dilutive securities or other items that would affect earnings per share for the three and six months ended June 30, 2023 and 2022. Therefore, the diluted earnings per share is the same as basic earnings per share.

Share issuances for stock compensation - Compensation cost for all equity-classified stock awards expected to vest is measured at fair value on the date of grant and recognized over the service period.

Long lived assets- In accordance with ASC 360-10-35-17, if the carrying amount of an asset or asset group (in use or under development) is evaluated and found not to be fully recoverable (the carrying amount exceeds the estimated gross, undiscounted cash flows from use and disposition), then an impairment loss must be recognized. The impairment loss is measured as the excess of the carrying amount over the asset's (or asset group's) fair value. The Company did not record any impairment charges for the three and six months ended June 30, 2023 and 2022.

NOTE 2 - Recent Accounting Pronouncements

The FASB issues Accounting Standards Updates (each, an "ASU") to amend the authoritative literature in the ASC. There have been several ASUs to date that amend the original text of the ASCs. The Company believes those ASUs issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to the Company or (iv) are not expected to have a significant impact on the Company.

NOTE 3 - Cash

Cash was comprised of the following as of June 30, 2023 and December 31, 2022, respectively:

	June 30, 2023 (Unaudited)	December 31, 2022
Checking account	**$ 717,657**	$ 939,323
Savings account and cash	**401,014**	3,623,266
Total	**$ 1,118,671**	$ 4,562,589

NOTE 4 - Inventory

Inventory was comprised of the following as of June 30, 2023 and December 31, 2022, respectively:

	June 30, 2023 (Unaudited)	December 31, 2022
Inventory	**$ 13,201,512**	$ 14,911,735
Inventory-in-transit	**2,270,472**	4,732,057
Allowance	**(1,054,242)**	(842,263)
Total	**$ 14,417,742**	$ 18,801,529

For the six months ended June 30, 2023 and twelve months ended December 31, 2022, respectively, the Company recorded inventory provision as follows:

	June 30, 2023(Unaudited)	December 31, 2022
Allowance of inventory		
Beginning balance	**$ 842,263**	$ 184,720
Allowance	**211,979**	665,356
Inventory allowance reversal	**-**	(7,813)
Ending balance	**$ 1,054,242**	$ 842,263

The allowance of inventory is recorded under cost of goods sold in the income statement.

NOTE 5 - Property and Equipment

Property and equipment were comprised of the following as of June 30, 2023 and December 31, 2022, respectively:

	June 30, 2023 (Unaudited)	December 31, 2022
Property and equipment	$ 354,505	$ 353,574
Accumulated depreciation and amortization	(146,208)	(79,379)
Total property and equipment, net	$ 208,297	$ 274,195

For the six months ended June 30, 2023 and twelve months ended December 31, 2022, the Company purchased $5,881 and $339,518, for fixtures and equipment, respectively.

For the six months ended June 30, 2023 and twelve months ended December 31, 2022, the Company had $68,634 and $79,084, for depreciation, respectively.

For the six months ended June 30, 2023 and twelve months ended December 31, 2022, the Company had no disposal or pledge, respectively.

NOTE 6 - Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets was comprised of the following as of June 30, 2023 and December 31, 2022, respectively:

	June 30, 2023 (Unaudited)	December 31, 2022
Advance to suppliers	$ 205,014	$ 182,105
Prepaid expenses-insurance	84,673	-
Prepaid expenses-other	85,970	55,731
Lease refundable deposit	76,217	80,235
Tax receivable	413,895	413,895
Other current assets	6,002	9,277
Total	$ 871,771	$ 741,243

As of June 30, 2023 and December 31, 2022, there was a tax receivable of $413,895 and $413,895, respectively, due to prepaid income taxes.

NOTE 7 - Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities were comprised of the following as of June 30, 2023 and December 31, 2022, respectively:

	June 30, 2023 (Unaudited)	December 31, 2022
Sales tax payable	$ 288,466	$ 288,466
Accrued payroll	255,003	295,673
Accrued bonus	109,544	468,209
Accrued expenses	117,412	182,294
Accrued interest	113,764	159,042
Other payables	45,105	349,288
Total	$ 929,294	$ 1,742,972

The Company made an assessment of sales tax payable, including any related interest and penalties, and accrued those estimates on the financial statements. Of the sales tax payable, $78,947 and $78,947 are related to interest and penalties as of June 30, 2023 and December 31, 2022, respectively.

A bonus expense is accrued on an annual basis, when the Company's financial or operational performance meets the required performance level. The Company has $109,544 and $468,209 accrued for bonuses as of June 30, 2023 and December 31, 2022, respectively.

NOTE 8 - Short-Term Loan

Line of Credit

On June 19, 2019, the Company signed a line of credit agreement in the amount of $785,000 with Bank of America. The line of credit matures on June 18, 2024 and bears interest at a rate of 8.11% per annum.

As of June 30, 2023 and December 31, 2022, the outstanding balance under the Bank of America line of credit was $-0- and $-0-, respectively. Also, the Company had accrued interest expense of $27,996 as of June 30, 2023 that is due on June 18, 2024. Accrued interest expense has been recorded in the accrued expenses on the balance sheet.

On August 18, 2022, Flywheel signed a line of credit agreement in the amount of $6,940,063 with Taishin International Bank. The line of credit matures on August 30, 2023 and bears interest at a rate of 3.2% per annum.

As of June 30, 2023 and December 31, 2022, the outstanding balance under the Taishin International Bank line of credit was $643,294 and $652,316, respectively. Also, Flywheel has accrued interest expense of $1,691 as of June 30, 2023 that has not been paid. Accrued interest expense has been recorded in the accrued expenses on the balance sheet.

NOTE 9 - Related Party Balances and Transactions

From time to time, the Company receives loans and advances from its stockholders to fund its operations. Stockholder loans and advances are non-interest bearing and payable on demand. As of June 30, 2023 and December 31, 2022, the Company had $4,170,418 and $4,170,418 due to related parties (Sam Lai, the Company's Chairman of the Board, Chief Executive Officer and Interim Chief Financial Officer and a significant stockholder of the Company; and Maggie Yu, the Company's Senior Vice President, a member of the Company's Board of Directors and a significant stockholder of the Company), respectively.

On December 30, 2020, the Company and its then-sole stockholders (Sam Lai and Maggie Yu) entered into a loan agreement in the original principal amount of $1,041,353. The loan was later modified on September 16, 2021, and converted into an interest-bearing (2%) loan with a repayment date of December 31, 2021. On January 18, 2022 and January 27, 2023, the Company repaid the loan principal and accrued interest in full.

Additionally, the Company had $4,170,418 in a loan from related parties. The loan is memorialized in a Loan Agreement dated October 15, 2021. The annual interest rate is 2% and the repayment date is December 31, 2022.

On December 28, 2022, the Company, Mr. Lai and Ms. Yu agreed to extend the term of the loan for another two years, with a revised maturity date of December 31, 2024. The annual interest rate is 5.5%. The Company had accrued interest of $113,764 as of June 30, 2023.

For the six months ended on June 30, 2023 and 2022, the Company had payments to related parties of $159,042 and $1,024,188, respectively.

NOTE 10 - Leases

The Company had four operating leases (Flywheel's office leases in Taiwan) as of June 30, 2023. The leased assets in Flywheel are presented as right-of-use assets.

The table below reconciles the fixed component of the undiscounted cash flows for each of the first five years and the total remaining years to the operating lease liabilities recorded in the statements of financial position as of June 30, 2023:

Initial lease term	Flywheel January 2022 to December 2023	Flywheel June 2022 to May 2024	Flywheel August 2022 to July 2024	Flywheel February 2023 to March 2025
Initial recognition of right-of-use assets	$ 488,262	$ 105,632	$ 147,547	$ 28,652
Weighted-average remaining lease term at June 30, 2023	0.5	0.92	1.08	1.67
Weighted-average discount rate at June 30, 2023	8.11%	8.11%	2.50%	3.20%

Operating lease liabilities-current as of June 30, 2023 and December 31, 2022 were $266,672 and $385,216, respectively. Operating lease liabilities-non-current as of June 30, 2023 and December 31, 2022 were $15,508 and $64,945, respectively. The right-of-use assets balance as of June 30, 2023 and December 31, 2022, were $294,678 and $450,721, respectively.

As of June 30, 2023 and 2022, the amortization of the right-of-use asset was $179,774 and $124,570, respectively. These amounts were recorded in general and administrative expenses. Additionally, the Company made lease payments of $191,845 and $98,390 as of June 30, 2023 and 2022, respectively, which were included in the operating cash flows statement.

The future minimum lease payment schedule for all operating leases as of June 30, 2023, is as disclosed below.

For the Year Ending June 30, **(Unaudited)**	Amount
2023	$ 204,461
2024	82,191
2025	2,415
2026	-
2027 and thereafter	-
Total minimum lease payments	289,067
Less: effect of discounting	(6,887)
Present value of the future minimum lease payment	282,180
Less: operating lease liabilities-current	(266,672)
Total operating lease liabilities-non-current	$ 15,508

NOTE 11 - Income Tax

The components of income taxes benefit are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022
Federal rate	**21.93%**	21.00%
Blended state tax rate	**3.85%**	3.83%
Effective tax rate	**25.78%**	24.83%

Tax Expense Summary	Current Income Tax Expense	Deferred Income Tax Benefit	Total Income Tax Benefit
Federal	$ -	$ (464,349)	$ (464,349)
State	-	(81,589)	(81,589)
Total tax expense (benefit)	$ -	$ (545,938)	$ (545,938)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at June 30, 2023 were as follows:

Deferred Tax Assets summary	Deferred Tax Assets June 30, 2023 (Unaudited)	Deferred Tax Assets December 31, 2022
Federal	$ 928,943	$ 464,594
State	166,315	84,726
Total	$ 1,095,258	$ 549,320

Deferred Tax Assets summary	Deferred Tax Assets June 30, 2023 (Unaudited)	Deferred Tax Assets December 31, 2022
Right of use lease assets	$ (3,222)	$ (139)
Inventories allowance	271,776	209,131
Net loss carry forward	826,704	340,328
Total	$ 1,095,258	$ 549,320

The Company files income tax return in the U.S. federal jurisdiction and various state jurisdictions. Based on management's evaluation, there is no provision necessary for material uncertain tax position for the Company at June 30, 2023 and December 31, 2022.

As of June 30, 2023 and December 31, 2022, the Company reported net operating losses of $2,550,550 and $1,123,334, respectively. The net operating loss carryforward is not subject to any expiration period under federal regulations, while at the state level, the expiration period usually ranges from 10 to 20 years, or there may be no expiration period at all.

The Company expects to generate sufficient taxable income in future periods against which the deferred tax assets can be utilized. Accordingly, a valuation allowance may not be needed.

NOTE 12 - Revenue

Revenue was comprised of the following for the three and six months ended June 30, 2023 and 2022, respectively:

	For the three months ended June 30,		For the six months ended June 30,	
	2023 **(Unaudited)**	2022	2023 **(Unaudited)**	2022
Revenue	$ 24,445,148	$ 15,836,298	$ 47,507,242	$ 29,332,508
Sales returns	(1,545,703)	(884,373)	(3,218,025)	(1,864,627)
Discounts	(481,997)	(151,407)	(804,160)	(313,380)
Total	$ 22,417,448	$ 14,800,518	$ 43,485,057	$ 27,154,501

NOTE 13 - General and Administrative Expenses

General and administrative expenses were comprised of the following for the three and six months ended June 30, 2023 and 2022, respectively:

	For the three months ended June 30,		For the six months ended June 30,	
	2023**(Unaudited)**	2022	2023**(Unaudited)**	2022
Payroll	$ 1,244,879	$ 1,294,397	$ 2,321,916	$ 2,136,941
Legal and professional fees	182,490	320,166	288,095	570,963
Insurance expense	140,450	115,201	277,831	258,088
Storage & rental fees	107,034	101,393	220,276	186,659
Sales taxes	10,705	72,166	21,051	153,181
Outside services	69,436	62,253	105,376	132,920
Annual franchise tax	36,000	-	86,194	49,870
Pension	43,136	36,371	88,279	73,676
Office expense	3,132	17,898	4,915	52,185
Software subscriptions expense	49,558	26,329	91,483	44,172
Manpower recruitment advertising expense	-	22,351	-	39,029
Meals and entertainment expense	-	14,452	388	18,994
Other general and administrative expenses	71,155	192,665	165,357	234,928
Total	$ 1,957,975	$ 2,275,642	$ 3,671,161	$ 3,951,606

For the six months ended June 30, 2023 and 2022, the Company had $88,279 and $73,676, respectively, for pension expenses, which is a retirement benefit required by the Labor Standards Act in Taiwan, which mandates employers to provide retirement benefits to their employees.

NOTE 14 - Stockholders' Equity

Preferred Stock

As of June 30, 2023 and December 31, 2022, the Company had 10,000,000 shares of preferred stock, $0.0001 par value per share, authorized. The Company did not have any preferred shares issued and outstanding as of June 30, 2023 and December 31, 2022. The holders of the preferred stock are entitled to receive dividends, if and when declared by the Board of Directors.

Common Stock

As of June 30, 2023 and December 31, 2022, the Company had 300,000,000 shares of common stock, $0.0001 par value per share, authorized. As of June 30, 2023 and December 31, 2022, there were 35,070,776 and 35,047,828 shares of common stock issued and outstanding, respectively.

Share Issuances for Stock Compensation

On February 1, 2022, the Company issued 1,772 shares of Company common stock to each of Sam Lai, our Chief Executive Officer, and Maggie Yu, our Senior Vice President, with a fair market value of $4.00 per share as compensation for the past services to the Company pursuant to the terms of their Executive Employment Agreements with the Company.

On February 1, 2022, the Company issued 1,750, 1,750, and 709 shares of Company common stock to Michael Lenner, Douglas Branch, and Alan Gao, respectively, with a fair market value of $4.00 per share as compensation for the past services as directors to the Company pursuant to the terms of their Director Agreements with the Company.

On May 20, 2022, the Company issued 916 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Douglas Branch, and Alan Gao, with a fair market value of $3.2745 per share as compensation for the past services as executives or directors to the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with the Company.

On June 30, 2022, the Company issued 1,049 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Douglas Branch, and Alan Gao, with a fair market value of $2.8605 per share as compensation for the past services as executives or directors to the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with the Company.

On September 30, 2022, the Company issued 1,050 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Douglas Branch, and Alan Gao, with a fair market value of $2.8565 per share as compensation for the past services as executives or directors to the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with the Company.

On January 4, 2023, the Company issued 1,001 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Douglas Branch, and Alan Gao, with a fair market value of $2.9985 per share as compensation for the past services as executives or directors to the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with the Company.

On April 3, 2023, the Company issued 1,365, 1,365, 1,365, 1,365, 1,365 and 606 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Douglas Branch, Alan Gao and Hillary Bui, respectively, with a fair market value of $2.1985 per share as compensation for the past services as executives or directors of the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with the Company.

On June 30, 2023, the Company issued 1,752 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Douglas Branch, Alan Gao and Hillary Bui, with a fair market value of $1.7125 per share as compensation for the past services as executives or directors of the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with the Company.

IPO Proceeds

On January 11, 2022, we closed our initial public offering (the “IPO”) of 1,725,000 shares of common stock, which included the full exercise of the underwriter’s over-allotment option, at a public offering price of $4.00 per share, for aggregate gross proceeds of $6,900,000, prior to deducting underwriting discounts, commissions, and other offering expenses. Our common stock began trading on The Nasdaq Capital Market on January 7, 2022, under the symbol “HOUR”. EF Hutton, division of Benchmark Investments, LLC, acted as sole book-running manager for the offering. The net proceeds of the offering, after deducting expenses of $743,640, were $6,156,360. Meanwhile, other costs incurred in the IPO totaled $576,168, the main nature of which was professional fees. As a result, common stock increased by $173, and additional paid-in capital increased by $5,580,020.

NOTE 15 - Commitments and Contingencies

As of June 30, 2023 and 2022, the Company had no material or significant commitments outstanding.

From time-to-time, the Company is subject to various litigation and other claims in the normal course of business. The Company establishes liabilities in connection with legal actions that management deems to be probable and estimable. As of June 30, 2023 and 2022, the Company had no pending legal proceedings. No amounts have been accrued in the unaudited consolidated financial statements with respect to any such matters.

NOTE 16 - Subsequent Events

The Company’s management has performed subsequent events procedures through the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to or disclosure in the financial statements.

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

The Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provide a safe harbor for forward-looking statements made by or on behalf of Hour Loop, Inc. ("Hour Loop" or the "Company"). The Company and its representatives may from time to time make written or oral statements that are "forward-looking," including statements contained in this report and other filings with the Securities and Exchange Commission ("SEC") and in our reports and presentations to stockholders or potential stockholders. In some cases, forward-looking statements can be identified by words such as "believe," "expect," "anticipate," "plan," "potential," "continue" or similar expressions. Such forward-looking statements include risks and uncertainties and there are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors, risks and uncertainties can be found in Part I, Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as the same may be updated from time to time, including in Part II, Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q.

Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, it is not possible to foresee or identify all factors that could have a material effect on the future financial performance of the Company. The forward-looking statements in this report are made on the basis of management's assumptions and analyses, as of the time the statements are made, in light of their experience and perception of historical conditions, expected future developments and other factors believed to be appropriate under the circumstances.

Except as otherwise required by the federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this Quarterly Report on Form 10-Q and the information incorporated by reference in this report to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

Overview

Our Business

We are an online retailer engaged in e-commerce retailing in the U.S. market. We have operated as a third-party seller on *www.amazon.com* since 2013. We have also sold merchandise on our website at *www.hourloop.com* since 2013. We expanded our operations to other marketplaces such as Walmart, eBay and Etsy in the third quarter of 2020, 2022, and 2023, respectively. To date, we have generated practically all of our revenue as a third-party seller on *www.amazon.com* and only a negligible amount of revenue from our operations on our website at *www.hourloop.com* and as a third-party seller on other marketplaces. We manage more than 100,000 stock-keeping units ("SKUs"). Product categories include home/garden décor, toys, kitchenware, apparel, and electronics. Our primary strategy is to bring most of our vendors' product selections to the customers. We have advanced software that assists us in identifying product gaps so we can keep such products in stock year-round, including the entirety of the fourth quarter (holiday season). In future years, we plan to expand our business rapidly by increasing the number of vendors and SKUs.

Business Model

There are three main types of business models on Amazon: wholesale, private label and retail arbitrage. Our business model is wholesale, also known as reselling, which refers to buying products in bulk directly from the brand or manufacturer at a wholesale price and making a profit by selling the product on Amazon. We sell merchandise on Amazon and the sales are fulfilled by Amazon. We pay Amazon fees for allowing us to sell on their platform. Our relationship with other marketplaces is similar. We pay other marketplaces fees for allowing us to sell our merchandise on its platform. As stated above, to date, we have generated only a negligible amount of revenues as a third-party seller on other marketplaces.

The advantages of selling via a wholesale model include the following:

- Purchasing lower unit quantities with wholesale orders than private label products;
- Selling wholesale is less time intensive and easier to scale than sourcing products via retail arbitrage; and
- We believe more brands want to work with us because we can provide broader Amazon presence.

The challenges of selling via a wholesale model include the following:

- Fierce competition on listing for Buy Box on amazon.com (as described below); and
- Developing and maintaining relationships with brand manufacturers.

Market Description/Opportunities

Total U.S. retail sales increased 8% to $7.10 trillion in 2022 from $6.56 trillion in 2021. Consumers spent $1,032.82 billion online with U.S. merchants in 2022, which is approximately 14.55% of total retail sales for the year compared to 13.52% in 2021. Amazon accounted for nearly 40% of all e-commerce in the United States, which makes Amazon the biggest ecommerce giant currently in the U.S. market.

Formation

We were originally incorporated under the laws of the State of Washington on January 13, 2015. In 2019, we formed a wholly owned subsidiary, Flywheel Consulting Ltd. (“Flywheel”), to provide business operating consulting services, exclusively to Hour Loop. On April 7, 2021, Hour Loop converted from a Washington corporation to a Delaware corporation. The Company was founded in 2013 by Sam Lai and Maggie Yu. With their vision, leadership, and software development skills, the Company grew rapidly. From 2013 to 2022, sales grew from $0 to $95,930,091.

Competitive Advantage

Among more than two million active third-party sellers on Amazon, we believe we have two main competitive advantages:

- First, we have strong operations and sales teams experienced in listing, shipment, advertising, reconciliation and sales. By delivering high quality results and enhancing procedures through the process, our teams are competitive.
- Second, we believe our proprietary software system gives us an advantage over our competition. The system is highly customized to our business model; it collects and processes large amounts of data every day to optimize our operation and sales. Through advanced software, we can identify product gaps and keep them in stock all year round.

With respect to our advertising strategy, we advertise those products that we estimate will have greater demand based on our experience. This lets us allocate our advertising budget in a fashion that delivers positive value. We advertise our products on Amazon. We allocate our advertising dollars prudently. This is accomplished by advertising items that deliver the most return for our advertising spending. We monitor the items being advertised by our competitors. On the operations side, we constantly refine our processes based on lessons learned from historical data. The combination of managing the business operations effectively along with allocating our advertising budget to high value items allows us to generate more revenue. In cases where the advertising is fierce, we allocate the spending appropriately. Our strategy for competing with larger competitors is to monitor their pricing and not compete with them when their pricing is low or at a loss. Competitors sell at low prices or at a loss due to a variety of reasons, including, but not limited to, their desire to liquidate inventory or achieve a short-term increase in revenue. During these times, we avoid matching their prices.

Our Financial Position

For the three months ended June 30, 2023 and 2022, we generated net revenues of $22,417,448 and $14,800,518, respectively, and reported a net loss of $769,368 and $313,407, respectively, and cash flow used in operating activities of $135,364 and $4,746,387, respectively. For the six months ended June 30, 2023 and 2022, we generated revenues of $43,485,057 and $27,154,501, respectively, and reported net loss of $2,004,612 and $958,295, respectively, and cash used in operating activities of $3,265,398 and $12,670,858, respectively.

As noted in our unaudited consolidated financial statements, as of June 30, 2023, we had an accumulated deficit of $827,540.

Results of Operations

The following table shows a comparison of our unaudited income statements for the three and six months ended June 30, 2023 and 2022.

	Three Months Ended		Six Months Ended	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Statement of Operations Data				
Total revenues	**$ 22,417,448**	$ 14,800,518	**$ 43,485,057**	$ 27,154,501
Total cost of goods sold	**(11,059,899)**	(6,443,910)	**(22,511,806)**	(12,341,179)
Gross profit	**11,357,549**	8,356,608	**20,973,251**	14,813,322
Total operating expenses	**(12,203,887)**	(8,756,267)	**(23,424,044)**	(15,958,333)
Loss from operations	**(846,338)**	(399,659)	**(2,450,793)**	(1,145,011)
Total other non-operating expense	**(44,012)**	(10,757)	**(99,757)**	(92,826)
Income tax benefit	**120,982**	97,009	**545,938**	279,542
Net loss	**(769,368)**	(313,407)	**(2,004,612)**	(958,295)
Other comprehensive loss	**(9,192)**	(9,497)	**(7,853)**	(11,913)
Total comprehensive loss	**$ (778,560)**	$ (322,904)	**$ (2,012,465)**	$ (970,208)

For the three months ended June 30, 2023 compared to the three months ended June 30, 2022

Revenue

We generated $22,417,448 in revenues in the three months ended June 30, 2023, as compared to $14,800,518 in revenues in the same period in 2022. This represents an increase in revenues of $7,616,930, or 51.46%. We attribute this increase to our continued growth and maturity in our operating model, despite the overall e-commerce traffic slowdown and intense competition. Our total orders in the three months ended June 30, 2023 were approximately 972,136, as compared to 543,826 orders in the three months ended June 30, 2022, representing an increase of 78.76%. This surge in orders has played a pivotal role in driving the overall revenue growth. The substantial increase in order quantity indicates a rising demand for our products, leading to a corresponding increase in revenue generated from these sales. As a result, the increase in orders has directly contributed to the overall growth in the Company's revenue during the period. The 78.76% increase in orders reflects strong customer demand, but our pricing strategy, including competitive pricing pressure and discounts offered during the period, resulted in lower prices for products sold. As a consequence, even with the significant order volume increase, the revenue growth was slightly shy of fully matching this proportion.

Cost of Goods Sold

Cost of goods sold for the three months ended June 30, 2023, totaled $11,059,899, as compared to $6,443,910 for the three months ended June 30, 2022. Cost of goods sold includes the cost of the merchandise sold and shipping costs, as well as estimated losses due to damage to goods. The rise in the cost of goods sold can be attributed to an increase in the overall cost of doing business, particularly with increased product costs and other expenses within the supply chain.

Operating Expenses

Operating expenses for the three months ended June 30, 2023, totaled $12,203,887, representing a $3,447,620, or 39.37%, increase from the $8,756,267 of operating expenses for the three months ended June 30, 2022. This change was caused by an increase in platform fees and fees paid to Amazon. The Amazon fees are proportional to revenues. In 2023, Amazon made strategic adjustments to its Fulfillment by Amazon ("FBA") fees and costs, which had a direct impact on our operating expenses. The increase in revenues in the three months ended June 30, 2023 over the same period in 2022 drove the increase in platform fees and higher Amazon fees.

Other Expense

Other expense for the three months ended June 30, 2023, was $44,012, compared to $10,757 for the three months ended June 30, 2022. The increase was mainly due to accrued interest from due to related parties.

Total Comprehensive Loss

Total comprehensive loss for the three months ended June 30, 2023, was $778,560, as compared with $322,904 for the three months ended June 30, 2022. The increase in total comprehensive loss was driven by an increase in the Company's operating expenses in the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

For the six months ended June 30, 2023 compared to the six months ended June 30, 2022

Revenue

We generated $43,485,057 in revenues in the six months ended June 30, 2023, as compared to $27,154,501 in revenues in the same period in 2022. This represents an increase in revenues of $16,330,556, or 60.14%. We attribute this increase to our continued growth and maturity in our operating model, despite the overall e-commerce traffic slowdown and intense competition. Our total orders in the six months ended June 30, 2023 were approximately 1,884,580, as compared to 1,071,386 orders in the six months ended June 30, 2022, representing an increase of 75.9%. This surge in orders has played a pivotal role in driving the overall revenue growth. The substantial increase in order quantity indicates a rising demand for our products, leading to a corresponding increase in revenue generated from these sales. As a result, the increase in orders has directly contributed to the overall growth in the Company's revenue during the period. The 78.76% increase in orders reflects strong customer demand, but our pricing strategy, including competitive pricing pressure and discounts offered during the period, resulted in lower prices for products sold. As a consequence, even with the significant order volume increase, the revenue growth was slightly shy of fully matching this proportion.

Cost of Goods Sold

Cost of goods sold for the six months ended June 30, 2023, totaled $22,511,806, as compared to $12,341,179 for the six months ended June 30, 2022. Cost of goods sold includes the cost of the merchandise sold and shipping costs, as well as estimated losses due to damage to goods. The rise in the cost of goods sold can be attributed to an increase in the overall cost of doing business, particularly with increased product costs and other expenses within the supply chain.

Operating Expenses

Operating expenses for the six months ended June 30, 2023, totaled $23,424,044, representing a $7,465,711, or 46.78%, increase from the $15,958,333 of operating expenses for the six months ended June 30, 2022. This change was caused by an increase in platform fees and fees paid to Amazon. The Amazon fees are proportional to revenues. In 2023, Amazon made strategic adjustments to its FBA fees and costs, which had a direct impact on our operating expenses. The increase in revenues in the six months ended June 30, 2023 over the same period in 2022 drove the increase in platform fees and higher Amazon fees.

Other Expense

Other expense for the six months ended June 30, 2023, was $99,757, compared to $92,826 for the six months ended June 30, 2022. The increase was mainly due to accrued interest from due to related parties.

Total Comprehensive Loss

Total comprehensive loss for the six months ended June 30, 2023, was $2,012,465, as compared to $970,208 for the six months ended June 30, 2022. The increase in total comprehensive loss was driven by an increase in our operating expenses in the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

Liquidity and Capital Resources

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements. We had cash of $1,118,671 and $2,306,430 as of June 30, 2023 and 2022, respectively.

Our primary uses of cash have been for inventory, payments to Amazon related to sales and shipping of products, for services provided, payments for marketing and advertising, and salaries paid to our employees. We have received funds from the sales of products that we sell online. The following trends are reasonably likely to result in changes in our liquidity over the near to long term:

- An increase in working capital requirements to finance the rapid growth in our current business;
- An increase in fees paid to Amazon and other partners as our sales grows;
- The cost of being a public company;
- Marketing and advertising expenses for attracting new customers; and
- Capital requirements for the development of additional infrastructure.

Since inception, we have generated liquidity from revenues generated by our ongoing business, from debt and from the Company's initial public offering to fund our operations.

The following table shows a summary of our cash flows for the six months ended June 30, 2023 and 2022.

	Six Months Ended June 30,			
	2023		2022	
Statement of Cash Flows				
Net cash used in operating activities	$	(3,424,440)	$	(12,670,858)
Net cash used in investing activities	$	(5,881)	$	(164,174)
Net cash provided by financing activities	$	-	$	4,556,005
Effect of changes in foreign currency rates	$	(13,597)	$	(7,115)
Net decrease in cash	$	(3,443,918)	$	(8,286,142)
Cash - beginning of the period	$	4,562,589	$	10,592,572
Cash - end of the period	$	1,118,671	$	2,306,430

Net Cash Used in Operating Activities

For the six months ended June 30, 2023, cash used in operating activities amounted to $3,424,440, as compared to $12,670,858 of cash used in operating activities for the six months ended June 30, 2022. This was driven by our net loss of $2,004,612 and as we continue to invest in inventory growth while at the same time, pay off accounts payable for the six months ended June 30, 2023, as compared to $958,295 for the same period in 2022.

Despite the increase in revenue to $43,485,057 for the six months ended June 30, 2023, as compared to $27,154,501 for the six months ended June 30, 2022, the revenue increase was offset by a corresponding increase in cost of goods sold of $10,170,627 and an increase in operating expenses of $7,465,711.

Net Cash Used in Investing Activities

For the six months ended June 30, 2023, $5,881 in cash was used in investing activities, compared to $164,174 in cash used in investing activities for the six months ended June 30, 2022.

Net Cash (Used in) Provided by Financing Activities

For the six months ended June 30, 2023, cash used in financing activities amounted to $-, as compared to cash provided by financing activities of $4,556,005 for the six months ended June 30, 2022.

Off-balance sheet financing arrangements

We have no obligations, assets or liabilities which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets.

Contractual Obligations

Except as set forth below, we do not have any long-term capital lease obligations, operating lease obligations or long-term liabilities.

Bank of America Loan

On June 18, 2019, the Company issued a Promissory Note (the “BofA Note”) in the amount of $785,000 to Bank of America for a loan in the amount of $785,000. The BofA Note matures on June 18, 2024 and bears interest at a rate of 8.11% per annum. The monthly payment is $15,963, consisting of $11,398 of principal and $4,565 of interest. As of June 30, 2023, the aggregate principal amount of the BofA Note outstanding was $-. As of June 30, 2023, there was an outstanding balance of deferred interest of $27,996.

Taishin International Bank

On August 18, 2022, Flywheel, entered into a line of credit agreement in the amount of $6,940,063 with Taishin International Bank (“Taishin”). The line of credit matures on August 30, 2023. As of June 30, 2023, the outstanding balance under the Taishin line of credit was $643,294, and bears interest at a rate of 3.2% per annum. Also, Flywheel has accrued interest expense of $1,691 as of June 30, 2023.

Affiliated Loans

From time to time, the Company receives loans and advances from its stockholders to fund its operations. As of June 30, 2023, the Company had $4,284,182 due to related parties. While stockholder payables are generally non-interest bearing and payable on demand, the Company and stockholders entered into loan agreements for loans with terms over one year.

December 2020 Loan

On December 30, 2020 and later modified on September 16, 2021, the Company, Mr. Lai and Ms. Yu entered into a loan agreement of $1,041,353 and converted it into a retroactive interest-bearing (2%) loan with a repayment date of December 31, 2021. On January 18, 2022 and January 27, 2023, the Company repaid the loan principal and accrued interest in full. Together, Mr. Lai and Ms. Yu hold over 95% of the Company's outstanding shares. Mr. Lai is the Company's Chairman of the Board, Chief Executive Officer and Interim Chief Financial Officer. Ms. Yu is the Company's Senior Vice President and a member of the Company's Board of Directors.

July 2021 Loan

On July 27, 2021, the Company, Mr. Lai and Ms. Yu entered into a loan agreement with a principal amount of $4,170,418. The loan is subordinated. The original annual interest rate was 2% and the original repayment date was December 31, 2022. On December 28, 2022, the Company, Mr. Lai and Ms. Yu agreed to extend the term of the loan, with the new maturity date of December 31, 2024. As amended, the annual interest rate of the loan is 5.5%. The Company had accrued interest of $113,764 as of June 30, 2023.

Leases

The Company has four operating leases (Flywheel has four offices lease in Taiwan). The respective lease terms are January 1, 2022 to December 31, 2023, June 1, 2022 to May 31, 2024, August 1, 2022 to July 31, 2024 and February 9, 2023 to March 8, 2025, respectively.

For the Year Ending June 30, (Unaudited)	Amount
2023	$ 204,461
2024	82,191
2025	2,415
2026	-
2027 and thereafter	-
Total minimum lease payments	289,067
Less: effect of discounting	(6,887)
Present value of the future minimum lease payment	282,180
Less: operating lease liabilities-current	(266,672)
Total operating lease liabilities-non-current	$ 15,508

Sales Taxes

We make an assessment of sales tax payable, including any related interest and penalties, and accrue these estimates on the financial statements. Pursuant to the Wayfair decision, each state enforces sales tax collection at different dates. We collect and remit sales tax in accordance with state regulations. We estimate that as of June 30, 2023, we owed $288,466 in sales taxes, along with penalties and interest. The Company has made significant progress filing historical sales tax returns and targets completion of filings for all jurisdictions in 2023.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates.

Cash

The Company considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash. The carrying amount of cash approximates fair value.

Inventory and Cost of Goods Sold

Inventories are stated at the lower of cost or net realizable value. Cost is principally determined on a first-in first-out basis. The Company's costs include the amounts it pays manufacturers for products, tariffs and duties associated with transporting product across national borders, and freight costs associated with transporting the product from its manufacturers to its warehouses.

Cost of goods sold is comprised of the book value of inventory sold to customers during the reporting period.

Property and Equipment

Property, plant, and equipment are recorded at cost and depreciated or amortized over the estimated useful life of the asset using the straight-line method.

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The carrying amounts reported in the consolidated balance sheets for cash, accounts receivable, accounts payable and other current liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments.

Revenue Recognition

The Company accounts for revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"). The Company adopted ASC Topic 606 as of January 1, 2019. The standard did not affect the Company's consolidated financial position, or cash flows. There were no changes to the timing of revenue recognition as a result of the adoption.

The Company recognizes revenue in accordance with ASC Topic 606, which provided a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

The Company derives its revenue from the sale of consumer products. The Company sells its products directly to consumers through online retail channels. The Company considers customer order confirmations to be a contract with the customer. Customer confirmations are executed at the time an order is placed through third-party online channels. For all of the Company's sales and distribution channels, revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment date. As a result, the Company has a present and unconditional right to payment and record the amount due from the customer in accounts receivable.

The Company evaluated principal versus agent considerations to determine whether it is appropriate to record platform fees paid to Amazon as an expense or as a reduction of revenue. Platform fees are recorded as sales and distribution expenses and are not recorded as a reduction of revenue because the Company owns and controls all the goods before they are transferred to the customer. The Company can, at any time, direct Amazon, similarly, other third-party logistics providers ("Logistics Providers"), to return the Company's inventories to any location specified by the Company. It is the Company's responsibility to make any returns made by customers directly to Logistic Providers and the Company retains the back-end inventory risk. Further, the Company is subject to credit risk (i.e., credit card chargebacks), establishes prices of its products, can determine who fulfills the goods to the customer (Amazon or the Company) and can limit quantities or stop selling the goods at any time. The customer can return the products within 30 days after the products are delivered and estimated sales returns are calculated based on the expected returns. Based on these considerations, the Company is the principal in this arrangement.

Performance Obligations. A performance obligation is a promise in a contract to transfer a distinct good to the customer and is the unit of account in ASC Topic 606. A contract's transaction price is recognized as revenue when the performance obligation is satisfied. Each of the Company's contracts has a single distinct performance obligation, which is the promise to transfer individual goods. For consumer product sales, the Company has elected to treat shipping and handling as fulfillment activities, and not a separate performance obligation. The Company bills customers for charges for shipping and handling on certain sales and such charges are recorded as part of net revenue.

For each contract, the Company considers the promise to transfer products to be the only identified performance obligation. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at historical cost less allowance for doubtful accounts. On a periodic basis, management evaluates its accounts receivable and determines whether to provide an allowance or if any accounts should be written off based on a past history of write-offs, collections and current credit conditions. A receivable is considered past due if the Company has not received payments based on agreed-upon terms. The Company performs on-going evaluations of its customers and maintains an allowance for bad debt and doubtful receivables as the Company deems necessary or appropriate.

Leases

The Company has elected the adoption under ASC Topic 842, Leases, which allows the Company to apply the transition provision at the Company's adoption date instead of at the earliest comparative period presented in the financial statements. The Company elected the optional practical expedient permitted under the transition guidance which allows the Company to carry forward the historical accounting treatment for existing leases upon adoption.

Sales Taxes

The Company makes an assessment of sales tax payable including any related interest and penalties. The Company's accounting policy is to exclude the tax collected and remitted from revenues and cost of revenues. Pursuant to the Wayfair decision, each state enforces sales tax collection at different dates. The Company collects and remits sales tax in accordance with state regulations. In the past, where the Company has not collected these taxes, the Company has made estimates of amounts owed and accrued these on the financial statements. The Company has made significant progress of filing historical sales tax returns and targets completion of filings for all jurisdictions in 2023.

Income Taxes

Prior to 2021, the Company, with the stockholders' consent, elected to be taxed as an "S corporation" under the provisions of the Internal Revenue Code of 1986, as amended, and comparable state income tax law. As an S corporation, the Company was generally not subject to corporate income taxes, and the Company's net income or loss is reported on the individual tax return of the stockholders of the Company. On July 27, 2021, the Company's tax status changed to a C corporation. Per ASC 740-10-45-19, when deferred tax accounts are recognized or derecognized as required by paragraphs 740-10-25-32 and 740-10-40-6 due to a change in tax status, the effect of recognizing or derecognizing the deferred tax liability of asset shall be included in income from continuing operations.

The Company also complied with state tax regulations, including those relating to California franchise tax. Management has evaluated its tax positions and has concluded that the Company had taken no uncertain tax.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Related Parties

The Company accounts for related party transactions in accordance with ASC Topic 850 (Related Party Disclosures). A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

Earnings per Share

The Company computes basic earnings per common share using the weighted-average number of shares of common stock outstanding during the period. For a period in which the Company reports net losses, diluted net loss per share attributable to stockholders is the same as basic net loss per share attributable to stockholders, because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Foreign Currency and Currency Translation

In case of a functional currency other than the U.S. dollar, the functional currency amounts are translated into U.S. dollars at exchange rates in effect at quarter-end, with resulting translation gains or losses included within other comprehensive income or loss.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Interim Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2023. Based upon such evaluation, the Chief Executive Officer and Interim Chief Financial Officer concluded that, as of June 30, 2023, the Company's disclosure controls and procedures were effective as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 of the Exchange Act that occurred during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in various claims and legal actions arising in the ordinary course of business. To the knowledge of our management, there are no legal proceedings currently pending against us which we believe would have a material effect on our business, financial position or results of operations and, to the best of our knowledge, there are no such legal proceedings contemplated or threatened.

ITEM 1A. RISK FACTORS

As a smaller reporting company, the Company is not required to disclose material changes to the risk factors that were contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as updated from time to time.

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

On April 3, 2023, the Company issued 1,365, 1,365, 1,365, 1,365, 1,365 and 606 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Douglas Branch, Alan Gao and Hillary Bui, respectively, with a fair market value of $2.1985 per share as compensation for the past services as executives or directors of the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with the Company.

On June 30, 2023, the Company issued 1,752 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Douglas Branch, Alan Gao and Hillary Bui, with a fair market value of $1.7125 per share as compensation for the past services as executives or directors of the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with the Company.

The above issuances were made pursuant to an exemption from registration as set forth in 506 of Regulation D and Section 4(a)(2) of the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There have been no defaults in any material payments during the covered period.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) There have been no material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors since the Company last provided disclosure in response to the requirements of Item 407(c)(3) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document
31.1*	Rule 13a-14(a) Certification of Principal Executive Officer.
31.2*	Rule 13a-14(a) Certification of Principal Financial Officer.
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Principal Executive Officer and Principal Financial Officer.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

	HOUR LOOP, INC.
Dated: August 9, 2023	By: */s/ Sam Lai*
	Sam Lai Chief Executive Officer and Interim Chief Financial Officer (principal executive officer, principal financial officer and principal accounting officer)

Exhibit 31.1

CERTIFICATIONS

I, Sam Lai, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2023 of Hour Loop, Inc.; and

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; and

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

By: */s/ Sam Lai*
Sam Lai
Chief Executive Officer and Interim Chief Financial Officer (principal executive officer)

Exhibit 31.2

CERTIFICATIONS

I, Sam Lai, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2023 of Hour Loop, Inc.; and

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; and

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

By: */s/ Sam Lai*
Sam Lai
Chief Executive Officer and Interim Chief Financial Officer (principal financial officer)

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hour Loop, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sam Lai, Chief Executive Officer and Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: August 9, 2023

/s/ Sam Lai
Sam Lai
Chief Executive Officer and Interim Chief Financial Officer (principal executive officer and principal financial officer)

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.