

**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, 2025**

**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**

(State or Other Jurisdiction of  
Incorporation or Organization)

**47-2869399**

(I.R.S. Employer  
Identification Number)

**8201 164<sup>th</sup> Ave. NE  
Redmond, WA**

(Address of Principal Executive Offices)

**98052-7615**

(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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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 12, 2025, there were 35,171,565 shares of common stock, par value \$0.0001 per share, of the registrant issued and outstanding.

**Hour Loop, Inc.**  
**Form 10-Q**

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**Item 1. Financial Statements.**

**HOURL LOOP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In U.S. Dollars, except for share and per share data)  
As of June 30, 2025 and December 31, 2024  
(Unaudited)

	June 30, 2025	December 31, 2024
<b>ASSETS</b>		
Current assets		
Cash	\$ 325,354	\$ 2,119,581
Accounts receivable, net	477,955	1,650,547
Inventory, net	20,940,746	14,640,632
Prepaid expenses and other current assets	525,287	327,894
<b>Total current assets</b>	<b>22,269,342</b>	<b>18,738,654</b>
Property and equipment, net	40,574	56,797
Deferred tax assets	513,152	1,060,104
Operating lease right-of-use lease assets	137,465	111,409
<b>Total non-current assets</b>	<b>691,191</b>	<b>1,228,310</b>
<b>TOTAL ASSETS</b>	<b>\$ 22,960,533</b>	<b>\$ 19,966,964</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 8,584,090	\$ 4,176,305
Credit cards payable	2,980,539	3,389,880
Short-term loan	683,760	610,967
Operating lease liabilities-current	75,897	114,540
Accrued expenses and other current liabilities	732,367	2,322,535
Due to related parties	2,660,418	4,192,995
<b>Total current liabilities</b>	<b>15,717,071</b>	<b>14,807,222</b>
Non-current liabilities		
Operating lease liabilities-non-current	61,334	-
Deferred tax liabilities	19,464	-
<b>Total non-current liabilities</b>	<b>80,798</b>	<b>-</b>
<b>Total liabilities</b>	<b>15,797,869</b>	<b>14,807,222</b>
Commitments and contingencies		
	-	-
Stockholders' equity		
Preferred stock: \$0.0001 par value per share, 10,000,000 shares authorized, none issued and outstanding as of June 30, 2025 and December 31, 2024	-	-
Common stock: \$0.0001 par value per share, 300,000,000 shares authorized, 35,160,190 and 35,143,460 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	3,516	3,514
Additional paid-in capital	5,832,685	5,802,686
Retained earnings (accumulated deficit)	1,236,343	(595,175)
Accumulated other comprehensive income (loss)	90,120	(51,283)
<b>Total stockholders' equity</b>	<b>7,162,664</b>	<b>5,159,742</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 22,960,533</b>	<b>\$ 19,966,964</b>

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

**HR LOOP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(In U.S. Dollars, except for share and per share data)  
For the Three Months and Six Months Ended June 30, 2025 and 2024  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenues, net	\$ 27,103,106	\$ 28,070,707	\$ 52,940,196	\$ 52,751,829
Cost of revenues	<u>(11,605,754)</u>	<u>(12,445,297)</u>	<u>(23,297,546)</u>	<u>(22,674,213)</u>
Gross profit	15,497,352	15,625,410	29,642,650	30,077,616
Operating expenses				
Selling and marketing	11,715,571	12,843,697	22,962,568	24,017,888
General and administrative	2,160,930	1,844,517	4,138,366	3,584,360
Total operating expenses	<u>13,876,501</u>	<u>14,688,214</u>	<u>27,100,934</u>	<u>27,602,248</u>
Income from operations	1,620,851	937,196	2,541,716	2,475,368
Other (expenses) income				
Other expense	(2,300)	(4,777)	(1,999)	(5,933)
Interest expense	(43,782)	(61,984)	(90,837)	(124,096)
Other income	7,912	59,477	69,737	87,511
Total other expenses, net	<u>(38,170)</u>	<u>(7,284)</u>	<u>(23,099)</u>	<u>(42,518)</u>
Income before income taxes	1,582,681	929,912	2,518,617	2,432,850
Income tax expense	<u>(405,680)</u>	<u>(280,762)</u>	<u>(687,099)</u>	<u>(717,886)</u>
Net income	1,177,001	649,150	1,831,518	1,714,964
Other comprehensive income (loss)				
Foreign currency translation adjustments	154,939	(8,058)	141,403	(24,591)
Total comprehensive income	<u>\$ 1,331,940</u>	<u>\$ 641,092</u>	<u>\$ 1,972,921</u>	<u>\$ 1,690,373</u>
Basic and diluted income per common share	\$ 0.04	\$ 0.02	\$ 0.06	\$ 0.05
Weighted-average number of common shares outstanding	35,160,095	35,108,804	35,155,795	35,102,203

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

**HOURL LOOP, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In U.S. Dollars, except for share data)  
**For the Three and Six Months Ended June 30, 2025 and 2024**  
(Unaudited)

*For the three months ended June 30, 2025*

	<u>Shares of Common Stock</u>	<u>Common Stock Amount</u>	<u>Additional Paid-In Capital</u>	<u>(Accumulated Deficit) Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss (Income)</u>	<u>Total Stockholders' Equity</u>
<b>BALANCE AT March 31, 2025</b>	35,151,440	\$ 3,515	\$ 5,817,685	\$ 59,342	\$ (64,819)	\$ 5,815,723
<b>Issuance of shares</b>	8750	1	15,000	-	-	15,001
<b>Currency translation adjustments</b>	-	-	-	-	154,939	154,939
<b>Net income</b>	-	-	-	1,177,001	-	1,177,001
<b>BALANCE AT June 30, 2025</b>	<u>35,160,190</u>	<u>\$ 3,516</u>	<u>\$ 5,832,685</u>	<u>\$ 1,236,343</u>	<u>\$ 90,120</u>	<u>\$ 7,162,664</u>
<b>BALANCE AT March 31, 2024</b>	35,108,804	\$ 3,510	\$ 5,763,648	\$ (186,808)	\$ (42,172)	\$ 5,538,178
<b>Currency translation adjustments</b>	-	-	-	-	(8,058)	(8,058)
<b>Net income</b>	-	-	-	649,150	-	649,150
<b>BALANCE AT June 30, 2024</b>	<u>35,108,804</u>	<u>\$ 3,510</u>	<u>\$ 5,763,648</u>	<u>\$ 462,342</u>	<u>\$ (50,230)</u>	<u>\$ 6,179,270</u>

*For the six months ended June 30, 2025*

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>(Accumulated Deficit) Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss (Income)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
<b>BALANCE AT DECEMBER 31, 2024</b>	<u>35,143,460</u>	<u>\$ 3,514</u>	<u>\$ 5,802,686</u>	<u>\$ (595,175)</u>	<u>\$ (51,283)</u>	<u>\$ 5,159,742</u>
<b>Stock-based compensation</b>	16,730	2	29,999	-	-	30,001
<b>Currency translation adjustments</b>	-	-	-	-	141,403	141,403
<b>Net income</b>	-	-	-	1,831,518	-	1,831,518
<b>BALANCE AT JUNE 30, 2025</b>	<u>35,160,190</u>	<u>\$ 3,516</u>	<u>\$ 5,832,685</u>	<u>\$ 1,236,343</u>	<u>\$ 90,120</u>	<u>\$ 7,162,664</u>
<b>BALANCE AT DECEMBER 31, 2023</b>	35,082,464	\$ 3,508	\$ 5,727,650	\$ (1,252,622)	\$ (25,639)	\$ 4,452,897
<b>Stock-based compensation</b>	26,340	2	35,998	-	-	36,000
<b>Currency translation adjustments</b>	-	-	-	-	(24,591)	(24,591)
<b>Net income</b>	-	-	-	1,714,964	-	1,714,964
<b>BALANCE AT JUNE 30, 2024</b>	<u>35,108,804</u>	<u>\$ 3,510</u>	<u>\$ 5,763,648</u>	<u>\$ 462,342</u>	<u>\$ (50,230)</u>	<u>\$ 6,179,270</u>

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

**HR LOOP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In U.S. Dollars)  
**For the Six Months Ended June 30, 2025 and 2024**  
(Unaudited)

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
<b>Cash flows from operating activities</b>		
Net income	\$ 1,831,518	\$ 1,714,964
Reconciliation of net income to net cash used in operating activities:		
Depreciation expenses	23,517	70,920
Amortization of operating lease right-of-use lease assets	122,018	98,773
Deferred tax assets	546,952	571,296
Deferred tax liabilities	19,464	-
Stock-based compensation	30,001	36,000
Inventory allowance	416,196	645,379
Unrealized foreign exchange gain	237,028	-
Changes in operating assets and liabilities:		
Accounts receivable	1,172,592	(5,594)
Inventory	(6,716,310)	(1,026,905)
Prepaid expenses and other current assets	(197,393)	37,203
Accounts payable	4,407,785	1,875,374
Credit cards payable	(409,341)	(2,120,514)
Accrued expenses and other current liabilities	(2,283,745)	(888,522)
Operating lease liabilities	(125,712)	(92,899)
Income taxes payable	-	33,700
Net cash (used in) provided by operating activities	(925,430)	949,175
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(801)	(34,593)
Net cash used in investing activities	(801)	(34,593)
<b>Cash flows from financing activities:</b>		
Payments to related parties	(839,000)	-
Net cash used in financing activities	(839,000)	-
Effect of changes in foreign currency exchange rates	(28,996)	(51,838)
Net change in cash	(1,794,227)	862,744
Cash at beginning of the period	2,119,581	2,484,153
Cash at end of the period	\$ 325,354	\$ 3,346,897
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 11,095	\$ 9,883
Cash paid for income tax	\$ 52,841	\$ 109,260
<b>Non-cash investing and financing activities:</b>		
Operating lease right-of-use of assets and operating lease liabilities recognized	\$ 134,648	\$ 172,903

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

**HR LOOP, INC.**  
**NOTES TO 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 Flywheel Consulting Ltd. (“Flywheel”), a wholly owned subsidiary located in Taiwan, to provide business operating consulting services exclusively to Hour Loop.

**Basis of Presentation** - These unaudited consolidated financial statements have been prepared in accordance with rules and regulations of the Securities and Exchange Commission (“SEC”) and accounting principles generally accepted in the United States of America (“U.S. 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 U.S. GAAP 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, 2024 and notes thereto and other pertinent information contained in our Annual Report on Form 10-K as filed with the SEC on March 27, 2025.

**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 General and administrative in the consolidated statement of operations and other comprehensive income.

The relevant exchange rates are listed below:

	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>	<u>June 30,</u> <u>2024</u>
Period NTD: USD exchange rate	\$ 29.250	\$ 32.735	\$ 32.400
Period Average NTD: USD exchange rate	\$ 29.603	\$ 32.526	\$ 32.334

**HR LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Use of Estimates** - The preparation of financial statements in conformity with U.S. 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, include but not limited to, estimates associated with the collectability of accounts receivable, useful life of property and equipment, impairment of long-lived assets, valuation allowance for deferred tax assets, inventory valuation and inventory provision.

**Cash and Cash Equivalents** - The Company considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash. 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. Cash equivalents and marketable securities are comprised of time deposits, money market funds, highly liquid government bonds, corporate debt securities, mortgage-backed and asset-backed securities, and marketable equity securities. Our cash and cash equivalents primarily consisted of cash and money market funds. Such amounts are recorded at fair value.

**Accounts Receivable and Allowance for Credit Losses** - Accounts receivable are stated at historical cost less allowance for credit loss. On a periodic basis, management evaluates its accounts receivable and determines whether to provide an allowance for credit losses in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 326. Credit losses are provided based on a past history of write-offs, collections, current credit conditions, current economic conditions, reasonable and supportable forecasts of future economic conditions. The evaluation is performed on a collective basis where similar characteristics exist, primarily based on similar services or products offerings. We adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only. 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 seven days. The Company performs on-going evaluations of its customers and maintains an allowance for credit losses as the Company deems necessary or appropriate. As of June 30, 2025 and December 31, 2024, the Company did not deem it necessary to have an allowance for credit loss.

**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.

Policy for inventory allowance: The Company writes down the cost of obsolete and slow-moving inventories to the estimated net realizable value, based on inventory obsolescence trends, historical experience, forecasted consumer demand and application of the specific identification method. As of June 30, 2025 and December 31, 2024, \$416,196 and \$560,293, respectively, were written down from the cost of inventories to their net realizable values. Full inventory allowance is recorded for the inventory SKU not sold for more than one year.

**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 three years.

**Impairment of 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, 2025 and 2024.

**HOURL LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**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.

The Company typically utilizes operating leases for its office space requirements. This means that the Company leases office space, categorizing the lease arrangement as an operating lease. Under this arrangement, the Company does not hold ownership of the leased assets but instead pays rent for the right to use them.

For a lessee, a lease is recognized as an operating lease 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 operating lease 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 operating lease 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.

**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 and cash equivalents, accounts receivable, accounts payable, due to related parties and short-term debt at fair value or cost, which approximates fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

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 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.

**HOURL LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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 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 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. For each contract, the promise to transfer products is identified as the sole performance obligation. Transaction prices are evaluated for potential refunds or adjustments, determining the net consideration expected. Revenues for the three and six months ended June 30, 2025 and 2024 were recognized at a point in time. 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 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 6.92% and 5.94% of gross sales for the six months ended June 30, 2025 and 2024, respectively.

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, defined as the promise to transfer a distinct good, is the unit of account in ASC Topic 606. The Company treats shipping and handling as fulfillment activities, not separate performance obligations. Costs for shipping and handling were \$11,659,356 and \$11,886,764 for the six months ended June 30, 2025 and 2024, respectively, recorded as selling and marketing expenses.

**Segment Information** – The Company has only one segment, which is online retail (e-commerce).

The Company uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company’s chief operating decision maker (“CODM”) for making operating decisions and assessing performance as the source for determining the Company’s reportable segments. The Company’s CODM has been identified as the chief executive officer of the Company who reviews financial information of separate operating segments based on U.S. GAAP. The CODM now reviews results analyzed by customers. This analysis is only presented at the revenue level with no allocation of direct or indirect costs. Consequently, the Company has determined that it has only one operating segment.

**HR LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Income Taxes** - Income tax expense includes U.S. (federal and state) and foreign income taxes.

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.

**Concentration of Credit Risks** - Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents 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 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, 2025 and 2024, the Company had no customer that accounted for 10% or more of total net revenues. In addition, as of June 30, 2025 and December 31, 2024, the Company had no customer that accounted for 10% or more of gross accounts receivable. As of June 30, 2025 and December 31, 2024, 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 less than seven 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 six months ended June 30, 2025 and 2024, approximately 99% and 99%, respectively, of the Company's revenue was through or with the Amazon sales platform.

**Foreign Currency Exchange Risk** - The Company is exposed to foreign currency exchange risk through its foreign subsidiary in Taiwan. The Company does not hedge foreign currency translation risk in the net assets and income reported from these sources.

**Advertising and Promotion Expenses** - Our policy is to recognize advertising costs as they are incurred. Advertising and promotion expenses were \$964,824 and \$1,953,155 for the six months ended June 30, 2025 and 2024, respectively.

**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.

**HR LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**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 for the three and six months ended June 30, 2025 and 2024. Therefore, the diluted earnings per share is the same as the basic earnings per share.

**Shares Issued for Services** – Stock-based 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.

**NOTE 2 - Recent Accounting Pronouncements Adopted**

In December 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-07 on Improvements to Reportable Segment Disclosures, which requires entities to disclose incremental segment information on an annual and interim basis, including significant segment expenses and measures of profit or loss that are regularly provided to the CODM. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company adopted this ASU beginning with the interim periods in the fiscal year starting January 1, 2025, and for the annual period ending December 31, 2025. The Company does not expect the adoption to have a material impact on the Company’s consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09 on Improvements to Income Tax Disclosures that require greater disaggregation of income tax disclosures to the income rate tax rate reconciliation and income taxes paid. The Updates are effective for annual periods beginning after December 15, 2024. The Company will adopt and apply the guidance in fiscal year 2025. There is no material impact expected to our results of operations, cash flows and financial condition at the time of adoption, however the Company is still assessing the disclosure impact.

**NOTE 3 - Inventory**

Inventory was comprised of the following as of June 30, 2025 and December 31, 2024, respectively:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Inventory	\$ 17,097,686	\$ 12,716,062
Inventory-in-transit	4,259,256	2,484,863
Allowance	(416,196)	(560,293)
Total	<u>\$ 20,940,746</u>	<u>\$ 14,640,632</u>

As of June 30, 2025 and December 31, 2024, \$416,196 and \$560,293 were written down from the cost of purchased inventory to their net realizable values, respectively. Full inventory allowance is recorded for the inventory SKU not sold for more than one year.

The allowance of inventory is recorded under cost of goods sold in the statements of operations.

**HR LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets were comprised of the following as of June 30, 2025 and December 31, 2024, respectively:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Advance to suppliers	\$ 231,572	\$ 71,934
Prepaid expenses-insurance	22,500	2,174
Prepaid expenses-other	92,300	33,501
Lease refundable deposit	70,212	49,939
Tax receivable	95,925	157,538
Other current assets	12,778	12,808
<b>Total</b>	<b>\$ 525,287</b>	<b>\$ 327,894</b>

As of June 30, 2025 and December 31, 2024, there was a tax receivable of \$95,925 and \$157,538, respectively, due to income taxes prepaid by the Company.

**NOTE 5 - Property and Equipment**

Property and equipment were comprised of the following as of June 30, 2025 and December 31, 2024, respectively:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Property and equipment	\$ 427,280	\$ 381,067
Accumulated depreciation and amortization	(386,706)	(324,270)
<b>Total property and equipment, net</b>	<b>\$ 40,574</b>	<b>\$ 56,797</b>

For the six months ended June 30, 2025 and 2024, the Company purchased \$801 and \$34,593 of fixtures and office equipment, respectively.

For the six months ended June 30, 2025 and 2024, the Company had \$23,517 and \$70,920, recorded for depreciation, respectively.

For the six months ended June 30, 2025 and 2024, the Company had no disposal or pledge on property and equipment.

**NOTE 6 - Accounts Payable and Credit Cards Payable**

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Accounts payable	\$ 8,584,090	\$ 4,176,305
Credit cards payable	2,980,539	3,389,880

The Company's accounts payable represent amounts owed to suppliers or other creditors for goods or services purchased but not yet paid for. As of June 30, 2025 and December 31, 2024, there were accounts payable of \$8,584,090 and \$4,176,305, respectively.

The Company's credit cards payable consisted of outstanding balances on credit cards held by the Company. As of June 30, 2025 and December 31, 2024, there were credit cards payable of \$2,980,539 and \$3,389,880, respectively.

**HR LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 - Short-Term Loan**

**Line of Credit**

On August 18, 2022, Flywheel entered into a line of credit agreement in the amount of \$6,940,063 with Taishin International Bank. The line of credit initially matured on August 30, 2023. On August 11, 2023, the line of credit was extended for an additional year, revising the maturity date to August 30, 2024. On May 28, 2024, the term of the loan was revised such that maturity date was extended to November 24, 2024. On November 25, 2024, the term of the loan was revised such that maturity date was extended to May 23, 2025. On May 23, 2025, the term of the loan was revised such that the maturity date was extended to November 19, 2025. The line of credit bears interest at a rate of 3.33% per annum.

As of June 30, 2025 and December 31, 2024, the outstanding balance under the Taishin line of credit was \$683,760 and \$610,967, respectively.

**NOTE 8 - Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities were comprised of the following as of June 30, 2025 and December 31, 2024, respectively:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Refund liability	\$ -	\$ 766,721
Accrued payroll	332,820	302,685
Accrued bonus	102,564	963,800
Accrued expenses	195,311	255,154
Accrued interest	80,491	-
Other payables	21,181	34,175
<b>Total</b>	<b>\$ 732,367</b>	<b>\$ 2,322,535</b>

As of June 30, 2025 and December 31, 2024, the Company has accrued \$-0- and \$766,721, respectively, in a proactive approach toward potential future refunds.

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 \$102,564 and \$963,800 accrued for bonuses as of June 30, 2025 and December 31, 2024, respectively.

**NOTE 9 - Leases**

The Company had two operating leases (Flywheel's office leases in Taiwan) as of June 30, 2025. The leased assets in Flywheel are presented as operating lease 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, 2025:

	<u>Flywheel</u> <u>June 2025</u> <u>to June 2027</u>	<u>Flywheel</u> <u>August 2024</u> <u>to July 2025</u>
Initial lease term		
Initial recognition of operating lease right-of-use assets	\$ 134,648	\$ 73,175
Weighted-average remaining lease term (in years) at June 30, 2025	2.0	0.08
Weighted-average discount rate at June 30, 2025	3.33%	3.33%

**HR LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Operating lease liabilities-current as of June 30, 2025 and December 31, 2024 were \$75,897 and \$114,540, respectively. The operating lease right-of-use assets balance as of June 30, 2025 and December 31, 2024, were \$137,465 and \$111,409, respectively.

For the six months ended June 30, 2025 and 2024, the amortization of the operating lease right-of-use asset was \$122,018 and \$98,773, respectively. These amounts were recorded in general and administrative expenses. Additionally, for the six months ended June 30, 2025 and 2024, the Company made lease payments of \$125,712 and \$92,899, respectively, which were included in the operating cash flows statements.

The future minimum lease payment schedule for all operating leases as of June 30, 2025, is as disclosed below.

For the Six Months Ending June 30,	Amount
2025	\$ 42,003
2026	70,330
2027	29,304
2028 and thereafter	-
<b>Total minimum lease payments</b>	<b>141,637</b>
Less: effect of discounting	(4,406)
<b>Present value of the future minimum lease payment</b>	<b>137,231</b>
Less: operating lease liabilities-current	(75,897)
<b>Total operating lease liabilities-non-current</b>	<b>\$ 61,334</b>

**NOTE 10 - 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 payable on demand. As of June 30, 2025 and December 31, 2024, the Company had \$2,660,418 and \$4,192,995, respectively, 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). The loan is memorialized in a Loan Agreement dated October 15, 2021. The annual interest rate was 2% and the initial 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 for another two years, with a revised maturity date of December 31, 2024. On December 31, 2024, the Company, Mr. Lai and Ms. Yu agreed to extend the term of the loan for another one year, with a revised maturity date of December 31, 2025. The annual interest rate is 5.5%.

For the six months ended June 30, 2025 and 2024, the Company made repayments to related parties of \$1,532,577 and \$-0-, respectively. The amount repaid in 2025 consisted of \$839,000 in principal and \$693,577 in bonus.

**NOTE 11 – Disaggregation of Revenue**

Revenue was comprised of the following for the three and six months ended June 30, 2025 and 2024, respectively:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Revenue-U.S.	\$ 28,308,512	\$ 29,285,554	\$ 54,911,059	\$ 54,745,245
Revenue-International	1,138,830	889,278	2,090,269	1,758,973
Revenue-Other	37,367	208,704	339,621	329,260
Sales returns	(2,198,454)	(1,912,838)	(3,966,013)	(3,375,923)
Discounts	(183,149)	(399,991)	(434,740)	(705,726)
<b>Total</b>	<b>\$ 27,103,106</b>	<b>\$ 28,070,707</b>	<b>\$ 52,940,196</b>	<b>\$ 52,751,829</b>

**HR LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 - Income Tax**

**Effective Tax Rate Reconciliation for the Six Months Ended June 30, 2025**

Description	Pre-tax Income	Effective Tax Rate	Tax Effect
Pre-tax book income	\$ 2,518,617	21.00%	\$ 528,910
Permanent differences	38,692	0.32%	8,125
Prior year federal permanent true-up	117,653	0.98%	24,707
State income tax	114,662	4.37%	110,143
Other deferred adjustment	-	0.60%	15,214
Total tax expenses		27.28%	\$ 687,099

**Effective Tax Rate Reconciliation for the Six Months Ended June 30, 2024**

Description	Pre-tax Income	Effective Tax Rate	Tax Effect
Pre-tax book income	\$ 2,432,850	21.00%	\$ 510,898
Permanent differences	42,336	0.37%	8,891
State income tax	146,590	8.15%	198,186
Other deferred adjustment	-	0.00%	(89)
Total tax expense		29.51%	\$ 717,886

	Current Income Tax Expense	Deferred Income Tax Expense	Total Income Tax Expense
<b>Tax Expense Summary, for the six months ended June 30, 2025</b>			
Federal	\$ 99,163	\$ 473,274	\$ 572,437
State	21,521	93,141	114,662
Total tax expense	\$ 120,684	\$ 566,415	\$ 687,099

	Current Income Tax Expense	Deferred Income Tax Expense	Total Income Tax Expense
<b>Tax Expense Summary, for the six months ended June 30, 2024</b>			
Federal	\$ -	\$ 488,916	\$ 488,916
State	146,590	82,380	228,970
Total tax expense	\$ 146,590	\$ 571,296	\$ 717,886

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at June 30, 2025 and December 31, 2024 were as follows:

<b>Deferred Tax Assets Summary</b>	<b>Deferred Tax Assets</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Federal	\$ 435,417	\$ 908,691
State	58,271	151,413
Foreign (non-U.S.)	19,464	-
Total	\$ 513,152	\$ 1,060,104

**HR LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

<b>Deferred Tax Assets Summary</b>	<b>Deferred Tax Assets</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Operating lease right of use lease assets	\$ -	\$ 787
Inventories allowance	104,547	140,743
Net loss carry forward	408,605	918,574
Total	\$ 513,152	\$ 1,060,104

The Company files income tax returns 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, 2025 and December 31, 2024.

As of June 30, 2025, the Company recognized deferred tax assets of \$19,464 primarily related to deductible temporary differences at its foreign subsidiaries. These deferred tax assets are not related to U.S. federal or state tax jurisdictions and are subject to local jurisdictional rules for realization. The Company continues to evaluate the realizability of these deferred tax assets based on the projected taxable income of the respective foreign operations.

**NOTE 13 - Stockholders' Equity**

**Preferred Stock**

As of June 30, 2025 and December 31, 2024, 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, 2025 and December 31, 2024. 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, 2025 and December 31, 2024, the Company had 300,000,000 shares of common stock, \$0.0001 par value per share, authorized. As of June 30, 2025 and December 31, 2024, there were 35,160,190 and 35,143,460 shares of common stock issued and outstanding, respectively.

**Share Issuances for Stock Compensation**

On January 2, 2024, the Company issued 2,139 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 \$1.4025 per share as compensation for the 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 March 29, 2024, the Company issued 2,251 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 \$1.3330 per share as compensation for the services as executives or directors of the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with the Company.

**HR LOOP, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

On October 1, 2024, the Company issued 2,196 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Alan Gao and Hillary Bui, with a fair market value of \$1.3660 per share as compensation for the 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 January 2, 2025, the Company issued 1,596 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Alan Gao and Hillary Bui, with a fair market value of \$1.8799 per share as compensation for the 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 April 1, 2025, the Company issued 1,750 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Alan Gao and Hillary Bui, with a fair market value of \$1.7140 per share as compensation for the services as executives or directors of the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with the Company.

**NOTE 14 - Commitments and Contingencies**

As of June 30, 2025 and December 31, 2024, 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, 2025 and December 31, 2024, 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 15 - Subsequent Events**

On July 2, 2025, the Company issued 2,275 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Alan Gao and Hillary Bui, with a fair market value of \$1.3185 per share as compensation for the 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 Company has evaluated subsequent events from the balance sheet date through August 12, 2025, the date at which the unaudited consolidated financial statements were available to be issued, and determined that, apart from the events mentioned above, there were no other subsequent events to disclose.

## 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. ("we," "us," "our," "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 our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, 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 our future financial performance. 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](http://www.amazon.com) since 2013, and on [www.walmart.com](http://www.walmart.com) since 2020. We have also sold merchandise on our website at [www.hourloop.com](http://www.hourloop.com) since 2013. To date, we have generated practically all of our revenue as a third-party seller on [www.amazon.com](http://www.amazon.com) ("Amazon") and only a negligible amount of revenue from our operations on our website at [www.hourloop.com](http://www.hourloop.com) and as a third-party seller on [www.walmart.com](http://www.walmart.com). 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 last quarter (holiday season) of the calendar year ("Q4"). In upcoming years, we plan to expand our business rapidly by increasing the number of business managers, 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 Walmart is also similar. We pay Walmart fees for allowing us to sell our merchandise on their platform. As stated above, to date, we have generated only a negligible amount of revenues as a third-party seller on [www.walmart.com](http://www.walmart.com).

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

- Purchase 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.
- More brands will 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).
- Developing and maintaining relationships with brand manufacturers.

### ***Market Description/Opportunities***

Total U.S. retail sales increased 2.5% to \$7.42 trillion in 2024, from \$7.24 trillion in 2023. Consumers spent \$1,192.29 billion online with U.S. merchants in 2024, which represents approximately 16.07% of total U.S. retail sales for the year, compared to 15.45% in 2023.

Amazon accounted for approximately 40% of all e-commerce in the United States, which Amazon the biggest ecommerce giant currently in the market.

### ***Formation***

We were founded in 2013 by Sam Lai and Maggie Yu. With their vision, leadership, and software development skills, the Company grew rapidly. From 2013 to 2024, sales grew from \$0 to \$138,252,861.

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.

### ***Competitive Advantage***

Among the approximately 1.9 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 learnings from historical data. The combination of managing the business operations effectively along with allocating our advertising budget to high value items allows us to grow profitably. 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 short-term increase in revenue. During these times, we avoid matching their prices. This strategy allows us to stay profitable.

### ***Tariff Impact and Response Measures***

In the first quarter ended March 31, 2025, the U.S. presidential administration’s announcement of additional tariff increases—particularly on China-origin goods—introduced elevated volatility and uncertainty across global supply chains. In response, the Company undertook a strategic reassessment of its procurement and inventory management policies, anticipating both rising import costs and the risk of inventory shortages driven by accelerated market stockpiling.

As of April 2025, our policy for domestic inventory procurement was expanded to keep our inventory coverage from 1.5-2 months to 3-6 months. This adjustment was made to safeguard fulfillment continuity and buffer against potential mid-year disruptions, including indirect tariff spillover effects or local supply tightness caused by global volatility.

In parallel, the Company initially suspended all containerized exports for shipments originating from China when the new tariff policy was originally enacted, as we were unwilling to incur significantly higher import costs. Following the implementation of a 90-day tariff relief window under a temporary U.S.–China trade agreement, we promptly resumed exports and front-loaded the remainder of our 2025 sales-related inventory within that window. This approach allowed us to avoid elevated duties while reducing exposure to future trade uncertainties in a still-fluid regulatory environment.

To offset increased input costs and reduce the risk of stockouts, we implemented measured price increases on select finished goods inventory. These actions were designed to support margin stability and ensure product availability in a highly dynamic trade environment.

These proactive measures have successfully enabled the Company to secure adequate inventory to meet its 2025 sales projection. Therefore, we do not foresee any material impact from future tariff changes in the immediate term, although we will continue to monitor trade policy developments and stand prepared to adjust our strategy as required.

### ***Our Financial Position***

For the three months ended June 30, 2025 and 2024, we generated net revenues of \$27,103,106 and \$28,070,707, respectively, and reported net income of \$1,177,001 and \$649,150, respectively, and cash flow (used in) provided by operating activities of \$(901,539) and \$456,232, respectively.

For the six months ended June 30, 2025 and 2024, we generated net revenues of \$52,940,196 and \$52,751,829, respectively, and reported net income of \$1,831,518 and \$1,714,964, and cash flow (used in) provided by operating activities of \$(925,430) and \$949,175, respectively.

As noted in our unaudited consolidated financial statements, as of June 30, 2025, we had retained earnings of \$1,236,343.

### **Results of Operations**

The following table shows comparisons of our unaudited income statements for the three and six months ended June 30, 2025 and 2024.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Statement of Operations Data</b>				
Total revenues	\$ 27,103,106	\$ 28,070,707	\$ 52,940,196	\$ 52,751,829
Total cost of goods sold	(11,605,754)	(12,445,297)	(23,297,546)	(22,674,213)
Gross profit	15,497,352	15,625,410	29,642,650	30,077,616
Total operating expenses	13,876,501	14,688,214	27,100,934	27,602,248
Income from operations	1,620,851	937,196	2,541,716	2,475,368
Total other non-operating expense	(38,170)	(7,284)	(23,099)	(42,518)
Income tax expense	(405,680)	(280,762)	(687,099)	(717,886)
Net income	1,177,001	649,150	1,831,518	1,714,964
Other comprehensive income (loss)	154,939	(8,058)	141,403	(24,591)
Total comprehensive income	\$ 1,331,940	\$ 641,092	\$ 1,972,921	\$ 1,690,373

***For the three months ended June 30, 2025 compared to the three months ended June 30, 2024***

*Revenues*

The Company generated \$27,103,106 in revenues in the three months ended June 30, 2025, as compared to \$28,070,707 in revenues in the same period in 2024. This represents a decrease in revenues of \$967,601, or 3.45%. Our total orders in the three months ended June 30, 2025 were approximately 1,253,975, as compared to 1,268,890 orders in the three months ended June 30, 2024, representing a decrease of 1.18%. We attribute both decreases to the Company's strategic shift toward prioritizing margin expansion in response to ongoing tariff uncertainties. During the three months ended June 30, 2025, the uncertainty of tariff rates led some manufacturers to suspend container imports temporarily. As a result, we proactively increased our inventory levels to prevent out-of-stock conditions while addressing concerns that tariffs could lead to higher costs and pricing. Despite marginal decreases in both metrics, our strategy effectively led to higher profitability compared to the three months ended June 30, 2024.

*Cost of Goods Sold*

Cost of goods sold for the three months ended June 30, 2025 totaled \$11,605,754, as compared to \$12,445,297 for the three months ended June 30, 2024. Cost of goods sold includes the cost of the merchandise sold and shipping costs, as well as estimated losses due to damage to goods.

*Operating Expenses*

Operating expenses for the three months ended June 30, 2025 totaled \$13,876,501, representing a \$811,713, or 5.53%, decrease from the \$14,688,214 of operating expenses for the three months ended June 30, 2024. This change was caused by an increase in reimbursements paid by Amazon that reflect enhanced recovery for lost shipments.

*Other Expenses, Net*

Other expenses, net, for the three months ended June 30, 2025 was \$38,170, compared to other expenses, net, of \$7,284 for the three months ended June 30, 2024.

*Total Comprehensive Income*

Total comprehensive income for the three months ended June 30, 2025 was \$1,331,940, as compared with \$641,092 for the three months ended June 30, 2024. The increase in total comprehensive income was attributed to a decrease in the Company's operating expenses in the three months ended June 30, 2025, compared to the three months ended June 30, 2024.

***For the six months ended June 30, 2025 compared to the six months ended June 30, 2024***

*Revenues*

The Company generated \$52,940,196 in revenues in the six months ended June 30, 2025, as compared to \$52,751,829 in revenues in the same period in 2024. This represents an increase in revenues of \$188,367, or 0.36%. We attribute this increase to our continued growth and maturity in our operating model, despite an overall e-commerce traffic slowdown and intense competition. Our total orders in the six months ended June 30, 2025 were approximately 2,483,767, as compared to 2,392,094 orders in the six months ended June 30, 2024, representing an increase of 3.83%. This increase in orders played a pivotal role in driving the overall revenue growth. The increase in orders demonstrates 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 revenues during the period. The 3.83% 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 did not match this proportion.

### *Cost of Goods Sold*

Cost of goods sold for the six months ended June 30, 2025 totaled \$23,297,546, as compared to \$22,674,213 for the six months ended June 30, 2024. Cost of goods sold includes the cost of the merchandise sold and shipping costs, as well as estimated losses due to damage to goods.

### *Operating Expenses*

Operating expenses for the six months ended June 30, 2025 totaled \$27,100,934, representing a \$501,314, or 1.82%, decrease from the \$27,602,248 of operating expenses for the six months ended June 30, 2024. This change was caused by an increase in reimbursements paid by Amazon that reflected enhanced recovery for lost shipments.

### *Other Expenses, Net*

Other expenses, net, for the six months ended June 30, 2025 was \$23,099, compared to other expense, net, of \$42,518 for the six months ended June 30, 2024. The decrease in other expenses represents the repayment of part of the loans from stockholders for the six months ended June 30, 2025, which led to a reduction in interest expenses.

### *Total Comprehensive Income*

Total comprehensive income for the six months ended June 30, 2025 was \$1,972,921, as compared with \$1,690,373 for the six months ended June 30, 2024. The increase in total comprehensive income was attributed to a decrease in the Company's operating expenses in the six months ended June 30, 2025, compared to the six months ended June 30, 2024.

### **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 \$325,354 and \$3,346,897 as of June 30, 2025 and 2024, 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.
- Increased costs and inventory carrying requirements associated with import tariffs and global trade policy uncertainty.

We generate liquidity from revenues generated by our ongoing business, and from debt and equity issuances to fund our operations.

The following table shows a summary of our cash flows for the six months ended June 30, 2025 and 2024.

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>Statement of Cash Flows</b>		
Net cash (used in) provided by operating activities	\$ (925,430)	\$ 949,175
Net cash used in investing activities	\$ (801)	\$ (34,593)
Net cash used in financing activities	\$ (839,000)	\$ -
Effect of changes in foreign currency rates	\$ (28,996)	\$ (51,838)
Net (decrease) increase in cash	\$ (1,794,227)	\$ 862,744
Cash - beginning of the period	\$ 2,119,581	\$ 2,484,153
Cash - end of the period	<u>\$ 325,354</u>	<u>\$ 3,346,897</u>

#### *Net Cash Used in Operating Activities*

For the six months ended June 30, 2025, cash used in operating activities amounted to \$925,430, as compared to \$949,175 of cash provided by operating activities for the six months ended June 30, 2024. The \$1,874,605 increase in cash used in operating activities was driven by the increase in our inventory purchase.

#### *Net Cash Used in Investing Activities*

For the six months ended June 30, 2025, \$801 in cash was used in investing activities, compared to \$34,593 in cash used in investing activities for the six months ended June 30, 2024. The decrease primarily reflects lower purchases of property and equipment for the six months ended June 30, 2025.

#### *Net Cash Used in Financing Activities*

For the six months ended June 30, 2025, cash used in financing activities amounted to \$839,000, as compared to cash provided by financing activities of \$0- for the six months ended June 30, 2024. The increase in cash outflows was primarily due to repayments made to related parties for the six months ended June 30, 2025.

#### **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.

#### *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. The line of credit initially matured on August 30, 2023. On August 11, 2023, the line of credit was extended for an additional year, revising the maturity date to August 30, 2024. On May 28, 2024, the term of the loan was revised such that maturity date was extended to November 24, 2024. On November 25, 2024, the term of the loan was revised such that maturity date was extended to May 23, 2025. On May 23, 2025, the term of the loan was revised such that maturity date was extended to November 19, 2025. The line of credit bears interest at a rate of 3.33% per annum.

As of June 30, 2025 and December 31, 2024, the outstanding balance under the Taishin line of credit was \$683,760 and \$610,967, respectively.

#### *Affiliated Loans*

From time to time, we receive loans and advances from our stockholders to fund our operations. As of June 30, 2025, we had a total of \$2,660,418 due to related parties.

## July 2021 Loan

On July 27, 2021, we entered into a loan agreement with Mr. Lai and Ms. Yu for 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, we agreed to extend the term of the loan, with a new maturity date of December 31, 2024. On December 31, 2024, we agreed to extend the term of the loan, with a new maturity date of December 31, 2025. As amended, the annual interest rate of the loan is 5.5%.

## Leases

We have two operating leases (via Flywheel, with its two offices lease in Taiwan). The respective lease terms are August 1, 2024 to July 31, 2025; and June 10, 2025 to July 9, 2027, respectively.

For the Six Months Ending June 30,	Amount
2025	\$ 42,003
2026	70,330
2027	29,304
2028 and thereafter	-
Total minimum lease payments	141,637
Less: effect of discounting	(4,406)
Present value of the future minimum lease payment	137,231
Less: operating lease liabilities-current	(75,897)
Total operating lease liabilities-non-current	\$ 61,334

## 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 and Cash Equivalents** - The Company considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash. 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. Cash equivalents and marketable securities are comprised of time deposits, money market funds, highly liquid government bonds, corporate debt securities, mortgage-backed and asset-backed securities, and marketable equity securities. Our cash and cash equivalents primarily consisted of cash and money market funds. Such amounts are recorded at fair value.

**Accounts Receivable and Allowance for Credit Losses** - Accounts receivable are stated at historical cost less allowance for credit loss. On a periodic basis, management evaluates its accounts receivable and determines whether to provide an allowance for credit losses in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 326. Credit losses are provided based on a past history of write-offs, collections, current credit conditions, current economic conditions, reasonable and supportable forecasts of future economic conditions. The evaluation is performed on a collective basis where similar characteristics exist, primarily based on similar services or products offerings. We adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only. 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 seven days. The Company performs on-going evaluations of its customers and maintains an allowance for credit losses as the Company deems necessary or appropriate. As of June 30, 2025 and December 31, 2024, the Company did not deem it necessary to have an allowance for credit loss.

**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.

Policy for inventory allowance: The Company writes down the cost of obsolete and slow-moving inventories to the estimated net realizable value, based on inventory obsolescence trends, historical experience, forecasted consumer demand and application of the specific identification method. As of June 30, 2025 and December 31, 2024, \$416,196 and \$560,293, respectively, were written down from the cost of inventories to their net realizable values. Full inventory allowance is recorded for the inventory SKU not sold for more than one year.

**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 three years.

**Impairment of 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, 2025 and 2024.

**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.

The Company typically utilizes operating leases for its office space requirements. This means that the Company leases office space, categorizing the lease arrangement as an operating lease. Under this arrangement, the Company does not hold ownership of the leased assets but instead pays rent for the right to use them.

For a lessee, a lease is recognized as an operating lease 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 operating lease 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 operating lease 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.

**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 and cash equivalents, accounts receivable, accounts payable, due to related parties and short-term debt at fair value or cost, which approximates fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

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 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 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 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. For each contract, the promise to transfer products is identified as the sole performance obligation. Transaction prices are evaluated for potential refunds or adjustments, determining the net consideration expected. Revenues for the three and six months ended June 30, 2025 and 2024 were recognized at a point in time. 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 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 6.92% and 5.94% of gross sales for the six months ended June 30, 2025 and 2024, respectively.

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, defined as the promise to transfer a distinct good, is the unit of account in ASC Topic 606. The Company treats shipping and handling as fulfillment activities, not separate performance obligations. Costs for shipping and handling were \$11,659,356 and \$11,886,764 for the six months ended June 30, 2025 and 2024, respectively, recorded as selling and marketing expenses.

**Segment Information** – The Company has only one segment, which is online retail (e-commerce).

The Company uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker (“CODM”) for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company's CODM has been identified as the chief executive officer of the Company who reviews financial information of separate operating segments based on U.S. GAAP. The CODM now reviews results analyzed by customers. This analysis is only presented at the revenue level with no allocation of direct or indirect costs. Consequently, the Company has determined that it has only one operating segment.

**Income Taxes** - Income tax expense includes U.S. (federal and state) and foreign income taxes.

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.

**Concentration of Credit Risks** - Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents 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 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, 2025 and 2024, the Company had no customer that accounted for 10% or more of total net revenues. In addition, as of June 30, 2025 and December 31, 2024, the Company had no customer that accounted for 10% or more of gross accounts receivable. As of June 30, 2025 and December 31, 2024, 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 less than seven 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 six months ended June 30, 2025 and 2024, approximately 99% and 99%, respectively, of the Company's revenue was through or with the Amazon sales platform.

**Foreign Currency Exchange Risk** - The Company is exposed to foreign currency exchange risk through its foreign subsidiary in Taiwan. The Company does not hedge foreign currency translation risk in the net assets and income reported from these sources.

**Advertising and Promotion Expenses** – Our policy is to recognize advertising costs as they are incurred. Advertising and promotion expenses were \$964,824 and \$1,953,155 for the six months ended June 30, 2025 and 2024, respectively.

**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, 2025 and 2024. Therefore, the diluted earnings per share is the same as the basic earnings per share.

**Shares Issued for Services** – Stock-based 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.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

### ITEM 4. CONTROLS AND PROCEDURES

#### *Evaluation of Disclosure Controls and Procedures*

Our Chief Executive Officer and Interim Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2025. Based upon such evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that, as of June 30, 2025, our 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 our 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, 2025 that have materially affected, or are reasonably likely to materially affect, our 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, we are not required to disclose material changes to the risk factors that were contained in our Annual Report on Form 10-K for the year ended December 31, 2024, as updated from time to time.

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

On July 2, 2025, the Company issued 2,275 shares of Company common stock to each of Sam Lai, Maggie Yu, Michael Lenner, Alan Gao and Hillary Bui, with a fair market value of \$1.3185 per share as compensation for the services as executives or directors of the Company pursuant to the terms of their respective Executive Employment Agreements or Director Agreements with us. These shares were issued pursuant to an exemption from the registration requirements of the Securities Act available to us by Section 4(a)(2) promulgated thereunder.

### 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 our Board of Directors since we last provided disclosure in response to the requirements of Item 407(c)(3) of Regulation S-K.

(c) During the registrant's last fiscal quarter, no director or officer adopted or terminated: (i) any contract, instruction or written plan for the purchase or sale of securities of the registrant intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) (a "Rule 10b5-1 trading arrangement"); and/or (ii) any "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K.

## ITEM 6. EXHIBITS

<b>Exhibit Number</b>	<b>Description of Document</b>
31.1*	<a href="#">Rule 13a-14(a) Certification of Principal Executive Officer.</a>
31.2*	<a href="#">Rule 13a-14(a) Certification of Principal Financial Officer.</a>
32.1**	<a href="#">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.</a>
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.

**HOURL LOOP, INC.**

Dated: August 12, 2025

By: */s/ Sam Lai*

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Sam Lai

Chief Executive Officer and Interim Chief Financial Officer (principal executive officer, principal financial officer and principal accounting officer)

## CERTIFICATIONS

I, Sam Lai, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 of Hour Loop, Inc.;
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;
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;
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; and

(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; and

(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; and

(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 an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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 12, 2025

*/s/ Sam Lai*

Sam Lai

Chief Executive Officer and Interim Chief Financial Officer (principal financial officer)

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## CERTIFICATIONS

I, Sam Lai, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 of Hour Loop, Inc.;
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;
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;
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; and

(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; and

(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; and

(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 an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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 12, 2025

*/s/ Sam Lai*

Sam Lai

Chief Executive Officer and Interim Chief Financial Officer (principal financial officer)

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**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 on Form 10-Q of Hour Loop, Inc. (the "Company") for the quarter ended June 30, 2025 as filed with the Securities and Exchange Commission (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 the best of 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 result of operations of the Company.

Date: August 12, 2025

*/s/ Sam Lai*

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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.*

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