

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, 2026

☐ 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 164th 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

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

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

As of August 11, 2026, there were 35,199,820 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, 2026 and December 31, 2025
(Unaudited)

	June 30, 2026	December 31, 2025
ASSETS		
Current assets		
Cash	\$ 985,404	\$ 3,792,033
Accounts receivable, net	2,706,742	235,959
Inventory, net	20,852,287	18,298,935
Prepaid expenses and other current assets	1,143,145	619,261
Total current assets	25,687,578	22,946,188
Property and equipment, net	75,791	95,917
Deferred tax assets	293,089	609,964
Operating lease right-of-use lease assets	124,861	169,368
Total non-current assets	493,741	875,249
TOTAL ASSETS	\$ 26,181,319	\$ 23,821,437
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 8,454,369	\$ 6,200,526
Credit cards payable	3,666,375	3,707,976
Short-term loan	628,931	637,348
Operating lease liabilities-current	91,142	92,362
Income taxes payable	172,762	51,147
Accrued expenses and other current liabilities	833,051	2,226,387
Due to related parties	3,410,418	3,810,418
Total current liabilities	17,257,048	16,726,164
Non-current liabilities		
Operating lease liabilities-non-current	38,357	83,271
Deferred tax liabilities	546	18,143
Total non-current liabilities	38,903	101,414
Total liabilities	17,295,951	16,827,578
Commitments and contingencies		
	-	
Stockholders' equity		
Preferred stock: \$0.0001 par value, 10,000,000 shares authorized, none issued and outstanding as of June 30, 2026 and December 31, 2025	-	-
Common stock: \$0.0001 par value, 300,000,000 shares authorized, 35,191,890 and 35,176,320 shares issued and outstanding as of June 30, 2026 and December 31, 2025, respectively	3,519	3,518
Additional paid-in capital	5,892,681	5,862,683
Retained earnings	2,984,841	1,109,674
Accumulated other comprehensive income	4,327	17,984
Total stockholders' equity	8,885,368	6,993,859
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 26,181,319	\$ 23,821,437

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

HOOR LOOP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In U.S. Dollars, except for share and per share data)
For the Three and Six Months Ended June 30, 2026 and 2025
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenues, net	\$ 33,944,191	\$ 27,103,106	\$ 63,874,533	\$ 52,940,196
Cost of revenues	(15,976,053)	(11,605,754)	(29,888,620)	(23,297,546)
Gross profit	17,968,138	15,497,352	33,985,913	29,642,650
Operating expenses				
Selling and marketing	14,518,903	11,715,571	27,117,544	22,962,568
General and administrative	2,164,849	2,160,930	4,441,855	4,138,366
Total operating expenses	16,683,752	13,876,501	31,559,399	27,100,934
Income from operations	1,284,386	1,620,851	2,426,514	2,541,716
Other (expense) income				
Other expense	(448)	(2,300)	(2,256)	(1,999)
Interest expense	(46,335)	(43,782)	(80,273)	(90,837)
Other income	20,073	7,912	46,831	69,737
Total other (expense) income, net	(26,710)	(38,170)	(35,698)	(23,099)
Income before income taxes	1,257,676	1,582,681	2,390,816	2,518,617
Income tax expense	(205,991)	(405,680)	(515,649)	(687,099)
Net income	1,051,685	1,177,001	1,875,167	1,831,518
Other comprehensive income (loss)				
Foreign currency translation adjustments	3,959	154,939	(13,657)	141,403
Total comprehensive income	\$ 1,055,644	\$ 1,331,940	\$ 1,861,510	\$ 1,972,921
Basic and diluted earnings per common share	\$ 0.03	\$ 0.04	\$ 0.05	\$ 0.06
Weighted-average number of common shares outstanding	35,191,368	35,160,095	35,187,524	35,155,795

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

HOOR LOOP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In U.S. Dollars, except for share data)
For the Three and Six Months Ended June 30, 2026 and 2025
(Unaudited)

For the three months ended June 30, 2026 and 2025

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss (Income)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
BALANCE AT MARCH 31, 2026	35,183,890	\$ 3,518	\$ 5,877,682	\$ 1,933,156	\$ 368	\$ 7,814,724
Stock-based compensation	8,000	1	14,999	-	-	15,000
Currency translation adjustments	-	-	-	-	3,959	3,959
Net income	-	-	-	1,051,685	-	1,051,685
BALANCE AT JUNE 30, 2026	35,191,890	\$ 3,519	\$ 5,892,681	\$ 2,984,841	\$ 4,327	\$ 8,885,368
BALANCE AT MARCH 31, 2025	35,151,440	\$ 3,515	\$ 5,817,685	\$ 59,342	\$ (64,819)	\$ 5,815,723
Stock-based compensation	8,750	1	15,000	-	-	15,001
Currency translation adjustments	-	-	-	-	154,939	154,939
Net income	-	-	-	1,177,001	-	1,177,001
BALANCE AT JUNE 30, 2025	35,160,190	\$ 3,516	\$ 5,832,685	\$ 1,236,343	\$ 90,120	\$ 7,162,664

For the six months ended June 30, 2026 and 2025

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Paid-In	Earnings	Other	Stockholders'
			Capital	(Accumulated	Comprehensive	Equity
				Deficit)	Loss (Income)	
BALANCE AT DECEMBER 31, 2025	35,176,320	\$ 3,518	\$ 5,862,683	\$ 1,109,674	\$ 17,984	\$ 6,993,859
Stock-based compensation	15,570	1	29,998	-	-	29,999
Currency translation adjustments	-	-	-	-	(13,657)	(13,657)
Net income	-	-	-	1,875,167	-	1,875,167
BALANCE AT JUNE 30, 2026	35,191,890	\$ 3,519	\$ 5,892,681	\$ 2,984,841	\$ 4,327	\$ 8,885,368
BALANCE AT DECEMBER 31, 2024	35,143,460	\$ 3,514	\$ 5,802,686	\$ (595,175)	\$ (51,283)	\$ 5,159,742
Stock-based compensation	16,730	2	29,999	-	-	30,001
Currency translation adjustments	-	-	-	-	141,403	141,403
Net income	-	-	-	1,831,518	-	1,831,518
BALANCE AT JUNE 30, 2025	35,160,190	\$ 3,516	\$ 5,832,685	\$ 1,236,343	\$ 90,120	\$ 7,162,664

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

HOOR LOOP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. Dollars)
For the Six Months Ended June 30, 2026 and 2025
(Unaudited)

	Six Months Ended June 30,	
	2026	2025
Cash flows from operating activities		
Net income	\$ 1,875,167	\$ 1,831,518
Reconciliation of net income to net cash used in operating activities:		
Depreciation expenses	24,700	23,517
Amortization of operating lease right-of-use lease assets	42,575	122,018
Deferred tax assets	316,875	546,952
Deferred tax liabilities	(17,597)	19,464
Stock-based compensation	29,999	30,001
Inventory allowance	370,981	416,196
Unrealized foreign exchange gain	(26,655)	237,028
Changes in operating assets and liabilities:		
Accounts receivable	(2,470,783)	1,172,592
Inventory	(2,924,333)	(6,716,310)
Prepaid expenses and other current assets	(523,884)	(197,393)
Accounts payable	2,253,843	4,407,785
Credit cards payable	(41,601)	(409,341)
Accrued expenses and other current liabilities	(2,543,336)	(2,283,745)
Operating lease liabilities	(44,130)	(125,712)
Income taxes payable	121,615	-
Net cash used in operating activities	(3,556,564)	(925,430)
Cash flows from investing activities:		
Purchases of property and equipment	(5,705)	(801)
Net cash used in investing activities	(5,705)	(801)
Cash flows from financing activities:		
Payments to related parties	(884,000)	(839,000)
Proceeds from related parties	1,634,000	-
Net cash provided by (used in) financing activities	750,000	(839,000)
Effect of changes in foreign currency exchange rates	5,640	(28,996)
Net change in cash	(2,806,629)	(1,794,227)
Cash at beginning of period	3,792,033	2,119,581
Cash at end of period	\$ 985,404	\$ 325,354
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 10,743	\$ 11,095
Cash paid for income tax	\$ 397,770	\$ 52,841
Non-cash investing and financing activities:		
Operating lease right-of-use of assets and operating lease liabilities recognized	-	134,648

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

HOURL 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, the Company has 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, 2025 and notes thereto and other pertinent information contained in the Company’s Annual Report on Form 10-K as filed with the SEC on March 24, 2026.

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:

	June 30, 2026	December 31, 2025	June 30, 2025
Period NTD: USD exchange rate	\$ 31.800	\$ 31.380	\$ 29.250
Period Average NTD: USD exchange rate	\$ 31.573	\$ 31.330	\$ 29.603

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 are 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. The Company’s 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. The Company’s cash and cash equivalents primarily consisted of cash and money market funds. Such amounts are recorded at fair value.

HR LOOP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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. The Company 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, 2026 and December 31, 2025, 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, 2026 and December 31, 2025, \$370,981 and \$447,841, respectively, were written down from the cost of inventories to their net realizable values. Full inventory allowance is recorded for the inventory stock-keeping unit ("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, 2026 and 2025.

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.

HOURL LOOP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Revenue Recognition - The Company accounts for revenues in accordance with ASC Topic 606, Revenue from Contracts with Customers. 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 revenues 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 revenues when or as performance obligations are satisfied.

HOURL LOOP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 revenues 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 revenues 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, 2026 and 2025 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, revenues are 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 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 6.90% and 6.92% of gross sales for the six months ended June 30, 2026 and 2025, respectively.

From time to time, the Company offers price discounts on certain selected items to stimulate the sales of those items. Revenues are 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 revenues to calculate the net revenues 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 \$13,887,211 and \$11,659,356 for the six months ended June 30, 2026 and 2025, 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” to determine 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*.

HOOR LOOP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 the Company believe they will not be realized. The Company considers many factors when assessing the likelihood of future realization of its 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 the Company's for tax reporting purposes, and other relevant factors.

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

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 revenues or gross accounts receivable balance at the balance sheet date. During the three and six months ended June 30, 2026 and 2025, the Company had no customer that accounted for 10% or more of total net revenues. In addition, as of June 30, 2026 and December 31, 2025, the Company had no customer that accounted for 10% or more of gross accounts receivable. As of June 30, 2026 and December 31, 2025, 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 disbursement from Amazon to the Company usually takes approximately 14 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 revenues from the Company's end customers. During the six months ended June 30, 2026 and 2025, approximately 97% and 99%, respectively, of the Company's revenues were 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 - The Company's policy is to recognize advertising costs as they are incurred. Advertising and promotion expenses were \$2,823,018 and \$964,824 for the six months ended June 30, 2026 and 2025, 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.

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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 share for the three and six months ended June 30, 2026 and 2025. 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 - Recently Issued Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, Income Statement–Reporting Comprehensive Income–Expense Disaggregation Disclosures, which requires the disaggregation of certain expenses in the notes of the financials, to provide enhanced transparency into the expense captions presented on the face of the income statement. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026 and interim periods beginning after December 15, 2027 and may be applied either prospectively or retrospectively. There is no material impact expected to the Company’s results of operations, cash flows and financial condition at the time of adoption, however the Company is still assessing the disclosure impact.

In July 2025, the FASB issued ASU 2025-05, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets, which provides a practical expedient to assume that conditions as of the balance sheet date remain unchanged over the life of the asset when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606. ASU 2025-05 is effective for annual reporting periods beginning after December 15, 2025 and interim periods within those annual reporting periods, with early adoption permitted, and should be applied prospectively. There is no material impact expected to the Company’s consolidated financial statements and related disclosures at the time of adoption.

Except for the above-mentioned pronouncements, there are no recently issued accounting standards that will have a material impact on the consolidated financial position, statements of operations and cash flows.

NOTE 3 - Inventory

Inventory was comprised of the following as of June 30, 2026 and December 31, 2025, respectively:

	<u>June 30, 2026</u>	<u>December 31, 2025</u>
Inventory	\$ 17,553,739	\$ 16,061,329
Inventory-in-transit	3,669,529	2,685,447
Allowance	(370,981)	(447,841)
Total	<u>\$ 20,852,287</u>	<u>\$ 18,298,935</u>

As of June 30, 2026 and December 31, 2025, \$370,981 and \$447,841 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.

NOTE 4 - Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets were comprised of the following as of June 30, 2026 and December 31, 2025, respectively:

	<u>June 30, 2026</u>	<u>December 31, 2025</u>
Advance to suppliers	\$ 372,415	\$ 193,115
Prepaid expenses-insurance	22,500	45,000
Prepaid expenses-other	122,504	79,880
Lease refundable deposit	84,698	59,780
Tax receivable	528,554	223,030
Other current assets	12,474	18,456
Total	<u>\$ 1,143,145</u>	<u>\$ 619,261</u>

As of June 30, 2026 and December 31, 2025, there was a tax receivable of \$528,554 and \$223,030, respectively, due to income taxes prepaid by the Company.

HR LOOP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - Property and Equipment

Property and equipment were comprised of the following as of June 30, 2026 and December 31, 2025, respectively:

	<u>June 30, 2026</u>	<u>December 31, 2025</u>
Property and equipment	\$ 460,059	\$ 460,477
Accumulated depreciation and amortization	(384,268)	(364,560)
Total property and equipment, net	<u>\$ 75,791</u>	<u>\$ 95,917</u>

For the six months ended June 30, 2026 and 2025, the Company purchased \$5,705 and \$801 of fixtures and office equipment, respectively.

For the six months ended June 30, 2026 and 2025, the Company had \$24,700 and \$23,517, recorded for depreciation, respectively.

For the six months ended June 30, 2026 and 2025, the Company had no disposal or pledge on property and equipment.

NOTE 6 - Accounts Payable and Credit Cards Payable

	<u>June 30, 2026</u>	<u>December 31, 2025</u>
Accounts payable	\$ 8,454,369	\$ 6,200,526
Credit cards payable	3,666,375	3,707,976

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, 2026 and December 31, 2025, there were accounts payable of \$8,454,369 and \$6,200,526, respectively.

The Company's credit cards payable consisted of outstanding balances on credit cards held by the Company. As of June 30, 2026 and December 31, 2025, there were credit cards payable of \$3,666,375 and \$3,707,976, respectively.

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 ("Taishin"). As amended, the line of credit matures on November 13, 2026 and bears interest at a rate of 3.42% per annum.

As of June 30, 2026 and December 31, 2025, the outstanding balance under the Taishin line of credit was \$628,931 and \$637,348, respectively.

NOTE 8 - Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities were comprised of the following as of June 30, 2026 and December 31, 2025, respectively:

	<u>June 30, 2026</u>	<u>December 31, 2025</u>
Sales tax payable	\$ 4,917	\$ 16,069
Refund liability	-	729,320
Accrued payroll	317,502	354,362
Accrued bonus	223,270	782,612
Accrued expenses	197,606	268,155
Accrued interest	69,526	-
Other payables	20,230	75,869
Total	<u>\$ 833,051</u>	<u>\$ 2,226,387</u>

hour loop, inc.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2026 and December 31, 2025, the Company has accrued \$0 and \$729,320, respectively, in a proactive approach towards 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 \$223,270 and \$782,612 accrued for bonuses as of June 30, 2026 and December 31, 2025, respectively.

NOTE 9 - Leases

The Company had two operating leases (Flywheel's office leases in Taiwan) as of June 30, 2026. 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, 2026:

	Flywheel June 2025 to June 2027	Flywheel December 2025 to November 2028
Initial lease term		
Initial recognition of operating lease right-of-use assets	\$ 127,226	\$ 79,971
Weighted-average remaining lease term at June 30, 2026	1.00	2.42
Weighted-average discount rate at June 30, 2026	3.33%	3.33%

Operating lease liabilities-current as of June 30, 2026 and December 31, 2025 were \$91,142 and \$92,362, respectively. Operating lease liabilities-non-current as of June 30, 2026 and December 31, 2025 were \$38,357 and \$83,271, respectively. The operating lease right-of-use assets balance as of June 30, 2026 and December 31, 2025, were \$124,861 and \$169,368, respectively.

For the six months ended June 30, 2026 and 2025, the amortization of the operating lease right-of-use asset was \$42,575 and \$122,018, respectively. These amounts were recorded in general and administrative expenses. Additionally, for the six months ended June 30, 2026 and 2025, the Company made lease payments of \$44,130 and \$125,712, respectively, which were included in the operating cash flows statements.

The future minimum lease payment schedule for all operating leases as of June 30, 2026, is as disclosed below.

For the Year Ending June 30,	Amount
2026 (remainder)	\$ 46,397
2027	60,520
2028	26,535
2029 and thereafter	-
Total minimum lease payments	133,452
Less: effect of discounting	(3,953)
Present value of the future minimum lease payment	129,499
Less: operating lease liabilities-current	(91,142)
Total operating lease liabilities-non-current	\$ 38,357

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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, 2026 and December 31, 2025, the Company had \$3,410,418 and \$3,810,418, 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 subordinated Loan Agreement. As amended, the loan matures on December 31, 2026 and has an annual interest rate of 4.75%.

As of June 30, 2026, this amount included \$3,410,418 in stockholder payables and \$0 accrued for bonuses. As of December 31, 2025, this amount included \$2,660,418 in stockholder payables and \$1,150,000 accrued for bonuses.

For the six months ended June 30, 2026 and 2025, the Company made repayments to related parties of \$884,000 and \$839,000, respectively.

In April 2026, due to changes in Amazon's Disbursement Policy under which daily remittances are delayed by seven days, Sam Lai and Maggie Yu advanced funds to the Company to provide liquidity support. The advances bear interest at an annual rate of 4.75%. For the six months ended June 30, 2026, total advances received from related parties were \$1,634,000.

NOTE 11 – Disaggregation of Revenues

Revenues were comprised of the following for the three and six months ended June 30, 2026 and 2025, respectively:

	Three Months Ended June 30,	
	2026	2025
Revenues-U.S.	\$ 34,773,245	\$ 28,308,512
Revenues-International	1,706,449	1,138,830
Revenues-Other	404,851	37,367
Sales returns	(2,597,429)	(2,198,454)
Discounts	(342,925)	(183,149)
Total	<u>\$ 33,944,191</u>	<u>\$ 27,103,106</u>

	Six Months Ended June 30,	
	2026	2025
Revenues-U.S.	\$ 65,372,658	\$ 54,911,059
Revenues-International	3,266,977	2,090,269
Revenues-Other	665,354	339,621
Sales returns	(4,779,490)	(3,966,013)
Discounts	(650,966)	(434,740)
Total	<u>\$ 63,874,533</u>	<u>\$ 52,940,196</u>

NOTE 12 - Income Tax

The components of income taxes expense are as follows:

Effective Tax Rate Reconciliation for the Six Months Ended June 30, 2026				
Pretax book income	\$	2,390,816	21.00%	\$ 502,071
Permanent differences		43,855	0.39%	9,210
Prior year federal permanent differences true-up		110,378	0.97%	23,179
State income tax		127,407	4.19%	100,171
Other deferred adjustment		-	-4.98%	(118,982)
Total tax expense			21.57%	\$ 515,649

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

Pre-tax book income	\$ 2,518,617	21.00%	\$ 528,910
Permanent differences	38,692	0.32%	8,125
Prior year federal permanent differences 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 expense		27.28%	\$ 687,099

	Current Income Tax Expense	Deferred Income Tax Expense (Benefit)	Total Income Tax Expense
Tax Expense Summary, for the Six Months Ended June 30, 2026			
Federal	\$ 88,964	299,758	388,722
State	127,407	(480)	126,927
Total tax expense	\$ 216,371	299,278	515,649

	Current Income Tax Expense	Deferred Income Tax Expense	Total Income Tax Expense
Tax Expense Summary, for the Six Months Ended June 30, 2025			
Federal	\$ 99,163	\$ 473,274	\$ 572,437
State	21,521	93,141	114,662
Total tax expense	\$ 120,684	566,415	\$ 687,099

Income taxes paid were \$397,770 and \$52,841 for the six months ended June 30, 2026 and 2025, respectively. Such payments consisted of U.S. federal and state income tax payments.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets as of June 30, 2026 and December 31, 2025 were as follows:

Deferred Tax Assets Summary	June 30, 2026	December 31, 2025
Federal	\$ 220,706	\$ 520,464
State	71,837	71,357
Foreign (non-U.S.)	546	18,143
Total	\$ 293,089	\$ 609,964

Deferred Tax Assets Summary	June 30, 2026	December 31, 2025
Operating lease right of use lease assets	\$ 1,166	\$ 1,574
Inventories allowance	93,207	112,518
Net loss carry forward	198,716	495,872
Total	\$ 293,089	\$ 609,964

The Company files income tax return in the U.S. federal jurisdiction and various state jurisdictions. Based on management's evaluation, there is no provision necessary for material uncertain tax position for the Company as of June 30, 2026 and December 31, 2025.

For the six months ended June 30, 2026 and for the year ended December 31, 2025, the Company reported net operating income of \$1,875,167 and \$1,704,849, respectively. The net operating loss carryforward is not subject to any expiration period under federal regulations, while at the state level, the expiration period usually ranges up to 20 years, or there may be no expiration period at all.

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

HOURL LOOP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - Stockholders' Equity

Preferred Stock

As of June 30, 2026 and December 31, 2025, 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, 2026 and December 31, 2025. 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, 2026 and December 31, 2025, the Company had 300,000,000 shares of common stock, \$0.0001 par value per share, authorized. As of June 30, 2026 and December 31, 2025, there were 35,191,890 and 35,176,320 shares of common stock issued and outstanding, respectively.

Share Issuances for Stock Compensation

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.

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.

On October 3, 2025, the Company issued 951 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 \$3.1530 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 5, 2026, the Company issued 1,514 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 \$1.9815 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 6, 2026, the Company issued 1,600 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 \$1.8745 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, 2026 and December 31, 2025, 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, 2026 and December 31, 2025, the Company had no pending material legal proceedings. No amounts have been accrued in the unaudited consolidated financial statements with respect to any such matters.

NOTE 15 - Subsequent Events

Director Equity Issuances

On July 1, 2026, the Company issued 1,586 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 \$1.8910 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.

Fourth Amendment to Loan Agreement

On August 10, 2026, the Company entered into the Fourth Amendment (the "Fourth Amendment") to Loan Agreement by and among the Company, 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 Sau Kuen Yu (the Company's Senior Vice President, a member of the Company's Board of Directors and a significant stockholder of the Company). Pursuant to the terms of the Fourth Amendment, the Company agreed to repay the loan in the principal amount of \$3,410,418 to Mr. Lai and Ms. Yu through monthly settlements of \$200,000, commencing August 31, 2026. As amended by the Fourth Amendment, the loan matures on December 31, 2026 and bears interest at an annual rate of 4.75%. The parties also agreed to discuss quarterly and make reasonable efforts, subject to the Company's normal cash reserve and expansion plan, if any, to explore the possibility of early or delayed repayments.

The Company has evaluated subsequent events from the balance sheet date through August 11, 2026, the date at which the financial statements were available to be issued, and determined that, apart from the events mentioned above, there are 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, 2025, 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 (“Amazon”) since 2013, and on www.walmart.com (“Walmart”) since 2020. We have also sold merchandise on our website at www.hourloop.com since 2013. To date, we have generated practically all of our revenues as a third-party seller on Amazon and only a negligible amount of revenues from our operations on our website at www.hourloop.com and as a third-party seller on Walmart. We manage more than 100,000 stock-keeping units (“SKUs”). Product categories include home/garden décor, toys, kitchenware, apparel, and electronics. Our primary strategy is to bring most of our vendors’ product selections to the customers. We have advanced software that assists us in identifying product gaps so we can keep such products in stock year-round including the entirety of the fourth quarter (holiday season) of the calendar year. 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 Walmart.

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 (as described below).
- Developing and maintaining relationships with brand manufacturers.

Formation

We were founded in 2013 by Sam Lai, our Chairman of the Board, Chief Executive Officer, interim Chief Financial Officer and significant stockholder, and Maggie Yu, our Senior Vice President, a member of our Board of Directors and a significant stockholder. Mr. Lai and Ms. Yu are husband and wife. With their vision, leadership, and software development skills, the Company grew rapidly. From 2013 to 2025, net sales grew from \$0 to \$142,440,236.

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 and 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 advertising is fierce, we allocate spending appropriately. Our strategy for competing with larger competitors is to monitor their pricing and not compete with them when their pricing is low or at a loss. Competitors sell at low prices or at a loss due to a variety of reasons, including, but not limited to, their desire to liquidate inventory or achieve a short-term increase in revenue. During these times, we avoid matching their prices. This strategy allows us to stay profitable.

Tariff Impact and Response Measures

In the first quarter of 2026, the global trade environment shifted significantly following the U.S. Supreme Court's February 20, 2026 ruling that the International Emergency Economic Powers Act ("IEEPA") does not authorize the imposition of tariffs, thereby invalidating the reciprocal tariff regime in place throughout 2025. Shortly thereafter, on February 24, 2026, President Donald Trump invoked Section 122 of the Trade Act of 1974, as amended, imposing a temporary 10% global import surcharge on most goods entering the United States for an initial period of 150 days. Concurrently, the suspension of the "de minimis" exemption for low-value shipments (\$800 or less) remained in effect, requiring formal entry and duty payment on all parcels. On March 11, 2026, the Office of the U.S. Trade Representative initiated new Section 301 investigations into manufacturing overcapacity and forced labor across 16 economies, including China, which may result in additional, non-timebound tariff measures.

Our proactive inventory positioning in 2025 provided a temporary buffer during the early months of 2026. However, the Section 122 surcharge and the loss of de minimis treatment have materially increased landed costs and compliance requirements. In response, the Company has undertaken supply chain diversification initiatives, adjusted logistics and customs processes, and implemented selective price increases to mitigate margin pressure. We continue to monitor ongoing trade policy developments, including the potential outcomes of the Section 301 investigations, and remain prepared to adopt further pricing or sourcing adjustments to preserve supply chain continuity and financial resilience in this evolving regulatory environment.

In an ideal world, we would like to price our products at key stone pricing or double wholesale cost. However, we operate in a hypercompetitive environment and we must stay competitive. Therefore, we must draw a good balance between gross margin and revenue. Our main objectives focus on increasing volume and maximizing profits, which is achieved with a customized auto pricing system we developed internally, in combination with well-trained business managers' judgment on pricing skills, as well as constant monitoring. One principal feature of the pricing system is that it automatically syncs public data of competing offers from Amazon regularly, so business managers can set and adjust pricing based on accurate data, and thus be able to set optimal selling prices for products. In addition, the system is constantly improved with new features and optimizations.

At a high level, our automated pricing tool helps us stay competitive while our business managers mainly focus on increasing gross margins. Our proprietary repricing tool analyzes sales trends, projected sales, inventory age, inventory cost, potential profits, Fulfillment by Amazon ("FBA") fees, competing offers, and seasonality and determines an urgency level. Then, depending on the level of urgency, it automatically adjusts prices accordingly.

Business managers, after establishing the bases for prices, begin to develop pricing strategies for each product, while taking current market conditions and Company goals (e.g., increasing short-term or long-term profits) and strategies into consideration. Furthermore, business managers consider different marketing segments, such as costs and competition, in order to develop effective pricing strategies and policies.

The following subsections provide more insight into various pricing strategies we have developed over the years. Our internal training mainly focuses on competition-based and value-based pricing policies.

1. **Competition-Based Pricing Policy:** 15% of our products are toys, which are extremely popular and competitive. In this type of environment, where volume is high but gross margin is low, our main strategy is to purchase large quantities, so we can increase sales volume and price competitively while maintaining an average return on investment ("ROI") of at least 15%. We use the competition-based pricing policy to match competitors' prices, which means constantly winning Buy Box (as described below). Our pricing system is capable of automatically matching all Buy Box.
2. **Promotional Pricing Policy:** To boost lagging sales, we adapted our own promotional pricing policy, which involves offering modest discounts on products with inventory age over 45 days, which proves to be cost-effective at reducing the number of low turn-over SKUs.
3. **Value-Based Pricing Policy:** We incorporate a value-based pricing strategy when inventories are constrained, which can happen when customer demand suddenly spikes due to external factors, supply shortage, or seasonal spikes. We set prices to reflect the value perceived by customers, especially on products under gift categories when consumer demands are higher. Contrary to a typical seller, we opt to maintain high gross margin instead of marking down prices and running special deals during the high-demand season during the fourth quarter. Therefore, business managers can achieve increases in both sales and high average ROI of 40%.

Buy Box on *amazon.com* is the top right section on a product page where customers can directly add items to their shopping carts. Since many sellers on Amazon can sell the same product, they must compete to "win the Buy Box" for a certain product. Winning the Amazon Buy Box simply means that you were chosen for the Buy Box placement. When you win this placement, customers have a button to directly add your product to their carts, giving you an advantage over competing sellers. For a seller to be eligible for the Buy Box, they must meet a set of performance-based requirements, including order defect rate, customer shopping experience, time and experience on the Amazon selling platform, and status as a professional seller.

Beginning in 2026, the Company also faced additional cost pressures from Amazon’s labeling service discontinuation and changes to the commingled inventory policy. Prior to 2026, the Company contracted with Amazon to provide labeling and packaging (such as polybagging and bubble wrapping) services for the Company. Effective January 1, 2026, Amazon ceased providing these services for its sellers. Accordingly, sellers, including the Company, are now responsible for all inventory preparation prior to delivery at Amazon fulfillment centers. In response, the Company has, among other things, (i) engaged external fulfillment partners to manage labeling and preparation, resulting in an incremental increase in variable fulfillment costs per unit; and (ii) integrated FNSKU labeling and Amazon-compliant packaging directly into the manufacturing process at the source, which resulted in increases to cost of revenues and selling and marketing expenses. Labeling-related costs are expected to have an impact going forward. Although the impact is not considered material, the Company has disclosed the level of impact for transparency; however, the Company also successfully secured more advertising fund support and negotiated better vendor discounts. These measures helped offset rising costs and ensured that overall profitability remained stable for the six months ended June 30, 2026.

Recent Developments

Addendum No. 7 to Lai Employment Agreement

On May 15, 2026, the Company entered into Addendum No. 7 (the “Lai Addendum”) to Executive Employment Agreement, as amended, with Sam Lai (the “Lai Agreement”), the Company’s Chairman of the Board, Chief Executive Officer, interim Chief Financial Officer, and majority stockholder. Pursuant to the terms of the Lai Addendum, Mr. Lai’s 2026 bonus targets and payments were revised as follows:

- If the Company grows its net profits (excluding taxes and executives’ bonuses) to at least \$1,000,000 during the 2026 fiscal year, Mr. Lai will receive a bonus equal to 50% of Base Salary (as defined in the Lai Agreement).
- If the Company grows its net profits (excluding taxes and executives’ bonuses) to at least \$2,000,000 during the 2026 fiscal year, Mr. Lai will receive a bonus equal to 100% of Base Salary.

The satisfaction of the above conditions will be determined at the end of the 2026 fiscal year. For the avoidance of doubt, only one of the above bonus amounts, if at all, will be payable.

In addition, pursuant to the terms of the Lai Addendum, Mr. Lai is entitled to receive a guaranteed bonus of \$100,000 on December 22, 2026.

Addendum No. 7 to Yu Employment Agreement

Also on May 15, 2026, the Company entered into Addendum No. 7 (the “Yu Addendum”) to Executive Employment Agreement, as amended, with Sau Kuen (Maggie) Yu (the “Yu Agreement”), the Company’s Senior Vice President, Director and majority stockholder. Pursuant to the terms of the Yu Addendum, Ms. Yu’s 2026 bonus targets and payments were revised as follows:

- If the Company grows its net profits (excluding taxes and executives’ bonuses) to at least \$1,000,000 during the 2026 fiscal year, Ms. Yu will receive a bonus equal to 50% of Base Salary.
- If the Company grows its net profits (excluding taxes and executives’ bonuses) to at least \$2,000,000 during the 2026 fiscal year, Ms. Yu will receive a bonus equal to 100% of her Base Salary.

The satisfaction of the above conditions will be determined at the end of the 2026 fiscal year. For the avoidance of doubt, only one of the above bonus amounts, if at all, will be payable.

In addition, pursuant to the terms of the Yu Addendum, Ms. Yu is entitled to receive a guaranteed bonus of \$100,000 on December 22, 2026.

Mr. Lai and Ms. Yu are husband and wife, and together, they beneficially own 33,363,314 shares of the Company’s common stock, representing approximately 94.8% of the voting power of the Company’s outstanding common stock, with each of Mr. Lai and Ms. Yu beneficially holding 33,363,314 shares of the Company’s common stock, as each of them is deemed to indirectly beneficially own the other’s 16,681,657 shares.

Director Equity Issuances

On July 1, 2026, the Company issued 1,586 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 \$1.8910 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.

Fourth Amendment to Loan Agreement

On August 10, 2026, the Company entered into the Fourth Amendment (the “Fourth Amendment”) to Loan Agreement by and among the Company, 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 Sau Kuen Yu (the Company’s Senior Vice President, a member of the Company’s Board of Directors and a significant stockholder of the Company). Pursuant to the terms of the Fourth Amendment, the Company agreed to repay the loan in the principal amount of \$3,410,418 to Mr. Lai and Ms. Yu through monthly settlements of \$200,000, commencing August 31, 2026. As amended by the Fourth Amendment, the loan matures on December 31, 2026 and bears interest at an annual rate of 4.75%. The parties also agreed to discuss quarterly and make reasonable efforts, subject to the Company’s normal cash reserve and expansion plan, if any, to explore the possibility of early or delayed repayments.

Our Financial Position

For the three months ended June 30, 2026 and 2025, we generated net revenues of \$33,944,191 and \$27,103,106, respectively, and reported net income of \$1,051,685 and \$1,177,001, respectively, and cash flow used in operating activities of \$1,337,564 and \$901,539, respectively.

For the six months ended June 30, 2026 and 2025, we generated net revenues of \$63,874,533 and \$52,940,196, respectively, and reported net income of \$1,875,167 and \$1,831,518, respectively, and cash flow used in operating activities of \$3,556,564 and \$925,430, respectively.

As noted in our unaudited consolidated financial statements, as of June 30, 2026, we had retained earnings of \$2,984,841.

Results of Operations

The following table shows a comparison of our unaudited income statements for the three and six months ended June 30, 2026 and 2025.

	Three Months Ended June 30,	
	2026	2025
Statement of Operations Data		
Revenues, net	\$ 33,944,191	\$ 27,103,106
Cost of revenues	(15,976,053)	(11,605,754)
Gross profit	17,968,138	15,497,352
Total operating expenses	16,683,752	13,876,501
Income from operations	1,284,386	1,620,851
Total other (expenses) income, net	(26,710)	(38,170)
Income tax expense	(205,991)	(405,680)
Net income	1,051,685	1,177,001
Other comprehensive income	3,959	154,939
Total comprehensive income	\$ 1,055,644	\$ 1,331,940

	Six Months Ended June 30,	
	2026	2025
Statement of Operations Data		
Revenues, net	\$ 63,874,533	\$ 52,940,196
Cost of revenues	(29,888,620)	(23,297,546)
Gross profit	33,985,913	29,642,650
Total operating expenses	31,559,399	27,100,934
Income from operations	2,426,514	2,541,716
Total other (expenses) income, net	(35,698)	(23,099)
Income tax expense	(515,649)	(687,099)
Net income	1,875,167	1,831,518
Other comprehensive (loss) income	(13,657)	141,403
Total comprehensive income	\$ 1,861,510	\$ 1,972,921

For the three months ended June 30, 2026 compared to the three months ended June 30, 2025

Revenues, Net

The Company generated \$33,944,191 in revenues, net in the three months ended June 30, 2026, as compared to \$27,103,106 in revenues, net in the same period in 2025. This represents an increase in revenues, net of \$6,841,085, or 25.2%. 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 three months ended June 30, 2026 were approximately 1,497,189, as compared to 1,253,975 orders in the three months ended June 30, 2025, representing an increase of 19.4%. The growth in order volume was the primary driver of revenue expansion. In addition, the higher average order value contributed to revenue growth exceeding the pace of order growth. While competitive pricing strategies and promotional discounts moderated unit pricing, the combination of increased order volume and sustained customer engagement resulted in meaningful revenue gains.

Cost of Revenues

Cost of revenues for the three months ended June 30, 2026 totaled \$15,976,053, as compared to \$11,605,754 for the three months ended June 30, 2025. In the same period last year, the Company intentionally maintained a higher gross margin in response to tariff concerns by preserving lower-cost inventory and gradually adjusting retail prices to help customers adapt to higher price levels. Cost of revenues includes the cost of the merchandise sold and shipping costs, as well as estimated losses due to damage to goods. In 2026, Amazon implemented changes to its Fulfillment by Amazon (FBA) fee structure. Beginning January 15, 2026, fulfillment fees for certain product categories were adjusted, with increases for higher-priced standard-size items and reductions for select bulky items. In addition, effective April 17, 2026, Amazon introduced a 3.5% fuel and logistics surcharge applicable to FBA in the United States and Canada, as well as cross-border Remote Fulfillment programs. These changes, together with revised inventory and return handling policies, are expected to increase operating costs for sellers. The Company has assessed that the impact is not material; however, the level of impact has been disclosed for transparency.

Total Operating Expenses

Total operating expenses for the three months ended June 30, 2026 totaled \$16,683,752, representing a \$2,807,251, or 20.2%, increase from the \$13,876,501 of total operating expenses for the three months ended June 30, 2025. This change was primarily caused by an increase in selling and marketing expenses in line with the growth in revenues.

Total Other (Expenses) Income, Net

Total other expenses, net, for the three months ended June 30, 2026 was \$26,710, compared to total other expenses, net, of \$38,170 for the three months ended June 30, 2025.

Total Comprehensive Income

Total comprehensive income for the three months ended June 30, 2026 was \$1,055,644, as compared to \$1,331,940 for the three months ended June 30, 2025. The decrease in total comprehensive income was primarily attributable to lower income from operations for the three months ended June 30, 2026.

For the six months ended June 30, 2026 compared to the six months ended June 30, 2025

Revenues, Net

The Company generated \$63,874,533 in revenues, net in the six months ended June 30, 2026, as compared to \$52,940,196 in revenues, net in the same period in 2025. This represents an increase in revenues, net of \$10,934,337, or 20.7%. 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, 2026 were approximately 2,856,283, as compared to 2,483,767 orders in the six months ended June 30, 2025, representing an increase of 15.0%. The growth in order volume was the primary driver of revenue expansion. In addition, the higher average order value contributed to revenue growth exceeding the pace of order growth.

Cost of Revenues

Cost of revenues for the six months ended June 30, 2026 totaled \$29,888,620, as compared to \$23,297,546 for the six months ended June 30, 2025. The increase was in line with the growth in revenues and also reflects the changes to Amazon's FBA fee structure and the fuel and logistics surcharge described above.

Total Operating Expenses

Total operating expenses for the six months ended June 30, 2026 totaled \$31,559,399, representing a \$4,458,465, or 16.5%, increase from the \$27,100,934 of total operating expenses for the six months ended June 30, 2025. This change was primarily caused by an increase in selling and marketing expenses in line with the growth in revenues.

Total Other (Expenses) Income, Net

Total other expenses, net, for the six months ended June 30, 2026 was \$35,698, compared to total other expenses, net, of \$23,099 for the six months ended June 30, 2025.

Total Comprehensive Income

Total comprehensive income for the six months ended June 30, 2026 was \$1,861,510, as compared to \$1,972,921 for the six months ended June 30, 2025. The decrease in total comprehensive income was primarily attributable to the foreign currency translation adjustments, which reflected a loss of \$13,657 for the six months ended June 30, 2026, compared to a gain of \$141,403 for the six months ended June 30, 2025.

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 \$985,404 and \$3,792,033 as of June 30, 2026 and December 31, 2025, 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 grow;
- The cost of being a public company;
- Marketing and advertising expenses for attracting new customers;
- Capital requirements for the development of additional infrastructure; and
- Increased costs and inventory carrying requirements associated with import tariffs and global trade policy uncertainty.

We generate liquidity from the profitability of our ongoing business, and from debt to fund our operations.

The following table shows a summary of our cash flows for the six months ended June 30, 2026 and 2025.

	Six Months Ended June 30,	
	2026	2025
Statement of Cash Flows		
Net cash used in operating activities	\$ (3,556,564)	\$ (925,430)
Net cash used in investing activities	\$ (5,705)	\$ (801)
Net cash provided by (used in) financing activities	\$ 750,000	\$ (839,000)
Effect of changes in foreign currency exchange rates	\$ 5,640	\$ (28,996)
Net decrease in cash	\$ (2,806,629)	\$ (1,794,227)
Cash - beginning of the period	\$ 3,792,033	\$ 2,119,581
Cash - end of the period	\$ 985,404	\$ 325,354

Net Cash Used in Operating Activities

For the six months ended June 30, 2026, net cash used in operating activities amounted to \$3,556,564, as compared to \$925,430 of net cash used in operating activities for the six months ended June 30, 2025. The increase in net cash used in operating activities was primarily driven by higher inventory purchases during 2026 and an increase in accounts receivable resulting from changes in Amazon's Disbursement Policy, under which daily remittances are now delayed by seven days. As part of our strategy to ensure product availability and mitigate supply chain risks under evolving trade policies and in light of discontinuation of Amazon's labeling service, we invested more heavily in inventory.

Despite the increase in revenues to \$63,874,533 for the six months ended June 30, 2026, as compared to \$52,940,196 for the six months ended June 30, 2025, the increase in revenues was offset by a corresponding increase in cost of revenues of \$6,591,074 and an increase in operating expenses of \$4,458,465.

Net Cash Used in Investing Activities

For the six months ended June 30, 2026, \$5,705 in net cash was used in investing activities, compared to \$801 in net cash used in investing activities for the six months ended June 30, 2025. The increase primarily reflects higher purchases of property and equipment for the six months ended June 30, 2026.

Net Cash Provided by (Used in) Financing Activities

For the six months ended June 30, 2026, net cash provided by financing activities amounted to \$750,000, as compared to net cash used in financing activities of \$839,000 for the six months ended June 30, 2025. The net cash inflow for the six months ended June 30, 2026 was primarily due to advances of \$1,634,000 received from related parties, partially offset by repayments of \$884,000 made to related parties. The cash outflow for the six months ended June 30, 2025 was primarily due to repayments made to related parties.

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 (“Taishin”). As amended, the line of credit matures on November 13, 2026 and bears interest at a rate of 3.42% per annum. As of June 30, 2026 and December 31, 2025, the outstanding balance under the Taishin line of credit was \$628,931 and \$637,348, respectively.

Affiliated Loans

From time to time, we receive loans and advances from our stockholders to fund our operations. As of June 30, 2026, we had a total of \$3,410,418 due to related parties, which included \$3,410,418 in stockholder payables and \$0 accrued for bonuses. As of December 31, 2025, we had a total of \$3,810,418 due to related parties, which included \$2,660,418 in stockholder payables and \$1,150,000 accrued for bonuses. While stockholder payables are generally non-interest bearing and payable on demand, we and our stockholders have entered into loan agreements for loans with terms over one year.

July 2021 Loan

On July 27, 2021, the Company, Mr. Lai and Ms. Yu entered into a loan agreement with a principal amount of \$4,170,418. The loan is subordinated. As amended, the loan matures on December 31, 2026 and has an annual interest rate of 4.75%.

Leases

We have two operating leases (Flywheel has two office leases in Taiwan). The respective lease terms are June 10, 2025 to July 9, 2027, and December 1, 2025 to November 30, 2028, respectively.

For the Year Ending June 30,	Amount
2026 (remainder)	\$ 46,397
2027	60,520
2028	26,535
2029 and thereafter	-
Total minimum lease payments	133,452
Less: effect of discounting	(3,953)
Present value of the future minimum lease payment	129,499
Less: operating lease liabilities-current	(91,142)
Total operating lease liabilities-non-current	\$ 38,357

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 are 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. The Company’s 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. The Company’s 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. The Company 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, 2026 and December 31, 2025, 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, 2026 and December 31, 2025, \$370,981 and \$447,841, 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, 2026 and 2025.

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 the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Revenue Recognition - The Company accounts for revenues in accordance with ASC Topic 606, Revenue from Contracts with Customers. 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 revenues 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 revenues 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 revenues 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 revenues 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, 2026 and 2025 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, revenues are 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 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 6.90% and 6.92% of gross sales for the six months ended June 30, 2026 and 2025, respectively.

From time to time, the Company offers price discounts on certain selected items to stimulate the sales of those items. Revenues are 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 revenues to calculate the net revenues 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 \$13,887,211 and \$11,659,356 for the six months ended June 30, 2026 and 2025, 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” to determine 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 the Company believe they will not be realized. The Company considers many factors when assessing the likelihood of future realization of its 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 the Company's for tax reporting purposes, and other relevant factors.

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

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 revenues or gross accounts receivable balance at the balance sheet date. During the three and six months ended June 30, 2026 and 2025, the Company had no customer that accounted for 10% or more of total net revenues. In addition, as of June 30, 2026 and December 31, 2025, the Company had no customer that accounted for 10% or more of gross accounts receivable. As of June 30, 2026 and December 31, 2025, 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 disbursement from Amazon to the Company usually takes approximately 14 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 revenues from the Company's end customers. During the six months ended June 30, 2026 and 2025, approximately 97% and 99%, respectively, of the Company's revenues were 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 - The Company's policy is to recognize advertising costs as they are incurred. Advertising and promotion expenses were \$2,823,018 and \$964,824 for the six months ended June 30, 2026 and 2025, 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, 2026 and 2025. 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

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of June 30, 2026, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our chief executive officer and our chief financial officer concluded that, as of June 30, 2026, our disclosure controls and procedures were effective.

We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. Because of the inherent limitations in all disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that we have detected all our control deficiencies and instances of fraud, if any. The design of disclosure controls and procedures also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter 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, 2025, as updated from time to time.

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

On July 1, 2026, the Company issued 1,586 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 \$1.8910 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.

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) On August 10, 2026, the Company entered into the Fourth Amendment (the “Fourth Amendment”) to Loan Agreement by and among the Company, 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 Sau Kuen Yu (the Company’s Senior Vice President, a member of the Company’s Board of Directors and a significant stockholder of the Company). Pursuant to the terms of the Fourth Amendment, the Company agreed to repay the loan in the principal amount of \$3,410,418 to Mr. Lai and Ms. Yu through monthly settlements of \$200,000, commencing August 31, 2026. As amended by the Fourth Amendment, the loan matures on December 31, 2026 and bears interest at an annual rate of 4.75%. The parties also agreed to discuss quarterly and make reasonable efforts, subject to the Company’s normal cash reserve and expansion plan, if any, to explore the possibility of early or delayed repayments.

The foregoing description of the Fourth Amendment is qualified in its entirety by reference to the complete terms and conditions of the Fourth Amendment, a copy of which is filed as Exhibit 10.3 to this Quarterly Report on Form 10-Q, and is incorporated by reference herein.

(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

Exhibit Number	Description of Document
10.1†	<u>Addendum No. 7 to Executive Employment Agreement, dated as of May 15, 2026, between the registrant and Sam Lai (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on May 18, 2026).</u>
10.2†	<u>Addendum No. 7 to Executive Employment Agreement, dated as of May 15, 2026, between the registrant and Sau Kuen Yu (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on May 18, 2026).</u>
10.3*	<u>Fourth Amendment to Loan Agreement, dated August 10, 2026, by and among the registrant, Sam Lai and Sau Kuen Yu.</u>
31.1*	<u>Rule 13a-14(a) Certification of Principal Executive Officer.</u>
31.2*	<u>Rule 13a-14(a) Certification of Principal Financial Officer.</u>
32.1**	<u>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.</u>
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.

† Management contracts, compensation plans and arrangements.

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 11, 2026

By: /s/ Sam Lai

Sam Lai

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

**FOURTH AMENDMENT TO
LOAN AGREEMENT**

This FOURTH AMENDMENT TO LOAN AGREEMENT (the “4th Amendment”) is made on August 10, 2026, by and among Hour Loop, Inc. (the “Borrower”), Sam Lai, and Sau Kuen Yu (together as “Lenders”). Borrower and Lenders shall collectively be known herein as the “Parties”.

WHEREAS, the Parties have entered into a Loan Agreement, dated as of September 16, 2021 (the “Agreement”), pursuant to which the Lenders have agreed to grant to the Borrower a loan (the “Loan”) of estimated amount to be \$4,038,208; and

WHEREAS, the principal amount is then determined to be \$4,170,418. The accrued and unpaid interest amount is \$120,002.92 (the “Interest Payable”) as of December 31, 2022; and

WHEREAS, the Parties have entered into an AMENDMENT TO LOAN AGREEMENT, dated as of December 28, 2022 (the “Amendment”) with agreed tenor of 2 year, pursuant to which the principal amount, \$4,170,418, should be payable as of December 31, 2024; and

WHEREAS, the principal repayment is then determined to be \$1,000,000 and the accrued and unpaid interest amount is \$229,372.99 as of December 31, 2024, in which the Lenders agreed the deposits from the Borrower could be settled before January 31, 2025 subject to the Borrower’s normal cash reserve as Amendment states; and

WHEREAS, the Parties have entered into a SECOND AMENDMENT TO LOAN AGREEMENT, dated as of December 24, 2024 (the “2nd Amendment”) with agreed tenor of 1 year, pursuant to which the principal amount, \$3,170,418, should be payable as of December 31, 2025; and

WHEREAS, the Parties have entered into a THIRD AMENDMENT TO LOAN AGREEMENT, dated as of December 22, 2025 (the “3rd Amendment”), with an agreed tenor of 1 year, pursuant to which the principal amount was \$2,660,418, of which the Parties made six repayments totaling \$600,000 between January 29, 2026 and March 27, 2026, leaving a remaining principal balance of \$2,060,418 as of March 27, 2026; and

WHEREAS, as set forth in the transaction schedule attached hereto as Schedule A and incorporated herein by reference, between April 1, 2026, and August 10, 2026, Lenders made a series of advances to Borrower (collectively, the “Advances”), against which Borrower made corresponding repayments, resulting in an increase to the outstanding principal amount of the Loan of \$1,350,000 as of August 10, 2026; and

WHEREAS, after giving effect to the foregoing, the Parties agree that the outstanding principal amount of the Loan as of August 10, 2026 is \$3,410,418 (comprised of the \$2,060,418 remaining under the 3rd Amendment plus \$1,350,000 in additional advances set forth in Schedule A) (the “Outstanding Principal Balance”), and the Parties desire to amend the Agreement to reflect the Outstanding Principal Balance and the other terms set forth below;

WHEREAS, during the period from April 1, 2026 through August 10, 2026, interest continued to accrue on the outstanding principal amount of the Loan at the annual rate of four-point-seventy-five percent (4.75%) simple interest in accordance with the Agreement, and such accrued interest shall be calculated and paid separately from the Principal Amount; and

WHEREAS, the Parties have agreed to modify certain terms and conditions in the 3rd Amendment subject to the Borrower’s expansion plan.

NOW, THEREFORE, it is agreed as follows:

1. Definition. Except as otherwise expressly defined herein, all terms used herein shall have the meanings ascribed thereto in the Agreement.
2. 4th Amendment. The parties hereto expressly agree that the terms and conditions of the Agreement be amended as follows:
 - (1) Principal Amount: The Principal Amount of the Loan is \$3,410,418.
 - (2) Tenor: The tenor of the Loan, as amended hereby, shall continue through the Maturity Date of December 31, 2026.
 - (3) Repayments: The Principal Amount shall be repaid through monthly settlements of \$200,000, commencing August 31, 2026, and continuing on the last day of each calendar month thereafter, with any remaining outstanding balance of the Principal Amount due and payable in full on the Maturity Date.

Notwithstanding the foregoing, the Parties agree to discuss quarterly and make reasonable efforts, subject to the Borrower's normal cash reserve and expansion plan (if any), to explore the possibility of early or delayed repayments.
 - (4) Interest rate: The Loan shall bear interest at an annual rate of four-point-seventy-five percent (4.75%) simple interest. Interest shall be paid annually.

Notwithstanding the foregoing, the Parties agree to discuss annually and make reasonable efforts, subject to the Borrower's normal cash reserve and expansion plan (if any), to explore the possibility of early or delayed payment of interest.
3. Cross Reference. The Agreement as amended hereby shall, from and after the date hereof, be read as a single integrated document incorporating the amendments effected hereby and each reference to the terms, "Agreement", "hereof", "hereunder" and words of similar import contained in the Agreement shall, as applicable, from and after the date hereof, be deemed to be references to the Agreement, as amended by this 4th Amendment and each such reference (and each reference to the term "Agreement") in all other documents related thereto shall be deemed to be a reference to the Agreement as amended hereby.
4. Entire Agreement. The Agreement as amended by this 4th Amendment constitutes the complete and exclusive understanding and agreement between the Parties regarding its subject matter and supersedes all prior or contemporaneous agreements or understandings, whether written or oral, relating to its subject matter.
5. Governing Law. This 4th Amendment shall be governed by, and interpreted in accordance with, the laws of the State of Washington.
6. Continuing Effect. The terms and conditions of the Agreement, except as expressly amended, supplemented and modified herein, shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have executed this 4th Amendment on the date first above written.

Borrower:	<u>Hour Loop, Inc.</u>		
By:	<u>/s/ Sam Lai</u> (Name , Title)	Print: <u>Sam Lai, CEO</u>	Date: <u>8/10/2026</u>
Lender’s Signature:	<u>/s/ Sam Lai</u>	Print: <u>Sam Lai</u>	Date: <u>8/10/2026</u>
Lender’s Signature:	<u>/s/ Sau Kuen Yu</u>	Print: <u>Sau Kuen Yu</u>	Date: <u>8/10/2026</u>

Schedule A — Loan Advances and Repayments*(December 31, 2025 through August 10, 2026)*

Date	Advance (Debit)	Repayment (Credit)	Outstanding Principal Balance
12/31/2025	—	—	\$ 2,660,418
1/29/2026	—	\$ 100,000	\$ 2,560,418
1/29/2026	—	\$ 100,000	\$ 2,460,418
2/26/2026	—	\$ 100,000	\$ 2,360,418
2/26/2026	—	\$ 100,000	\$ 2,260,418
3/26/2026	—	\$ 100,000	\$ 2,160,418
3/27/2026	—	\$ 100,000	\$ 2,060,418
4/1/2026	—	\$ 20,000	\$ 2,040,418
4/2/2026	\$ 600,000	—	\$ 2,640,418
4/2/2026	\$ 270,000	—	\$ 2,910,418
4/2/2026	—	\$ 6,000	\$ 2,904,418
4/3/2026	\$ 256,000	—	\$ 3,160,418
4/7/2026	—	\$ 10,000	\$ 3,150,418
4/8/2026	\$ 10,000	—	\$ 3,160,418
4/8/2026	\$ 350,000	—	\$ 3,510,418
4/16/2026	—	\$ 15,000	\$ 3,495,418
4/17/2026	\$ 15,000	—	\$ 3,510,418
4/21/2026	\$ 100,000	—	\$ 3,610,418
5/26/2026	—	\$ 17,000	\$ 3,593,418
5/27/2026	\$ 17,000	—	\$ 3,610,418
5/28/2026	—	\$ 100,000	\$ 3,510,418
5/28/2026	—	\$ 100,000	\$ 3,410,418
6/4/2026	—	\$ 16,000	\$ 3,394,418
6/5/2026	\$ 16,000	—	\$ 3,410,418
7/7/2026	—	\$ 25,000	\$ 3,385,418
7/8/2026	\$ 25,000	—	\$ 3,410,418
8/7/2026	\$ 300,000	—	\$ 3,710,418
8/10/2026	—	300,00	\$ 3,410,418

CERTIFICATIONS

I, Sam Lai, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2026 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 11, 2026

/s/ Sam Lai

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

CERTIFICATIONS

I, Sam Lai, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2026 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 11, 2026

/s/ Sam Lai

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

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, 2026 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 11, 2026

/s/ Sam Lai

Sam Lai

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

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