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

FORM 10-Q

(Mark One)

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

For the quarterly period ended:

June 30, 2024

or

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

For the transition period from to

Commission File Number: 001-41207

FGI Industries Ltd.
(Exact name of registrant as specified in its charter)

Cayman Islands **(State or other jurisdiction of incorporation or organization)**	**98-1603252** **(I.R.S. Employer Identification No.)**

906 Murray Road
East Hanover, New Jersey 07936

(Address of principal executive offices)
(Zip Code)

(973) 428-0400
(Registrant's telephone number, including area code)

Not Applicable
(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
Ordinary Shares, $0.0001 par value	FGI	Nasdaq Capital Market
Warrants to purchase Ordinary Shares, $0.0001 par value	FGIWW	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, 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 ☒

The number of shares outstanding of the registrant's common stock on August 5, 2024 was 9,563,914.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created thereby. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical facts, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "design," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "positioned," "potential," "seek," "should," "target," "will," "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology. In addition, statements that "we believe" or similar statements reflect our beliefs and opinions on the relevant subject. We have based these forward- looking statements on our current expectations about future events. While we believe these expectations are reasonable, such forward-looking statements are inherently subject to risks and uncertainties, many of which are beyond our control. Risks and uncertainties that could cause our actual results to differ from those expressed in, or implied by, our forward- looking statements include, but are not limited to:

- the levels of residential repair and remodel activity, and to a lesser extent, new home construction;
- the effects of inflationary pressures, financial market uncertainty and rising interest rates on the demand for our products, our costs and our ability to access capital;
- our ability to maintain our strong brands and reputation and to develop innovative products;
- our ability to maintain our competitive position in our industries;
- our reliance on key suppliers and customers;
- the occurrence of public health emergencies, such as the COVID-19 pandemic, including the impact on domestic and international economic activity, consumer confidence, our production capabilities, our employees and our supply chain;
- the cost and availability of materials and the imposition of tariffs;
- risks associated with our international operations and global strategies;
- our ability to achieve the anticipated benefits of our strategic initiatives;
- our ability to successfully execute our acquisition strategy and integrate businesses that we may acquire;
- our ability to obtain additional capital to finance our planned operations and to maintain our listing on Nasdaq;
- risks associated with our reliance on information systems and technology, and our ability to achieve the anticipated benefits from our investments in new technology;
- our ability to attract, develop and retain talented and diverse personnel;
- our ability to obtain additional capital to finance our planned operations;
- regulatory developments in the United States and internationally;
- our ability to establish and maintain intellectual property protection for our products, as well as our ability to operate our business without infringing the intellectual property rights of others; and

- other risks and uncertainties, including those listed under the caption “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, as well as subsequent reports we file from time to time with the U.S. Securities and Exchange Commission (the “SEC”) (available at www.sec.gov).

These forward-looking statements are based on management’s current expectations, estimates, forecasts and projections about our business and the industry in which we operate, and management’s beliefs and assumptions are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. In light of the significant uncertainties in these forward-looking statements, you should not rely upon forward-looking statements as predictions of future events. Although we believe the expectations reflected in the forward-looking statements are reasonable, the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements may not be achieved or occur at all. You should read this Quarterly Report on Form 10-Q and the documents that we reference and have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

GENERAL

Unless the context otherwise requires, all references in this Quarterly Report on Form 10-Q to the “Company,” “FGI,” “we,” “us” or “our” refer to FGI Industries Ltd.

PART I —FINANCIAL INFORMATION

Item 1. Financial Statements.

FGI INDUSTRIES LTD.
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FGI INDUSTRIES LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of June 30, 2024 USD (Unaudited)	As of December 31, 2023 USD
ASSETS		
CURRENT ASSETS		
Cash	$ 1,307,092	$ 7,777,241
Accounts receivable, net	17,589,395	16,195,543
Inventories, net	12,804,781	9,923,852
Prepayments and other current assets	2,122,441	4,617,751
Prepayments and other receivables – related parties	13,681,107	7,600,283
Total current assets	47,504,816	46,114,670
PROPERTY AND EQUIPMENT, NET	2,897,079	1,910,491
OTHER ASSETS		
Intangible assets	1,977,587	102,227
Operating lease right-of-use assets, net	13,974,220	15,203,576
Deferred tax assets, net	1,783,667	1,168,833
Other noncurrent assets	1,741,360	1,245,133
Total other assets	19,476,834	17,719,769
Total assets	$ 69,878,729	$ 65,744,930
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term loans	$ 9,692,200	$ 6,959,175
Accounts payable	17,310,270	14,524,607
Accounts payable – related parties	1,016,263	735,308
Income tax payable	—	189,119
Operating lease liabilities – current	1,732,944	1,595,998
Accrued expenses and other current liabilities	4,254,152	4,039,499
Total current liabilities	34,005,829	28,043,706
OTHER LIABILITIES		
Operating lease liabilities – noncurrent	12,526,869	13,674,452
Total liabilities	46,532,698	41,718,158
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preference Shares ($0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of June 30, 2024 and December 31, 2023)	—	—
Ordinary shares ($0.0001 par value, 200,000,000 shares authorized, 9,563,914 and 9,547,607 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively)	956	955
Additional paid-in capital	21,205,922	20,877,832
Retained earnings	4,164,900	4,413,524
Accumulated other comprehensive loss	(1,559,057)	(1,111,499)
FGI Industries Ltd. shareholders' equity	23,812,721	24,180,812
Non-controlling interests	(466,690)	(154,040)
Total shareholders' equity	23,346,031	24,026,772
Total liabilities and shareholders' equity	$ 69,878,729	$ 65,744,930

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

FGI INDUSTRIES LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	USD	USD	USD	USD
REVENUE	$ 29,370,949	$ 29,189,913	$ 60,124,468	$ 56,352,179
COST OF REVENUE	20,407,647	21,179,511	42,747,683	41,139,619
GROSS PROFIT	8,963,302	8,010,402	17,376,785	15,212,560
OPERATING EXPENSES				
Selling and distribution	6,260,847	4,800,518	12,391,733	9,511,607
General and administrative	2,622,020	2,252,503	4,904,878	4,394,748
Research and development	530,797	377,106	851,470	728,857
Total operating expenses	9,413,664	7,430,127	18,148,081	14,635,212
(LOSS) INCOME FROM OPERATIONS	(450,362)	580,275	(771,296)	577,348
OTHER INCOME (EXPENSES)				
Interest income	4,113	4,047	4,667	5,422
Interest expense	(305,094)	(293,711)	(527,301)	(543,348)
Other income (expenses), net	429,513	(10,684)	456,530	(30,241)
Total other income (expenses), net	128,532	(300,348)	(66,104)	(568,167)
(LOSS) INCOME BEFORE INCOME TAXES	(321,830)	279,927	(837,400)	9,181
PROVISION FOR (BENEFIT OF) INCOME TAXES				
Current	267,876	181,761	338,708	314,554
Deferred	(566,291)	9,685	(614,834)	(90,479)
Total provision for income taxes	(298,415)	191,446	(276,126)	224,075
NET (LOSS) INCOME	(23,415)	88,481	(561,274)	(214,894)
Less: net loss attributable to non-controlling shareholders	(186,980)	—	(312,650)	—
Net income (loss) attributable to FGI Industries Ltd. shareholders	163,565	88,481	(248,624)	(214,894)
OTHER COMPREHENSIVE (LOSS) INCOME				
Foreign currency translation adjustment	(424,980)	4,897	(447,558)	24,996
COMPREHENSIVE (LOSS) INCOME	(448,395)	93,378	(1,008,832)	(189,898)
Less: comprehensive loss attributable to non-controlling shareholders	(186,980)	—	(312,650)	—
Comprehensive (loss) income attributable to FGI Industries Ltd. shareholders	$ (261,415)	$ 93,378	$ (696,182)	$ (189,898)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES				
Basic	9,564,779	9,500,000	9,566,433	9,500,000
Diluted	9,699,561	9,692,500	9,566,433	9,500,000
EARNINGS (LOSS) PER SHARE				
Basic	$ 0.02	$ 0.01	$ (0.03)	$ (0.02)
Diluted	$ 0.02	$ 0.01	$ (0.03)	$ (0.02)

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

FGI INDUSTRIES LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Preference Shares		Ordinary Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total FGI Industries Ltd. Shareholders' Equity	Non-Controlling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2023	**— $**	**—**	**9,547,607 $**	**955 $**	**20,877,832 $**	**4,413,524 $**	**(1,111,499) $**	**24,180,812 $**	**(154,040) $**	**24,026,772**
Share-based compensation	—	—	—	—	119,586	—	—	119,586	—	119,586
Net loss	—	—	—	—	—	(412,189)	—	(412,189)	(125,670)	(537,859)
Foreign currency translation adjustments	—	—	—	—	—	—	(22,578)	(22,578)	—	(22,578)
Balance at March 31, 2024	**— $**	**—**	**9,547,607 $**	**955 $**	**20,997,418 $**	**4,001,335 $**	**(1,134,077) $**	**23,865,631 $**	**(279,710) $**	**23,585,921**
Share-based compensation	—	—	16,307	1	208,504	—	—	208,505	—	208,505
Net income (loss)	—	—	—	—	—	163,565	—	163,565	(186,980)	(23,415)
Foreign currency translation adjustments	—	—	—	—	—	—	(424,980)	(424,980)	—	(424,980)
Balance at June 30, 2024	**— $**	**—**	**9,563,914 $**	**956 $**	**21,205,922 $**	**4,164,900 $**	**(1,559,057) $**	**23,812,721 $**	**(466,690) $**	**23,346,031**

	Preference Shares		Ordinary Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total FGI Industries Ltd. Shareholders' Equity	Non-Controlling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2022	**— $**	**—**	**9,500,000 $**	**950 $**	**20,459,859 $**	**3,679,920 $**	**(1,396,319) $**	**22,744,410 $**	**— $**	**22,744,410**
Share-based compensation	—	—	—	—	119,721	—	—	119,721	—	119,721
Net loss	—	—	—	—	—	(303,375)	—	(303,375)	—	(303,375)
Foreign currency translation adjustments	—	—	—	—	—	—	20,099	20,099	—	20,099
Balance at March 31, 2023	**— $**	**—**	**9,500,000 $**	**950 $**	**20,579,580 $**	**3,376,545 $**	**(1,376,220) $**	**22,580,855 $**	**— $**	**22,580,855**
Share-based compensation	—	—	—	—	152,835	—	—	152,835	—	152,835
Net income	—	—	—	—	—	88,481	—	88,481	—	88,481
Foreign currency translation adjustments	—	—	—	—	—	—	4,897	4,897	—	4,897
Balance at June 30, 2023	**— $**	**—**	**9,500,000 $**	**950 $**	**20,732,415 $**	**3,465,026 $**	**(1,371,323) $**	**22,827,068 $**	**— $**	**22,827,068**

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

FGI INDUSTRIES LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2024	2023
	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (561,274)	$ (214,894)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	199,439	78,759
Amortization	1,265,425	766,856
Share-based compensation	328,090	272,556
Provision for credit losses	(6,523)	19,790
Provision for defective return	554,148	(316,132)
Foreign exchange transaction loss	(227,952)	23,214
Deferred income tax benefit	(614,835)	(90,261)
Changes in operating assets and liabilities		
Accounts receivable	(1,941,477)	285,890
Inventories	(2,880,929)	3,458,238
Prepayments and other current assets	1,476,612	(1,084,906)
Prepayments and other receivables – related parties	(6,080,824)	(2,998,615)
Other noncurrent assets	(496,227)	262,563
Income taxes	(412,085)	109,111
Accounts payable	2,785,664	(1,912,180)
Accounts payable-related parties	280,955	1,218,657
Operating lease liabilities	(1,010,637)	(627,689)
Accrued expenses and other current liabilities	214,652	237,849
Net cash used in operating activities	(7,127,778)	(511,193)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,189,655)	(235,941)
Purchase of intangible assets	(669,764)	(496,262)
Net cash used in investing activities	(1,859,419)	(732,203)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (repayments of) revolving credit facility	2,733,024	(1,931,372)
Net cash provided by (used in) financing activities	2,733,024	(1,931,372)
EFFECT OF EXCHANGE RATE FLUCTUATION ON CASH	(215,976)	2,102
NET CHANGES IN CASH	(6,470,149)	(3,172,666)
CASH, BEGINNING OF PERIOD	7,777,241	10,067,428
CASH, END OF PERIOD	$ 1,307,092	$ 6,894,762
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for interest	$ (520,370)	$ (544,026)
Cash paid during the period for income taxes	$ (746,120)	$ (205,075)
NON-CASH INVESTING AND FINANCING ACTIVITIES		
New addition on Right-of-use assets	$ —	$ (7,616,898)
Acquisition of intangible asset partially through prior period advanced payment	$ (1,241,664)	$ —

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

FGI INDUSTRIES LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Nature of business and organization

FGI Industries Ltd. ("FGI" or the "Company") is a holding company organized on May 26, 2021, under the laws of the Cayman Islands. The Company has no substantive operations other than holding all of the outstanding equity of its operating subsidiaries as described below. The Company is a supplier of global kitchen and bath products and currently focuses on the following categories: sanitaryware (primarily toilets, sinks, pedestals and toilet seats), bath furniture (vanities, mirrors and cabinets), shower systems, customer kitchen cabinetry and other accessory items. These products are sold primarily for repair and remodeling ("R&R") activity and, to a lesser extent, new home or commercial construction. The Company sells its products through numerous partners, including mass retail centers, wholesale and commercial distributors, online retailers and independent dealers and distributors.

The accompanying unaudited condensed consolidated financial statements reflect the activities of FGI and each of the following entities after the Reorganization, as described below:

Name	Background	Ownership
FGI Industries, Inc. (formerly named Foremost Groups, Inc.)	● A New Jersey corporation ● Incorporated on January 5, 1988 ● Sales and distribution in the United States	100% owned by FGI
FGI Europe Investment Limited	● A British Virgin Islands holding company ● Incorporated on January 1, 2007	100% owned by FGI
FGI International, Limited	● A Hong Kong company ● Incorporated on June 2, 2021 ● Sales, sourcing and product development	100% owned by FGI
FGI Canada Ltd.	● A Canadian company ● Incorporated on October 17, 1997 ● Sales and distribution in Canada	100% owned by FGI Industries, Inc.
FGI Germany GmbH & Co. KG	● A German company ● Incorporated on January 24, 2013 ● Sales and distribution in Germany	100% owned by FGI Europe Investment Limited
FGI China, Ltd.	● A PRC limited liability company ● Incorporated on August 19, 2021 ● Sourcing and product development	100% owned by FGI International, Limited
FGI United Kingdom Ltd	● An UK company ● Incorporated on December 10, 2021 ● Sales and distribution in UK	100% owned by FGI Europe Investment Limited
FGI Australasia Pty Ltd	● An Australian company ● Incorporated on September 8, 2022 ● Sales and distribution in Australia	100% owned by FGI
Covered Bridge Cabinetry Manufacturing Co., Ltd	● A Cambodian company ● Incorporated on April 21, 2022 ● Manufacturing in Cambodia	100% owned by FGI
Isla Porter LLC	● A New Jersey company ● Formed on June 2, 2023 ● Sales and distribution in the United States	60% owned by FGI Industries, Inc.
FGI Industries India Private Limited	● An Indian company ● Incorporated on June 11, 2024 ● Sales and distribution in India	100% owned by FGI

Reorganization

On January 27, 2022, the following reorganization steps were collectively completed: (i) the incorporation of FGI International, Limited ("FGI International") and FGI China, Ltd., (ii) FGI Industries, Inc. (formerly Foremost Groups, Inc.) ("FGI Industries"), which operates the kitchen and bath ("K&B") sales and distribution business in the United States and, through its wholly-owned Canadian subsidiary, Foremost International Limited, in Canada, distributed 100% of the outstanding shares of stock of Foremost Kingbetter Food Equipment Inc. ("FKB"), which operates a separate furniture line of business, to Foremost Groups Ltd. ("Foremost"), FGI Industries' sole shareholder; (iii) Foremost contributed the FKB shares to Foremost Home Inc. ("FHI"), a newly-formed wholly-owned subsidiary of Foremost; and (iv) Foremost contributed 100% of the outstanding shares of stock of each of FGI Industries, FGI Europe Investment Limited ("FGI Europe"), which, directly and, through its wholly-owned German subsidiary, FGI Germany GmbH & Co., operates the K&B sales and distribution business in Europe, and FGI International, which, directly and through its wholly-owned Chinese subsidiary, FGI China, Ltd., operates the K&B sales and distribution business in the remainder of the world, K&B product development and sourcing of K&B products in China, to the Company (collectively, the "Reorganization"), such that, immediately following the Reorganization, (x) Foremost owns 100% of the equity interests in each of the Company and FHI, (y) the Company owns 100% of the equity interests in each of FGI Industries, FGI Europe and FGI International, which collectively, and through subsidiaries, operate the K&B business worldwide (the "K&B Business"), and (z) FHI owns 100% of the equity interests in FKB.

On January 14, 2022 FGI Industries, a wholly-owned subsidiary of the Company, entered into a shared services agreement (the "FHI Shared Services Agreement") with Foremost Home Inc., a newly-formed wholly-owned subsidiary of Foremost ("FHI"). Pursuant to the FHI Shared Services Agreement, FGI Industries provides FHI with general and administrative services, information technology systems services and human resources services, as well as warehouse space services and supply chain services in the United States. Under the FHI Shared Services Agreement, FHI will reimburse any reasonable and documented out-of-pocket fees incurred by FGI Industries as well as pay a service fee for each service. For warehouse services, FHI will pay FGI Industries a $500,000 annual fee as well as a fee equal to 4% of gross product sales of all products stored in such warehouses. For all other services provided, FHI will pay a service fee equal to the total costs incurred by FGI Industries for such service generally divided by the number of FHI employees relative to FGI Industries employees. The FHI Shared Services Agreement will have an initial term of one year and will renew automatically unless cancelled by either party upon the giving of at least 60 days in advance of the expiration of the then-current term.

On January 14, 2022, the Company entered into a shared services agreement (the "Worldwide Shared Services Agreement") with Foremost Worldwide Co., Ltd. ("Foremost Worldwide") pursuant to which Foremost Worldwide provides FGI Industries with general and administrative services, information technology system services and human resources services, in Taiwan. The terms of the Worldwide Services Agreement as between the service provider and recipient are substantially identical to those of the FHI Shared Services Agreement, including calculation of service fees and termination provisions, with Foremost Worldwide providing services and FGI Industries paying Foremost Worldwide for such services. On January 1, 2023, the Worldwide Services Agreement was amended and restated to include additional digital online and related services.

The assets and liabilities have been stated at historical carrying amounts. Only those assets and liabilities that are specifically identifiable to the K&B Business are included in the Company's unaudited condensed consolidated balance sheets. The Company's unaudited condensed consolidated statements of operations and comprehensive (loss) income consist of all the revenue, costs and expenses of the K&B Business, including allocations to selling and distribution expenses, general and administrative expenses, and research and development expenses, and which were incurred by FGI but related to the K&B Business prior to the Reorganization.

All revenue and cost of revenue attributable to selling of K&B products were allocated to the Company. Operating expenses were allocated to the Company based on employees and activities that are involved in the K&B Business. Any expenses that were not directly attributable to any specific business were allocated to the Company based on the proportion of the number of employees of the K&B Business to the total number of employees of both the K&B Business and FHI.

Since December 2023, the books and records of FHI have been completely separated from FGI Industries. The following table sets forth the revenue, cost of revenue and operating expenses that were irrelevant to the K&B Business allocated from FGI Industries to Foremost Home, Inc. for the three and six months ended June 30, 2024 and 2023, respectively.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	USD	USD	USD	USD
Revenue	$ —	$ 28,718	$ —	$ 991,919
Cost of revenue	—	(102)	—	(768,065)
Gross profit	—	28,616	—	223,854
Selling and distribution expenses	—	(12,181)	—	45,979
General and administrative expenses	—	—	—	—
Research and development expenses	—	—	—	—
Income from operations	$ —	$ 16,435	$ —	$ 269,833

Since October 2022, the books and records of FGI International have been completely separated from Foremost Worldwide Co., Ltd., a wholly-owned subsidiary of Foremost.

Income tax liability is calculated based on a separate return basis as if the K&B Business had filed separate tax returns before the completion of the Reorganization. Immediately following the Reorganization, the K&B Business began to file separate tax returns and report taxation based on the actual tax return of each legal entity.

Management believes the basis and amounts of these allocations are reasonable. While the expenses allocated to the Company for these items are not necessarily indicative of the expenses that would have been incurred if the Company had been a separate, stand-alone entity, the Company does not believe that there is any significant difference between the nature and amounts of these allocated expenses and the expenses that would have been incurred if the Company had been a separate, stand-alone entity.

Note 2 — Summary of significant accounting policies

Liquidity

Historically, the Company finances its operations through internally generated cash, short-term loans and payables. As of June 30, 2024, the Company had approximately $1.3 million in cash and cash equivalents, which primarily consists of cash on hand and bank deposits, which are unrestricted as to withdrawal and use. As further described in Note 8, as of the date of this quarterly report, the Company's wholly owned subsidiary FGI Industries Inc. has obtained a waiver for the Corporate Borrower's Audited Annual Statements, a U.S. standalone reporting obligation under the Credit Agreement with East West Bank, which were due by April 30, 2024.

If the Company is unable to realize its assets within the normal operating cycle of a twelve (12) month period, the Company may have to consider supplementing its available sources of funds through the following sources:

- other available sources of financing from other banks and financial institutions;
- sales of additional securities to the public or other investors; and
- financial support from the Company's shareholders.

Based on the above considerations, the Company's management is of the opinion that it has sufficient funds to meet the Company's working capital requirements and debt obligations as they become due over the next twelve (12) months.

Basis of presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and applicable rules and regulations of the Securities and Exchange Commissions (the "SEC"), regarding financial reporting, and include all normal and recurring adjustments that management of the Company considers necessary for a fair presentation of its financial position and operation results.

Principles of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

Subsidiaries are those entities which the Company, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at a meeting of directors.

Use of estimates and assumptions

The preparation of unaudited condensed consolidated 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 disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the periods presented. Significant accounting estimates reflected in the Company's consolidated financial statements include the useful lives of property and equipment, allowance for credit losses, inventory reserve, accrued defective return, provision for contingent liabilities, revenue recognition, deferred taxes and uncertain tax position. Actual results could differ from these estimates.

Foreign currency translation and transaction

The functional currencies of the Company and its subsidiaries are the local currency of the country in which the subsidiaries operate, except for FGI International, which is incorporated in Hong Kong and adopted the United States Dollar ("U.S. Dollar" or "USD") as its functional currency. The reporting currency of the Company is the U.S. Dollar.

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange in effect at that date. The equity denominated in the functional currencies is translated at the historical rates of exchange at the time of capital contributions. The results of operations and the cash flows denominated in foreign currencies are translated at the average rates of exchange during the reporting period. Because cash flows are translated based on the average translation rates, amounts related to assets and liabilities reported on the unaudited condensed consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the unaudited condensed consolidated balance sheets. Translation adjustments arising from the use of different exchange rates from period to period are included as a separate component of accumulated other comprehensive income included in the unaudited condensed consolidated statements of changes in shareholders' equity. Transaction gains and losses arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency in the unaudited condensed consolidated statements of operations and comprehensive (loss) income.

For the purpose of presenting the financial statements of subsidiaries using the Renminbi ("RMB") as their functional currency, the Company's assets and liabilities are expressed in U.S. Dollars at the exchange rate on the balance sheet date, which was 7.2980 and 7.1006 as of June 30, 2024 and December 31, 2023, respectively; shareholders' equity accounts are translated at historical rates, and income and expense items are translated at the average exchange rate during the period, which was 7.2582 and 6.9795 for the three months ended June 30, 2024 and 2023, respectively, and 7.2141 and 6.9369 for the six months ended June 30, 2024 and 2023, respectively.

For the purpose of presenting the financial statements of the subsidiary using the Canadian Dollar ("CAD") as its functional currency, the Company's assets and liabilities are expressed in U.S. Dollars at the exchange rate on the balance sheet date, which was 1.3700 and 1.3246 as of June 30, 2024 and December 31, 2023, respectively; shareholders' equity accounts are translated at historical rates, and income and expense items are translated at the average exchange rate during the period, which was 1.3397 and 1.3541 for the three months ended June 30, 2024 and 2023, respectively, and 1.3322 and 1.3541 for the six months ended June 30, 2024 and 2023, respectively.

For the purpose of presenting the financial statements of the subsidiary using the Euro ("EUR") as its functional currency, the Company's assets and liabilities are expressed in U.S. Dollars at the exchange rate on the balance sheet date, which was 0.9342 and 0.9059 as of June 30, 2024 and December 31, 2023, respectively; shareholders' equity accounts are translated at historical rates, and income and expense items are translated at the average exchange rate during the period, which was 0.9279 and 0.9201 for the three months ended June 30, 2024 and 2023, respectively, and 0.9226 and 0.9269 for the six months ended June 30, 2024 and 2023, respectively.

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation, specifically the depreciation and amortization in the unaudited condensed consolidated statements of cash flows. These reclassifications have no effect on the condensed consolidated balance sheets and the unaudited condensed consolidated statements of operations and comprehensive loss previously reported.

Cash

Cash consists of cash on hand and demand deposits placed with banks or other financial institutions that have original maturities of three months or less. The Company did not have any cash equivalents as of June 30, 2024 and December 31, 2023.

Accounts receivable, net

Bills and trade receivables include trade accounts due from customers. In establishing the required allowance for expected credit losses, management considers historical collection experience, aging of the receivables, the economic environment, industry trend analysis, and the credit history and financial conditions of the customers. Management reviews its receivables on a regular basis to determine if the expected credit losses are adequate and adjusts the allowance when necessary. Delinquent account balances are written off against allowance for credit losses after management has determined that the likelihood of collection is not probable.

Inventories, net

Inventories are stated at the lower of cost and net realizable value. Cost consists of purchase price and related shipping and handling expenses, and is determined using the weighted average cost method, based on individual products. The methods of determining inventory costs are used consistently from year to year. A provision for slow-moving items is calculated based on historical experience. Management reviews this provision annually to assess whether, based on economic conditions, it is adequate.

Prepayments

Prepayments are cash deposited or advanced to suppliers for the purchase of goods or services that have not been received or provided. This amount is refundable and bears no interest. Prepayments and deposits are classified as either current or non-current based on the terms of the respective agreements. These advances are unsecured and are reviewed periodically to determine whether their carrying value has become impaired.

Property and equipment, net

Property and equipment are stated at cost net of accumulated depreciation and impairment. Depreciation is provided over the estimated useful lives of the assets using the straight-line method from the time the assets are placed in service. Estimated useful lives are as follows:

	Useful Life
Building	20 years
Leasehold Improvements	Lesser of lease term and expected useful life
Machinery and equipment	3 – 5 years
Furniture and fixtures	3 – 5 years
Vehicles	5 years
Molds	3 – 5 years

Intangible assets, net

The Company's intangible assets with definite useful lives primarily consist of software acquired for internal use. The Company amortizes its intangible assets with definite useful lives over their estimated useful lives and reviews these assets for impairment. The Company typically amortizes its intangible assets with definite useful lives on a straight-line basis over the estimated useful lives of ten years.

Impairment for long-lived assets

Long-lived assets, including property and equipment and intangible assets with definite useful lives, are reviewed for impairment whenever material events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset group may not be recoverable. The Company assesses the recoverability of an asset group based on the undiscounted future cash flows the asset group is expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset group plus net proceeds expected from disposition of the asset group, if any, are less than the carrying value of the asset group. If an impairment is identified, the Company would reduce the carrying amount of the asset group to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values. As of June 30, 2024 and December 31, 2023, no impairment of long-lived assets was recognized.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets, net ("ROU assets"), operating lease liabilities — current and operating lease liabilities — noncurrent on the condensed consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the duration of the lease term while lease liabilities represent the Company's obligation to make lease payments in exchange for the right to use an underlying asset. ROU assets and lease liabilities are measured based on the present value of fixed lease payments over the lease term at the commencement date. The ROU asset also includes any lease payments made prior to the commencement date and initial direct costs incurred, and is reduced by any lease incentives received. The Company reviews its ROU assets as material events occur or circumstances change that would indicate the carrying amount of the ROU assets are not recoverable and exceed their fair values. If the carrying amount of an ROU asset is not recoverable from its undiscounted cash flows, then the Company would recognize an impairment loss for the difference between the carrying amount and the current fair value.

As most of the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate on the commencement date of the lease as the discount rate in determining the present value of future lease payments. The Company determines the incremental borrowing rate for each lease by using the incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The Company's lease terms may include options to extend or terminate the lease when there are relevant economic incentives present that make it reasonably certain that the Company will exercise that option. The Company accounts for any non- lease components separately from lease components.

Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Fair Value Measurement

The accounting standard regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company.

The accounting standards define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosure requirements for fair value measures. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

Financial instruments included in current assets and current liabilities are reported in the consolidated balance sheets at face value or cost, which approximate 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.

Revenue recognition

The Company recognized revenue in accordance with Accounting Standards Codification ("ASC") 606 – Revenue from Contracts with Customers. Revenue is recognized when control of the promised goods or performance obligations for services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for the goods or services.

The Company generates revenue from sales of kitchen and bath products, and recognizes revenue as control of its products is transferred to its customers, which is generally at the time of shipment or upon delivery based on the contractual terms with the Company's customers. The Company's customers' payment terms generally range from 15 to 60 days of fulfilling its performance obligations and recognizing revenue.

The Company provides customer programs and incentive offerings, including co-operative marketing arrangements and volume-based incentives. These customer programs and incentives are considered variable consideration. The Company includes in revenue variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the variable consideration is resolved. This determination is made based upon known customer program and incentive offerings at the time of sale, and expected sales volume forecasts as it relates to the Company's volume- based incentives. This determination is updated on a monthly basis.

Certain product sales include a right of return. The Company estimates future product returns at the time of sale based on historical experience and records a corresponding reduction in accounts receivable.

The Company records receivables related to revenue when it has an unconditional right to invoice and receive payment.

The Company's disaggregated revenue is summarized as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	USD	USD	USD	USD
Revenue by product line				
Sanitaryware	$ 17,334,714	$ 18,816,220	$ 37,852,276	$ 34,170,766
Bath Furniture	4,031,120	4,813,239	7,120,331	9,779,897
Shower System	5,889,847	4,286,672	11,650,716	9,317,229
Others	2,115,268	1,273,782	3,501,145	3,084,287
Total	$ 29,370,949	$ 29,189,913	$ 60,124,468	$ 56,352,179

	Total Revenue For the Three Months Ended June 30,		Total Revenue For the Six Months Ended June 30,		Total Assets	
					As of June 30,	As of December 31,
	2024	2023	2024	2023	2024	2023
	USD	USD	USD	USD	USD	USD
Revenue/ total assets by geographic location						
United States	$ 18,039,583	$ 19,033,168	$ 37,637,488	$ 36,565,294	$ 44,641,133	$ 38,401,665
Canada	8,593,329	7,517,459	16,474,410	14,038,444	13,961,515	17,850,709
Europe	2,659,858	2,639,286	5,855,046	5,748,441	746,056	528,068
Rest of World	78,179	—	157,524	—	10,530,025	8,964,488
Total	$ 29,370,949	$ 29,189,913	$ 60,124,468	$ 56,352,179	$ 69,878,729	$ 65,744,930

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred and are included in selling and distribution expenses on the accompanying statement of operations. For the three months ended June 30, 2024 and 2023, shipping and handling expense was $253,742 and $210,370, respectively. For the six months ended June 30, 2024 and 2023, shipping and handling expense was $500,851 and $314,084, respectively.

Share-based compensation

The Company accounts for share-based compensation in accordance with ASC 718, Compensation — Stock Compensation ("ASC 718"). In accordance with ASC 718, the Company determines whether an award should be classified and accounted for as a liability award or an equity award. All the Company's share-based awards were

classified as equity awards and are recognized in the consolidated financial statements based on their grant date fair values.

The Company has elected to recognize share-based compensation using the straight-line method for all share-based awards granted over the requisite service period, which is the vesting period. The Company accounts for forfeitures as they occur in accordance with ASC 718. The Company, with the assistance of an independent third-party valuation firm, determines the fair value of the stock options granted to employees. The Black Scholes Model is applied in determining the estimated fair value of the options granted to employees and non-employees. The Company recognized share-based compensation of $208,505 and $152,835 for the three months ended June 30, 2024 and 2023, respectively, and $328,090 and $272,556 for the six months ended June 30, 2024 and 2023, respectively.

Income Taxes

Deferred taxes are recognized based on the future tax consequences of the differences between the carrying value of assets and liabilities and their respective tax bases. The future realization of deferred tax assets depends on the existence of sufficient taxable income in future periods. Possible sources of taxable income include taxable income in carryback periods, the future reversal of existing taxable temporary differences recorded as a deferred tax liability, tax-planning strategies that generate future income or gains in excess of anticipated losses in the carryforward period and projected future taxable income.

If, based upon all available evidence, both positive and negative, it is more likely than not (i.e., more than 50 percent likely) that such deferred tax assets will not be realized, a valuation allowance is recorded. Significant weight is given to positive and negative evidence that is objectively verifiable. A company's three- year cumulative loss position is significant negative evidence in considering whether deferred tax assets are realizable, and the accounting guidance restricts the amount of reliance we can place on projected taxable income to support the recovery of the deferred tax assets.

The current accounting guidance allows the recognition of only those income tax positions that have a greater than 50 percent likelihood of being sustained upon examination by the taxing authorities. The Company believes that there is an increased potential for volatility in its effective tax rate because this threshold allows for changes in the income tax environment and, to a greater extent, the inherent complexities of income tax law in a substantial number of jurisdictions, which may affect the computation of its liability for uncertain tax positions.

The Company records interest and penalties on our uncertain tax positions in income tax expense.

As of June 30, 2024, the tax years ended December 31, 2020 through December 31, 2022 for FGI Industries, Inc. remain open for statutory examination by tax authority.

We record the tax effects of Foreign Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI) related to our foreign operations as a component of income tax expense in the period in which the tax arises.

Non-controlling interests

The Company's non-controlling interests represent the minority shareholders' ownership interests related to the Company's subsidiary, including 40% in Isla Porter LLC. The non-controlling interests are presented in the unaudited consolidated balance sheets, separate from equity attributable to the shareholders of the Company. Non-controlling interests in the results of operations of the Company are presented on the unaudited condensed consolidated statement of income and comprehensive income (loss) as allocations of the net income or loss for the period between non-controlling shareholders and the shareholders of the Company.

Comprehensive income (loss)

Comprehensive income (loss) consists of two components: net income and other comprehensive income. Other comprehensive income (loss) refers to revenue, expenses, gains and losses that under U.S. GAAP are recorded as an

element of equity but are excluded from net income. Other comprehensive income consists of a foreign currency translation adjustment resulting from the Company not using the U.S. Dollar as its functional currencies.

Earnings (loss) per share

The Company computes earnings (loss) per share ("EPS") in accordance with ASC 260, "Earnings per Share" ("ASC 260"). ASC 260 requires companies to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average ordinary shares outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of the potential ordinary shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential ordinary shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

The following table sets forth the computation of basic and diluted earnings per share for the three months ended June 30, 2024 and 2023:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	USD	USD	USD	USD
Numerator:				
Net income (loss) attributable to FGI Industries Ltd. Shareholders	$ 163,565	$ 88,481	$ (248,624)	$ (214,894)
Denominator:				
Weighted-average number of ordinary shares outstanding — basic	9,564,779	9,500,000	9,566,433	9,500,000
Potentially dilutive shares from outstanding options/warrants	134,782	192,500	—	—
Weighted-average number of ordinary shares outstanding — diluted	9,699,561	9,692,500	9,566,433	9,500,000
Earnings (loss) per share — basic	$ 0.02	$ 0.01	$ (0.03)	$ (0.02)
Earnings (loss) per share — diluted	$ 0.02	$ 0.01	$ (0.03)	$ (0.02)

Segment reporting

ASC 280, "Segment Reporting," establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for detailing the Company's business segments.

Recently adopted accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," amending the accounting for the impairment of financial instruments, including trade receivables. Under previous guidance, credit losses were recognized when the applicable losses had a probable likelihood of occurring and this assessment was based on past events and current conditions. The amended current guidance eliminates the "probable" threshold and requires an entity to use a broader range of information, including forecast information when estimating expected credit losses. Generally, this should result in a more timely recognition of credit losses. This guidance became effective for interim and annual periods beginning after December 15, 2019 with early adoption permitted for interim and annual periods beginning after December 15, 2018. The requirements of the amended guidance should be applied using a modified retrospective approach except for debt securities, which require a prospective transition approach. In November 2019, the FASB issued ASU 2019-10, which finalized the delay of such effective date to fiscal years beginning after December 15, 2022 for private and all other companies, including emerging

growth companies. As an emerging growth company, the Company adopted this guidance from January 1, 2023, and the adoption of this standard did not have an impact on its financial position or results of operations.

The Company considers the applicability and impact of all ASUs. ASUs not listed above were assessed and determined not to be applicable.

Note 3 — Accounts receivable, net

Accounts receivable, net consisted of the following:

	As of June 30, 2024 USD	As of December 31, 2023 USD
Accounts receivable	$ 19,106,270	$ 17,184,706
Allowance for credit losses	(218,443)	(244,879)
Accrued defective return and discount	(1,298,432)	(744,284)
Accounts receivable, net	$ 17,589,395	$ 16,195,543

Movements of allowance for credit losses are as follows:

	For the Six Months Ended June 30, 2024 USD	For the Year Ended December 31, 2023 USD
Beginning balance	$ 244,879	$ 438,843
Provision (recovery)	(6,523)	78,640
Write-off	(19,913)	(272,604)
Ending balance	$ 218,443	$ 244,879

Movements of accrued defective return and discount accounts are as follows:

	For the Six Months Ended June 30, 2024 USD	For the Year Ended December 31, 2023 USD
Beginning balance	$ 744,284	$ 1,595,838
Provision (recovery)	554,148	(851,554)
Ending balance	$ 1,298,432	$ 744,284

Note 4 — Inventories, net

Inventories, net consisted of the following:

	As of June 30, 2024 USD	As of December 31, 2023 USD
Finished product	$ 13,438,543	$ 10,565,858
Reserves for slow-moving inventories	(633,762)	(642,006)
Inventories, net	$ 12,804,781	$ 9,923,852

Movements of inventory reserves are as follows:

	For the Six Months Ended June 30, 2024 USD	For the Year Ended December 31, 2023 USD
Beginning balance	$ 642,006	$ 663,530
Provision (recovery)	(8,244)	(21,524)
Ending balance	$ 633,762	$ 642,006

Note 5 — Prepayments and other assets

Prepayments and other assets consisted of the following:

	As of June 30, 2024 USD	As of December 31, 2023 USD
Prepayments	$ 1,860,506	$ 3,953,340
Others	261,935	664,411
Total prepayments and other assets	$ 2,122,441	$ 4,617,751

Note 6 — Property and equipment, net

Property and equipment, net consist of the following:

	As of June 30, 2024 USD	As of December 31, 2023 USD
Building	$ 946,066	$ 946,066
Leasehold Improvements	2,829,927	1,695,361
Machinery and equipment	1,731,582	1,613,439
Furniture and fixtures	278,578	259,449
Vehicles	147,912	147,912
Molds	26,377	26,377
Subtotal	5,960,442	4,688,604
Less: accumulated depreciation	(3,079,463)	(2,778,113)
Prepayment for purchase of equipment and construction-in-progress	16,100	—
Total	$ 2,897,079	$ 1,910,491

Depreciation expenses amounted to $111,568 and $43,199 for the three months ended June 30, 2024 and 2023 respectively, and $199,439 and $78,759 for the six months ended June 30, 2024 and 2023, respectively. Depreciation expenses were included in general and administrative expenses on the unaudited condensed consolidated statements of operations and comprehensive (loss) income.

Note 7 — Leases

The Company has operating leases primarily for corporate offices, warehouses and showrooms. As of June 30, 2024, the Company’s leases have remaining lease terms up to 10.7 years.

The company also purchased an operating lease land from a common control affiliate for manufacturing, which has a remaining lease term up to 48.00 years and can be extended for another 50 years for $1.

For the three months ended June 30, 2024 and 2023, total lease expenses were $702,507 and $690,106, respectively. For the six months ended June 30, 2024 and 2023, total lease expenses were $1,399,020 and $1,352,282, respectively.

The table below presents the operating lease related assets and liabilities recorded on the Company's consolidated balance sheets:

	As of June 30, 2024 USD	As of December 31, 2023 USD
Operating lease right-of-use assets	$ 13,974,220	$ 15,203,576
Operating lease liabilities – current	$ 1,732,944	$ 1,595,998
Operating lease liabilities – noncurrent	12,526,869	13,674,452
Total operating lease liabilities	$ 14,259,813	$ 15,270,450

Information relating to the lease term and discount rate are as follows:

	As of June 30, 2024	As of December 31, 2023
Weighted-average remaining lease term		
Operating leases	8.9 years	9.4 years
Weighted-average discount rate		
Operating leases	5.7%	5.7%

As of June 30, 2024, the maturities of operating lease liabilities were as follows:

For the 12 months ending June 30,	
2025	$ 2,507,058
2026	2,621,722
2027	2,641,539
2028	2,409,786
2029	2,000,163
Thereafter	6,010,566
Total lease payments	18,190,834
Less: imputed interest	(3,931,021)
Present value of lease liabilities	$ 14,259,813

Note 8 — Short-term loans

Bank loan

Our wholly-owned subsidiary FGI Industries, Inc. (formerly named Foremost Groups, Inc.) ("FGI Industries") has a line of credit agreement (the "Credit Agreement") with East West Bank, which is collateralized by all assets of FGI Industries and personally guaranteed by Liang Chou Chen, who holds approximately 49.89% of the voting control of Foremost. The current amount of maximum borrowings is $18,000,000 and the Credit Agreement has a maturity date of December 21, 2024. This is an assets-based line of credit, the borrowing limit is calculated based on certain percentage of accounts receivable and inventory balances.

Pursuant to the Credit Agreement, FGI Industries is required to maintain (a) a debt coverage ratio (defined as earnings before interest, taxes, depreciation and amortization divided by current portion of long-term debt plus interest expense) of not less than 1.25 to 1, tested at the end of each fiscal quarter; (b) an effective tangible net worth (defined as total book net worth plus minority interest, less amounts due from officers, shareholders and affiliates, minus intangible assets and accumulated amortization, plus debt subordinated to East West Bank) of not less than $10,000,000, tested at the end of each fiscal quarter, on consolidated basis; and (c) a total debt to tangible net worth ratio (defined as total liabilities divided by tangible net worth, which is defined as total book net worth plus minority interest, less loans to officers, shareholders, and affiliates minus intangible assets and accumulated amortization) not to exceed 4.0 to 1, tested at the end of each fiscal quarter, on consolidated basis. As of June 30, 2024, FGI Industries was in compliance with these financial covenants. FGI Industries is also required to provide the lender with certain periodic financial information, including annual audited financial statements of FGI Industries on a non-consolidated basis. As of the date of report, FGI Industries has obtained a waiver for such Corporate Borrower's Audited Annual Statements, a U.S. standalone reporting obligation under the Credit Agreement, which were due by April 30, 2024.

The loan bears interest at rate equal to, at the Company's option, either (i) 0.25 percentage points less than the Prime Rate quoted by the Wall Street Journal or (ii) the SOFR Rate (as administered by CME Group Benchmark Administration Limited and displayed by Bloomberg LP) plus 2.20% per annum (in either case, subject to a minimum rate of 4.500% per annum). The interest rate as of June 30, 2024, and December 31, 2023 was 8.25% and 8.25%, respectively.

Each sum of borrowings under the Credit Agreement is deemed due on demand and is classified as a short-term loan. The outstanding balance of such loan was $8,197,141 and $6,959,175 as of June 30, 2024, and December 31, 2023, respectively.

HSBC Canada Bank Loan / Foreign Exchange Facility

FGI Canada Ltd. has a line of credit agreement with HSBC Canada (the "Canadian Revolver"). The revolving line of credit with HSBC Canada allows for borrowing up to CAD $7,500,000 (US $5,474,453 as of the June 30, 2024 exchange rate). This is an assets-based line of credit, the borrowing limit is calculated based on certain percentage of accounts receivable and inventory balances. Pursuant to the Canadian Revolver, FGI Canada Ltd. is required to maintain (a) a debt to tangible net worth ratio of no more than 3.00 to 1.00; and (b) a ratio of current assets to current liabilities of at least 1.25 to 1.00. The loan bears interest at a rate of Prime rate plus 0.50%. As of June 30, 2024, FGI Canada Ltd. was in compliance with these financial covenants.

Borrowings under this line of credit amounts to $0 as of June 30, 2024, and December 31, 2023. The facility matures at the discretion of HSBC Canada upon 60 days' notice.

FGI Canada Ltd. also has a revolving foreign exchange facility with HSBC Canada of up to a permitted maximum of US $3,000,000. The advances are available to purchase foreign exchange forward contacts from time to time up to six months, subject to an overall maximum aggregate USD Equivalent outstanding face value not exceeding $3,000,000.

CTBC Credit Facility

On January 25, 2024, FGI International entered into an omnibus credit line (the "CTBC Credit Line") with CTBC Bank Co., Ltd. ("CTBC"). Under the CTBC Credit Line, FGI International may borrow, from time to time, up to $2.3 million, with borrowings limited to 90% of FGI International's export "open account" trade receivables. The CTBC Credit Line will bear interest at a rate of "Base Rate", which is based on monthly or quarterly Taipei Interbank Offered in effect from time to time, plus 120 base points and handling fees, unless otherwise agreed to by the parties. The CTBC Credit Line is unsecured and is fully guaranteed by the Company and partially guaranteed by Liang Chou Chen. Borrowings under this line of credit amounts to $1,495,059 and $0 as of June 30, 2024 and December 31, 2023, respectively.

Note 9 — Shareholders' Equity

FGI was incorporated in the Cayman Islands on May 26, 2021 in connection with the planned Reorganization, as described in Note 1. The Company is authorized to issue 50,000,000 ordinary shares with a par value of $0.001 per share.

On January 27, 2022, the Company completed the Reorganization upon the consummation of the initial public offering ("IPO"). After the Reorganization and the IPO, the Company's authorized share capital is $21,000 divided into (i) 200,000,000 Ordinary Shares of par value of $0.0001 each, and (ii) 10,000,000 Preference Shares of par value of $0.0001 each; 9,500,000 ordinary shares were issued and outstanding accordingly. The Company believes it is appropriate to reflect these share issuances as nominal share issuances on a retroactive basis similar to a stock split pursuant to ASC 260. The Company has retroactively adjusted all shares and per share data for all the periods presented.

Initial Public Offering

On January 27, 2022, the Company consummated its IPO of 2,500,000 units ("Units"), each consisting of (i) one ordinary share, $0.0001 par value per share, of the Company (the "Shares"), and (ii) one warrant of the Company (the "Warrants") entitling the holder to purchase one Share at an exercise price of $6.00 per Share. The Shares and Warrants were issued separately in the offering, and may be transferred separately immediately upon issuance. The Units were sold at a price of $6.00 per Unit. The Warrants included in the units were immediately exercisable following the consummation of the offering, have an exercise price equal to the initial public offering price, and expire five years from the date of issuance.

For the purposes of covering any over-allotments in connection with the distribution and sale of the Units, the Company granted a 45-day option to the underwriters to purchase (the "Over-allotment Option"), in the aggregate, up to 375,000 ordinary shares (the "Option Shares") and Warrants to purchase up to 375,000 ordinary shares (the "Option Warrants"), which was exercisable in any combination of Option Shares and/or Option Warrants at the per Share purchase price and/or the per Warrant purchase price, respectively. On January 25, 2022, the underwriters exercised in full their option to purchase up to an additional 375,000 Warrants at the price of $0.01 per Option Warrant. Management determined that these Warrants meet the definition of a derivative under ASC 815-40; however, they fall under the scope exception, which states that contracts issued that both a) indexed to its own stock; and b) classified in shareholders' equity are not considered derivatives. The Warrants were recorded at their fair value on the date of grant as a component of equity.

The aggregated fair value of these Warrants on January 27, 2022 was $4.16 million. The fair value has been estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $1.448; risk free rate of 1.66%; expected term of five years; exercise price of the warrants of $6.00; volatility of 44.00%; and expected future dividends of $0. As of the date of this report, 2,875,000 warrants were issued and outstanding; and none of the warrants has been exercised.

The gross proceeds from the IPO were approximately $15.0 million with net proceeds of approximately $12.4 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company. Immediately following the consummation of the IPO, there were an aggregate of 9,500,000 ordinary shares issued and outstanding. As a result of the IPO, the ordinary shares and Warrants now trade on the Nasdaq Capital Market under the symbol "FGI" and "FGIWW", respectively.

Public Offering Warrants

In connection with and upon the closing of the IPO on January 27, 2022, the Company issued warrants equal to 2% of the Shares issued in the IPO, or 50,000 ordinary shares, to the representative of the underwriters for the IPO. The warrants carry a term of five years, shall not be exercisable for a period of 180 days from the closing of the IPO and shall be exercisable at a price equal to the IPO price per share. Management determined that these warrants meet the definition of a derivative under ASC 815-40; however, they fall under the scope exception, which states that contracts

issued that are both a) indexed to its own stock; and b) classified in shareholders' equity are not considered derivatives. The warrants were recorded at their fair value on the date of grant as a component of equity.

The aggregated fair value of these IPO warrants on January 27, 2022 was $0.1 million. The fair value has been estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $1.448; risk free rate of 1.66%; expected term of five years; exercise price of the warrants of $6.00; volatility of 44.00%; and expected future dividends of $0. As of the date of this report, warrants exercisable for 50,000 shares were issued and outstanding; and none of the warrants have been exercised.

Note 10 — Stock-based compensation

2021 Equity Plan and Employee Stock Purchase Plan

On October 7, 2021, the board of directors adopted the 2021 Equity Incentive Plan (the "2021 Equity Plan"). The 2021 Equity Plan permits the grant of equity and equity-based incentive awards, including non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, stock unit awards and other stock-based awards. The purpose of the 2021 Equity Plan is to attract and retain the best available personnel for positions of responsibility within the Company, to provide additional incentives to them to align their interests with those of the Company's shareholders and to thereby promote the Company's long-term business success.

On October 7, 2021, the board approved the adoption of the FGI Industries Ltd. Employee Stock Purchase Plan (the "ESPP"). The ESPP was approved by the Company's shareholders on October 7, 2021, and became effective on the effective date of the Company's consummation of the IPO of its ordinary shares. The ESPP offers eligible employees the opportunity to acquire a stock ownership interest in the Company through periodic payroll deductions that will be applied towards the purchase of ordinary shares at a discount from the then-current market price.

The board set the maximum aggregate number of ordinary shares reserved and available pursuant to the 2021 Equity Plan at 1,500,000 shares. The number of ordinary shares reserved for issuance under our 2021 Equity Plan will automatically increase on the first day of each year, commencing on January 1, 2022 and ending on (and including) January 1, 2031, in an amount equal to the lesser of (a) 4.5% of the total number of ordinary shares outstanding on December 31 of the immediately preceding calendar year, (b) 600,000 ordinary shares, or (c) such lesser number of shares as determined by the Board. The Equity Plan became effective on September 28, 2021.

The Company believes the options or awards granted contain an explicit service condition and/or performance condition. Under ASC 718-10-55-76, if the vesting (or exercisability) of an award is based on the satisfaction of both a service and performance condition, the entity must initially determine which outcomes are probable and recognize the compensation cost over the longer of the explicit or implicit service period. Because an initial public offering generally is not considered to be probable until the initial public offering is effective, no compensation cost was recognized until the IPO occurred.

Restricted shares units ("RSU")

In January 2022, the Company issued 183,750 restricted share units ("RSUs") to certain officers and employees under the 2021 Equity Plan as compensation awards. The fair value for these RSUs was $716,625 based on the closing share price of $3.90 as of January 27, 2022. These awards will vest in three equal installments on each anniversary of the grant date over three years. As of June 30, 2024, 122,500 of these granted RSUs were vested.

In April 2022, the Company issued 8,750 RSUs to an employee under the 2021 Equity Plan as compensation awards. The fair value for these RSUs was $22,050 based on the closing share price of $2.52 as of April 13, 2022. These awards will vest as to one-third of the shares on the one-year anniversary of the grant date. The remaining shares will vest in a series of 24 successive equal monthly installments upon completion of each additional month of service, commencing on the grant date. As of June 30, 2024, 6,319 of these granted RSUs were vested.

In May 2022, the Company issued 87,611 RSUs under the 2021 Equity Plan to Company officers to incentivize their performance and continue to align their interests with the Company's shareholders. All these awards are subjected to performance conditions through December 31, 2024. The grant date fair value for these RSUs was $198,000 based on the closing share price of $2.26 as of May 11, 2022. If the maximum performance is met, the Company will issue an additional 43,805 RSUs under these awards with a grant date fair value of $99,000. As of June 30, 2024, all RSUs were canceled and none of them were vested.

In May 2022, the Company issued 16,363 RSUs to its independent directors under the 2021 Equity Plan as compensation award. All these awards are subjected to performance conditions through December 31, 2024. The fair value for these RSUs was $36,000 based on the closing share price of $2.20 as of May 17, 2022. As of June 30, 2024, none of these RSUs were vested.

In March 2023, the Company issued 96,635 RSUs under the 2021 Equity Plan to Company officers to incentivize their performance and continue to align their interests with the Company's shareholders. All these awards are subjected to performance conditions through December 31, 2025. The grant date fair value for these RSUs was $201,000 based on the closing share price of $2.08 as of March 29, 2023. If the maximum performance is met, the Company will issue an additional 48,317 RSUs under these awards with a grant date fair value of $100,500. As of June 30, 2024, none of these RSUs were vested.

In March 2023, the Company issued 17,349 RSUs to its independent directors under the 2021 Equity Plan as compensation award. All these awards are subjected to performance conditions through December 31, 2025. The grant date fair value for these RSUs was $36,000 based on the closing share price of $2.08 as of March 29, 2023. As of June 30, 2024, 7,229 of these RSUs were vested.

In March 2024, the Company issued 413,354 RSUs under the 2021 Equity Plan to the Company's directors, officers and employees. All these awards are subjected to performance conditions through December 31, 2026. The grant date fair value for these RSUs was $620,031 based on the closing share price of $1.50 as of March 22, 2024. If the maximum performance is met, the Company will issue an additional 206,677 RSUs under these awards with a grant date fair value of $310,016. As of June 30, 2024, none of these RSUs were vested.

In April 2024, the Company issued 13,333 RSUs under the 2021 Equity Plan to one of the Company's employees. This award is subject to performance obligations through December 31, 2024. The grant date fair value for these RSUs was $20,000 based on the closing share price of $1.50 as of April 1, 2024. If the maximum performance is met, the Company will issue an additional 6,667 RSUs under these awards with a grant date fair value of $10,000. As of June 30, 2024, none of these RSUs were vested.

The following is a summary of the restricted share granted:

Restricted shares grants	Shares
Non-vested as of January 1, 2023	296,474
Granted	113,984
Vested	(66,111)
Canceled	(87,611)
Non-vested as of December 31, 2023	256,736
Granted	426,687
Vested	(69,938)
Canceled	—
Non-vested as of June 30, 2024	613,485

The following is a summary of the status of restricted shares as of June 30, 2024:

Outstanding Restricted Share		
Fair Value per share	Number	Average Remaining Amortization Period (Years)
$ 3.90	61,250	0.58
$ 2.52	2,430	0.75
$ 2.20	16,363	0.50
$ 2.08	96,635	1.75
$ 2.08	10,120	1.75
$ 1.50	413,354	2.75
$ 1.50	13,333	0.50
	613,485	

Share options ("Options")

In March 2022, the Company issued 98,747 share options under the 2021 Equity Plan with an exercise price per share of $3.07 and a contractual life of 10 years to the Company's executive officers and directors to incentivize their performance and continue to align their interests with the Company's shareholders. The grant date fair value for these options was $141,401 determined using the Black-Scholes simplified method at the per option fair value of $1.43. All these options will vest as to one-third of the options on the one-year anniversary of the grant date. The remaining options will vest in a series of 24 successive equal monthly installments upon completion of each additional month of service. As of June 30, 2024, 74,060 of these granted options were vested.

In April 2022, the Company issued 97,371 share options under the 2021 Equity Plan with an exercise price per share of $2.52 and a contractual life of 10 years to the Company's employees to incentivize their performance and continue to align their interests with the Company's shareholders. The grant date fair value for these options was $114,972 determined using the Black-Scholes simplified method at the per option fair value of $1.18. All these options will vest as to one-third of the shares on the one-year anniversary of the grant date. The remaining options will vest in a series of 24 successive equal monthly installments upon completion of each additional month of service. As of June 30, 2024, 70,324 of these granted options were vested.

In May 2022, the Company issued 159,881 share options under the 2021 Equity Plan with an exercise price per share of $2.26 and a contractual life of 10 years to Company officers to incentivize their performance and continue to align their interests with the Company's shareholders. The fair value for these options was $171,462 determined using the Black-Scholes simplified method at the per option fair value of $1.07. The number of options granted were subject to performance conditions through December 31, 2022, which could result in additional options awarded if maximum performance metrics were met. In addition to the performance criteria, the options vest as to one-third of the shares on the one-year anniversary of the grant date. The remaining options will vest in a series of 24 successive equal monthly installments upon completion of each additional month of service, commencing on the grant date. The options paid out at threshold under the performance metrics, and no additional options were awarded. As of June 30, 2024, 128,213 of these granted options were vested.

In March 2023, the Company issued 158,976 share options under the 2021 Equity Plan with an exercise price per share of $2.08 and a contractual life of 10 years to Company officers to incentivize their performance and continue to align their interests with the Company's shareholders. The grant date fair value for these options was $201,000 determined using the Black-Scholes simplified method at the per option fair value of $1.26. All these options are subjected to performance conditions through December 31, 2023, which could result in additional options awarded if maximum performance metrics are met. In addition to the performance criteria, the options will vest as to one-third of the shares on the one-year anniversary of the grant date. The remaining options will vest in a series of 24 successive equal monthly installments upon completion of each additional month of service, commencing on the grant date. As of June 30, 2024, all options were canceled and none of them were vested.

In March 2024, the Company issued 529,635 share options under the 2021 Equity Plan with an exercise price per share of $1.50 and a contractual life of 10 years to Company officers to incentivize their performance and continue to align their interests with the Company's shareholders. The grant date fair value for these options was $447,000 determined using the Black-Scholes simplified method at the per option fair value of $0.84. All these options are subjected to performance conditions through December 31, 2024, which could result in additional options awarded if maximum performance metrics are met. In addition to the performance criteria, the options will vest as to one-third of the shares on the one-year anniversary of the grant date. The remaining options will vest in a series of 24 successive equal monthly installments upon completion of each additional month of service, commencing on the grant date. As of June 30, 2024, none of these granted options were vested.

In April 2024, the Company issued 167,994 share options under the 2021 Equity Plan with an exercise price per share of $1.32 and a contractual life of 10 years to the Company's employees to incentivize their performance and continue to align their interests with the Company's shareholders. The grant date fair value for these options was $126,163 determined using the Black-Scholes simplified method at the per option fair value of $0.75. All these options will vest as to one-third of the shares on the one-year anniversary of the grant date. The remaining options will vest in a series of 24 successive equal monthly installments upon completion of each additional month of service. As of June 30, 2024, none of these granted options were vested.

The options granted to employees are measured based on the grant date fair value of the equity instrument. They are accounted for as equity awards and contain service or performance vesting conditions. The following table summarizes the Company's employee share option activities:

	Number of Options	Weighted Average Exercise Price	Weighted Average Grant date Fair Value	Weighted Average Remaining Contractual Term	Average Intrinsic value
		USD	USD	Years	USD
Share options outstanding at December 31, 2023	380,745	2.54	1.19	9.35	—
Granted	697,629	1.46	0.82	10.00	—
Forfeited	—	—	—	—	—
Exercised	—	—	—	—	—
Expired	—	—	—	—	—
Share options outstanding at June 30, 2024	1,078,374	1.84	0.95	9.06	—
Vested and exercisable at June 30, 2024	272,597	2.55	1.20	7.79	—

For the six months ended June 30, 2024 and 2023, the total fair value of options awarded was $573,163 and $201,000, respectively.

The aggregate intrinsic value in the table above represents the difference between the exercise price of the awards and the fair value of the underlying Ordinary Shares at each reporting date, for those awards that had exercise price below the estimated fair value of the relevant Ordinary Shares.

Fair value of options

The Company used the Black-Scholes simplified method for the six months ended June 30, 2024 and 2023. The assumptions used to value the options granted to employees were as follows:

	April 2024	March 2024	March 2023
Risk-free interest rate	4.54 %	4.21 %	3.65 %
Expected volatility range	55.32 %	55.11 %	63.36 %
Fair market value per ordinary share as at grant dates	$ 1.32	$ 1.50	$ 2.08

The risk-free interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of grant for a term consistent with the contractual term of the awards. Expected volatility is

estimated based on the volatility of ordinary shares or common stock of several comparable companies in the same industry. The expected exercise multiple is based on management's estimation, which the Company believes is representative of the future.

The Company has elected to recognize share-based compensation expense using a straight-line method for all the employee equity awards granted with graded vesting based on service conditions, provided that the amount of compensation cost recognized at any date is at least equal to the portion of the grant date fair value of the equity awards that are vested at that date.

The following table sets forth the amount of share-based compensation expense included in each of the relevant financial statement line items:

	For the Six Months Ended June 30,	
	2024	2023
	USD	USD
Selling and distribution expenses	$ 73,916	$ 62,497
General and administrative expenses	254,174	210,059
Total share-based compensation expenses	$ 328,090	$ 272,556

As of June 30, 2024, there was $1,516,494 in total unrecognized employee share-based compensation expense related to unvested options and RSUs, which may be adjusted for actual forfeitures occurring in the future. Total unrecognized compensation cost may be recognized over a weighted-average period of 2.27 years.

Note 11 — Income taxes

The source of pre-tax income and the components of income tax expense are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	USD	USD	USD	USD
Income components				
United States	$ (1,200,966)	$ 36,944	$ (1,840,931)	$ (401,898)
Outside United States	879,136	242,983	1,003,531	411,079
Total pre-tax (loss) income	$ (321,830)	$ 279,927	$ (837,400)	$ 9,181
Provision for income taxes				
Current				
Federal	$ 34,488	$ 11,165	$ 538	$ 10,624
State	12,554	5,887	8,425	3,133
Foreign	220,834	164,709	329,745	300,797
	267,876	181,761	338,708	314,554
Deferred				
Federal	(379,397)	7,888	(417,347)	(92,675)
State	(42,821)	5,785	(53,414)	6,184
Foreign	(144,073)	(3,988)	(144,073)	(3,988)
	(566,291)	9,685	(614,834)	(90,479)
Total provision for income taxes	$ (298,415)	$ 191,446	$ (276,126)	$ 224,075

Reconciliations between taxes at the U.S. federal income tax rate and taxes at the Company's effective income tax rate on earnings before income taxes are as follows:

	For the Six Months Ended June 30,	
	2024	2023
Federal statutory rate	21.0 %	21.0 %
Increase (decrease) in tax rate resulting from:		
State and local income taxes, net of federal benefit	4.3	(5.3)
Foreign operations	(1.6)	84.0
Permanent items	(10.6)	2.5
Deferred adjustments	17.9	9.6
Others	2.0	(0.9)
Effective tax rate	33.0 %	110.9 %

The following is a summary of the components of the net deferred tax assets and liabilities recognized in the consolidated balance sheets:

	As of June 30, 2024 USD	As of December 31, 2023 USD
Deferred tax assets		
Allowance for credit losses	$ 52,163	$ 58,476
Other reserve	57,857	61,371
Accrued expenses	157,981	143,823
Lease liability	1,619,063	1,769,328
Charitable contributions	8,187	8,181
Business interest limitation	378,489	242,862
Net operating loss – federal	623,342	310,099
Net operating loss – state	65,184	27,337
Other	195,104	66,063
Total deferred tax assets	3,157,370	2,687,540
Less: valuation allowance	—	—
Net deferred tax assets	3,157,370	2,687,540
Deferred tax liabilities		
Fixed assets	1,561,953	1,728,364
Intangibles	(188,250)	(209,657)
Total deferred tax liabilities	1,373,703	1,518,707
Deferred tax assets, net of deferred tax liabilities	$ 1,783,667	$ 1,168,833

The deferred tax assets related to the Company's net operating losses of $4,040,249 (Federal $2,968,286 and States $1,071,963) and $1,836,077 (Federal $1,476,655 and States $359,422) as of June 30, 2024 and December 31, 2023, respectively. The Federal Net Operating losses have no expiration date. The States Net Operating losses have either 20 years or no expiration date. The Company had no material unrecognized tax benefits at June 30, 2024 or, December 31, 2023. The Company has not taken any tax positions for which it is reasonably possible that unrecognized tax benefits will significantly increase within the next 12 months.

Inflation Reduction Act of 2022

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IR Act") was signed into federal law. The IR Act provides for, among other things, a new U.S. federal 1% excise tax on certain repurchases of stock by publicly traded U.S. domestic corporations and certain U.S. domestic subsidiaries of publicly traded foreign corporations occurring on or after January 1, 2023. The excise tax is imposed on the repurchasing corporation itself, not its shareholders from which shares are repurchased. The amount of the excise tax is generally 1% of the fair market value of the shares

repurchased at the time of the repurchase. However, for purposes of calculating the excise tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax. The U.S. Department of the Treasury (the "Treasury") has been given authority to provide regulations and other guidance to carry out and prevent the abuse or avoidance of the excise tax. There was no material impact of the IR Act on the Company's consolidated financial statements.

Note 12 — Related party transactions and balances

Purchases from a related party – consisted of the following:

Name of Related Party	Relationship	Nature of transactions	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
			2024	2023	2024	2023
			USD	USD	USD	USD
Focal Capital Holding Limited	An entity under common control	Purchase	$ 1,177,582	$ 2,121,969	$ 2,754,804	$ 4,969,730
Foremost Worldwide Co., Ltd	An entity under common control	Purchase	2,401,118	427,516	3,954,057	1,080,745
Rizhao Foremost Woodwork Manufacturing Co., Ltd.	An entity under common control	Purchase	7,045	—	24,069	—
Foremost Home Inc.	An entity under common control	Purchase	—	206,143	—	206,143
			$ 3,585,745	$ 2,755,628	$ 6,732,930	$ 6,256,618

The ending balance of such transactions as of June 30, 2024 and December 31, 2023, are listed of the following:

Prepayments — related parties

Name of Related Party	As of June 30, 2024	As of December 31, 2023
	USD	USD
Focal Capital Holding Limited	$ 11,658,181	$ 6,658,498
Rizhao Foremost Woodwork Manufacturing Co., Ltd.	15,917	9,181
	$ 11,674,098	$ 6,667,679

Accounts Payables — related parties

Name of Related Party	As of June 30, 2024	As of December 31, 2023
	USD	USD
Foremost Worldwide Co., Ltd	$ 1,016,263	$ 735,308
	$ 1,016,263	$ 735,308

Shared Service and Miscellaneous expenses – related party

FGI Industries, Inc. is party to the FHI Shared Services Agreement with FHI. Total amounts provided to FHI under the FHI Share Services Agreement were $187,050 and $232,367 for the three months ended June 30, 2024 and 2023, respectively, and $362,962 and $476,981 for the six months ended June 30, 2024 and 2023, respectively, which were booked under selling and distribution expenses and administration expenses.

FGI is party to the Worldwide Shared Services Agreement with Foremost Worldwide. Total amounts provided from Foremost Worldwide under the Worldwide Shared Services Agreement were $60,682 and $75,898 for the three months ended June 30, 2024 and 2023, respectively, and $134,596 and $145,242 for the six months ended June 30, 2024 and 2023, respectively.

Other Payables (Receivables) — related parties

Name of Related Party	Relationship	Nature of transactions	As of June 30, 2024 USD	As of December 31, 2023 USD
Foremost Home Inc. ("FHI")	An entity under common control	Shared services and Miscellaneous expenses	1,853,015	1,183,612
Foremost Worldwide Co., Ltd	An entity under common control	Shared services and Miscellaneous expenses	266,176	(251,008)
Focal Capital Holding Limited	An entity under common control	Shared services and Miscellaneous expenses	12,756	—
F.P.Z. Furniture (Cambodia) Co., Ltd	An entity under common control	Shared services and Miscellaneous expenses	(124,938)	—
			$ 2,007,009	$ 932,604

Loan guarantee by a related party

Liang Chou Chen holds approximately 49.89% of the voting control of Foremost, the Company's majority shareholder and is a guarantor of the loans under the Credit Agreement and under the CTBC Credit Line. See Note 8 for details.

Note 13 — Concentrations of risks

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. The Canadian Deposit Insurance Corporation pays compensation up to a limit of CAD 100,000 (approximately USD 73,000) if the bank with which an individual/a company holds its eligible deposit fails. As of June 30, 2024, a cash balance of CAD 1,398,717 (USD 1,020,961) was maintained at financial institutions in Canada, of which CAD 1,198,717 (USD 874,976) was subject to credit risk. The Taiwan Central Deposit Insurance Corporation pays compensation up to a limit of New Taiwan Dollar 3,000,000 (approximately USD 92,000) if the bank with which an individual/a company holds its eligible deposit fails. As of June 30, 2024, an aggregated cash balance of USD 544,840 was maintained at financial institutions in Taiwan, of which USD 355,481 was subject to credit risk. The European Banking Authority pays compensation up to a limit of EUR 100,000 (approximately USD 107,000) if the bank with which an individual/a company holds its eligible deposit fails. As of June 30, 2024, cash balance of EUR 355,524 (USD 380,565) was maintained at financial institutions in Europe, of which EUR 255,524 (USD 273,521) was subject to credit risk. As of June 30, 2024, cash balance of USD 112,587 was maintained at financial institutions in Kingdom of Cambodia, all of which was subject to credit risk. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

The Company is also exposed to risk from its accounts receivable and other receivables. These assets are subjected to credit evaluations. An allowance has been made for estimated unrecoverable amounts which have been determined by reference to past default experience and the current economic environment.

Customer concentration risk

For the three months ended June 30, 2024, two customers accounted for 18.4% and 17.2% of the Company's total revenue, respectively. For the three months ended June 30, 2023, three customers accounted for 18.3%, 16.7% and 11.4% of the Company's total revenue, respectively. No other customer accounted for more than 10% of the Company's revenue for the three months ended June 30, 2024 and 2023.

For the six months ended June 30, 2024, three customers accounted for 17.8% and 16.3% of the Company's total revenue, respectively. For the six months ended June 30, 2023, two customers accounted for 19.1% and 17.7% of the Company's total revenue, respectively. No other customer accounted for more than 10% of the Company's revenue for the six months ended June 30, 2024 and 2023.

As of June 30, 2024, two customers accounted for 28.4% and 10.5% of the total balance of accounts receivable, respectively. As of December 31, 2023, four customers accounted for 27.2%, 19.0%, 12.0% and 11.1% of the total balance of accounts receivable, respectively. No other customer accounted for more than 10% of the Company's accounts receivable as of June 30, 2024 and December 31, 2023.

Vendor concentration risk

For the three months ended June 30, 2024, Tangshan Huida Ceramic Group Co., Ltd ("Huida") and another vendor accounted for 57.0% and 11.9% of the Company's total purchases, respectively. For the three months ended June 30, 2023, Huida and another vendor accounted for 55.2% and 10.2% of the Company's total purchases, respectively. No other supplier accounted for more than 10% of the Company's total purchases for the three months ended June 30, 2024 and 2023.

For the six months ended June 30, 2024, Tangshan Huida Ceramic Group Co., Ltd ("Huida") accounted for 54.6% of the Company's total purchases. For the six months ended June 30, 2023, Huida and another vendor accounted for 53.4% and 13.3% of the Company's total purchases, respectively. No other supplier accounted for more than 10% of the Company's total purchases for the six months ended June 30, 2024 and 2023.

As of June 30, 2024, Huida accounted for 81.1% of the total balance of accounts payable. As of December 31, 2023, Huida accounted for 71.4% of the total balance of accounts payable. No other supplier accounted for more than 10% of the Company's accounts payable as of June 30, 2024 and December 31, 2023.

Note 14 — Commitments and contingencies

Litigation

From time to time, the Company is involved in legal and regulatory proceedings that are incidental to the operation of its businesses. These proceedings may seek remedies relating to matters including environmental, tax, intellectual property, acquisitions or divestitures, product liability, property damage, personal injury, privacy, employment, labor and pension, government contract issues and commercial or contractual disputes. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of the particular claims, the Company does not believe it is reasonably possible that any asserted or unasserted legal claims or proceedings, individually or in aggregate, will have a material adverse effect on its results of operations or financial condition.

Note 15 — Segment information

The Company follows ASC 280, “Segment Reporting,” which requires that companies disclose segment data based on how management makes decisions about allocating resources to each segment and evaluating their performances. The Company has one reporting segment. The Company’s chief operating decision maker has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Company, and hence the Company has only one reportable segment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The disclosures in this Quarterly Report on Form 10-Q are complementary to those made in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 26, 2024 (the "2023 Form 10-K"). You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing in this Quarterly Report on Form 10-Q as well as our audited financial statements, notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2023 Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Quarterly Report on Form 10-Q and of our 2023 Form 10-K, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. All amounts in Management's Discussion and Analysis of Financial Condition and Results of Operations are approximate.

Overview

FGI is a global supplier of kitchen and bath products. Over the course of 30 years, we have built an industry-wide reputation for product innovation, quality, and excellent customer service. We are currently focused on the following product categories: sanitaryware (primarily toilets, sinks, pedestals and toilet seats), bath furniture (vanities, mirrors and cabinets), shower systems, customer kitchen cabinetry and other accessory items. These products are sold primarily for R&R activity and, to a lesser extent, new home or commercial construction. We sell our products through numerous partners, including mass retail centers, wholesale and commercial distributors, online retailers and specialty stores.

Consistent with our long-term strategic plan, we intend to drive value creation for our shareholders through a balanced focus on product innovation, organic growth, and efficient capital deployment. The following initiatives represent key strategic priorities for us:

- **Commitment to product innovation.** We have a history of being an innovator in the kitchen and bath markets and developing "on-trend" products and bringing them to market ahead of the competition. We have developed deep marketing skills, leading design capabilities, and product development expertise. A recent example of our innovative product development includes the Jetcoat Shower wall systems, which offer a stylized design option without the fuss of messy grout. We expect to continue to invest in research and development to drive product innovation in 2024.
- **"BPC" (Brands, Products, Channels) strategy to drive above-market organic growth.** We have continued to invest in our BPC strategy despite the market challenges, which is expected to drive improved organic growth in the longer term. We recently announced that we entered into a 5-year licensing agreement that will provide us access to an industry leading overflow toilet technology. We will continue to market this technology as FlushGuard Overflow Technology. During the fourth quarter of 2023, we were awarded product placements at several large customers, including two of the largest commercial distributors in North America. In addition, we continue to focus on our initiatives to expand geographically, with recently signed agreements providing entry into India, Eastern Europe and the UK.
- **Enhanced margin performance.** We generated gross margin of 30.5% in the second quarter of 2024, up from 27.4% in the same period last year, owing to the ongoing shift to higher margin products. For the full year 2023, gross margin was 27.4%, up nearly 800 basis points from the 19.5% gross margin generated in 2022. During the remainder of 2024, we expect gross margins to remain consistent with those generated during fiscal year 2023, with operating margin improvement driven by volume leverage and sales of higher margin products.
- **Efficient capital deployment.** We will continue to prioritize capital deployment in support of organic growth opportunities, while continuing to evaluate strategic M&A opportunities. With total liquidity of $17.4 million as of June 30, 2024, the Company believes it has sufficient financial flexibility to fund its organic growth strategy.
- **Deep manufacturing partners and customer relationships.** We have developed strong manufacturing and sourcing partners over the last 30+ years, which we believe will continue to give us a competitive advantage in

the markets we serve. We also have deep relationships with an established global customer base, offering end-to-end solutions to support category growth. While recent supply chain and inflation pressures have been a headwind, our durable partnerships with manufacturing and sourcing partners have helped to mitigate these challenges.

We were incorporated in the Cayman Islands on May 26, 2021 in connection with a reorganization (the "Reorganization") of our parent company, Foremost Groups Ltd. ("Foremost"), and its affiliates, pursuant to which, among other actions, Foremost contributed all of its equity interests in FGI Industries, Inc. ("FGI Industries"), FGI Europe Investment Limited, an entity formed in the British Virgin Islands, and FGI International, Limited, an entity formed under the laws of Hong Kong, each a wholly-owned subsidiary of Foremost, to the newly formed FGI Industries Ltd. Foremost was established in 1987 and has become a global leader in kitchen and bath design, indoor and outdoor furniture, food service equipment, and manufacturing. This discussion, and any financial information and results of operations discussed herein, refers to the assets, liabilities, revenue, expenses and cash flows that are directly attributable to the kitchen and bath business of Foremost before the completion of the Reorganization and are presented as if we had been in existence and the Reorganization had been in effect for the entirely of each of the periods presented.

Recent Trends and Developments

Due to ongoing market conditions, we are experiencing, and may continue to experience, lower market demand for certain of our products, particularly in our bath furniture category, as weak demand, customer destock and inventory corrections have had a negative impact on our net sales. As previously noted, we also began experiencing supply chain disruptions and inflationary pressures, which affected operating margins beginning in late 2022. However, we adopted several productivity and pricing measures to offset these headwinds and began to see resumed margin expansion in the second half of 2023, which has largely continued through the second quarter of 2024. The industry outlook remains relatively flat overall with our customers forecasting minimal growth in 2024.

Results of Operations

The following table summarizes the results of our operations for the three and six months ended June 30, 2024 and 2023 and provides information regarding the dollar and percentage increase (decrease) during such periods.

For the Three and Six Months Ended June 30, 2024 and 2023

	For the Three Months Ended June 30,		Change	
	2024	2023	Amount	Percentage
	USD	USD	USD	%
Revenue	$ 29,370,949	$ 29,189,913	$ 181,036	0.6
Cost of revenue	20,407,647	21,179,511	(771,864)	(3.6)
Gross profit	8,963,302	8,010,402	952,900	11.9
Selling and distribution expenses	6,260,847	4,800,518	1,460,329	30.4
General and administrative expenses	2,622,020	2,252,503	369,517	16.4
Research and development expenses	530,797	377,106	153,691	40.8
Income from operations	(450,362)	580,275	(1,030,637)	(177.6)
Operating margins	(1.5)%	2.0 %	(350)bps	
Total other income (expenses), net	128,532	(300,348)	428,880	142.8
Benefit of (provision for) income taxes	(298,415)	191,446	(489,861)	(255.9)
Net (loss) income	(23,415)	88,481	(111,896)	(126.5)
Net income attributable to FGI Industries Ltd. shareholders	163,565	88,481	75,084	84.9
Adjusted (loss) income from operations[(1)]	(328,873)	701,762	(1,030,635)	(146.9)
Adjusted operating margins[(1)]	(1.1)%	2.4 %	(350)bps	—
Adjusted net income[(1)]	$ 75,113	$ 187,007	$ (111,894)	(59.8)

	For the Six Months Ended June 30,		Change	
	2024	2023	Amount	Percentage
	USD	USD	USD	%
Revenue	$ 60,124,468	$ 56,352,179	$ 3,772,289	6.7
Cost of revenue	42,747,683	41,139,619	1,608,064	3.9
Gross profit	17,376,785	15,212,560	2,164,225	14.2
Selling and distribution expenses	12,391,733	9,511,607	2,880,126	30.3
General and administrative expenses	4,904,878	4,394,748	510,130	11.6
Research and development expenses	851,470	728,857	122,613	16.8
(Loss) income from operations	(771,296)	577,348	(1,348,644)	(233.6)
Operating margins	(1.3)%	1.0 %	(230)bps	—
Total other expenses, net	(66,104)	(568,167)	502,063	(88.4)
Benefit of (provision for) income taxes	(276,126)	224,075	(500,201)	(223.2)
Net loss	(561,274)	(214,894)	(346,380)	161.2
Net loss attributable to FGI Industries Ltd. shareholders	(248,624)	(214,894)	(33,730)	15.7
Adjusted (loss) income from operations[(1)]	(528,318)	870,326	(1,398,644)	(160.7)
Adjusted operating margins[(1)]	(0.9)%	1.5 %	(240)bps	—
Adjusted net (loss) income[(1)]	$ (364,219)	$ 22,711	$ (386,930)	(1,703.7)

(1) See “Non-GAAP Measures” below for more information on our use of these adjusted figures and a reconciliation of these financial measures to their closest U.S. generally accepted accounting principles (“GAAP”) comparators.

Revenue

Our revenue increased by $0.2 million, or 0.6%, to $29.4 million for the three months ended June 30, 2024, from $29.2 million for the three months ended June 30, 2023. For the six months ended June 30, 2024, our revenue increased by $3.8 million, or 6.7%, to $60.1 million from $56.4 million for the same period last year. The increase in our revenue was primarily driven by increases in Sanitaryware and Shower System sales, partially offset by decreased sales of Bath Furniture.

Revenue categories by product are summarized as follow:

	For the Three Months Ended June 30,				Change
	2024	Percentage	2023	Percentage	Percentage
	USD	%	USD	%	%
Sanitaryware	$ 17,334,714	59.0	$ 18,816,220	64.5	(7.9)
Bath Furniture	4,031,120	13.7	4,813,239	16.5	(16.2)
Shower System	5,889,847	20.1	4,286,672	14.7	37.4
Other	2,115,268	7.2	1,273,782	4.3	66.1
Total	$ 29,370,949	100.0	$ 29,189,913	100.0	0.6

	For the Six Months Ended June 30,				Change
	2024	Percentage	2023	Percentage	Percentage
	USD	%	USD	%	%
Sanitaryware	$ 37,852,276	63.0	$ 34,170,766	60.6	10.8
Bath Furniture	7,120,331	11.8	9,779,897	17.4	(27.2)
Shower System	11,650,716	19.4	9,317,229	16.5	25.0
Other	3,501,145	5.8	3,084,287	5.5	13.5
Total	$ 60,124,468	100.0	$ 56,352,179	100.0	6.7

We derive the majority of our revenue from sales of Sanitaryware, which accounted for 59.0% and 63.0% of our total revenue for the three and six months ended June 30, 2024, compared to 64.5% and 60.6% for the comparable periods of 2023. Revenue generated from the sales of Sanitaryware decreased by 7.9% to $17.3 million for the three months ended June 30, 2024 from $18.8 million for same period of 2023. For the six months ended June 30, 2024, these revenue increased by 10.8% to $37.9 million from $34.2 million for the same period of 2023. The decrease in revenue for the three months ended June 30, 2024 was due, in part, by our transition to a new enterprise software system and ocean freight disruptions, which resulted in delayed shipments.

Our revenue from Bath Furniture sales accounted for 13.7% and 11.8% of our total revenue for the three and six months ended June 30, 2024, compared to 16.5% and 17.4% for the comparable periods of 2023. Bath Furniture sales decreased by 16.2% to $4.0 million for the three months ended June 30, 2024, compared to $4.8 million for the same period of 2023. For the six months ended June 30, 2024, revenue from Bath Furniture sales decreased by 27.2% to $7.1 million from $9.8 million for the same period of 2023. The bath furniture market continues to be impacted by weak demand and a trade down to lower priced offerings. In response, we are launching mid-tier products to better address the current demand environment.

Revenue from sales of Shower Systems made up approximately 20.1% and 19.4% of our total revenue for the three and six months ended June 30, 2024, compared to 14.7% and 16.5% for the comparable periods of 2023. Revenue from sales of Shower Systems increased by 37.4% to $5.9 million for the three months ended June 30, 2024, compared to $4.3 million for the comparable period of 2023. For the six months ended June 30, 2024, revenue from sales of Shower Systems increased by 25.0% to $11.7 million from $9.3 million for the same period of 2023. Demand trends have remained steady and our recently launched programs had a positive impact during the first quarter. These new programs include the online shower door program with a large Canadian retailer, as well as the new shower wall systems roll-out at up to 300 locations of a large U.S. retailer with initial shipments that began in December 2023.

Our revenue from sales of other products (custom kitchen cabinetry and other small offerings) increased by 66.1% to $2.1 million for the three months ended June 30, 2024, compared to $1.3 million for the same period of 2023. For the six months ended June 30, 2024, other revenue increased by 13.5% to $3.5 million from $3.1 million for the same period of 2023. The increase was primarily driven by volume growth resulting from continued strength in sales of the Covered Bridge custom-kitchen cabinetry businesses.

Revenue Categories by Geographic Location

We derive our revenue primarily from the United States, Canada and Europe. Revenue categories by geographic location are summarized as follows:

	For the Three Months Ended June 30,				Change
	2024	Percentage	2023	Percentage	Percentage
	USD	%	USD	%	%
United States	$ 18,039,583	61.4	$ 19,033,168	65.2	(5.2)
Canada	8,593,329	29.3	7,517,459	25.8	14.3
Europe	2,659,858	9.1	2,639,286	9.0	0.8
Rest of World	78,179	0.3	—	—	—
Total	$ 29,370,949	100.0	$ 29,189,913	100.0	0.6

	For the Six Months Ended June 30,				Change
	2024	Percentage	2023	Percentage	Percentage
	USD	%	USD	%	%
United States	$ 37,637,488	62.6	$ 36,565,294	64.9	2.9
Canada	16,474,410	27.4	14,038,444	24.9	17.4
Europe	5,855,046	9.7	5,748,441	10.2	1.9
Rest of World	157,524	0.3	—	—	—
Total	$ 60,124,468	100.0	$ 56,352,179	100.0	6.7

We generated the majority of our revenue in the United States market, which amounted to $18.0 million for the three months ended June 30, 2024, compared to $19.0 million for the three months ended June 30, 2023, representing a 5.2% decrease for the three-month periods. For the six months ended June 30, 2024, however, revenue from United States market increased by 2.9% to $37.6 million, compared to $36.6 million for the same period of 2023. Such revenue accounted for 61.4% and 62.6% of our total revenue for the three and six months ended June 30, 2024, respectively, compared to 65.2% and 64.9% for the three and six months ended June 30, 2023, respectively. The decrease in revenue for the three months ended June 30, 2024 was due, in part, by our transition to a new enterprise software system and ocean freight disruptions, which resulted in delayed shipments.

Our second largest market is Canada. Our revenue generated in the Canadian market were $8.6 million for the three months ended June 30, 2024, compared to $7.5 million for the three months ended June 30, 2023, representing a 14.3% increase. For the six months ended June 30, 2024, revenue from Canadian market increased by 17.4% to $16.5 million, compared to $14.0 million for the same period in 2023. The increased sales in the Canada market were primarily driven by the recovery of pro channel in our Sanitary category.

We also derive a small portion of our revenue from Europe, which consists primarily of sales in Germany. This amounted to $2.7 million and $5.9 million for the three and six months ended June 30, 2024, compared to $2.6 million and $5.7 million for the three and six months ended June 30, 2023, representing a 0.8% and 1.9% increase for the three-month and six-month periods, respectively. The sales in this market remained relatively stable.

Gross Profit

Gross profit was $9.0 million and $17.4 million for the three and six months ended June 30, 2024, an increase of 11.9% and 14.2% compared to the same periods of 2023. Gross profit margin improved to 30.5% and 28.9% for the three and six months ended June 30, 2024, up 310 and 190 basis points from 27.4% and 27.0% for the three and six months ended June 30, 2023, respectively. Gross margins continue to benefit from a shift in revenue mix towards higher-margin products and lower logistics costs.

Operating Expenses

Selling and distribution expenses primarily consisted of personnel costs, marketing and promotion costs, commission, and freight and leasing charges. Our selling and distribution expenses increased by $1.5 million, or 30.4%, to $6.3 million for the three months ended June 30, 2024, from $4.8 million for the three months ended June 30, 2023, and increased by $2.9 million, or 30.3%, to $12.4 million for the six months ended June 30, 2024, from $9.5 million for the six months ended June 30, 2023. The increase in selling and distribution expenses was largely attributable to increased personnel costs, marketing and promotion expenses and warehouse expenses as a result of inflation and our initiatives to drive sales growth.

General and administrative expenses primarily consisted of personnel costs, professional service fees, depreciation, travel, and office supply expenses. Our general and administrative expenses increased by $0.4 million, or 16.4%, to $2.6 million for the three months ended June 30, 2024, from $2.3 million for the three months ended June 30, 2023, and increased by $0.5 million, or 11.6%, to $4.9 million for the six months ended June 30, 2024, from $4.4 million for the six months ended June 30, 2023. The increase was primarily attributable to inflation and expenses incurred in connection with newly formed subsidiaries.

Research and development expenses mainly consisted of personnel costs and product development costs. Our research and development activities remained stable and are relatively immaterial to our unaudited condensed consolidated statements of operations and comprehensive (loss) income.

Other Income (Expenses)

Other income (expenses) represents interest income and expenses, as well as non-recurring non-operating gains and losses. Other expenses, net decreased as a result of proceeds received from a settlement agreement and gains from foreign currency transactions.

Provision for Income Taxes

We recorded benefit of income taxes of approximately $0.3 million for the three and six months ended June 30, 2024, and income tax expenses $0.2 million for the three and six months ended June 30, 2023. The benefit was primarily driven by the net operating losses incurred for the three and six months ended June 30, 2024.

Net (Loss) Income

Our net loss increased by $0.1 million and $0.3 million, to approximately $23,000 and $0.6 million for the three and six months ended June 30, 2024, from $0.1 million of net income and $0.2 million of net loss for the three and six months ended June 30, 2023, respectively. These changes had resulted from the combination of the changes discussed above.

Liquidity and Capital Resources

Our principal sources of liquidity are cash generated from operating activities and cash borrowed under credit facilities, which we believe provides sufficient liquidity to support our financing needs. As of June 30, 2024, we had cash and working capital of $1.3 million and $13.5 million, respectively. During the six months ended June 30, 2024, we drew an aggregate of approximately $2.7 million on the Credit Agreement and CTBC Credit Line for working capital replenishment.

We believe our revenue and operations will continue to grow and the current working capital is sufficient to support our operations and debt obligations well into the foreseeable future. However, we may need additional cash resources in the future if we experience changes in business conditions or other developments, such as rising interest rates, inflation and increased costs, and may also need additional cash resources in the future if we wish to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. For example, from time to time we may provide loans or other operational support to Foremost to assist Foremost in capital expenditures or other efforts related to the

manufacturing services that Foremost provides to us, which could limit the assets available for other corporate purposes or require additional resources. If it is determined that the cash requirements exceed our amount of cash on hand, we may seek to issue debt or equity securities, and there can be no assurances that additional financing will be available on acceptable term, if at all.

As of June 30, 2024, FGI's total outstanding debt consisted of the Credit Agreement with East West Bank and the CTBC Credit Line with CTBC Bank (each discussed below).

East West Bank Credit Facility

Our wholly owned subsidiary, FGI Industries (formerly named Foremost Groups, Inc.), has a line of credit with East West Bank pursuant to a Business Loan Agreement (the "Credit Agreement") with East West Bank, which is collateralized by all of the assets of FGI Industries and personally guaranteed by Liang Chou Chen, who holds approximately 49.89% of the voting control of Foremost. On November 25, 2022, the Credit Agreement was amended and restated with a maximum borrowing amount of $18,000,000 and a maturity date of December 21, 2024.

Pursuant to the Credit Agreement, FGI Industries is required to maintain (a) a debt coverage ratio (defined as earnings before interest, taxes, depreciation and amortization divided by current portion of long-term debt plus interest expense) of not less than 1.25 to 1, tested at the end of each fiscal quarter; (b) an effective tangible net worth (defined as total book net worth plus minority interest, less amounts due from officers, shareholders and affiliates, minus intangible assets and accumulated amortization, plus debt subordinated to East West Bank) of not less than $10,000,000 for the quarter ended June 30, 2021 and thereafter, on consolidated basis; and (c) a total debt to tangible net worth ratio (defined as total liabilities divided by tangible net worth, which is defined as total book net worth plus minority interest, less loans to officers, shareholders, and affiliates minus intangible assets and accumulated amortization) not to exceed 4.0 to 1, tested at the end of each fiscal quarter, on consolidated basis. As of June 30, 2023, FGI Industries was in compliance with this financial covenant. As described in Item 1. Note 8, FGI Industries is also required to provide the lender with certain periodic financial information, including annual audited financial statements of FGI Industries on a non-consolidated basis. As of the date of report, FGI Industries has obtained a waiver for such Corporate Borrower's Audited Annual Statements, a U.S. standalone reporting obligation under the Credit Agreement, which were due by April 30, 2024.

The loan bears interest rate equal to, at the Company's option, either (i) 0.25 percentage points less than the Prime Rate quoted by the Wall Street Journal or (ii) the SOFR Rate (as administered by CME Group Benchmark Administration Limited and displayed by Bloomberg LP) plus 2.20% per annum (in either case, subject to a minimum rate of 4.500% per annum). The interest rate as of June 30, 2024 and December 31, 2023 was 8.25% and 8.25%, respectively.

Each sum of borrowings under the Credit Agreement is deemed due on demand and is classified as a short-term loan. The outstanding balance of such loan was $8,197,141 and $6,959,175 as of June 30, 2024, and December 31, 2023, respectively.

HSBC Canada Bank Loan

FGI Canada Ltd. has a line of credit agreement with HSBC Canada (the "Canadian Revolver"). The revolving line of credit with HSBC Canada allows for borrowing up to CAD $7,500,000 (US $5,474,453 as of the June 30, 2024 exchange rate). This is an assets-based line of credit, the borrowing limit is calculated based on certain percentage of accounts receivable and inventory balances. Pursuant to the Canadian Revolver, FGI Canada Ltd. is required to maintain (a) a debt to tangible net worth ratio of no more than 3.00 to 1.00; and (b) a ratio of current assets to current liabilities of at least 1.25 to 1.00. The loan bears interest at a rate of Prime rate plus 0.50%. As of June 30, 2024, FGI Canada Ltd. was in compliance with this financial covenant.

Borrowings under this line of credit amounts to $0 as of June 30, 2024 and December 31, 2023. The facility matures at the discretion of HSBC Canada upon 60 days' notice.

FGI Canada Ltd. also has a revolving foreign exchange facility up to a permitted maximum of US $3,000,000. The advances are available to purchase foreign exchange forward contacts from time to time up to six months, subject to an overall maximum aggregate USD Equivalent outstanding face value not exceeding the Foreign Exchange Facility Limit.

CTBC Credit Facility

On January 25, 2024, FGI International entered into an omnibus credit line (the "CTBC Credit Line") with CTBC Bank Co., Ltd. ("CTBC"). Under the CTBC Credit Line, FGI International may borrow, from time to time, up to $2.3 million, with borrowings limited to 90% of FGI International's export "open account" trade receivables. The CTBC Credit Line will bear interest at a rate of "Base Rate", which is based on monthly or quarterly Taipei Interbank Offered in effect from time to time, plus 120 base points and handling fees, unless otherwise agreed to by the parties. The CTBC Credit Line is unsecured and is fully guaranteed by the Company and partially guaranteed by Liang Chou Chen. Borrowings under this line of credit amounts to $1,495,059 and $0 as of June 30, 2024 and December 31, 2023, respectively.

The following table summarizes the key components of our cash flows for the six months ended June 30, 2024 and 2023.

	For the Six Months Ended June 30,	
	2024	2023
	USD	USD
Net cash used in operating activities	$ (7,127,778)	$ (511,193)
Net cash used in investing activities	(1,859,419)	(732,203)
Net cash provided by (used in) financing activities	2,733,024	(1,931,372)
Effect of exchange rate fluctuation on cash	(215,976)	2,102
Net changes in cash	(6,470,149)	(3,172,666)
Cash, beginning of period	7,777,241	10,067,428
Cash, end of period	$ 1,307,092	$ 6,894,762

Operating Activities

Net cash used in operating activities was approximately $7.1 million for the six months ended June 30, 2024 and was primarily attributable to an increase in prepayments and other receivables - related parties of approximately $6.1 million, an increase in inventories of approximately $2.9 million, an increase in accounts receivable of approximately $1.9 million, a decrease in operating lease liabilities of approximately $1.0 million, an increase in other noncurrent assets of approximately $0.5 million, and a decrease in income tax payable of approximately $0.4 million. These drivers were partially offset by non-cash items of $1.5 million, an increase in accounts payable of approximately $2.8 million, and a decrease in prepayments and other current assets of approximately $1.5 million.

Net cash used in operating activities was approximately $0.5 million for the six months ended June 30, 2023 and was primarily attributable to an increase in prepayments and other receivables - related parties of approximately $3.0 million, a decrease in accounts payable of approximately $1.9 million, an increase in prepayments and other current assets of approximately $1.1 million, a decrease in operating lease liabilities of approximately $0.6 million, and net income for the six months of approximately $0.2 million. These drivers were partially offset by a decrease in inventories of approximately $3.5 million, an increase in accounts payable-related parties of approximately $1.2 million, a decrease in accounts receivable of approximately $0.3 million, a decrease in other noncurrent assets of approximately $0.3 million, an increase in accrued expenses and other current liabilities of approximately $0.2 million, and an increase in income taxes payable of approximately $0.1 million.

Investing Activities

Net cash used in investing activities was $1.9 million and $0.7 million for the six months ended June 30, 2024, and 2023, respectively, which was attributable to the purchases of property and equipment and intangible assets.

Financing Activities

Net cash provided by financing activities was approximately $2.7 million for the six months ended June 30, 2024, which represents net proceeds from bank loans.

Net cash used in financing activities was approximately $1.9 million for the six months ended June 30, 2023, which represents net repayment of bank loans.

Commitments and Contingencies

Capital Expenditures

Our capital expenditures were incurred primarily in connection with the acquisition of property and equipment. Our capital expenditures amounted to $1.9 million and $0.7 million for the six months ended June 30, 2024 and 2023, respectively. We do not expect to incur significant capital expenditures in the immediate future.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements including arrangements that would affect our liquidity, capital resources, market risk support and credit risk support or other benefits.

Critical Accounting Policies and Significant Accounting Estimates

A discussion of our critical accounting policies and significant accounting estimates is included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 Form 10-K. The preparation of the unaudited condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of some assets and liabilities and, in some instances, the reported amounts of revenue and expenses during the applicable reporting period. Actual results could differ materially from these estimates. Changes in estimates are recorded in results of operations in the period that the events or circumstances giving rise to such changes occur. Within the context of these critical accounting estimates, we are not currently aware of any reasonably likely events or circumstances that would result in different policies or estimates being reported for the six months ended June 30, 2024.

Recently Issued Accounting Pronouncements

See Note 2, "Summary of significant accounting policies" in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Non-GAAP Measures

In addition to the measures presented in our unaudited condensed consolidated financial statements, we use the following non-GAAP measures to evaluate our business, measure our performance, identify trends affecting our business and assist us in making strategic decisions. Our non-GAAP measures are: Adjusted Income from Operations, Adjusted Operating Margins and Adjusted Net Income. These non-GAAP financial measures are not prepared in accordance with GAAP. They are supplemental financial measures of our performance only, and should not be considered substitutes for net income, income from operations or any other measure derived in accordance with GAAP and may not be comparable to similarly titled measures reported by other entities.

We define Adjusted Income from Operations as GAAP income from operations excluding the impact of certain non-recurring expenses, including IPO-related compensation (cash and stock-based), legal fees and business expansion expenses. We define Adjusted Net Income as GAAP net income excluding the tax-effected impact of certain non-recurring expenses and income, such as IPO-related compensation, legal fees and business expansion expenses. We define Adjusted Operating Margins as adjusted income from operations divided by revenue.

We use these non-GAAP measures, along with GAAP measures, to evaluate our business, measure our financial performance and profitability and our ability to manage expenses, after adjusting for certain one-time expenses, identify trends affecting our business and assist us in making strategic decisions. We believe these non-GAAP measures, when reviewed in conjunction with GAAP financial measures, and not in isolation or as substitutes for analysis of our results of operations under GAAP, are useful to investors as they are widely used measures of performance and the adjustments we make to these non-GAAP measures provide investors further insight into our profitability and additional perspectives in comparing our performance over time on a consistent basis.

The following table reconciles Income from Operations to Adjusted Income from Operations and Adjusted Operating Margins, as well as Net income to Adjusted Net Income for the periods presented.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
(Loss) income from operations	$ (450,362)	$ 580,275	$ (771,296)	$ 577,348
Adjustments:				
Non-recurring IPO-related stock-based compensation	59,719	59,719	119,438	119,438
IPO and arbitration legal fee	—	—	—	50,000
Business expansion expense	61,770	61,768	123,540	123,540
Adjusted (loss) income from operations	(328,873)	701,762	(528,318)	870,326
Revenue	$ 29,370,949	$ 29,189,913	$ 60,124,468	$ 56,352,179
Adjusted operating margins	(1.1)%	2.4 %	(0.9)%	1.5 %

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Net (loss) income	$ (23,415)	$ 88,481	$ (561,274)	$ (214,894)
Adjustments:				
Non-recurring IPO-related stock-based compensation	59,719	59,719	119,438	119,438
IPO and arbitration legal fee	—	—	—	50,000
Business expansion expense	61,770	61,768	123,540	123,540
Total	98,074	209,968	(318,296)	78,084
Tax impact of adjustment at 18.9% effective rate	(22,961)	(22,961)	(45,923)	(55,373)
Adjusted net income (loss)	$ 75,113	$ 187,007	$ (364,219)	$ 22,711

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2024, our disclosure controls and procedures were not effective.

Evaluation of the Effectiveness of Internal Control over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act) as of June 30, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2024 because of the material weakness in our internal control over financial reporting described below.

Identified Material Weakness

Management noted that there is an inadequate segregation of duties related to certain accounting functions due to the size of the Company's subsidiaries. In addition, the Company lacks evidence of management review controls activity taking place, such as but not limited to, the review and approval of journal entries and account reconciliations.

Accordingly, the Company concluded that this material weakness resulted as there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls.

Management's Remediation Initiatives

As of June 30, 2024, and through the date of this filing we are in the process of implementing segregation of duties and are determining further initiatives to undertake in order to remediate this remaining material weakness and anticipate that these initiatives will be implemented by the end of fiscal year 2024.

Changes in Internal Control over Financial Reporting

Other than as described above, there have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2024 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.

We may be subject to legal proceedings and claims in the ordinary course of business. We cannot predict the results of any such disputes, and despite the potential outcomes, the existence thereof may have an adverse material impact on us due to diversion of management time and attention as well as the financial costs related to resolving such disputes.

Ayers Bath Litigation

As previously disclosed, FGI Industries (formerly known as Foremost Groups, Inc.) ("FGI USA"), our wholly-owned subsidiary, was involved in litigation arising from its efforts to protect an exclusivity agreement with sanitaryware manufacturer Tangshan Huida Ceramic Group Co., Ltd. ("Huida") through the second quarter of 2024. In June 2024, the parties entered into a settlement agreement with a mutual release of all claims related to the litigation. The settlement amount is reflected in other income (expenses), net.

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2023, includes a detailed discussion of our risk factors. At the time of this filing, there have been no material changes to the risk factors that were included in the Form 10-K.

If we fail to meet Nasdaq's continued listing requirements, it could result in a delisting of our ordinary shares.

If we fail to satisfy the continued listing requirements of Nasdaq, such as the corporate governance requirements or the minimum closing bid price requirement, Nasdaq may take steps to delist our common stock. Under the Nasdaq Marketplace Rules, if the bid price of our common stock were to close below the required minimum $1.00 per share for 30 consecutive business days, we may receive a deficiency notice from Nasdaq regarding our failure to comply with Nasdaq Marketplace Rule 5550(a)(2). If we receive such a notice, pursuant to Marketplace Rule 5810(c)(3)(A), we may become subject to a period of 180 calendar days to regain compliance with Rule 5550(a)(2). If at any time the bid price of our common stock closes at $1.00 per share or more for a minimum of 10 consecutive business days, we will regain compliance with Rule 5550(a)(2).

The per share price of our ordinary shares has fluctuated significantly and has been below $1.00 per share. Our stock price may not close at or above $1.00 per share and if the price remains below $1.00 per share, our stock could become subject to delisting. Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the Nasdaq minimum bid price requirement or prevent future non-compliance with the listing requirements of Nasdaq.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Use of Proceeds from Initial Public Offering

On January 27, 2022, we closed our initial public offering ("IPO") of 2,500,000 units ("Units"), each consisting of (i) one ordinary share, $0.0001 par value per share (the "Shares"), and (ii) one warrant (the "Warrants") entitling the holder to purchase one Share at an exercise price of $6.00 per Share. The Warrants are immediately exercisable upon issuance and are exercisable for a period of five years after the issuance date. The Shares and Warrants were issued separately in the IPO, and may be transferred separately immediately upon issuance. The underwriters exercised in full their option to purchase up to an additional 375,000 Warrants. The Units were sold at a price of $6.00 per Unit, and the net proceeds from the IPO were approximately $12.4 million, after deducting underwriting discounts and commissions of approximately $1.1 million and offering expenses of approximately $1.5 million payable by us. No payments for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates.

In connection with the IPO, we issued to the representative of the underwriters a warrant to purchase an aggregate of 50,000 Shares. The Benchmark Company acted as lead book-running manager, and Northland Capital Markets acted as joint book-running manager. The offer and sale of the shares were registered under the Securities Act of 1933, as amended (the "Securities Act") on a Registration Statement on Form S-1 (File No. 333-259457), which was declared effective on January 24, 2022.

There has been no material change in the expected use of the net proceeds from our IPO as described in our final prospectus, dated January 24, 2022, filed with the SEC on January 26, 2022, pursuant to Rule 424(b) of the Securities Act and our Post-Effective Amendment No.1 to Form S-1 filed on April 7, 2022.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Trading Plans

During the six months ended June 30, 2024, no director or executive officer adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Second Amended and Restated Memorandum and Articles of Association of FGI Industries Ltd., effective January 27, 2022 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 27, 2022).
31.1	Rule 13(a)-14(a)/15(d)-14(a) Certification of Principal Executive Officer.
31.2	Rule 13(a)-14(a)/15(d)-14(a) Certification of Principal Financial Officer.
32.1	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer.
101	The following material from FGI Industries Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income; (iii) the Condensed Consolidated Statements of Changes in Shareholders' Equity; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) Notes to Unaudited Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File formatted in Inline XBRL and contained in Exhibit 101.

SIGNATURES

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

Dated: August 13, 2024

FGI Industries Ltd.

By: /s/ David Bruce
David Bruce
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Perry Lin
Perry Lin
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, David Bruce, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FGI Industries Ltd.;

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)) for the registrant and have:

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

   (b) N/A;

   (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; and

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

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

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

Date: August 13, 2024

/s/ David Bruce

David Bruce
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Perry Lin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FGI Industries Ltd.;

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)) for the registrant and have:

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

   (b) N/A;

   (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; and

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

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

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

Date: August 13, 2024

/s/ Perry Lin

Perry Lin
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of FGI Industries Ltd. (the "*Company*") on Form 10-Q for the period ended June 30, 2024, to which this certification is being filed as of the date hereof as an exhibit thereto (the "*Report*"), I, David Bruce, Chief Executive Officer of the Company, and I, Perry Lin, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(a) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)); and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2024

/s/ David Bruce
David Bruce
Chief Executive Officer
(Principal Executive Officer)

/s/ Perry Lin
Perry Lin
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)