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NIMBLE HOLDINGS COMPANY LIMITED
敏捷控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 186)

OVERSEAS REGULATORY ANNOUNCEMENT

(This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited)

Please refer to the attached announcement (Form 10-Q: Quarterly Report for the quarterly period ended 31 December 2021) filed by Emerson Radio Corp., a 72.4% owned subsidiary of Nimble Holdings Company Limited, having its shares listed on the NYSE American of United States of America (formerly NYSE MKT of United States of America), on 14 February 2022 its quarterly results for the period ended 31 December 2021.

By order of the Board
Nimble Holdings Company Limited
Tan Bingzhao
Chairman

Hong Kong, 15 February 2022

As at the date of this announcement, the board comprises two executive directors, namely, Mr. Tan Bingzhao and Mr. Deng Xiangping; and three independent non-executive directors, namely, Dr. Lin Jinying, Dr. Lu Zhenghua and Dr. Ye Hengqing.

**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 December 31, 2021

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 001-07731

EMERSON RADIO CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-3285224
(I.R.S. Employer
Identification No.)

35 Waterview Blvd., Suite 140, Parsippany, NJ
(Address of principal executive offices)

07054
(Zip code)

(973) 428-2000

(Registrant's telephone number, including area code)

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

Title of Each Class
Common Stock, par value \$.01 per share

Trading Symbol(s)
MSN

Name of Each Exchange on Which Registered
NYSE American

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

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

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

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

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

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

Indicate the number of shares outstanding of common stock as of February 11, 2022: 21,042,652.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

EMERSON RADIO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|---------------------------------|-----------|--------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Net revenues: | | | | |
| Net product sales | \$ 2,509 | \$ 2,273 | \$ 6,290 | \$ 5,718 |
| Licensing revenue | 65 | 60 | 195 | 180 |
| Net revenues | 2,574 | 2,333 | 6,485 | 5,898 |
| Costs and expenses: | | | | |
| Cost of sales | 1,826 | 1,754 | 4,786 | 4,519 |
| Selling, general and administrative expenses | 1,469 | 1,560 | 4,196 | 4,601 |
| | 3,295 | 3,314 | 8,982 | 9,120 |
| Operating loss | (721) | (981) | (2,497) | (3,222) |
| Other (loss) income: | | | | |
| Loss on settlement of litigation | (450) | — | (450) | — |
| Interest income, net | 7 | 18 | 40 | 128 |
| Income from governmental assistance programs | — | 28 | 207 | 83 |
| Loss before income taxes | (1,164) | (935) | (2,700) | (3,011) |
| Provision for income tax expense | — | 10 | 11 | 15 |
| Net loss | (1,164) | (945) | (2,711) | (3,026) |
| Basic loss per share | \$ (0.06) | \$ (0.04) | \$ (0.13) | \$ (0.14) |
| Diluted loss per share | \$ (0.06) | \$ (0.04) | \$ (0.13) | \$ (0.14) |
| Weighted average shares outstanding | | | | |
| Basic | 21,043 | 21,043 | 21,043 | 21,043 |
| Diluted | 21,043 | 21,043 | 21,043 | 21,043 |

The accompanying notes are an integral part of the consolidated financial statements.

EMERSON RADIO CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands except share data)

| | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|--------------------------|-----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 24,744 | \$ 5,245 |
| Short term investments | — | 25,045 |
| Accounts receivable, net | 2,619 | 691 |
| Inventory | 2,574 | 1,961 |
| Prepaid purchases | 287 | 361 |
| Prepaid expenses and other current assets | 383 | 289 |
| Total Current Assets | <u>30,607</u> | <u>33,592</u> |
| Non-Current Assets: | | |
| Property and equipment, net | 2 | — |
| Right-of-use asset-operating leases | 455 | 213 |
| Right-of-use asset-finance leases | 3 | 3 |
| Other assets | 90 | 94 |
| Total Non-Current Assets | <u>550</u> | <u>310</u> |
| Total Assets | <u>\$ 31,157</u> | <u>\$ 33,902</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable and other current liabilities | 1,142 | 788 |
| Paycheck Protection Program loan | — | 204 |
| Due to affiliate | 1 | 1 |
| Short-term operating lease liability | 225 | 152 |
| Short-term finance lease liability | 1 | 1 |
| Income tax payable, current portion | 195 | 195 |
| Deferred revenue | — | 195 |
| Total Current Liabilities | <u>1,564</u> | <u>1,536</u> |
| Non-Current Liabilities: | | |
| Long-term operating lease liability | 244 | 82 |
| Long-term finance lease liability | 2 | 3 |
| Income tax payable | 1,613 | 1,836 |
| Total Non-Current Liabilities | <u>1,859</u> | <u>1,921</u> |
| Total Liabilities | <u>\$ 3,423</u> | <u>\$ 3,457</u> |
| Shareholders' Equity: | | |
| Series A Preferred shares — 10,000,000 shares authorized; 3,677 shares issued and outstanding; liquidation preference of \$3,677,000 | 3,310 | 3,310 |
| Common shares — \$0.01 par value, 75,000,000 shares authorized; 52,965,797 shares issued at December 31, 2021 and March 31, 2021, respectively; 21,042,652 shares outstanding at December 31, 2021 and March 31, 2021, respectively | 529 | 529 |
| Additional paid-in capital | 79,792 | 79,792 |
| Accumulated deficit | (22,696) | (19,985) |
| Treasury stock, at cost (31,923,145 shares at December 31, 2021 and March 31, 2021, respectively) | (33,201) | (33,201) |
| Total Shareholders' Equity | <u>27,734</u> | <u>30,445</u> |
| Total Liabilities and Shareholders' Equity | <u>\$ 31,157</u> | <u>\$ 33,902</u> |

The accompanying notes are an integral part of the consolidated financial statements.

EMERSON RADIO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

| | Nine Months Ended December 31, | |
|---|--------------------------------|------------|
| | 2021 | 2020 |
| | (In thousands) | |
| Cash Flows from Operating Activities: | | |
| Net (loss) | \$ (2,711) | \$ (3,026) |
| Adjustments to reconcile net loss to net cash (used) by operating activities: | | |
| Loan forgiveness from Paycheck Protection Program | (207) | — |
| Amortization of right-of-use assets | 164 | 171 |
| Depreciation and amortization | — | 2 |
| Asset allowances and reserves | 149 | 13 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (2,077) | (994) |
| Inventory | (613) | 42 |
| Prepaid purchases | 74 | (259) |
| Prepaid expenses and other current assets | (94) | (57) |
| Other assets | 4 | — |
| Accounts payable and other current liabilities | 354 | 336 |
| Right of use assets-operating | (403) | — |
| Short term lease liabilities | 73 | (50) |
| Long term lease liabilities | 161 | (130) |
| Due to affiliate | — | 1 |
| Income taxes payable | (223) | (197) |
| Deferred revenue | (195) | 80 |
| Net cash (used) by operating activities | (5,544) | (4,068) |
| Cash Flows From Investing Activities: | | |
| Proceeds from sale of short-term investments | 25,045 | 28,101 |
| Purchases of short-term investments | — | — |
| Additions to property and equipment | (2) | — |
| Net cash provided by investing activities | 25,043 | 28,101 |
| Cash Flows from Financing Activities: | | |
| Proceeds from Paycheck Protection Program loan | — | 204 |
| Net cash provided by financing activities | — | 204 |
| Net increase in cash and cash equivalents | 19,499 | 24,237 |
| Cash and cash equivalents at beginning of the year | 5,245 | 6,276 |
| Cash and cash equivalents at end of the year | \$ 24,744 | \$ 30,513 |
| Supplemental disclosures: | | |
| <u>Cash paid for:</u> | | |
| Interest | \$ 8 | \$ 6 |
| Income taxes | \$ 222 | \$ 197 |

The accompanying notes are an integral part of the consolidated financial statements.

EMERSON RADIO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands)

| | Preferred Stock | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Treasury Stock | Total Shareholders' Equity |
|-----------------------------|--------------------|---------------------|--------------|----------------------------------|------------------------|-------------------|----------------------------------|
| | | Number of Shares | Par Value | | | | |
| Balance — March 31, 2021 | \$ 3,310 | 52,965,797 | \$ 529 | \$ 79,792 | \$ (19,985) | \$ (33,201) | \$ 30,445 |
| Net loss | — | — | — | — | (2,711) | — | (2,711) |
| Balance — December 31, 2021 | \$ 3,310 | 52,965,797 | \$ 529 | \$ 79,792 | \$ (22,696) | \$ (33,201) | \$ 27,734 |

| | Preferred Stock | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Treasury Stock | Total Shareholders' Equity |
|-----------------------------|--------------------|---------------------|--------------|----------------------------------|------------------------|-------------------|----------------------------------|
| | | Number of Shares | Par Value | | | | |
| Balance — March 31, 2020 | \$ 3,310 | 52,965,797 | \$ 529 | \$ 79,792 | \$ (16,009) | \$ (33,201) | \$ 34,421 |
| Net loss | — | — | — | — | (3,026) | — | (3,026) |
| Balance — December 31, 2020 | \$ 3,310 | 52,965,797 | \$ 529 | \$ 79,792 | \$ (19,035) | \$ (33,201) | \$ 31,395 |

The accompanying notes are an integral part of the consolidated financial statements.

EMERSON RADIO CORP. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — BACKGROUND AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Emerson Radio Corp. and its subsidiaries (“Emerson” or the “Company”). The Company designs, sources, imports and markets certain houseware and consumer electronic products, and licenses the Company’s trademarks for a variety of products.

The unaudited interim consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the Company’s consolidated financial position as of December 31, 2021 and the results of operations for the three and nine month periods ended December 31, 2021 and December 31, 2020. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the financial statements not misleading have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. The preparation of the unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes; actual results could materially differ from those estimates. The unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and accordingly do not include all of the disclosures normally made in the Company’s annual consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended March 31, 2021 (“fiscal 2021”), included in the Company’s annual report on Form 10-K, as amended, for fiscal 2021.

The results of operations for the three and nine month periods ended December 31, 2021 are not necessarily indicative of the results of operations that may be expected for any other interim period or for the full year ending March 31, 2022 (“fiscal 2022”).

Whenever necessary, reclassifications are made to conform the prior year’s consolidated financial statements to the current year’s presentation.

Recently Adopted Accounting Pronouncements

Accounting Standards Update 2019-12 “Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes” (Issued December 2019)

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes,” which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020. This standard took effect in the first quarter (June 2021) of the Company’s fiscal year ending March 31, 2022. The adoption of ASU 2019-12 had no material impact on the Company’s consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements

The following Accounting Standards Updates (“ASUs”) were issued by the Financial Accounting Standards Board (“FASB”) which relate to or could relate to the Company as concerns the Company’s normal ongoing operations or the industry in which the Company operates.

Accounting Standards Update 2016-13 “Financial Instruments – Credit Losses” (Issued June 2016)

In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses” to introduce new guidance for the accounting for credit losses on instruments within its scope. ASU 2016-13 requires among other things, the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for fiscal years and interim period beginning after December 15, 2022. Early adoption is permitted. The Company does not expect these amendments to have a material impact on its financial statements.

Revenue recognition: Sales to customers and related cost of sales are primarily recognized at the point in time when control of goods transfers to the customer. Under the Direct Import Program, title passes in the country of origin. Under the Domestic Program, title passes primarily at the time of shipment. Estimates for future expected returns are based upon historical return rates and netted against revenues.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. Revenue is recorded net of customer discounts, promotional allowances, volume rebates and similar charges. When the Company offers the right to return product, historical experience is utilized to establish a liability for the estimate of expected returns. Sales and other tax amounts collected from customers for remittance to governmental authorities are excluded from revenue.

Management must make estimates of potential future product returns related to current period product revenue. Management analyzes historical returns, current economic trends and changes in customer demand for the Company's products when evaluating the adequacy of the reserve for sales returns. Management judgments and estimates must be made and used in connection with establishing the sales return reserves in any accounting period. Additional reserves may be required if actual sales returns increase above the historical return rates. Conversely, the sales return reserve could be decreased if the actual return rates are less than the historical return rates, which were used to establish the reserve.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company's products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

The Company offers limited warranties for its consumer electronics, comparable to those offered to consumers by the Company's competitors in the United States. Such warranties typically consist of a one year period for microwaves and a 90 day period for audio products, under which the Company pays for labor and parts, or offers a new or similar unit in exchange for a non-performing unit.

NOTE 2 — EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts). Weighted average shares includes the impact of shares held in treasury.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|---------------------------------|-----------|--------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Numerator: | | | | |
| Net loss | \$ (1,164) | \$ (945) | \$ (2,711) | \$ (3,026) |
| Denominator: | | | | |
| Denominator for basic and diluted loss per share — weighted average shares | 21,043 | 21,043 | 21,043 | 21,043 |
| Net loss per share: | | | | |
| Basic and diluted loss per share | \$ (0.06) | \$ (0.04) | \$ (0.13) | \$ (0.14) |

NOTE 3 — SHAREHOLDERS' EQUITY

Outstanding capital stock at December 31, 2021 consisted of common stock and Series A preferred stock. The Series A preferred stock is non-voting, has no dividend preferences and has not been convertible since March 31, 2002; however, it retains a liquidation preference.

At December 31, 2021, the Company had no options, warrants or other potentially dilutive securities outstanding.

NOTE 4 — INVENTORY

Inventories, which consist primarily of finished goods, are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. As of December 31, 2021 and March 31, 2021, inventories consisted of the following (in thousands):

| | December 31, 2021 | March 31, 2021 |
|----------------|-------------------|----------------|
| Finished goods | \$ 2,574 | \$ 1,961 |

NOTE 5 — INCOME TAXES

At December 31, 2021, the Company had \$13.2 million of U.S. federal net operating loss (“NOL”) carry forwards. These losses do not expire but are limited to utilization of 80% of taxable income in any one year. At December 31, 2021, the Company had approximately \$16.3 million of U.S. state NOL carry forwards. The tax benefits related to these state NOL carry forwards and future deductible temporary differences are recorded to the extent management believes it is more likely than not that such benefits will be realized.

The income of foreign subsidiaries before taxes was \$19,000 for the three month period ended December 31, 2021 as compared to income before taxes of \$103,000 for the three month period ended December 31, 2020. The income of foreign subsidiaries before taxes was \$71,000 for the nine month period ended December 31, 2021 as compared to income before taxes of \$103,000 for the nine month period ended December 31, 2020.

The Company analyzed the future reasonability of recognizing its deferred tax assets at December 31, 2021. As a result, the Company concluded that a 100% valuation allowance of approximately \$4,152,000 would be recorded against the assets.

During the three month periods ended December 31, 2021 and December 31, 2020, the Company recorded income tax expense of nil and \$9,900, respectively, primarily resulting from state income taxes. During the nine month periods ended December 31, 2021 and December 31, 2020, the Company recorded income tax expense of approximately \$11,000 and \$15,200 respectively, primarily resulting from state income taxes.

The Company is subject to examination and assessment by tax authorities in numerous jurisdictions. As of December 31, 2021, the Company’s open tax years for examination for U.S. federal tax are 2016-2021, and for U.S. states’ tax are 2015-2021. Based on the outcome of tax examinations or due to the expiration of statutes of limitations, it is reasonably possible that the unrecognized tax benefits related to uncertain tax positions taken in previously filed returns may be different from the liabilities that have been recorded for these unrecognized tax benefits. As a result, the Company may be subject to additional tax expense.

As of December 31, 2021 the Company is asserting under ASC 740-30 that all of the unremitted earnings of its foreign subsidiaries are indefinitely invested. The Company evaluates this assertion each period based on a number of factors, including the operating plans, budgets, and forecasts for both the Company and its foreign subsidiaries; the long-term and short-term financial requirements in the U.S. and in each foreign jurisdiction; and the tax consequences of any decision to repatriate earnings of foreign subsidiaries to the U.S.

As of December 31, 2021, the Company had a federal tax liability of approximately \$1,808,000 related to the repatriation of the Company’s undistributed earnings of its foreign subsidiaries as required by the Tax Cuts and Jobs Act of 2017 (the “Tax Act”). As of December 31, 2021, the Company’s short term portion was approximately \$195,000 and the long term portion was approximately \$1,613,000.

As of March 31, 2021, the Company had a federal tax liability of approximately \$2,031,000 related to the repatriation of the Company’s undistributed earnings of its foreign subsidiaries as required by the Tax Act. As of March 31, 2021 the Company’s short term portion was approximately \$195,000 and the long term portion was approximately \$1,836,000.

The liability is payable over 8 years. The first five installments are each equal to 8%, the sixth is equal to 15%, the seventh is equal to 20% and the final installment is equal to 25% of the liability. As of December 31, 2021, the Company has made four of the eight installments. Each installment is due on or before July 15th of the year in which such installment is due.

NOTE 6 — RELATED PARTY TRANSACTIONS

From time to time, Emerson engages in business transactions with its controlling shareholder, Nimble Holdings Company Limited (“Nimble”), formerly known as The Grande Holdings Limited (“Grande”), and one or more of Nimble’s direct and indirect subsidiaries, or with entities related to the Company’s Chairman of the Board. Set forth below is a summary of such transactions.

Controlling Shareholder

S&T International Distribution Limited (“S&T”), which is a wholly owned subsidiary of Grande N.A.K.S. Ltd., which is a wholly owned subsidiary of Nimble, collectively have, based on a Schedule 13D/A filed with the SEC on February 15, 2019, the shared power to vote and direct the disposition of 15,243,283 shares, or approximately 72.4%, of the Company’s outstanding common stock as of December 31, 2021. Accordingly, the Company is a “controlled company” as defined in Section 801(a) of the NYSE American Company Guide.

Related Party Transactions

Charges of rental and utility fees on office space in Hong Kong

During the three and nine month periods ended December 31, 2021, the Company was billed approximately \$40,000 and \$126,000, respectively, for rental and utility fees from Vigers Appraisal and Consulting Ltd (“VACL”), which is a company related to the Company’s Chairman of the Board. As of December 31, 2021 the Company owed approximately \$800 to VACL related to these charges.

During the three and nine month periods ended December 31, 2021, the Company was billed approximately \$600 and \$2,000, respectively, for purchases of personal protection equipment from Vigers Strategic Services Ltd (“VSSL”), which is a company related to the Company’s Chairman of the Board. Vigers Strategic Services Ltd was formerly known as Lafe Strategic Services Ltd. As of December 31, 2021 the Company owed nil to VSSL related to these charges.

NOTE 7 — SHORT TERM INVESTMENTS

At December 31, 2021 and March 31, 2021, the Company held short term investments in deposits totaling nil and \$25.0 million, respectively. The Company held \$22.0 million in deposits which were classified as cash equivalents as of December 31, 2021 and \$1.0 million of such deposits as of March 31, 2021.

NOTE 8 — CONCENTRATION RISK

Customer Concentration

For the three month period ended December 31, 2021, the Company’s three largest customers accounted for approximately 92% of the Company’s net revenues, of which Amazon accounted for 50%, Walmart accounted for 37% and Fred Meyer accounted for 5%.

For the nine month period ended December 31, 2021, the Company’s three largest customers accounted for approximately 88% of the Company’s net revenues, of which Walmart accounted for 37%, Amazon accounted for 36% and Fred Meyer accounted for 15%.

For the three month period ended December 31, 2020, the Company’s three largest customers accounted for approximately 88% of the Company’s net revenues, of which Walmart accounted for 42%, Amazon accounted for 39% and Fred Meyer accounted for 7%.

For the nine month period ended December 31, 2020, the Company’s three largest customers accounted for approximately 81% of the Company’s net revenues, of which Walmart accounted for 39%, Amazon accounted for 29% and Fred Meyer accounted for 13%.

A significant decline in net sales to any of the Company’s key customers would have a material adverse effect on the Company’s business, financial condition and results of operation.

Product Concentration

For the three and nine month periods ended December 31, 2021, the Company’s gross product sales were comprised of two product types within two categories — housewares products and audio products, of which microwave ovens generated approximately 10% and 24%, respectively, of the Company’s gross product sales. Audio products generated approximately 89% and 76%, respectively, of the Company’s gross product sales.

For the three and nine month periods ended December 31, 2020, the Company’s gross product sales were comprised of the same two product types within two categories — housewares products and audio products, of which microwave ovens generated approximately 25% and 36%, respectively, of the Company’s gross product sales. Audio products generated approximately 73% and 62%, respectively, of the Company’s gross product sales.

Concentrations of Credit Risk

As a percent of the Company’s total trade accounts receivable, net of specific reserves, the Company’s top two customers accounted for 56% and 27% as of December 31, 2021, respectively. As a percent of the Company’s total trade accounts receivable, net of specific reserves, the Company’s top two customers accounted for 69% and 28% as of March 31, 2021, respectively. The Company periodically performs credit evaluations of its customers but generally does not require collateral, and the Company provides for any anticipated credit losses in the financial statements based upon management’s estimates and ongoing reviews of recorded allowances. Due to the high concentration of the Company’s net trade accounts receivables among just two customers, any significant failure by one of these customers to pay the Company the amounts owing against these receivables would result in a material adverse effect on the Company’s business, financial condition and results of operations.

The Company maintains its cash accounts with major U.S. and foreign financial institutions. The Company's cash and restricted cash balances on deposit in the U.S. as of December 31, 2021 and March 31, 2021 were insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per qualifying bank account in accordance with FDIC rules. The Company's cash, cash equivalents and restricted cash balances in excess of these FDIC-insured limits were approximately \$24.5 million and approximately \$5.0 million at December 31, 2021 and March 31, 2021, respectively.

Supplier Concentration

During the three and nine month periods ended December 31, 2021, the Company procured 100% of its products for resale from its two largest factory suppliers, of which 81% and 83%, respectively, was supplied by its largest supplier. During the three and nine month periods ended December 31, 2020, the Company procured 95% and 98% of its products for resale from its two largest factory suppliers, of which 57% and 58%, respectively, was supplied by its largest supplier.

NOTE 9 — LEASES

The Company leases office space in the U.S. and in Hong Kong as well as a copier in the U.S. These leases have remaining non-cancellable lease terms of thirteen months to three years. The Company has elected not to separate lease and non-lease components for all leased assets. The Company did not identify any events or conditions during the quarter ended December 31, 2021 to indicate that a reassessment or re-measurement of the Company's existing leases was required. There were also no impairment indicators identified during the quarter ended December 31, 2021 that required an impairment test for the Company's right-of-use assets or other long-lived assets in accordance with ASC 360-10.

As of December 31, 2021, the Company's current operating and finance lease liabilities were \$225,000 and \$1,000, respectively and its non-current operating and finance lease liabilities were \$244,000 and \$2,000, respectively. The Company's operating and finance lease right-of-use asset balances are presented in non-current assets. The net balance of the Company's operating and finance lease right-of-use assets as of December 31, 2021 was \$455,000 and \$3,000, respectively.

The components of lease costs, which were included in operating expenses in the Company's condensed consolidated statements of operations, were as follows:

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|-------------------------------------|---------------------------------|-----------|--------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| | (in thousands) | | (in thousands) | |
| Lease cost | | | | |
| Operating lease cost | \$ 64 | \$ 64 | \$ 191 | \$ 191 |
| Finance lease cost | — | — | — | — |
| Amortization of right-of-use assets | — | — | — | — |
| Interest on lease liabilities | — | — | — | — |
| Variable lease costs | — | — | — | — |
| Total lease cost | 64 | 64 | 191 | 191 |

The supplemental cash flow information related to leases are as follows:

Cash paid for amounts included in the measurement of lease liabilities:

| | | | | |
|--|----|----|-----|-----|
| Operating cash flows from operating leases | 63 | 67 | 194 | 200 |
| Operating cash flows from finance leases | — | — | — | — |
| Financing cash flows from finance leases | — | — | — | — |

Right-of-use assets obtained in exchange for lease obligations:

| | | | | |
|------------------|-----|---|-----|---|
| Operating leases | 403 | — | 403 | — |
| Finance leases | — | — | — | — |

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

| Weighted average remaining lease term (in months) | As of December 31, 2021 | As of December 31, 2020 |
|---|-------------------------|-------------------------|
| Operating leases | 27.3 | 19.0 |
| Finance leases | 29.2 | 41.2 |

| Weighted average discount rate | As of December 31, 2021 | As of December 31, 2020 |
|--------------------------------|-------------------------|-------------------------|
| Operating leases | 7.50% | 7.50% |
| Finance leases | 7.50% | 7.50% |

As of December 31, 2021 the maturities of lease liabilities were as follows:

| (in thousands) | <u>Operating Leases</u> | <u>Finance Leases</u> |
|------------------------|-------------------------|-----------------------|
| 2022 | \$ 63 | \$ 1 |
| 2023 | 233 | 1 |
| 2024 | 149 | 1 |
| 2025 | 63 | 1 |
| Thereafter | — | — |
| Total lease payments | \$ 508 | \$ 4 |
| Less: Imputed interest | (39) | (1) |
| Total | \$ 469 | \$ 3 |

NOTE 10 — PAYCHECK PROTECTION PROGRAM AND EMPLOYMENT SUPPORT SCHEME

On July 5, 2021, the Company's Paycheck Protection Program ("PPP") loan of approximately \$204,400 plus accrued interest of \$2,400 was forgiven by the Small Business Administration. The Company recorded the impact of its PPP loan forgiveness as other income during the quarter ended September 30, 2021.

During the three months ended December 31, 2021 and December 31, 2020, the Company's Hong Kong subsidiary recorded nil and \$28,000, respectively, under the governmental program called the Employment Support Scheme ("ESS"). During the nine months ended December 31, 2021 and December 31, 2020, the Company's Hong Kong subsidiary recorded nil and \$83,000, respectively, under the ESS program.

The income realized from the PPP loan forgiveness and the amount granted under the ESS program are presented as Other Income under the description called "Income from governmental assistance programs" in the Consolidated Statements of Operations.

NOTE 11 — SUBSEQUENT EVENT

On January 3, 2022, a legal settlement was entered into between the Company and one of its former directors that resolved certain disputes, including certain claims against the former director and an indemnification claim made by the former director. The amount of the settlement was \$450,000 and is presented separately in the Consolidated Statements of Operations as a loss on settlement of litigation for the three and nine month periods ended December 31, 2021.

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

The following discussion of the Company's operations and financial condition should be read in conjunction with the Financial Statements and notes thereto included elsewhere in this Quarterly Report.

In the following discussions, most percentages and dollar amounts have been rounded to aid presentation. Accordingly, all amounts are approximations.

Forward-Looking Information

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the Company's control, and which may cause the Company's actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. The reader can identify these forward-looking statements through the Company's use of words such as "may," "will," "can," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "seek," "estimate," "continue," "plan," "project," "predict," "could," "intend," "target," "potential," and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation:

- the ongoing effects of the coronavirus (COVID-19) pandemic-related business disruption and economic uncertainty on both the Company's projected customer demand and supply chain, as well as its operations and financial performance;
- the Company's ability to generate sufficient revenue to achieve and maintain profitability;
- the Company's ability to obtain new customers and retain key existing customers, including the Company's ability to maintain purchase volumes of the Company's products by its key customers;
- the Company's ability to obtain new licensees and distribution relationships and maintain relationships with its existing licensees and distributors;
- the Company's ability to resist price increases from its suppliers or pass through such increases to its customers;
- changes in consumer spending for retail products, such as the Company's products, and in consumer practices, including sales over the Internet;
- the Company's ability to maintain effective internal controls or compliance by its personnel with such internal controls;
- the Company's ability to successfully manage its operating cash flows to fund its operations;
- the Company's ability to anticipate market trends, enhance existing products or achieve market acceptance of new products;
- the Company's ability to accurately forecast consumer demand and adequately manage inventory;
- the Company's dependence on a limited number of suppliers for its components and raw materials;
- the Company's dependence on third party manufacturers to manufacture and deliver its products;
- increases in shipping costs for the Company's products or other service issues with the Company's third-party shippers;
- the Company's dependence on a third party logistics provider for the storage and distribution of its products in the United States;
- the ability of third party sales representatives to adequately promote, market and sell the Company's products;
- the Company's ability to maintain, protect and enhance its intellectual property;
- the effects of competition;
- the Company's ability to distribute its products in a timely fashion, including as a result of labor disputes and public health threats and social unrest;
- evolving cybersecurity threats to the Company's information technology systems or those of its customers or suppliers;

- changes in foreign laws and regulations and changes in the political and economic conditions in the foreign countries in which the Company operates;
- changes in accounting policies, rules and practices;
- changes in tax rules and regulations or interpretations;
- changes in U.S. and foreign trade regulations and tariffs, including potential increases of tariffs on goods imported into the U.S., and uncertainty regarding the same;
- limited access to financing or increased cost of financing;
- the effects of currency fluctuations between the U.S. dollar and Chinese renminbi relative to the dollar and increases in costs of production in China; and
- the other factors listed under “Risk Factors” in the Company’s Form 10-K, as amended, for the fiscal year ended March 31, 2021 and other filings with the SEC.

Furthermore, the situation surrounding the COVID-19 pandemic remains fluid and the potential for a material impact on the Company’s results of operations and financial condition increases the longer the COVID-19 pandemic affects activity levels in the United States and globally. For this reason, the Company cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on its business, results of operations or financial position. The extent of any impact will depend on future developments, including the duration of the outbreak, duration of the measures taken to control the spread, the effectiveness of actions taken to contain and treat the disease, and demand for the Company’s products.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The reader is cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this report or the date of the document incorporated by reference into this report. The Company has no obligation, and expressly disclaims any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. The Company has expressed its expectations, beliefs and projections in good faith and it believes it has a reasonable basis for them. However, the Company cannot assure the reader that its expectations, beliefs or projections will result or be achieved or accomplished.

Results of Operations

The following table summarizes certain financial information for the three and nine month periods ended December 31, 2021 (fiscal 2022) and December 31, 2020 (fiscal 2021) (in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|---------------------------------|-----------------|--------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net product sales | \$ 2,509 | \$ 2,273 | \$ 6,290 | \$ 5,718 |
| Licensing revenue | 65 | 60 | 195 | 180 |
| Net revenues | 2,574 | 2,333 | 6,485 | 5,898 |
| Cost of sales | 1,826 | 1,754 | 4,786 | 4,519 |
| Selling, general and administrative expenses | 1,469 | 1,560 | 4,196 | 4,601 |
| Operating loss | (721) | (981) | (2,497) | (3,222) |
| Loss on settlement of litigation | (450) | - | (450) | - |
| Interest income, net | 7 | 18 | 40 | 128 |
| Income from governmental assistance programs | - | 28 | 207 | 83 |
| Loss before income taxes | (1,164) | (935) | (2,700) | (3,011) |
| Provision for income taxes | - | 10 | 11 | 15 |
| Net loss | \$ (1,164) | \$ (945) | \$ (2,711) | \$ (3,026) |

Net product sales — Net product sales for the three month period ended December 31, 2021 were \$2.5 million as compared to \$2.3 million for the three month period ended December 31, 2020, an increase of \$0.2 million, or 10.4%. The Company’s sales during the three month periods ended December 31, 2021 and December 31, 2020 were highly concentrated among the Company’s three largest customers – Wal-Mart, Amazon and Fred Meyer – comprising in the aggregate approximately 94% and 90%, respectively, of the Company’s total net product sales.

Net product sales for the nine month period ended December 31, 2021 were \$6.3 million as compared to \$5.7 million for the nine month period ended December 31, 2020, an increase of \$0.6 million, or 10.0%. The Company’s sales during such periods were highly concentrated among the Company’s three largest customers – Wal-Mart, Amazon and Fred Meyer – comprising in the aggregate approximately 91% and 83%, respectively, of the Company’s total net product sales.

Net product sales may be periodically impacted by adjustments made to the Company's sales allowance and marketing support accrual to record unanticipated customer deductions from accounts receivable or to reduce the accrual by any amounts which were accrued in the past but not taken by customers through deductions from accounts receivable within a certain time period. In the aggregate, these adjustments had the effect of increasing net product sales and operating income by approximately \$6,000 and \$3,000 for the three month periods ended December 31, 2021 and December 31, 2020, respectively, and approximately \$12,000 and \$46,000 for the nine month periods ended December 31, 2021 and December 31, 2020, respectively. Net product sales are comprised primarily of the sales of houseware and audio products which bear the Emerson® brand name. The major elements which contributed to the overall increase in net product sales were as follows:

- i) Houseware products: Net sales decreased \$0.3 million, or 54.2%, to \$0.3 million for the three month period ended December 31, 2021 as compared to \$0.6 million for the three month period ended December 31, 2020, driven by a decrease in year-over-year sales of microwave ovens. For the nine month period ended December 31, 2021, houseware net product sales were \$1.5 million, a decrease of \$0.6 million, or 29.6%, from \$2.1 million for the nine month period ended December 31, 2020, driven by a decrease in year-over-year sales of microwave ovens.
- ii) Audio products: Net sales increased \$0.5 million, or 32.8%, to \$2.2 million for the three month period ended December 31, 2021 as compared to \$1.7 million for the three month period ended December 31, 2020, resulting from increased net sales of clock radios. For the nine month period ended December 31, 2021, audio product net sales were \$4.8 million, an increase of \$1.2 million or 33.9%, from \$3.6 million for the nine month period ended December 31, 2020 resulting from increased net sales of clock radios.

Business operations — The Company expects to continue to expand its existing distribution channels and to develop and promote new products with retailers in the U.S. The Company is also continuing to invest in products and marketing activities to expand its sales through internet and ecommerce channels. These efforts require investments in appropriate human resources, media marketing and development of products in various categories in addition to the traditional home appliances and audio products on which the Company has historically focused. The Company also is continuing its efforts to identify strategic courses of action related to its licensing activities, including seeking new licensing relationships. The Company has engaged LMCA as an agent to assist in identifying and procuring potential licensees.

Emerson's success is dependent on its ability to anticipate and respond to changing consumer demands and trends in a timely manner, as well as expanding into new markets and sourcing new products that are profitable to the Company. Geo-political factors may also affect the Company's operations and demand for the Company's products, which are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements and bilateral actions. The Company expects that current and proposed U.S. tariffs on categories of products that the Company imports from China, and China's retaliatory tariffs on certain goods imported from the United States, as well as modifications to international trade policy, will continue to affect its product costs going forward. If no mitigation steps are taken, or the mitigation is unsuccessful, the combination of tariffs will result in significantly increased annualized costs to the Company as all of the Company's products are currently manufactured by suppliers in China. Although the Company is monitoring the trade and political environment and working to mitigate the possible effect of tariffs with its suppliers as well as its customers through pricing and sourcing strategies, the Company cannot be certain how its customers and competitors will react to the actions taken. In addition, heightened tensions between the United States and China over Hong Kong and any resulting retaliatory policies may affect our operations in Hong Kong. At this time the Company is unable to quantify possible effects on its costs arising from the new tariffs, which are expected to increase the Company's inventory costs and associated costs of sales as tariffs are incurred, and some costs may be passed through to the Company's customers as product price increases in the future. However, if the Company is unable to successfully pass through the additional costs or otherwise mitigate the effects of these tariffs, or if the higher prices reduce demand for the Company's products, it will have a negative effect on the Company's product sales and gross margins.

Starting in the fourth quarter of fiscal 2020, the global COVID-19 pandemic has presented significant challenges and impacted the Company's business and operating results, and the operations and production capabilities of the Company's suppliers in China and the distribution capabilities of the Company's third party logistics provider, including as a result of quarantine or closure. The pandemic has directly and indirectly disrupted certain sales and supply chain activities and affected the Company's ability to address those challenges. Although the Company has since experienced increased demand in certain of its product categories and favorable impacts on its online channels as a result of the COVID-19 pandemic, the Company expects that the pandemic will continue to impact its business and operations over the coming quarters, including with respect to the magnitude and timing of orders by retailers, resellers, distributors and consumers. Additionally, surges in demand and shifts in shopping patterns related to the COVID-19 pandemic have strained the global freight network and availability of shipping containers, which has been further exacerbated by COVID-19 outbreaks and protocols at many port locations, resulting in carrier-imposed capacity restrictions, carrier delays and longer lead times, including shipment receiving and unloading backlogs at many U.S. ports. As a result, the Company's shipping costs have recently increased by several multiples compared to fiscal 2021 averages. Global component shortages, in particular semiconductor chips, arising from these changes in consumer demand and reduced manufacturing capacity related to the COVID-19 pandemic have also caused and are likely to continue to result in significant price fluctuations and long lead times in the supply of these components. Although the Company is seeking alternate suppliers for these components, developing alternate sources of supply will be time consuming, difficult and costly, and may require the re-tooling of products to accommodate components from different suppliers. In addition to increasing cost trends, the Company's suppliers are not equipped to hold meaningful amounts of inventory and if shipping container capacity remains limited or unavailable, they could pause manufacturing, which could ultimately impact the Company's

ability to fulfill customer orders on a timely basis. These impacts on the Company's supply chain have and may continue to impact the Company's ability to meet product demand, which could result in additional costs, customer dissatisfaction in the event of inventory shortages or may otherwise adversely impact the Company's business and results of operations.

In light of the adverse effects of the COVID-19 pandemic on macroeconomic conditions domestically and internationally, along with the uncertainty associated with a potential recovery, the Company has implemented certain cost-reduction actions intended to reduce expenditures in light of the effects of the COVID-19 pandemic to the business. However, the environment remains highly uncertain and demand for the Company's products remains difficult to assess due to many factors including the pace of economic recovery around the world, the status of various government stimulus programs, competitive intensity and retailer actions to continue carefully managing inventory. As a result, the Company is unable at this time to predict the full impact of the COVID-19 pandemic on its operations and financial results, and, depending on the magnitude and duration of the pandemic, including the further spread and severity of COVID-19 cases in areas in which the Company operates and the availability and distribution of effective vaccines, such impact may be material. Accordingly, current results and financial condition discussed herein may not be indicative of future operating results and trends

For more information on risks associated with the Company's operations, including tariffs, please see the risk factors within Part I, Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K, as amended, for the year ended March 31, 2021.

Licensing revenue — Licensing revenue for the three month period ended December 31, 2021 was \$65,000 as compared to \$60,000 for the three month period ended December 31, 2020, an increase of \$5,000, or 8.3%. The year-over-year increase can be attributed to the escalation in the annual minimum royalty earned by the Company from its licensee.

Licensing revenue for the nine month period ended December 31, 2021 was \$195,000 as compared to \$180,000 for the nine month period ended December 31, 2020, an increase of \$15,000, or 8.3%. The year-over-year increase can be attributed to the escalation in the annual minimum royalty earned by the Company from its licensee.

Net revenues — As a result of the foregoing factors, the Company's net revenues were \$2.6 million for the three month period ended December 31, 2021 as compared to \$2.3 million for the three month period ended December 31, 2020, an increase of \$0.3 million, or 10.3%, and \$6.5 million for the nine month period ended December 31, 2021 as compared to \$5.9 million for the nine month period ended December 31, 2020, an increase of \$0.6 million, or 10.0%

Cost of sales — In absolute terms, cost of sales increased \$0.1 million, or 4.1%, to \$1.8 million for the three month period ended December 31, 2021 as compared to \$1.7 million for the three month period ended December 31, 2020. The increase in absolute terms for the three month period ended December 31, 2021 as compared to the three month period ended December 31, 2020 was primarily related to an increase in net product sales partially offset by lower year-over-year gross cost of sales as a percentage of gross sales.

In absolute terms, cost of sales increased \$0.3 million, or 5.9%, to \$4.8 million for the nine month period ended December 31, 2021 as compared to \$4.5 million for the nine month period ended December 31, 2020. The increase in absolute terms for the nine month period ended December 31, 2021 as compared to the nine month period ended December 31, 2020 was primarily related to an increase in net product sales partially offset by lower year-over-year gross cost of sales as a percentage of gross sales.

The Company purchases the products it sells from a limited number of factory suppliers. For the three month periods ended December 31, 2021 and December 31, 2020, the Company purchased 100% and 95%, respectively, from its two largest suppliers. For the nine month periods ended December 31, 2021 and December 31, 2020, the Company purchased 100% and 98%, respectively, from its two largest suppliers.

Selling, general and administrative expenses ("S,G&A") — S,G&A, in absolute terms, was \$1.5 million for the three month period ended December 31, 2021 as compared to \$1.6 million for three month period ended December 31, 2020, a decrease of \$0.1 million or 5.8%. S,G&A, as a percentage of net revenues, was 57.1% for the three month period ended December 31, 2021 as compared to 66.9% for the three month period ended December 31, 2020. The decrease in S,G&A was primarily attributed to a decrease in compensation costs of approximately \$113,000. Compensation costs for the three month period ended December 31, 2021 were \$531,000 as compared to \$644,000 for the three month period ended December 31, 2020.

S,G&A, in absolute terms, was \$4.2 million for the nine month period ended December 31, 2021 as compared to \$4.6 million for the nine month period ended December 31, 2020, a decrease of \$0.4 million, or 8.8%. S,G&A, as a percentage of net revenues, was 64.7% for the nine month period ended December 31, 2021 as compared to 78.0% for the nine month period ended December 31, 2020. The decrease in S,G&A was primarily attributed to a decrease in legal fees of approximately \$245,000 and a decrease in compensation costs of approximately \$126,000. Legal fees for the nine month period ended December 31, 2021 were approximately \$1,100,000 as compared to approximately \$1,345,000 for the nine month period ended December 31, 2020. The majority of the decrease in legal fees concerned the protection of the Emerson® trademark. Compensation costs for the nine month period ended December 31, 2021 were approximately \$1,770,000 as compared to approximately \$1,896,000 for the nine month period ended December 31, 2020. The majority of the decrease in compensation costs were due to headcount reductions.

Loss on settlement of litigation — During the three month period ended December 31, 2021, a settlement agreement between the Company and one of its former directors was entered into regarding an indemnification claim. The amount of the settlement was \$450,000. See “Note 11 – Subsequent Event”.

Interest income, net — Interest income, net, was \$7,000 for the three month period ended December 31, 2021 as compared to \$18,000 for the three month period ended December 31, 2020, a decrease of \$11,000. The decrease was primarily due to lower average interest rates earned on the Company’s short term investments.

Interest income, net, was \$40,000 for the nine month period ended December 31, 2021 as compared to \$128,000 for the nine month period ended December 31, 2020, a decrease of \$88,000. The decrease was primarily due to lower average interest rates earned on the Company’s short term investments.

Income from governmental assistance programs — For the three and nine month periods ended December 31, 2021, the Company recorded income of approximately nil and \$207,000, respectively, related to its PPP loan forgiveness. For the three and nine month periods ended December 31, 2020, the Company recorded income of approximately \$28,000 and \$83,000, respectively, related to assistance received from the Hong Kong government under the ESS program. See “Note 10 - Paycheck Protection Program and Employment Support Scheme”.

Provision (benefit) for income taxes — For the three month period ended December 31, 2021, the Company recorded income tax expense of nil as compared to income tax expense of \$9,900 for the three month period ended December 31, 2020. See “Note 5 – Income Taxes”.

For the nine month period ended December 31, 2021, the Company recorded income tax expense of \$11,000 as compared to income tax expense of \$15,200 for the nine month period ended December 31, 2020.

Although the Company generated net losses during fiscal 2022 and fiscal 2021, it was unable to realize an income tax benefit due to valuation allowances recorded against its deferred tax assets.

Net (loss) — As a result of the foregoing factors, the Company realized a net loss of \$1,164,000 for the three month period ended December 31, 2021 as compared to a net loss of \$945,000 for the three month period ended December 31, 2020.

For the nine month period ended December 31, 2021, the Company realized a net loss of \$2,711,000 as compared to a net loss of \$3,026,000 for the nine month period ended December 31, 2020.

Liquidity and Capital Resources

As of December 31, 2021, the Company had cash and cash equivalents of approximately \$24.7 million as compared to approximately \$5.2 million at March 31, 2021. Working capital decreased to \$29.0 million at December 31, 2021 as compared to \$32.1 million at March 31, 2021. The increase in cash and cash equivalents of approximately \$19.5 million was due to the decrease in short term investments of \$25.0 million, an increase of \$0.4 million in accounts payable and other current liabilities and the increase in long term lease liabilities of \$0.2 million offset by the net loss generated during the period of \$2.7 million, an increase in accounts receivable of \$1.9 million, an increase in inventory of \$0.6 million, an increase in right of use assets of \$0.2 million, a decrease in federal taxes payable of \$0.2 million, a decrease in PPP loan payable of \$0.2 million, a decrease in deferred revenue of \$0.2 million and an increase in prepaid expenses and other current assets of \$0.1 million.

Cash Flows

Net cash used by operating activities was approximately \$5.5 million for the nine month period ended December 31, 2021, resulting from a \$2.7 million net loss generated during the period, an increase in accounts receivable of \$2.1 million, an increase in inventory of \$0.6 million, an increase in right of use assets of \$0.4 million, a decrease in federal taxes payable of \$0.2 million, the impact of the PPP loan forgiveness of \$0.2 million partially offset by an increase in accounts payable and other current liabilities of \$0.4 million, an increase in long-term lease liabilities of \$0.2 million and a decrease in prepaid purchases of \$0.1 million.

Net cash provided by investing activities was approximately \$25.0 million for the nine month period ended December 31, 2021 due to a decrease in short term deposits.

Net cash used by financing activities was nil for the nine month period ended December 31, 2021.

Sources and Uses of Funds

The Company's principal existing sources of cash are generated from operations and its existing short-term investments. The Company believes that its existing cash balance and sources of cash will be sufficient to support existing operations over the next 12 months.

Paycheck Protection Program Loan

In April and May of 2020, the Company applied for and received aggregate loan proceeds of approximately \$0.2 million under the PPP. The PPP loan accrued interest at 1% and matures two years from the date of issuance, with a deferral of payments for the first six months. The Company used all of the PPP loan proceeds for qualifying expenses in accordance with terms of the CARES Act and applied for forgiveness of the loan to the extent applicable. On July 5, 2021, the Company's PPP loan was completely forgiven by the Small Business Administration. See Note 10 of the Notes to the Interim Consolidated Financial Statements.

Off-Balance Sheet Arrangements

As of December 31, 2021, the Company did not have any off-balance sheet arrangements as defined under the rules of the SEC.

Recently Adopted Accounting Pronouncements

Accounting Standards Update 2019-12 "Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes" (Issued December 2019)

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes," which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020. This standard took effect in the first quarter (June 2021) of the Company's fiscal year ending March 31, 2022. The adoption of ASU 2019-12 had no material impact on the Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements

The following ASUs were issued by the FASB which relate to or could relate to the Company as concerns the Company's normal ongoing operations or the industry in which the Company operates.

Accounting Standards Update 2016-13 "Financial Instruments – Credit Losses" (Issued June 2016)

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses" to introduce new guidance for the accounting for credit losses on instruments within its scope. ASU 2016-13 requires among other things, the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for fiscal years and interim periods beginning after December 15, 2022. Early adoption is permitted. The Company does not expect these amendments to have a material impact on its financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

(a) Disclosure controls and procedures

The Company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d — 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Our controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

The Company's management, with the participation of our Chief Executive Officer and Chief Financial Officer, concluded that disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of December 31, 2021, are effective to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not currently a party to any legal proceedings other than litigation matters, in most cases involving ordinary and routine claims incidental to its business. Management cannot estimate with certainty the Company's ultimate legal and financial liability with respect to any such pending litigation matters. However, management believes, based on its examination of such matters, that the Company's ultimate liability will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

Item 1A. Risk Factors.

There have been no material changes to the risk factors contained in Part I, Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended March 31, 2021.

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

None

Item 3. Defaults Upon Senior Securities.

(a) None

(b) None

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

None

Item 6. Exhibits.

31.1

31.2

32

101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.*

101.SCH Inline XBRL Taxonomy Extension Schema Document.*

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.*

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.*

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.*

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.*

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* filed herewith

** furnished herewith

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.

EMERSON RADIO CORP.
(Registrant)

Date: February 14, 2022

/s/ Christopher W. Ho
Christopher W. Ho
Chief Executive Officer
(Principal Executive Officer)

Date: February 14, 2022

/s/ Richard Li
Richard Li
Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification

Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002

I, Christopher W. Ho, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Emerson Radio Corp.;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; 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 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: February 14, 2022

/s/ Christopher W. Ho

 Christopher W. Ho
 Chief Executive Officer

A signed original of this written statement required by Section 302 has been provided to Emerson Radio Corp. and will be retained by Emerson Radio Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification

Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002

I, Richard Li, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Emerson Radio Corp.;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; 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 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: February 14, 2022

/s/ Richard Li

Richard Li
Chief Financial Officer

A signed original of this written statement required by Section 302 has been provided to Emerson Radio Corp. and will be retained by Emerson Radio Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Emerson Radio Corp. (the “Company”) on Form 10-Q for the period ended December 31, 2021, filed with the Securities and Exchange Commission (the “Report”), Christopher W. Ho, Chief Executive Officer, and Richard Li, Chief Financial Officer, of the Company each hereby certifies pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: February 14, 2022

By: /s/ Christopher W. Ho
Christopher W. Ho
Chief Executive Officer

By: /s/ Richard Li
Richard Li
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Emerson Radio Corp. and will be retained by Emerson Radio Corp. and furnished to the Securities and Exchange Commission or its staff upon request.