敏捷控股
NIMBLE HOLDINGS

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 30 September 2023) filed by Emerson Radio Corp., a 72.4% owned subsidiary of Nimble Holdings Company Limited, having its shares listed on the NYSE American of the United States of America (formerly NYSE MKT of the United States of America), on 14 November 2023 its quarterly results for the period ended 30 September 2023.

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

Hong Kong, 15 November 2023

As at the date of this announcement, the board comprises four executive directors, namely, Mr. Tan Bingzhao , Mr. Deng Xiangping, Mr. Yan Guohao and Mrs. Liang Minling; 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 September 30, 2023

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.)
959 Route 46 East, Suite 210, 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	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	MSN	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.

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

Indicate the number of shares outstanding of common stock as of November 14, 2023: 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 September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Net revenues:				
Net product sales	$ 2,414	$ 1,627	$ 4,146	$ 2,631
Licensing revenue	24	673	101	743
Net revenues	2,438	2,300	4,247	3,374
Costs and expenses:				
Cost of sales	2,040	1,309	3,510	2,188
Selling, general and administrative expenses	1,064	1,291	2,262	2,635
Total costs and expenses	3,104	2,600	5,772	4,823
Operating loss	(666)	(300)	(1,525)	(1,449)
Other income:				
Settlement of litigation	3,100	—	3,100	—
Interest income, net	289	139	583	189
Income from governmental assistance programs	—	8	—	30
Income (loss) before income taxes	2,723	(153)	2,158	(1,230)
Provision for income tax expense	88	—	88	—
Net income (loss)	2,635	(153)	2,070	(1,230)
Basic income (loss) per share	$ 0.13	$ (0.01)	$ 0.10	$ (0.06)
Diluted income (loss) per share	$ 0.13	$ (0.01)	$ 0.10	$ (0.06)
Weighted average shares outstanding				
Basic	21,042,652	21,042,652	21,042,652	21,042,652
Diluted	21,042,652	21,042,652	21,042,652	21,042,652

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)

	September 30, 2023	March 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 20,871	$ 25,268
Accounts receivable, net	1,833	1,165
Licensing receivable	12	245
Inventory	5,740	3,813
Prepaid purchases	380	247
Prepaid expenses and other current assets	414	357
Total Current Assets	29,250	31,095
Non-Current Assets:		
Property and equipment, net	76	1
Right-of-use asset-operating leases	371	200
Right-of-use asset-finance leases	1	1
Other assets	84	74
Total Non-Current Assets	532	276
Total Assets	$ 29,782	$ 31,371
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and other current liabilities	580	641
Due to affiliate	1	1
Short-term operating lease liability	162	139
Short-term finance lease liability	1	1
Income tax payable, current portion	622	401
Advanced deposits	—	3,316
Deferred revenue	—	149
Total Current Liabilities	1,366	4,648
Non-Current Liabilities:		
Long-term operating lease liability	219	62
Long-term finance lease liability	—	—
Income tax payable	668	1,202
Total Non-Current Liabilities	887	1,264
Total Liabilities	$ 2,253	$ 5,912
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 September 30, 2023 and March 31, 2023, respectively; 21,042,652 shares outstanding at September 30, 2023 and March 31, 2023, respectively	529	529
Additional paid-in capital	79,792	79,792
Accumulated deficit	(22,901)	(24,971)
Treasury stock, at cost (31,923,145 shares at September 30, 2023 and March 31,	(33,201)	(33,201)

2023, respectively)		
Total Shareholders' Equity	27,529	25,459
Total Liabilities and Shareholders' Equity	$ 29,782	$ 31,371

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

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

	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Cash Flows from Operating Activities:		
Net income (loss)	$ 2,070	$ (1,230)
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:		
Amortization of right-of-use assets	77	106
Depreciation and amortization	10	—
Asset valuation allowance	43	(25)
Changes in assets and liabilities:		
Accounts receivable	(711)	248
Licensing receivable	233	(49)
Inventory	(1,927)	(447)
Prepaid purchases	(133)	81
Prepaid expenses and other current assets	(57)	(55)
Other assets	(10)	—
Accounts payable and other current liabilities	(61)	(116)
Right of use assets-operating	(248)	—
Short term lease liabilities	23	(44)
Long term lease liabilities	157	(70)
Income taxes payable	(313)	(205)
Advanced deposits	(3,316)	4,100
Deferred revenue	(149)	(97)
Net cash (used) provided by operating activities	(4,312)	2,197
Cash Flows From Investing Activities:		
Additions to property and equipment	(85)	—
Disposals of property and equipment	—	—
Net cash (used) by investing activities	(85)	—
Cash Flows from Financing Activities:		
	—	—
Net cash provided by financing activities	—	—
Net (decrease) increase in cash and cash equivalents	(4,397)	2,197
Cash and cash equivalents at beginning of the year	25,268	25,576
Cash and cash equivalents at end of the year	$ 20,871	$ 27,773
Supplemental disclosures:		
Cash paid for:		
Interest	$ 3	$ 6
Income taxes	$ 401	$ 205

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 Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total Shareholders' Equity
Balance — March 31, 2023	$ 3,310	52,965,797	$ 529	$ 79,792	$ (24,971)	$ (33,201)	$ 25,459
Net income	—	—	—	—	2,070	—	2,070
Balance — September 30, 2023	$ 3,310	52,965,797	$ 529	$ 79,792	$ (22,901)	$ (33,201)	$ 27,529

	Preferred Stock	Common Stock Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total Shareholders' Equity
Balance — March 31, 2022	$ 3,310	52,965,797	$ 529	$ 79,792	$ (23,611)	$ (33,201)	$ 26,819
Net loss	—	—	—	—	(1,230)	—	(1,230)
Balance — September 30, 2022	$ 3,310	52,965,797	$ 529	$ 79,792	$ (24,841)	$ (33,201)	$ 25,589

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 September 30, 2023 and the results of operations for the three and six month periods ended September 30, 2023 and September 30, 2022. 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, 2023 (“fiscal 2023”), included in the Company’s Annual Report on Form 10-K, as amended, for fiscal 2023.

The results of operations for the three and six month periods ended September 30, 2023 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, 2024 (“fiscal 2024”).

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

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 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.

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. The adoption of ASU 2016-13 had no material impacts on the Company's 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. Control is considered to be transferred when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits of that good. Under the Direct Import Program, title passes in the country of origin when the goods are passed over the rail of the customer’s vessel. 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.

Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 606, "Revenue from Contracts with Customers" ("ASC 606").

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC 606, (i) sales incentives offered to customers that meet the criteria for accrual and (ii) an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers, which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items, because that percentage of shipped revenue fails to meet the collectability criteria within ASC 606.

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.

Licensing: In addition to the distribution of products, the Company grants licenses for the right to access the Company's intellectual property, specifically the Company's trademarks, for a stated term for the manufacture and/or sale of consumer electronics and other products under agreements which require payment of either (i) a non-refundable minimum guaranteed royalty or, (ii) the greater of (a) the actual royalties due (based on a contractual calculation, normally comprised of actual product sales by the licensee multiplied by a stated royalty rate, or "Sales Royalties") or (b) a minimum guaranteed royalty amount. In the case of the foregoing clause (i), such amounts are recognized as revenue on a straight-line basis over the term of the license agreement. In the case of the foregoing clause (ii), Sales Royalties in excess of guaranteed minimums are accounted for as variable fees and are not recognized as revenue until the Company has ascertained that the licensee's sales of products have exceeded the guaranteed minimum. In effect, the Company recognizes the greater of Sales Royalties earned to date or the straight-line amount of minimum guaranteed royalties to date. In the case where a royalty is paid to the Company in advance, the royalty payment is initially recorded as a liability and recognized as revenue as the royalties are deemed to be earned according to the principles outlined above.

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 September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Numerator:				
Net income (loss)	$ 2,635	$ (153)	$ 2,070	$ (1,230)
Denominator:				
Denominator for basic and diluted income (loss) per share — weighted average shares	21,042,652	21,042,652	21,042,652	21,042,652
Net income (loss) per share:				
Basic and diluted income (loss) per share	$ 0.13	$ (0.01)	$ 0.10	$ (0.06)

NOTE 3 — SHAREHOLDERS' EQUITY

Outstanding capital stock at September 30, 2023 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 September 30, 2023, 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 September 30, 2023 and March 31, 2023, inventories consisted of the following (in thousands):

	September 30, 2023	March 31, 2023
Finished goods	$ 5,740	$ 3,813

NOTE 5 — INCOME TAXES

At September 30, 2023, the Company had $13.7 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 September 30, 2023, the Company had approximately $16.8 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 $296,000 for the three month period ended September 30, 2023 as compared to income of foreign subsidiaries before taxes of $159,000 for the three month period ended September 30, 2022. The income of foreign subsidiaries before taxes was $599,000 for the six month period ended September 30, 2023 as compared to income of foreign subsidiaries before taxes of $242,000 for the six month period ended September 30, 2022.

The Company analyzed the future reasonability of recognizing its deferred tax assets at September 30, 2023. As a result, the Company concluded that a 100% valuation allowance of approximately $4,175,000 would be recorded against the assets.

The Company generated net income and recorded income tax expense of $88,000 and $97,000, respectively, during the three and six month periods ended September 30, 2023. During the three and six month periods ended September 30, 2022, the Company recorded income tax expense of nil and $10,950, respectively, primarily resulting from state income taxes. After the adoption of ASU 2019-12 “Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes” during fiscal 2022, these non-income based state taxes are now reported within selling, general and administrative expenses.

The Company is subject to examination and assessment by tax authorities in numerous jurisdictions. As of September 30, 2023, the Company’s open tax years for examination for U.S. federal tax are 2017-2023, and for U.S. states’ tax are 2016-2023. 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 September 30, 2023, 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 September 30, 2023 and March 31, 2023, the Company had a federal tax liability of approximately $1,202,000 and $1,603,000, respectively, 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 September 30, 2023 and March 31, 2023, the Company's short term portion was approximately $534,000 and $401,000, respectively, and the long term portion was approximately $668,000 and $1,202,000, respectively.

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 September 30, 2023, the Company has paid six of the eight installments. Each installment must be remitted on or before July 15th of the year in which such installment is due. On July 12, 2023, the Company paid its sixth installment of approximately $401,000.

In addition to the federal tax liabilities recorded under the Tax Act mentioned above, the Company incurred approximately $88,000 of additional federal tax liabilities resulting from the net income generated for the three and six months ended September 30, 2023. Under the Tax Act, the Company was limited to 80% utilization of NOLs against taxable income in any one year. This limitation generated the additional $88,000 of federal tax liabilities as of September 30, 2023.

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 of Directors. 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 September 30, 2023. 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 six month periods ended September 30, 2023, the Company was billed approximately $40,000 and $79,000, 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 of Directors. As of September 30, 2023 the Company owed approximately $1,000 to VACL related to these charges.

NOTE 7 — SHORT TERM DEPOSITS

As of September 30, 2023 and March 31, 2023, the Company held $20.1 million and $23.1 million, respectively, in term deposits. Such term deposits had maturity dates of 90 days or less and, as a result, were classified as cash equivalents.

NOTE 8 — CONCENTRATION RISK

Customer Concentration

For the three month period ended September 30, 2023, the Company’s three largest customers accounted for approximately 90% of the Company’s net revenues, of which Walmart accounted for approximately 60%, Amazon accounted for approximately 19% and Fred Meyer accounted for approximately 11%. No other customer accounted for greater than 10% of the Company's net revenues during the period.

For the six month period ended September 30, 2023, the Company’s three largest customers accounted for approximately 89% of the Company’s net revenues, of which Walmart accounted for approximately 53%, Amazon accounted for approximately 22% and Fred Meyer accounted for approximately 14%. No other customer accounted for greater than 10% of the Company's net revenues during the period.

For the three month period ended September 30, 2022, the Company’s three largest customers accounted for approximately 90% of the Company’s net revenues, of which Walmart accounted for approximately 48%, Fred Meyer accounted for approximately 24% and Amazon accounted for approximately 18%. No other customer accounted for greater than 10% of the Company's net revenues during the period.

For the six month period ended September 30, 2022, the Company’s three largest customers accounted for approximately 83% of the Company’s net revenues, of which Walmart accounted for approximately 45%, Fred Meyer accounted for approximately 22% and Amazon accounted for approximately 16%. No other customer accounted for greater than 10% of the Company's net revenues during the period.

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 six month periods ended September 30, 2023, the Company’s gross product sales included microwave ovens, which generated approximately 27% and 32%, respectively, of the Company’s gross product sales and audio products, which generated approximately 70% and 66%, respectively, of the Company’s gross product sales. No other products accounted for greater than 10% of the Company's gross product sales during the period.

For the three and six month periods ended September 30, 2022, the Company’s gross product sales included microwave ovens, which generated approximately 29% and 34%, respectively, of the Company’s gross product sales and audio products, which generated approximately 70% and 65%, respectively, of the Company’s gross product sales. No other products accounted for greater than 10% of the Company's gross product sales during the period.

Concentrations of Credit Risk

As a percent of the Company’s total trade accounts receivable, net of specific reserves, the Company’s top three customers accounted for approximately 54%, 28% and 10%, respectively, as of September 30, 2023. No other customers accounted for greater than 10% of the Company's total trade accounts receivable, net of specific reserves. As a percent of the Company’s total trade accounts receivable, net of specific reserves, the Company’s top three customers accounted for approximately 43%, 35% and 11%, respectively, as of March 31, 2023. No other customers accounted for greater than 10% of the Company's total trade accounts receivable, net of specific reserves. 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 September 30, 2023 and March 31, 2023 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 $20.6 million and approximately $25.0 million at September 30, 2023 and March 31, 2023, respectively.

Supplier Concentration

During the three month period ended September 30, 2023, the Company procured approximately 80% of its products for resale from its three largest factory suppliers, of which approximately 34% was supplied by its largest supplier and approximately 31% and 15%, respectively, by the other two suppliers. During the three month period ended September 30, 2022, the Company procured 100% of its products for resale from its two largest factory suppliers, of which approximately 64% was supplied by its largest supplier and approximately 36% by the other supplier.

During the six month period ended September 30, 2023, the Company procured approximately 80% of its products for resale from its three largest factory suppliers, of which approximately 39% was supplied by its largest supplier and approximately 24% and 17%, respectively, by the other two suppliers. During the six month period ended September 30, 2022, the Company procured 100% of its products for resale from its two largest factory suppliers, of which approximately 70% was supplied by its largest supplier and approximately 30% by the other 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 nine to sixty-three months. 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 September 30, 2023 to indicate that a reassessment or re-measurement of the Company's existing leases was required.

As of September 30, 2023, the Company's current operating lease liabilities and finance lease liabilities were $162,000 and $1,000, respectively and its non-current operating lease liabilities and finance lease liabilities were $219,000 and nil, 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 September 30, 2023 was $371,000 and $800, 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 September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Lease cost				
Operating lease cost	$ 52	$ 62	$ 89	$ 125
Finance lease cost	—	—	—	—
Amortization of right-of-use assets	—	—	—	—
Interest on lease liabilities	—	—	—	—
Variable lease costs	—	—	—	—
Total lease cost	52	62	89	125
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	43	62	80	125
Operating cash flows from finance leases	—	—	—	—
Financing cash flows from finance leases	—	—	—	—
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	248	—	248	—
Finance leases	—	—	—	—

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

Weighted average remaining lease term (in months)	As of September 30, 2023	As of September 30, 2022
Operating leases	44.7	20.4
Finance leases	8.2	20.2

Weighted average discount rate		
Operating leases	9.28%	7.50%
Finance leases	7.50%	7.50%

As of September 30, 2023 the maturities of lease liabilities were as follows:

(in thousands)	Operating Leases	Finance Leases
2024	$ 105	$ 1
2025	116	—
2026	54	—
2027	66	—
Thereafter	52	—
Total lease payments	$ 393	$ 1
Less: Imputed interest	(13)	—
Total	$ 380	$ 1

NOTE 10 — GOVERNMENTAL ASSISTANCE PROGRAMS

During the three month periods ended September 30, 2023 and September 30, 2022, the Company's Hong Kong subsidiary recorded nil and $8,000, respectively, under the governmental program called the Employment Support Scheme ("ESS"). During the six month periods ended September 30, 2023 and September 30, 2022, the Company's Hong Kong subsidiary recorded nil and $30,000, respectively, under the ESS program. The proceeds were required to be used for payroll expenses and the Company was subject to government-appointed random reviews to verify the information submitted by the applicant.

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

NOTE 11 — LEGAL PROCEEDINGS

On April 19, 2022, the U.S. District Court for the District of Delaware (the "District Court") granted judgment in favor of the Company in its trademark infringement lawsuit against air conditioning and heating products provider Emerson Quiet Kool and wholesaler Home Easy (the "Defendants"). Among other things, the District Court's order included an injunction prohibiting Defendants' distribution, manufacturing, and sales of EMERSON QUIET KOOL branded products or use of that trademark and directed the U.S. Patent and Trademark Office to cancel Defendants' trademark registration for the EMERSON QUIET KOOL trademark and prohibited Defendants from attempting to register that mark or any other confusingly similar mark in the future. The judgment also awards $6.5 million to the Company. The Defendants, through a third party, made certain payments to the Company, including certain advances towards a portion of their liability. Those amounts were previously reflected as advanced deposits in the Consolidated Balance Sheets. The aggregate amount of the payments is $4.1 million, which has been reduced by approximately $784,000 for legal fees incurred in fiscal 2023 and approximately $216,000 for legal fees incurred in fiscal 2024, in pursuit of the advanced deposits. Separately, on July 11, 2023, the U.S. Court of Appeals for the Third Circuit affirmed the District Court's judgment against the Defendants. On September 29, 2023, the District Court granted the Company's request for final judgement including approximately $3.16 million in legal fees and $700,000 in enhanced damages, along with the prospect of additional damages due to Defendants' alleged contempt of court. The Company is pursuing all available remedies against the Defendants and those acting in concert with them. There is no guarantee that the Company will be able to collect the entire judgment or that any negotiated resolution regarding these matters will ever be agreed among the parties or, if agreed, how soon the parties might be able to do so. Due to the legal judgement now being affirmed as stated above, the Company has released the balance of the advanced deposits of approximately $3,100,000, to other income for the quarter ended September 30, 2023.

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 (the "Exchange Act").

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 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 Annual Report on Form 10-K, as amended, for the fiscal year ended March 31, 2023 and other filings with the SEC.

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 six month periods ended September 30, 2023 (fiscal 2024) and September 30, 2022 (fiscal 2023) (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net product sales	$ 2,414	$ 1,627	$ 4,146	$ 2,631
Licensing revenue	24	673	101	743
Net revenues	**2,438**	**2,300**	**4,247**	**3,374**
Cost of sales	2,040	1,309	3,510	2,188
Selling, general and administrative expenses	1,064	1,291	2,262	2,635
Operating loss	**(666)**	**(300)**	**(1,525)**	**(1,449)**
Settlement of litigation	3,100	—	3,100	—
Interest income, net	289	139	583	189
Income from governmental assistance programs	—	8	—	30
Income (loss) before income taxes	**2,723**	**(153)**	**2,158**	**(1,230)**
Provision for income taxes	88	—	88	—
Net income (loss)	**$ 2,635**	**$ (153)**	**$ 2,070**	**$ (1,230)**

Net product sales — Net product sales for the three month period ended September 30, 2023 were $2.4 million as compared to $1.6 million for the three month period ended September 30, 2022, an increase of $0.8 million, or 48.4%. The Company's sales during the three month periods ended September 30, 2023 and September 30, 2022 were highly concentrated among the Company's three largest customers – Wal-Mart, Amazon and Fred Meyer – comprising in the aggregate approximately 91% and 94%, respectively, of the Company's total net product sales for such periods.

Net product sales for the six month period ended September 30, 2023 were $4.1 million as compared to $2.6 million for the six month period ended September 30, 2022, an increase of $1.5 million, or 57.6%. The Company's sales during the six month periods ended September 30, 2023 and September 30, 2022 were highly concentrated among the Company's three largest customers – Wal-Mart, Amazon and Fred Meyer – comprising in the aggregate approximately 91% and 88%, respectively, of the Company's total net product sales for such periods.

Net product sales are comprised primarily of the sales of houseware and audio products which bear the Emerson® brand name. 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 $3,000 and $10,000 for the three month periods ended September 30, 2023 and September 30, 2022, respectively, and by approximately $6,000 for both of the six month periods ended September 30, 2023 and September 30, 2022. The major elements which contributed to the overall increase in net product sales were as follows:

i) Houseware products: Net sales increased $0.2 million, or 47.6%, to $0.7 million for the three month period ended September 30, 2023 as compared to $0.5 million for the three month period ended September 30, 2022, driven by increased net sales of microwave ovens and refrigerators. Net sales increased $0.5 million, or 51.9%, to $1.4 million for the six month period ended September 30, 2023 as compared to $0.9 million for the six month period ended September 30, 2022, driven by increased net sales of microwave ovens and refrigerators.

ii) Audio products: Net sales increased $0.6 million, or 48.6%, to $1.7 million for the three month period ended September 30, 2023 as compared to $1.1 million for the three month period ended September 30, 2022, resulting from increased net sales of clock radios. Net sales increased $1.0 million, or 60.6%, to $2.7 million for the six month period ended September 30, 2023 as compared to $1.7 million for the six month period ended September 30, 2022, 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 each of Leveraged Marketing Corporation of America and Global Licensing Services Pte Limited 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 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. The pandemic has directly and indirectly disrupted certain sales and supply chain activities. Global component shortages, in particular semiconductor chips, arising from changes in consumer demand and reduced manufacturing capacity related to the COVID-19 pandemic may cause price fluctuations and longer 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 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 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 macroeconomic conditions domestically and internationally, the Company has implemented certain cost-reduction actions intended to reduce expenditures. However, the environment remains uncertain. Demand for the Company's products remains competitive and retailers continue to carefully manage inventory. Accordingly, the 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, 2023.

Legal Proceedings — On April 19, 2022, the U.S. District Court for the District of Delaware (the "District Court") granted judgment in favor of the Company in its trademark infringement lawsuit against air conditioning and heating products provider Emerson Quiet Kool and wholesaler Home Easy (the “Defendants”). Among other things, the District Court’s order included an injunction prohibiting Defendants’ distribution, manufacturing, and sales of EMERSON QUIET KOOL branded products or use of that trademark and directed the U.S. Patent and Trademark Office to cancel Defendants’ trademark registration for the EMERSON QUIET KOOL trademark and prohibited Defendants from attempting to register that mark or any other confusingly similar mark in the future. The judgment also awards $6.5 million to the Company. The Defendants, through a third party, made certain payments to the Company, including certain advances towards a portion of their liability. Those amounts were previously reflected as advanced deposits in the Consolidated Balance Sheets. The aggregate amount of the payments is $4.1 million, which has been reduced by approximately $784,000 for legal fees incurred in fiscal 2023 and approximately $216,000 for legal fees incurred in fiscal 2024, in pursuit of the advanced deposits. Separately, on July 11, 2023, the U.S. Court of Appeals for the Third Circuit affirmed the District Court's judgment against the Defendants. On September 29, 2023, the District court granted the Company’s request for final judgement including approximately $3.16 million in legal fees and $700,000 in enhanced damages, along with the prospect of additional damages due to Defendants’ alleged contempt of court. The Company is pursuing all available remedies against the Defendants and those acting in concert with them. There is no guarantee that the Company will be able to collect the entire judgment or that any negotiated resolution regarding these matters will ever be agreed among the parties or, if agreed, how soon the parties might be able to do so. Due to the legal judgement now being affirmed as stated above, the Company has released the balance of the advanced deposits of approximately $3,100,000, to other income for the quarter ended September 30, 2023.

Licensing revenue — Licensing revenue for the three month period ended September 30, 2023 was $23,000 as compared to $673,000 for the three month period ended September 30, 2022, a decrease of $650,000, or 96.5%. Licensing revenue for the six month period ended September 30, 2023 was $101,000 as compared to $743,000 for the six month period ended September 30, 2022, a decrease of $642,000, or 86.4%. During the three and six month periods ended September 30, 2022, the Company recorded $595,000 in royalty income derived from sell-off agreements made with customers of Emerson Quiet Kool, which did not repeat during the three and six month periods ended September 30, 2023.

Net revenues — Net revenues were $2.4 million for the three month period ended September 30, 2023 as compared to $2.3 million for the three month period ended September 30, 2022, an increase of $136,000, or 5.9%. The increase in net revenues can be attributed to the introduction of new models to the marketplace as well as increased demand from the Company's key customers.

Net revenues were $4.2 million for the six month period ended September 30, 2023 as compared to $3.4 million for the six month period ended September 30, 2022, an increase of $0.8 million, or 25.9%. The increase in net revenues can be attributed to the introduction of new models to the marketplace as well as increased demand from the Company's key customers.

Cost of sales — Cost of sales increased $0.7 million, or 55.8% to $2.0 million for the three month period ended September 30, 2023 as compared to $1.3 million for the three month period ended September 30, 2022. The increase in absolute terms for the three month period ended September 30, 2023 as compared to the three month period ended September 30, 2022 was primarily related to an increase in net product sales and by higher year-over-year gross cost of sales as a percentage of gross sales.

Cost of sales increased $1.3 million, or 60.4% to $3.5 million for the six month period ended September 30, 2023 as compared to $2.2 million for the six month period ended September 30, 2022. The increase in absolute terms for the six month period ended September 30, 2023 as compared to the six month period ended September 30, 2022 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.

Selling, general and administrative expenses ("S,G&A") — S,G&A was $1.1 million for the three month period ended September 30, 2023 as compared to $1.3 million for the three month period ended September 30, 2022, a decrease of $0.2 million or 17.6%. S,G&A, as a percentage of net revenues, was 43.6% for the three month period ended September 30, 2023 as compared to 56.1% for the three month period ended September 30, 2022. The Company benefitted from a decrease in legal fees of $294,000 partially offset by an increase in compensation costs of $37,000. Legal fees for the three month period ended September 30, 2023 were $112,000 as compared to $406,000 for the three month period ended September 30, 2022. Compensation costs for the three month period ended September 30, 2023 were $563,000 as compared to $526,000 for the three month period ended September 30, 2022.

S,G&A was $2.3 million for the six month period ended September 30, 2023 as compared to $2.6 million for the six month period ended September 30, 2022, a decrease of $0.3 million or 14.2%. S,G&A, as a percentage of net revenues, was 53.3% for the six month period ended September 30, 2023 as compared to 78.1% for the six month period ended September 30, 2022. The Company benefitted from a decrease in legal fees of $613,000, a decrease in insurance expense of $50,000 and a decrease in rent expense of $26,000. Legal fees for the six month period ended September 30, 2023 were $225,000 as compared to $838,000 for the six month period ended September 30, 2022. Insurance expense for the six month period ended September 30, 2023 were $227,000 as compared to $277,000 for the six month period ended September 30, 2022. Rent expense for the six month period ended September 30, 2023 was $90,000 as compared to $116,000 for the six month period ended September 30, 2022. These reductions in S,G&A were partially offset by an increase in bad debt expense of $102,000 related to the termination of one the Company's new licensees in June 2023 and an increase in compensation costs of $87,000.

Settlement of litigation — Based on a judgement affirmation by the U.S. Court of Appeals for the Third Circuit, the Company recorded income of $3.1 million, which was the remaining balance of the advanced deposits as of September 30, 2023. See "Note 11 - Legal proceedings".

Interest income, net — Interest income, net, was $289,000 for the three month period ended September 30, 2023 as compared to $139,000 for the three month period ended September 30, 2022, an increase of $150,000. The increase was primarily due to higher average interest rates earned on the Company's short term investments.

Interest income, net, was $583,000 for the six month period ended September 30, 2023 as compared to $189,000 for the six month period ended September 30, 2022, an increase of $394,000. The increase was primarily due to higher average interest rates earned on the Company's short term investments.

Income from governmental assistance programs — For the three month periods ended September 30, 2023 and September 30, 2022 the Company recorded income of nil and approximately $8,000, respectively, under the ESS program. See "Note 10 – Governmental Assistance Programs".

For the six month periods ended September 30, 2023 and September 30, 2022 the Company recorded income of nil and approximately $30,000, respectively, under the ESS program. See "Note 10 – Governmental Assistance Programs".

Provision (benefit) for income taxes — For both of the three and six month periods ended September 30, 2023, the Company generated income and recorded income tax expense of $88,000. However the Company under the adoption of ASU 2019-12 "Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes" incurred non-income based state taxes of nil for both of the three month periods ended September 30, 2023 and September 30, 2022. For the six month periods ended September 30, 2023 and September 30, 2022, the Company incurred non-income based state taxes of $8,950 and $10,950, respectively, which are now reported as S,G &A. See "Note 5 – Income Taxes".

Although the Company generated net losses during fiscal 2024 and fiscal 2023, it is unable to realize an income tax benefit due to valuation allowances recorded against its deferred tax assets.

Net income (loss) — As a result of the foregoing factors, the Company realized net income of $2,635,000 for the three month period ended September 30, 2023 as compared to a net loss of $153,000 for the three month period ended September 30, 2022.

As a result of the foregoing factors, the Company realized net income of $2,070,000 for the six month period ended September 30, 2023 as compared to a net loss of $1,230,000 for the six month period ended September 30, 2022.

Liquidity and Capital Resources

As of September 30, 2023, the Company had cash and cash equivalents of approximately $20.9 million as compared to approximately $25.3 million at March 31, 2023. Cash and cash equivalents includes short term investments in deposits which were classified as cash equivalents of $20.1 million as of September 30, 2023 compared to $23.1 million of such deposits as of March 31, 2023. Working capital increased to $27.9 million at September 30, 2023 as compared to $26.4 million at March 31, 2023. The decrease in cash and cash equivalents of approximately $4.4 million was due to a decrease in advanced deposits of $3.3 million, an increase in inventory of $1.9 million, an increase in accounts receivable of $0.7 million, a decrease in federal taxes payable of $0.3 million, an increase in right-of-use assets of $0.2 million and an increase in prepaid purchases of $0.1 million partially offset by the net income generated during the period of $2.1 million.

Cash Flows

Net cash used by operating activities was approximately $4.3 million for the six month period ended September 30, 2023, resulting from a decrease in advanced deposits of $3.3 million, an increase in inventory of $1.9 million, an increase in accounts receivable of $0.7 million, a decrease in federal taxes payable of $0.3 million and an increase in right-of-use assets of $0.2 million partially offset by the net income generated during the period of $2.1 million.

Net cash used by investing activities was $0.1 million for the six month period ended September 30, 2023 due to additions to property and equipment.

Net cash used by financing activities was nil for the six month period ended September 30, 2023.

Sources and Uses of Funds

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

Off-Balance Sheet Arrangements

As of September 30, 2023, the Company did not have any off-balance sheet arrangements as defined under the rules of the SEC.

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 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.

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. The adoption of ASU 2016-13 had no material impacts on the Company's 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 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 September 30, 2023, 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 September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is, and from time to time may become, involved in legal proceedings, 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 is not currently involved in any legal proceedings that, if determined adversely to the Company, would have a material adverse effect on the Company's financial position, results of operations or cash flows. Information relating to our ongoing legal proceedings is described in Note 11 to our condensed consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q.

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, as amended, for the year ended March 31, 2023.

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	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32	Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

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 and contained in Exhibit 101)

* filed herewith
** furnished herewith

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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: November 14, 2023	/s/ Christopher W. Ho Christopher W. Ho Chief Executive Officer (Principal Executive Officer)
Date: November 14, 2023	/s/ Richard Li Richard Li Chief Financial Officer (Principal Financial and Accounting Officer)