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

FORM 10-Q

(Mark One)

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

For the quarterly period ended:

June 30, 2026

or

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

For the transition period from to

Commission File Number: 001-41207

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

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

906 Murray Road
East Hanover, New Jersey 07936

(Address of principal executive offices)
(Zip Code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, $0.0005 par value	FGI	Nasdaq Capital Market
Warrants to purchase Ordinary Shares, $0.0005 par value	FGIWW	Nasdaq Capital Market

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging Growth Company	☒

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

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

The number of Ordinary Shares outstanding on August 10, 2026 was 1,931,271.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- the levels of residential repair and remodel activity, and to a lesser extent, new home construction;
- the effects of inflationary pressures, financial market uncertainty and rising interest rates on the demand for our products, our costs and our ability to access capital;
- our ability to maintain our strong brands and reputation and to develop innovative products;
- our ability to maintain our competitive position in our industries;
- our reliance on key suppliers and customers;
- the occurrence of public health emergencies, including the impact on domestic and international economic activity, consumer confidence, our production capabilities, our employees and our supply chain;
- the cost and availability of materials and the imposition of tariffs;
- risks associated with our international operations and global strategies;
- our ability to achieve the anticipated benefits of our strategic initiatives;
- our ability to successfully execute our acquisition strategy and integrate businesses that we may acquire;
- our ability to renew our credit facilities, obtain additional capital to finance our planned operations and to maintain our listing on Nasdaq;
- risks associated with our reliance on information systems and technology, and our ability to achieve the anticipated benefits from our investments in new technology;
- our ability to attract, develop and retain talented and diverse personnel;
- our ability to obtain additional capital to finance our planned operations;
- regulatory developments in the United States and internationally;
- our ability to establish and maintain intellectual property protection for our products, as well as our ability to operate our business without infringing the intellectual property rights of others; and
- other risks and uncertainties, including those listed under the caption "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025, as well as subsequent reports we file from time to time with the U.S. Securities and Exchange Commission (the "SEC") (available at www.sec.gov).

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

GENERAL

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

PART I —FINANCIAL INFORMATION

Item 1. Financial Statements.

FGI INDUSTRIES LTD.
INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FGI INDUSTRIES LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of June 30, 2026 USD (Unaudited)	As of December 31, 2025 USD
ASSETS		
CURRENT ASSETS		
Cash	$ 4,421,058	$ 1,899,801
Accounts receivable, net	15,479,104	13,847,762
Inventories, net	12,044,099	15,292,742
Prepayments and other current assets	3,623,798	3,228,259
Prepayments and other receivables – related parties	15,937,253	17,274,859
Total current assets	51,505,312	51,543,423
NONCURRENT ASSETS		
Property and equipment, net	3,662,418	3,853,864
Intangible assets, net	1,608,103	1,733,616
Operating lease right-of-use assets, net	9,908,253	11,031,892
Deferred tax assets, net	204,184	211,581
Other noncurrent assets	918,861	1,163,205
Total noncurrent assets	16,301,819	17,994,158
Total assets	$ 67,807,131	$ 69,537,581
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term loans	$ 13,034,989	$ 11,868,828
Accounts payable	22,935,373	24,687,900
Accounts payable – related parties	54,536	49,855
Operating lease liabilities – current	1,737,632	1,700,936
Accrued expenses and other current liabilities	6,071,610	5,607,405
Total current liabilities	43,834,140	43,914,924
NONCURRENT LIABILITIES		
Operating lease liabilities – noncurrent	8,908,217	10,012,616
Total liabilities	52,742,357	53,927,540
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preference Shares ($0.0001 par value, 2,000,000 shares authorized, no shares issued and outstanding as of June 30, 2026 and December 31, 2025)	—	—
Ordinary shares ($0.0005 par value, 40,000,000 shares authorized, 1,931,271 and 1,920,140 shares issued and outstanding as of June 30, 2026 and December 31, 2025, respectively)	966	960
Additional paid-in capital	21,619,076	21,612,226
Accumulated deficit	(2,600,387)	(2,927,091)
Accumulated other comprehensive loss	(1,938,566)	(1,402,946)
FGI Industries Ltd. shareholders' equity	17,081,089	17,283,149
Non-controlling interests	(2,016,315)	(1,673,108)

Total shareholders’ equity	15,064,774	15,610,041
Total liabilities and shareholders’ equity	$ 67,807,131	$ 69,537,581

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
	USD	USD	USD	USD
Revenue	$ 31,885,552	$ 30,998,260	$ 62,387,012	$ 64,210,808
Cost of revenue	21,223,160	22,291,653	43,563,929	46,603,943
Gross profit	10,662,392	8,706,607	18,823,083	17,606,865
Operating expenses				
Selling and distribution	5,978,039	6,209,728	12,193,296	13,372,906
General and administrative	2,877,453	2,844,715	5,231,686	5,545,928
Research and development	406,316	484,502	688,926	801,228
Total operating expenses	9,261,808	9,538,945	18,113,908	19,720,062
Income (loss) from operations	1,400,584	(832,338)	709,175	(2,113,197)
Other income (expenses)				
Interest income	1,694	1,688	2,569	2,129
Interest expense	(449,751)	(282,191)	(804,653)	(584,951)
Other income (expenses), net	315,334	(466,200)	242,283	(438,109)
Total other expenses, net	(132,723)	(746,703)	(559,801)	(1,020,931)
Income (loss) before income taxes	1,267,861	(1,579,041)	149,374	(3,134,128)
Total provision for (benefit of) income taxes	141,199	(214,576)	165,877	(954,106)
Net income (loss)	1,126,662	(1,364,465)	(16,503)	(2,180,022)
Less: net loss attributable to non-controlling shareholders	(169,447)	(132,941)	(343,207)	(319,406)
Net income (loss) attributable to FGI Industries Ltd. shareholders	1,296,109	(1,231,524)	326,704	(1,860,616)
Other comprehensive (loss) income				
Foreign currency translation adjustment	(499,569)	603,035	(535,620)	689,467
Comprehensive income (loss)	627,093	(761,430)	(552,123)	(1,490,555)
Less: comprehensive loss attributable to non-controlling shareholders	(169,447)	(132,941)	(343,207)	(319,406)
Comprehensive income (loss) attributable to FGI Industries Ltd. shareholders	$ 796,540	$ (628,489)	$ (208,916)	$ (1,171,149)
Weighted average number of ordinary shares[(1)]				
Basic	1,930,144	1,918,248	1,925,408	1,917,029
Diluted	2,008,306	1,918,248	1,970,423	1,917,029
Earnings (loss) per share				
Basic	$ 0.67	$ (0.64)	$ 0.17	$ (0.97)
Diluted	$ 0.65	$ (0.64)	$ 0.17	$ (0.97)

(1) Giving retroactive effect to the Reverse Share Split of the Preference Shares and Ordinary Shares at a ratio of 1-for-5 that became effective July 31, 2025. See Note 9 "Shareholders' Equity" for details.

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

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

	Ordinary Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Shareholders' Equity
	Shares	Amount					
Balance at December 31, 2025	**1,920,140**	**$ 960**	**$ 21,612,226**	**$ (2,927,091)**	**$ (1,402,946)**	**$ (1,673,108)**	**$ 15,610,041**
Share-based compensation	7,186	4	(116,398)	—	—	—	(116,394)
Net loss	—	—	—	(969,405)	—	(173,760)	(1,143,165)
Foreign currency translation adjustments	—	—	—	—	(36,051)	—	(36,051)
Balance at March 31, 2026	**1,927,326**	**$ 964**	**$ 21,495,828**	**$ (3,896,496)**	**$ (1,438,997)**	**$ (1,846,868)**	**$ 14,314,431**
Share-based compensation	3,945	2	123,248	—	—	—	123,250
Net income (loss)	—	—	—	1,296,109	—	(169,447)	1,126,662
Foreign currency translation adjustments	—	—	—	—	(499,569)	—	(499,569)
Balance at June 30, 2026	**1,931,271**	**$ 966**	**$ 21,619,076**	**$ (2,600,387)**	**$ (1,938,566)**	**$ (2,016,315)**	**$ 15,064,774**

	Ordinary Shares(1)		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Shareholders' Equity
	Shares	Amount					
Balance at December 31, 2024	**1,912,783**	**$ 956**	**$ 21,279,047**	**$ 3,212,435**	**$ (2,239,560)**	**$ (687,228)**	**$ 21,565,650**
Share-based compensation	5,118	3	76,303	—	—	—	76,306
Net loss	—	—	—	(629,092)	—	(186,465)	(815,557)
Foreign currency translation adjustments	—	—	—	—	86,432	—	86,432
Balance at March 31, 2025	**1,917,901**	**$ 959**	**$ 21,355,350**	**$ 2,583,343**	**$ (2,153,128)**	**$ (873,693)**	**$ 20,912,831**
Share-based compensation	410	—	124,623	—	—	—	124,623
Net loss	—	—	—	(1,231,524)	—	(132,941)	(1,364,465)
Foreign currency translation adjustments	—	—	—	—	603,035	—	603,035
Balance at June 30, 2025	**1,918,311**	**$ 959**	**$ 21,479,973**	**$ 1,351,819**	**$ (1,550,093)**	**$ (1,006,634)**	**$ 20,276,024**

(1) Giving retroactive effect to the Reverse Share Split of the Preference Shares and Ordinary Shares at a ratio of 1-for-5 that became effective July 31, 2025. See Note 9 "Shareholders' Equity" for details.

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

FGI INDUSTRIES LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2026	2025
	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (16,503)	$ (2,180,022)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	355,152	311,218
Amortization	1,059,021	1,138,345
Share-based compensation	6,856	200,929
Provision for credit losses	17,441	75,359
Provision for defective return	488,492	51,900
Foreign exchange transaction loss (gain)	(270,219)	383,579
Deferred income tax expense (benefit)	7,397	(1,002,613)
Changes in operating assets and liabilities		
Accounts receivable	(2,137,275)	4,461,914
Inventories	3,248,644	1,277,386
Prepayments and other current assets	(548,358)	(333,999)
Prepayments and other receivables – related parties	1,337,605	(3,798,705)
Other noncurrent assets	244,344	287,874
Income taxes	152,819	28,182
Accounts payable	(1,752,528)	2,097,761
Accounts payable – related parties	4,681	(691,003)
Operating lease liabilities	(845,818)	(920,707)
Accrued expenses and other current liabilities	464,206	(1,191,731)
Net cash provided by operating activities	1,815,957	195,667
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(169,941)	(555,954)
Purchase of intangible assets	(5,458)	(75,196)
Net cash used in investing activities	(175,399)	(631,150)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from credit facilities	56,291,162	31,157,739
Repayments of credit facilities	(55,125,001)	(33,101,606)
Net cash provided by (used in) financing activities	1,166,161	(1,943,867)
EFFECT OF EXCHANGE RATE FLUCTUATION ON CASH	(285,462)	340,307
NET CHANGES IN CASH	2,521,257	(2,039,043)
CASH, BEGINNING OF PERIOD	1,899,801	4,558,160
CASH, END OF PERIOD	$ 4,421,058	$ 2,519,117
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for interest	$ (725,551)	$ (589,676)
Cash paid during the period for income taxes	$ (5,818)	$ (22,153)
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Lease liability arising from obtaining a right-of-use asset	$ 21,879	$ 1,133,514

Derecognition of right-of-use asset and lease liability upon early termination	$ —	$ (1,251,111)

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

FGI INDUSTRIES LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Nature of business and organization

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

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

Name	Background	Ownership
FGI Industries Inc. (“FGI Industries”, formerly named Foremost Groups, Inc.)	• A New Jersey corporation • Incorporated on January 5, 1988 • Sales and distribution in the United States	100% owned by FGI
FGI Europe Investment Limited (“FGI Europe”)	• A British Virgin Islands holding company • Incorporated on January 1, 2007	100% owned by FGI
FGI International, Limited (“FGI HK”)	• A Hong Kong company • Incorporated on June 2, 2021 • Sales, sourcing and product development	100% owned by FGI
FGI Canada Ltd. (“FGI Canada”)	• A Canadian company • Incorporated on October 17, 1997 • Sales and distribution in Canada	100% owned by FGI Industries Inc.
FGI Germany GmbH & Co. KG (“FGI Germany”)	• A German company • Incorporated on January 24, 2013 • Sales and distribution in Germany	100% owned by FGI Europe Investment Limited
FGI China, Ltd. (“FGI China”)	• A PRC limited liability company • Incorporated on August 19, 2021 • Sourcing and product development	100% owned by FGI International, Limited
FGI United Kingdom Ltd (“FGI UK”)	• A UK company • Incorporated on December 10, 2021 • Sales and distribution in UK	100% owned by FGI Europe Investment Limited
FGI Australasia Pty Ltd (“FGI AU”)	• An Australian company • Incorporated on September 8, 2022 • Sales and distribution in Australia • Dissolved in 2025	100% owned by FGI
Covered Bridge Cabinetry Manufacturing Co., Ltd (“CBM”)	• A Cambodian company • Incorporated on April 21, 2022 • Manufacturing in Cambodia	100% owned by FGI
Isla Porter LLC (“Isla Porter”)	• A New Jersey company • Formed on June 2, 2023 • Sales and distribution in the United States	60% owned by FGI Industries Inc.
FGI Industries India Private Limited (“FGI India”)	• An Indian company • Incorporated on June 11, 2024 • Sales and distribution in India	100% owned by FGI

Note 2 — Summary of significant accounting policies

Liquidity

The Company's unaudited condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate in the normal course of business and will be able to realize its assets and discharge its liabilities as they become due. The Company has incurred net loss of $16,503 and net cash provided by operating activities of $1.8 million for the six months ended June 30, 2026. As of June 30, 2026, the Company had approximately $4.4 million in cash and had $13.0 million outstanding balance under its credit facilities, which were used primarily for working capital purposes.

In response to the conditions, the Company implemented a number of actions, including:

- Execution of cost control initiatives across multiple operating departments, targeting to lower recurring operating expenses.
- Commercial launch and promotion of new product lines, including anti-overflow toilets, shower systems, and custom kitchen cabinetry, which have begun generating increased revenue.
- Successful renewal of the Company’s credit facility with East West Bank, extending the maturity and maintaining access to committed financing.

As a result of these actions, the Company expects to improve its liquidity and reduce its cost structure. The Company’s management is of the opinion that it has sufficient funds to meet the Company’s working capital requirements and debt obligations as they become due over the next twelve (12) months.

Basis of presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”), regarding financial reporting, and include all normal and recurring adjustments that management of the Company considers necessary for a fair presentation of its financial position and operation results. Interim results are not necessarily indicative of results to be expected for any other interim period or for the full year.

Principles of consolidation

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

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

Use of estimates and assumptions

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

Foreign currency translation and transaction

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

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

For the purpose of presenting the financial statements of subsidiaries using the Renminbi ("RMB") as their functional currency, the Company's assets and liabilities are expressed in U.S. Dollars at the exchange rate on the balance sheet date, which was 6.7968 and 6.9835 as of June 30, 2026 and December 31, 2025, respectively; shareholders' equity accounts are translated at historical rates, and income and expense items are translated at the average exchange rate during the period.

For the purpose of presenting the financial statements of the subsidiary using the Canadian Dollar ("CAD") as its functional currency, the Company's assets and liabilities are expressed in U.S. Dollars at the exchange rate on the balance sheet date, which was 1.4198 and 1.3690 as of June 30, 2026 and December 31, 2025, respectively; shareholders' equity accounts are translated at historical rates, and income and expense items are translated at the average exchange rate during the period.

For the purpose of presenting the financial statements of the subsidiary using the Euro ("EUR") as its functional currency, the Company's assets and liabilities are expressed in U.S. Dollars at the exchange rate on the balance sheet date, which was 0.8765 and 0.8500 as of June 30, 2026 and December 31, 2025, respectively; shareholders' equity accounts are translated at historical rates, and income and expense items are translated at the average exchange rate during the period.

For the purpose of presenting the financial statements of the subsidiary using the Indian Rupee ("INR") as its functional currency, the Company's assets and liabilities are expressed in U.S. Dollars at the exchange rate on the balance sheet date, which was 94.4913 and 89.8354 as of June 30, 2026 and December 31, 2025, respectively; shareholders' equity accounts are translated at historical rates, and income and expense items are translated at the average exchange rate during the period.

Reclassification

Certain amounts in the prior year have been reclassified to conform to the current period presentation. In particular, reclassifications were made within the financing activities section of the unaudited condensed consolidated statements of cash flows. These reclassifications did not have any impact on the previously reported condensed consolidated balance sheets or the unaudited condensed consolidated statements of operations and comprehensive income (loss).

Cash

Cash consists of cash on hand and demand deposits placed with banks or other financial institutions that have original maturities of three months or less. The Company did not have any cash equivalents as of June 30, 2026 or December 31, 2025.

Accounts receivable, net

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

Inventories, net

Inventories are stated at the lower of cost and net realizable value. Cost consists of purchase price and related shipping and handling expenses, and is determined using the weighted average cost method, based on individual products. The methods of determining inventory costs are used consistently from year to year. The Company records reserves for slow-moving, excess, or obsolete inventory based on historical experience, current inventory levels, forecasted demand, and market conditions. Management reviews this provision quarterly to assess whether, based on economic conditions, it is adequate. Inventory, net consisted of finished goods as of June 30, 2026 and December 31, 2025.

Prepayments

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

Property and equipment, net

Property and equipment are stated at cost net of accumulated depreciation and impairment. Depreciation is provided over the estimated useful lives of the assets using the straight-line method from the time the assets are placed in service. Upon retirement or disposal, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of operations and comprehensive income (loss). Maintenance and repair costs are charged against earnings as incurred. Estimated useful lives are as follows:

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

Intangible assets, net

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

Impairment for long-lived assets

Long-lived assets, including property and equipment and intangible assets with definite useful lives, are reviewed for impairment whenever material events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset group may not be recoverable. The Company assesses the recoverability of an asset group based on the undiscounted future cash flows the asset group is expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset group plus net proceeds expected from disposition of the asset group, if any, are less than the carrying value of the asset group. If an impairment is identified, the Company would reduce the carrying amount of the asset group to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values. As of June 30, 2026 and December 31, 2025, no impairment of long-lived assets was recognized.

Leases

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

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

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

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

Fair Value Measurement

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

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

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

Financial instruments included in current assets and current liabilities are reported in the consolidated balance sheets at face value or cost, which approximate fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

Reverse Share Split

On July 28, 2025, the Company filed an amendment (the "Amendment") to the Company's Amended and Restated Memorandum and Articles of Association with the Registrar of Companies in the Cayman Islands to effect a 1-for-5 reverse share split (the "Reverse Share Split") of the Company's ordinary shares, which was effected on July 31, 2025. Unless otherwise noted, the share and per share information in this Quarterly Report on Form 10-Q have been adjusted to give effect to the Reverse Share Split.

Revenue recognition

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

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

The Company provides customer programs and incentive offerings, including co-operative marketing arrangements and volume-based incentives. These customer programs and incentives are considered variable consideration. The

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

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

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

The Company's disaggregated revenue is summarized as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
	USD	USD	USD	USD
Revenue by product line				
Sanitaryware	$ 19,141,529	$ 18,082,905	$ 35,267,898	$ 38,242,757
Bath Furniture	3,498,036	4,138,223	8,044,183	8,238,605
Shower System	6,027,171	5,230,862	12,507,473	10,917,179
Others	3,218,816	3,546,270	6,567,458	6,812,267
Total	$ 31,885,552	$ 30,998,260	$ 62,387,012	$ 64,210,808

	Total Revenue				Total Assets	
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		As of June 30,	As of December 31,
	2026	2025	2026	2025	2026	2025
	USD	USD	USD	USD	USD	USD
Revenue/ total assets by geographic location						
United States	$ 21,620,872	$ 17,970,861	$ 41,532,016	$ 39,139,233	$ 46,896,342	$ 46,087,727
Canada	6,617,497	8,768,471	12,714,583	16,952,614	11,217,749	12,686,259
Europe	2,872,183	3,636,110	6,454,256	6,741,104	2,145,799	2,393,191
Rest of World	775,000	622,818	1,686,157	1,377,857	7,547,241	8,370,404
Total	$ 31,885,552	$ 30,998,260	$ 62,387,012	$ 64,210,808	$ 67,807,131	$ 69,537,581

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred and are included in selling and distribution expenses on the accompanying statement of operations and comprehensive income (loss). For the three months ended June 30, 2026 and 2025, shipping and handling expense was $382,603 and $342,981, respectively. For the six months ended June 30, 2026 and 2025, shipping and handling expense was $758,276 and $699,135, respectively.

Share-based compensation

The Company accounts for share-based compensation in accordance with ASC 718, Compensation — Stock Compensation ("ASC 718"). In accordance with ASC 718, the Company determines whether an award should be classified and accounted for as a liability award or an equity award. All the Company's share-based awards were classified as equity awards and are recognized in the consolidated financial statements based on their grant date fair values.

The Company has elected to recognize share-based compensation using the straight-line method for all share-based awards granted over the requisite service period, which is the vesting period. The Company accounts for forfeitures as they occur in accordance with ASC 718. The Company determines the fair value of the stock options granted to employees. The Black Scholes Model is applied in determining the estimated fair value of the options granted to employees and non-employees. The Company recognized share-based compensation of $123,250 and $124,623 for the three months ended

June 30, 2026 and 2025, respectively, and $6,856 and $200,929 for the six months ended June 30, 2026 and 2025, respectively.

Income Taxes

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

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

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

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

As of June 30, 2026, the tax years ended December 31, 2022 through December 31, 2024 for FGI Industries remain open for statutory examination by tax authority.

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

Non-controlling interests

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

Comprehensive income (loss)

Comprehensive income (loss) consists of two components: net income and other comprehensive income. Other comprehensive income (loss) refers to revenue, expenses, gains and losses that under U.S. GAAP are recorded as an element of equity but are excluded from net income. Other comprehensive income consists of a foreign currency translation adjustment resulting from the Company not using the U.S. Dollar as its functional currencies.

Earnings (loss) per share

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

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30, 2026 and 2025:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
	USD	USD	USD	USD
Numerator:				
Net income (loss) attributable to FGI Industries Ltd. shareholders	$ 1,296,109	$ (1,231,524)	$ 326,704	$ (1,860,616)
Denominator:				
Weighted-average number of ordinary shares outstanding — basic	1,930,144	1,918,248	1,925,408	1,917,029
Potentially dilutive shares from outstanding options/RSUs	78,162	—	45,015	—
Weighted-average number of ordinary shares outstanding — diluted	2,008,306	1,918,248	1,970,423	1,917,029
Earnings (loss) per share — basic	$ 0.67	$ (0.64)	$ 0.17	$ (0.97)
Earnings (loss) per share — diluted	$ 0.65	$ (0.64)	$ 0.17	$ (0.97)

Segment reporting

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

Recently adopted accounting standards

In July 2025, the FASB released ASU 2025-05, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets." This update introduces a practical expedient permitting entities to assume that the economic conditions existing at the balance sheet date will remain unchanged throughout the remaining life of the asset when calculating expected credit losses for current accounts receivable and contract assets. The Company adopted the new guidance prospectively beginning January 1, 2026 which permits assuming that current conditions as of the balance sheet date will remain unchanged for the remaining life of the asset when estimating expected credit losses. Accordingly, beginning January 1, 2026, the Company's estimate of expected credit losses for current accounts receivable is based on the delinquency status of those uncollected balances as of the reporting date. The Company calculates the expected credit loss rate by applying the historical loss rate. The adoption of this ASU did not have a significant impact on its financial position or results of operations.

Recently issued accounting standards

In November 2024, the FASB issued ASU 2024-03, “Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses,” which requires additional disclosure of the nature of expenses included in the income statement. ASU 2024-03 is effective on a prospective or retrospective basis for annual periods beginning after December 15, 2026, and interim periods within those annual periods beginning after December 15, 2027. Early adoption is permitted. The Company plans to adopt this ASU for its annual period beginning January 1, 2027 and will modify the Company’s disclosures, but is not expected to have an impact on its financial position or results of operations.

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

Note 3 — Accounts receivable, net

Accounts receivable, net consisted of the following:

	As of June 30, 2026 USD	As of December 31, 2025 USD
Accounts receivable	$ 17,179,577	$ 15,058,692
Allowance for credit losses	(204,662)	(203,611)
Accrued defective return and discount	(1,495,811)	(1,007,319)
Accounts receivable, net	$ 15,479,104	$ 13,847,762

Movements of allowance for credit losses are as follows:

	For the Six Months Ended June 30, 2026 USD	For the Six Months Ended June 30, 2025 USD
Beginning balance	$ 203,611	$ 191,821
Provision	17,441	75,359
Write-off	(16,390)	(10,353)
Ending balance	$ 204,662	$ 256,827

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

	For the Six Months Ended June 30, 2026 USD	For the Six Months Ended June 30, 2025 USD
Beginning balance	$ 1,007,319	$ 1,001,927
Provision	488,492	51,900
Ending balance	$ 1,495,811	$ 1,053,827

Note 4 — Prepayments and other current assets

Prepayments and other assets consisted of the following:

	As of June 30, 2026 USD	As of December 31, 2025 USD
Prepayments	$ 2,503,589	$ 1,927,401
Others	1,120,209	1,300,858
Total prepayments and other current assets	$ 3,623,798	$ 3,228,259

Note 5 — Property and equipment, net

Property and equipment, net consist of the following:

	As of June 30, 2026	As of December 31, 2025
	USD	USD
Building	$ 946,066	$ 946,066
Leasehold Improvements	2,411,864	2,387,353
Machinery and equipment	4,025,253	3,954,055
Furniture and fixtures	280,558	281,498
Vehicles	147,912	147,912
Molds	26,377	26,377
Construction-in-progress	42,000	—
Subtotal	7,880,030	7,743,261
Less: accumulated depreciation	(4,217,612)	(3,889,397)
Total	$ 3,662,418	$ 3,853,864

Depreciation expenses amounted to $178,024 and $163,931 for the three months ended June 30, 2026 and 2025 respectively, and $355,152 and $311,218 for the six months ended June 30, 2026 and 2025, respectively. Depreciation expenses were included in general and administrative expenses on the unaudited condensed consolidated statements of operations and comprehensive income (loss).

Note 6 — Intangible assets, net

Intangible assets, net consist of the following:

	Weighted average amortization period (years)	As of June 30, 2026	As of December 31, 2025
		USD	USD
Software	9.7	$ 2,073,518	$ 2,089,909
Accumulated amortization		(465,415)	(356,293)
Intangible assets, net		$ 1,608,103	$ 1,733,616

Amortization expenses amounted to $57,981 and $31,959 for the three months ended June 30, 2026 and 2025, respectively, and $114,849 and $83,690 for the six months ended June 30, 2026 and 2025, respectively, which were included in general and administrative expenses on the consolidated statements of operations and comprehensive income (loss).

As of June 30, 2026, future amortization was as follows:

For the 12 months ending June 30,	
2027	$ 225,831
2028	217,031
2029	199,432
2030	199,432
2031	199,432
Thereafter	566,945
Total future amortization	$ 1,608,103

Note 7 — Leases

The Company has operating leases primarily for corporate offices, warehouses and showrooms. Total lease expenses were $619,377 and $625,743 for the three months ended June 30, 2026 and 2025, respectively, and $1,253,167 and $1,296,358 for the six months ended June 30, 2026 and 2025, respectively.

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

	As of June 30, 2026 USD	As of December 31, 2025 USD
Operating lease right-of-use assets	$ 9,908,253	$ 11,031,892
Operating lease liabilities – current	$ 1,737,632	$ 1,700,936
Operating lease liabilities – noncurrent	8,908,217	10,012,616
Total operating lease liabilities	$ 10,645,849	$ 11,713,552

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

	As of June 30, 2026	As of December 31, 2025
Weighted-average remaining lease term		
Operating leases	8.2 years	8.5 years
Weighted-average discount rate		
Operating leases	5.9%	5.9%

As of June 30, 2026, the maturities of operating lease liabilities were as follows:

For the 12 months ending June 30,	
2027	$ 2,320,360
2028	2,376,157
2029	2,172,004
2030	1,140,432
2031	1,168,727
Thereafter	3,971,375
Total lease payments	13,149,055
Less: imputed interest	(2,503,206)
Present value of lease liabilities	$ 10,645,849

Note 8 — Short-term loans

East West Bank Credit Facility

The Company's wholly-owned subsidiary, FGI Industries, has a line of credit agreement (the “Credit Agreement”) with East West Bank, which is collateralized by all assets of FGI Industries and real property owned by Mr. Liang Chou Chen, who holds approximately 49.91% of the voting control of Foremost, and guaranteed by certain affiliates, Mr. Chen and Ms. Han Ping Chen. The current amount of maximum borrowings is $18,000,000 and the maturity date is April 17, 2027. This is an assets-based line of credit, the borrowing limit is calculated based on certain percentage of accounts receivable and inventory balances.

The Credit Agreement contains financial covenants that require FGI Industries to maintain aggregate year to date EBITDA figures (defined as earnings before interest, taxes, depreciation and amortization) on a consolidated and unconsolidated basis, tested monthly, of up to $1.6 million and $1.4 million, respectively, as well as maintain certain limits on intercompany loans and affiliate transactions. As of June 30, 2026, FGI Industries was in compliance with these financial covenants.

The loan bears interest at a variable rate based on the Prime Rate (as quoted by the Wall Street Journal) plus a margin between 0% and 1.5% based on the Company's trailing twelve month EBITDA (subject to a minimum rate of 4.500% per annum).

Each sum of borrowings under the Credit Agreement is classified as a short-term loan. The outstanding balance of such loan was $9.1 million and $8.1 million as of June 30, 2026 and December 31, 2025, respectively.

RBC Bank Loan / Foreign Exchange Facility

FGI Canada has a line of credit agreement with Royal Bank of Canada ("RBC"), successor by amalgamation of HSBC Canada (the "Canadian Revolver"). The revolving line of credit with RBC allows for borrowing up to CAD7.5 million (USD5.3 million as of June 30, 2026). This is an assets-based line of credit, the borrowing limit is calculated based on certain percentage of accounts receivable and inventory balances. Pursuant to the Canadian Revolver, FGI Canada is required to maintain (a) a debt to tangible net worth ratio of no more than 3.00 to 1.00; and (b) a ratio of current assets to current liabilities of at least 1.25 to 1.00. The loan bears interest at a rate of Prime rate plus 0.50%. As of June 30, 2026, FGI Canada was in compliance with these financial covenants.

Borrowings under this line of credit amounted to $2.5 million and $1.7 million as of June 30, 2026 and December 31, 2025, respectively. The facility matures at the discretion of RBC upon 60 days' notice.

FGI Canada also has a revolving foreign exchange facility with RBC of up to a permitted maximum of USD3.0 million. The advances are available to purchase foreign exchange forward contracts from time to time up to six months, subject to an overall maximum aggregate USD Equivalent outstanding face value not exceeding USD3.0 million.

CTBC Credit Facility

On January 25, 2024, FGI International entered into an omnibus credit line (the "CTBC Credit Line") with CTBC Bank Co., Ltd. ("CTBC"). Under the CTBC Credit Line, FGI International may borrow, from time to time, up to $2.5 million, with borrowings limited to 90% of FGI International's export "open account" trade receivables. The CTBC Credit Line will bear interest at a rate of "Base Rate", which is based on monthly or quarterly Taipei Interbank Offered Rate in effect from time to time, plus 120 basis points and handling fees, unless otherwise agreed to by the parties. The CTBC Credit Line is unsecured and is fully guaranteed by the Company and partially guaranteed by Mr. Liang Chou Chen. Borrowings under this line of credit amounted to $1.4 million and $2.1 million as of June 30, 2026 and December 31, 2025, respectively.

Weighted average interest rate for the aforementioned credit facilities was 7.38% and 6.23% as of June 30, 2026 and December 31, 2025, respectively.

Note 9 — Shareholders' Equity

FGI was incorporated in the Cayman Islands on May 26, 2021. The Company's authorized share capital was $21,000 divided into (i) 200,000,000 Ordinary Shares of par value of $0.0001 each, and (ii) 10,000,000 Preference Shares of par value of $0.0001 each.

On July 28, 2025, the Company filed an amendment (the "Amendment") to the Company's Amended and Restated Memorandum and Articles of Association with the Registrar of Companies in the Cayman Islands to effect a 1-for-5 reverse share split (the "Reverse Share Split") of the Company's ordinary shares, par value $0.0001 per share ("Ordinary Shares"). Pursuant to the Amendment, effective as of 12:01 a.m., Eastern Time, on July 31, 2025 (the "Effective Time"), every 5 Ordinary Shares issued and outstanding was automatically combined into one Ordinary Share. As a result of the Reverse Share Split, the number of authorized Ordinary Shares was decreased to 40 million and the par value of the Company's Ordinary Shares went from $0.0001 per share to $0.0005 per share. The Reverse Share Split affected all record holders of the Ordinary Shares uniformly and did not affect any record holder's percentage ownership interest in the Company, except for de minimis changes as a result of the elimination of fractional shares.

Proportional adjustments were made to the number of Ordinary Shares issuable upon the exercise, conversion or vesting of the Company's equity awards and warrants, as well as the applicable exercise price.

As of the date of this report, equity-classified warrants exercisable for 575,000 shares were issued and outstanding; and none of the warrants have been exercised.

Note 10 — Share-based compensation

2021 Equity Plan and Employee Stock Purchase Plan

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

On October 7, 2021, the board approved the adoption of the FGI Industries Ltd. Employee Stock Purchase Plan (the "ESPP"). The ESPP was approved by the Company's shareholders on October 7, 2021, and became effective on the effective date of the Company's consummation of the IPO of its ordinary shares. The ESPP offers eligible employees the opportunity to acquire a stock ownership interest in the Company through periodic payroll deductions that will be applied towards the purchase of ordinary shares at a discount from the then-current market price. As of June 30, 2026, no shares were issued under the ESPP.

The board set the maximum aggregate number of ordinary shares reserved and available pursuant to the 2021 Equity Plan at 300,000 shares. The number of ordinary shares reserved for issuance under our 2021 Equity Plan will automatically increase on the first day of each year, commencing on January 1, 2022 and ending on (and including) January 1, 2031, in an amount equal to the lesser of (a) 4.5% of the total number of ordinary shares outstanding on December 31 of the immediately preceding calendar year, (b) 120,000 ordinary shares, or (c) such lesser number of shares as determined by the Board. The Equity Plan became effective on September 28, 2021.

The Company believes the option or restricted share unit ("RSU") awards granted contain an explicit service condition and/or performance condition. Performance conditions are generally tied to a long-term return on invested capital ("ROIC"), or a combination of multiple short-term financial metrics such as revenue, adjusted net income and ROIC. Under ASC 718-10-55-76, if the vesting (or exercisability) of an award is based on the satisfaction of both a service and performance condition, the entity must initially determine which outcomes are probable and recognize the compensation cost over the longer of the explicit or implicit service period.

The following table summarizes the Company's share option and RSU activity for the six months ended June 30, 2026:

	Share Options					RSUs	
	Number of Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Average Intrinsic Value	Number of RSUs	Weighted Average Grant Date Fair Value
		USD	USD	Years	USD		USD
Beginning of period	336,996	$ 6.32	$ 3.72			272,234	$ 8.34
Granted	134,612	$ 3.85	$ 3.80			179,347	$ 3.85
Canceled	(174,649)	$ 4.05	$ 2.93			(22,796)	$ 10.40
Exercised or released	—					(6,583)	$ 4.05
End of period	296,959	$ 6.53	$ 4.22	8.25	$ 116,069	422,202	$ 6.45
Vested and exercisable	131,542	$ 9.90	$ 5.05	6.64	$ 23,675		

Total fair value of options awarded was $511,200 and $572,745 for the six months ended June 30, 2026 and 2025, respectively.

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

Fair value of options

The Company used the Black-Scholes simplified method for the six months ended June 30, 2026 and 2025. The assumptions used to value the options granted to employees were as follows:

	April 2026	April 2025	March 2025
Risk-free interest rate (%)	4.01	4.24	4.05
Expected volatility range (%)	197.87	83.92	82.15
Fair market value per ordinary share as at grant dates	$ 3.85	$ 2.45	$ 4.05

The table above gives retroactive effect to the Reverse Share Split of the Preference Shares and Ordinary Shares at a ratio of 1-for-5 that became effective July 31, 2025. See Note 9 “Shareholders' Equity” for details.

The risk-free interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of grant for a term consistent with the contractual term of the awards. Expected volatility is estimated based on the volatility of ordinary shares of the Company. The expected exercise multiple is based on management’s estimation, which the Company believes is representative of the future.

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
	USD	USD	USD	USD
Selling and distribution expenses	$ 11,191	$ 23,701	$ 28,759	$ 53,455
General and administrative expenses	112,059	100,922	(21,903)	147,474
Total share-based compensation expenses	$ 123,250	$ 124,623	$ 6,856	$ 200,929

As of June 30, 2026, there was $1,218,325 in total unrecognized employee share-based compensation expense related to unvested options and RSUs, which may be adjusted for forfeitures occurring in the future. Total unrecognized compensation cost may be recognized over a weighted-average period of 2.65 years.

Note 11 — Income taxes

Our effective tax rate was 11.1% and 13.6% for the three months ended June 30, 2026 and 2025, respectively, and was 111.0% and 30.4% for the six months ended June 30, 2026 and 2025, respectively.

The elevated effective tax rate for the six months ended June 30, 2026 is primarily driven by the recognition of a valuation allowance against deferred tax assets in certain loss-making jurisdictions. Because the Company operates across multiple jurisdictions, losses in entities subject to valuation allowances are offset at the consolidated level by income earned elsewhere, resulting in a tax provision applied against a near-breakeven consolidated pre-tax income. This dynamic is the principal cause of the disproportionately high effective tax rate relative to the U.S. federal statutory rate of 21%.

Note 12 — Related party transactions and balances

Sales to a related party

Name of Related Party	Relationship	Nature of Transactions	For the Three Months Ended June 30, 2026	For the Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2026	For the Six Months Ended June 30, 2025
			USD	USD	USD	USD
Foremost Worldwide Co., Ltd.	An entity under common control	Sales	$ 774,720	$ 624,675	$ 1,685,876	$ 1,360,236
			$ 774,720	$ 624,675	$ 1,685,876	$ 1,360,236

Purchases from related parties

Name of Related Party	Relationship	Nature of Transactions	For the Three Months Ended June 30, 2026	For the Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2026	For the Six Months Ended June 30, 2025
			USD	USD	USD	USD
Focal Capital Holding Limited	An entity under common control	Purchases	$ 1,121,188	$ 1,846,438	$ 2,422,173	$ 3,349,172
Foremost Worldwide Co., Ltd.	An entity under common control	Purchases	1,495,953	1,310,711	2,451,356	2,654,821
Rizhao Foremost Woodwork Manufacturing Co., Ltd.	An entity under common control	Purchases	56,466	55,185	98,754	204,807
F.P.Z. Furniture (Cambodia) Co., Ltd.	An entity under common control	Purchases	—	11,759	—	11,759
			$ 2,673,607	$ 3,224,093	$ 4,972,283	$ 6,220,559

The ending balances of such transactions as of June 30, 2026 and December 31, 2025 are listed of the following:

Prepayments, other receivables and payables — related parties

Name of Related Party	Relationship	Nature of Transactions	As of June 30, 2026 USD	As of December 31, 2025 USD
Focal Capital Holding Limited	An entity under common control	Purchases	$ 1,696,133	$ 4,118,054
Foremost Worldwide Co., Ltd.	An entity under common control	Purchases	11,801,505	9,978,936
Foremost Home Inc. ("FHI")	An entity under common control	Shared services and Miscellaneous expenses	3,223,625	3,621,746
Foremost Worldwide Co., Ltd.	An entity under common control	Shared services and Miscellaneous expenses	(309,322)	(370,368)
Focal Capital Holding Limited	An entity under common control	Miscellaneous expenses	(2,845)	—
F.P.Z. Furniture (Cambodia) Co., Ltd.	An entity under common control	Miscellaneous expenses	(471,843)	(73,509)
			$ 15,937,253	$ 17,274,859

Accounts Payables — related parties

Name of Related Party	As of June 30, 2026 USD	As of December 31, 2025 USD
Rizhao Foremost Woodwork Manufacturing Co., Ltd.	$ 54,536	$ 49,855
	$ 54,536	$ 49,855

Shared Service and Miscellaneous expenses – related party

FGI Industries is party to the FHI Shared Services Agreement with FHI. Total amounts provided to FHI under the FHI Share Services Agreement were $122,621 and $172,573 for the three months ended June 30, 2026 and 2025, respectively, and $267,426 and $343,536 for the six months ended June 30, 2026 and 2025, respectively, which were recorded under selling and distribution expenses and general and administration expenses.

FGI is party to the Worldwide Shared Services Agreement with Foremost Worldwide. Total amounts provided from Foremost Worldwide under the Worldwide Shared Services Agreement were $66,863 and $72,875 for the three months ended June 30, 2026 and 2025, respectively, and $141,472 and $133,571 for the six months ended June 30, 2026 and 2025, respectively.

Loan guarantee by a related party

Mr. Liang Chou Chen holds approximately 49.91% of the voting control of Foremost, the Company's majority shareholder, is a guarantor of the loans under the CTBC Credit Line and, together with his wife, Ms. Han Ping Chen, is a guarantor under the Credit Agreement. See Note 8 for details.

Note 13 — Concentrations of risks

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. The Federal Deposit Insurance Corporation pays compensation up to a limit of USD250,000 if the bank with which a depositor holds its eligible deposit fails. As of June 30, 2026, a cash balance of USD2,651,697 was maintained at financial institutions in the United States, of which USD2,148,890 was subject to credit risk. The Canadian Deposit Insurance Corporation pays compensation up to a limit of CAD100,000 (approximately USD70,433) if the bank with which an individual/a company holds its eligible deposit fails. As of June 30, 2026, a cash balance of CAD327,220 (USD230,469) was maintained at financial institutions in Canada, of which CAD227,220 (USD160,036) was subject to credit risk. The Taiwan Central Deposit Insurance Corporation pays compensation up to a limit of TWD3,000,000 (approximately USD94,221) if the bank with which an individual/a company holds its eligible deposit fails. As of June 30, 2026, an aggregated cash balance of USD972,640 was maintained at financial institutions in Taiwan, of which USD603,315 was subject to credit risk. As of June 30, 2026, cash balance of USD199,897 was maintained at financial institutions in Kingdom of Cambodia, all of which was subject to credit risk. The European Banking Authority pays compensation up to a limit of EUR100,000 (approximately USD114,090) if the bank with which an individual/a company holds its eligible deposit fails. As of June 30, 2026, cash balance of EUR266,033 (USD303,517) was maintained at financial institutions in Europe, of which EUR144,465 (USD164,821) was subject to credit risk. The Reserve Bank of India pays compensation up to a limit of INR500,000 (approximately USD5,292) if the bank with which an individual/a company holds its eligible deposit fails. As of June 30, 2026, cash balance of INR1,404,308 (USD14,862) was maintained at financial institutions in India, of which INR904,308 (USD9,570) was subject to credit risk. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

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

Customer concentration risk

For the three months ended June 30, 2026, four customers accounted for 15.6%, 14.2%, 12.4% and 10.7% of the Company's total revenue, respectively. For the three months ended June 30, 2025, two customers accounted for 13.3% and 12.3% of the Company's total revenue, respectively. No other customer accounted for more than 10% of the Company's revenue for the three months ended June 30, 2026 and 2025.

For the six months ended June 30, 2026, four customers accounted for 15.0%, 12.7%, 12.2% and 11.1% of the Company's total revenue, respectively. For the six months ended June 30, 2025, two customers accounted for 15.1% and 13.9% of the Company's total revenue, respectively. No other customer accounted for more than 10% of the Company's revenue for the six months ended June 30, 2026 and 2025.

As of June 30, 2026, three customers accounted for 27.0%, 18.3% and 11.6% of the total balance of accounts receivable, respectively. As of December 31, 2025, four customers accounted for 21.1%, 15.3%, 13.8% and 11.8% of the total balance of accounts receivable, respectively. No other customer accounted for more than 10% of the Company's accounts receivable as of June 30, 2026 and December 31, 2025.

Vendor concentration risk

For the three months ended June 30, 2026, Tangshan Huida Ceramic Group Co., Ltd ("Huida") accounted for 53.6% of the Company's total purchases. For the three months ended June 30, 2025, Huida accounted for 51.0% of the Company's total purchases. No other supplier accounted for more than 10% of the Company's total purchases for the three months ended June 30, 2026 and 2025.

For the six months ended June 30, 2026, Huida accounted for 50.7% of the Company's total purchases. For the six months ended June 30, 2025, Huida and another vendor accounted for 56.5% and 10.1% of the Company's total purchases, respectively. No other supplier accounted for more than 10% of the Company's total purchases for the six months ended June 30, 2026 and 2025.

As of June 30, 2026, Huida accounted for 75.1% of the total balance of accounts payable. As of December 31, 2025, Huida accounted for 83.3% of the total balance of accounts payable. No other supplier accounted for more than 10% of the Company's accounts payable as of June 30, 2026 and December 31, 2025.

Note 14 — Commitments and contingencies

Litigation

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

Note 15 — Segment information

The Company follows ASC 280, "Segment Reporting" and adopted ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". The Company has one reporting segment. The Company's chief operating decision maker has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Company, and hence the Company has only one reportable segment which derives its revenue from the supply of bath and kitchen products.

The accounting policies of the kitchen and bath segment are the same as those described in the summary of significant accounting policies. The measure of segment net income (loss) is reported on the consolidated statements of operations and comprehensive (loss) income as net income (loss). The measure of segment total assets is reported on the consolidated balance sheets as total assets.

The Company's segment revenue, segment expenses, segment net income (loss), and a reconciliation of the total reportable segment's net income (loss) to the consolidated net income (loss) are as follows:

	Kitchen and Bath Segment			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
	USD	USD	USD	USD
Revenue	$ 31,885,552	$ 30,998,260	$ 62,387,012	$ 64,210,808
Less:				
Cost of revenue	21,223,160	22,291,653	43,563,929	46,603,943
Selling and distribution expenses	5,978,039	6,209,728	12,193,296	13,372,906
General and administrative expenses	2,877,453	2,844,715	5,231,686	5,545,928
Research and development expenses	406,316	484,502	688,926	801,228
Other segment items(1)	132,723	746,703	559,801	1,020,931
Provision for (benefit of) income taxes	141,199	(214,576)	165,877	(954,106)
Segment net income (loss)	1,126,662	(1,364,465)	(16,503)	(2,180,022)
Reconciliation of profit or loss				
Adjustments and reconciling items	—	—	—	—
Consolidated net income (loss)	$ 1,126,662	$ (1,364,465)	$ (16,503)	$ (2,180,022)

(1) Other segment items included interest income, interest expense and non-recurring other income and expenses.

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

The disclosures in this Quarterly Report on Form 10-Q are complementary to those made in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 10, 2026 (the "2025 Form 10-K"). You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing in this Quarterly Report on Form 10-Q as well as our audited financial statements, notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2025 Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Quarterly Report on Form 10-Q and of our 2025 Form 10-K, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. All amounts in Management's Discussion and Analysis of Financial Condition and Results of Operations are approximate.

Overview

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

Consistent with our long-term strategic plan, we expect to continue to make significant investments across our business in order to continue to attract new customers, expand existing relationships, develop new products and manufacturing capabilities and expand into new jurisdictions, thereby prioritizing long-term growth over short-term profitability. We intend to drive long-term value creation for our shareholders through a balanced focus on product innovation, organic growth, and efficient capital deployment. The following initiatives represent key strategic priorities for us:

- **Commitment to product innovation.** We have a history of being an innovator in the kitchen and bath markets and developing "on-trend" products and bringing them to market ahead of the competition. We have developed deep marketing skills, leading design capabilities, and product development expertise. A recent example of our innovative product development includes the Jetcoat® shower wall systems, which offer a stylized design option without the fuss of messy grout. We expect to continue to invest in research and development to drive product innovation throughout 2026.
- **"BPC" (Brands, Products, Channels) strategy to drive above-market organic growth.** We have continued to invest in our BPC strategy despite the market challenges, which is expected to drive improved organic growth in the longer term. We have entered into a 5-year licensing agreement that will provide us access to an industry leading overflow toilet technology. We will continue to market this technology as FLUSH GUARD® Overflow Technology. In addition, we continue to focus on our initiatives to expand geographically, with recently signed agreements providing entry into India, Eastern Europe and the UK.
- **Enhanced margin performance.** Our focus on higher-margin products has continued to deliver results, with gross margins reaching 30.2% for the six months ended June 30, 2026, 27.0% in 2025 and 26.9% in 2024, a significant rise from 19.5% in 2022. This positive trajectory in margins reflects our commitment to optimizing our product mix and operational efficiency, as well as the benefit of certain cost recoveries, despite recent headwinds from tariffs. Looking ahead, we anticipate gross margins to remain in line with the levels achieved in 2025 and 2024.
- **Efficient capital deployment.** We will continue to prioritize capital deployment in support of organic growth opportunities, while continuing to evaluate strategic M&A opportunities. With total financial resources of $7.9 million as of June 30, 2026, the Company believes it has sufficient financial flexibility to fund its organic growth strategy.
- **Deep manufacturing partners and customer relationships.** We have developed strong manufacturing and sourcing partners over the last 30+ years, which we believe will continue to give us a competitive advantage in the markets we serve. We also have deep relationships with an established global customer base, offering end-to-end

solutions to support category growth. While recent supply chain and inflation pressures have been a headwind, our durable partnerships with manufacturing and sourcing partners have helped to mitigate these challenges.

We were incorporated in the Cayman Islands on May 26, 2021 in connection with a reorganization and separation from our parent company, Foremost Groups Ltd. ("Foremost"), and its affiliates, pursuant to which, among other actions, Foremost contributed all of its equity interests in FGI Industries Inc. ("FGI Industries"), FGI Europe Investment Limited, an entity formed in the British Virgin Islands, and FGI International, Limited, an entity formed under the laws of Hong Kong, each a wholly-owned subsidiary of Foremost, to the newly formed FGI Industries Ltd. Foremost was established in 1987 and has become a global leader in kitchen and bath design, indoor and outdoor furniture, food service equipment, and manufacturing.

Reverse Share Split

On July 28, 2025, the Company filed an amendment (the "Amendment") to the Company's Amended and Restated Memorandum and Articles of Association with the Registrar of Companies in the Cayman Islands to effect a 1-for-5 reverse share split (the "Reverse Share Split") of the Company's ordinary shares, which was effected on July 31, 2025. Unless otherwise noted, the share and per share information in this Quarterly Report on Form 10-Q have been adjusted to give effect to the Reverse Share Split.

Tariff Developments

Our business was significantly impacted by the changes in the U.S. tariff regime in 2025 and related responses from foreign jurisdictions. We seek to offset tariffs and other costs through pricing, savings, sourcing changes and other measures, but demand could decline if consumer confidence weakens or the prices of our products increase. In February 2026, the U.S. Supreme Court struck down certain tariffs imposed under the International Emergency Economic Powers Act (IEEPA). Following the Supreme Court decision, the U.S. Administration announced a new 10% global tariff under Section 122 of the Trade Act of 1974, subject to certain carveouts. These global tariffs were recently invalidated by a US Court of International Trade ruling, but the government has filed a notice of appeal. During the three months ended June 30, 2026, the Company received approximately $2.7 million in refunds of IEEPA tariffs previously paid, which was recognized as a reduction to cost of revenue in the current period. In July 2026, the global tariff under Section 122 expired and was replaced by new tariffs generally ranging from 10% to 12.5% under Section 301. Several legal challenges to these new tariffs have been implemented. It remains uncertain what impact the ongoing legal and regulatory developments will have on our future financial results, including the availability of any additional refunds of amounts previously paid, any fluctuations in the level of replacement tariffs imposed, or the addition of any new tariffs through other means.

Supply Chain Operations

As part of our ongoing efforts to diversity our supply chain and manage expenses, we are currently working on initiatives to optimize our warehouse operations and global sourcing strategy. We are in the process of onboarding several suppliers in new jurisdictions in order to diversify our supply chain. As part of these efforts, we have been making several adjustments to our warehouse operations across multiple locations and expect to begin operations at a new warehouse in Texas to support distributions in the southern United States. These initiatives, if successful, are expected to deliver cost savings through reduced freight costs and shipping times for our North American operations.

Results of Operations

The following table summarizes the results of our operations for the three and six months ended June 30, 2026 and 2025 and provides information regarding the dollar and percentage increase (decrease) during such periods.

For the Three and Six Months Ended June 30, 2026 and 2025

	For the Three Months Ended June 30,		Change	
	2026	2025	Amount	Percentage
			USD	%
Revenue	$ 31,885,552	$ 30,998,260	$ 887,292	2.9
Cost of revenue	21,223,160	22,291,653	(1,068,493)	(4.8)
Gross profit	10,662,392	8,706,607	1,955,785	22.5
Selling and distribution expenses	5,978,039	6,209,728	(231,689)	(3.7)
General and administrative expenses	2,877,453	2,844,715	32,738	1.2
Research and development expenses	406,316	484,502	(78,186)	(16.1)
Income (loss) from operations	1,400,584	(832,338)	2,232,922	(268.3)
Operating margins (%)	4.4	(2.7)	710 bps	
Total other expenses, net	(132,723)	(746,703)	613,980	(82.2)
Provision for (benefit of) income taxes	141,199	(214,576)	355,775	(165.8)
Net income (loss)	1,126,662	(1,364,465)	2,491,127	(182.6)
Net income (loss) attributable to FGI Industries Ltd. shareholders	1,296,109	(1,231,524)	2,527,633	(205.2)
Adjusted income (loss) from operations[(1)]	1,400,584	(832,338)	2,232,922	(268.3)
Adjusted operating margins (%)[(1)]	4.4	(2.7)	710 bps	
Adjusted net income (loss) attributable to FGI Industries Ltd. shareholders[(1)]	$ 1,209,093	$ (1,161,873)	$ 2,370,966	(204.1)

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

	For the Six Months Ended June 30,		Change	
	2026	2025	Amount	Percentage
	USD	USD	USD	%
Revenue	$ 62,387,012	$ 64,210,808	$ (1,823,796)	(2.8)
Cost of revenue	43,563,929	46,603,943	(3,040,014)	(6.5)
Gross profit	18,823,083	17,606,865	1,216,218	6.9
Selling and distribution expenses	12,193,296	13,372,906	(1,179,610)	(8.8)
General and administrative expenses	5,231,686	5,545,928	(314,242)	(5.7)
Research and development expenses	688,926	801,228	(112,302)	(14.0)
Loss from operations	709,175	(2,113,197)	2,822,372	(133.6)
Operating margins (%)	1.1	(3.3)	440 bps	
Total other expenses, net	(559,801)	(1,020,931)	461,130	(45.2)
Provision for (benefit of) income taxes	165,877	(954,106)	1,119,983	(117.4)
Net loss	(16,503)	(2,180,022)	2,163,519	(99.2)
Net income (loss) attributable to FGI Industries Ltd. shareholders	326,704	(1,860,616)	2,187,320	(117.6)
Adjusted income (loss) from operations[(1)]	709,175	(2,093,291)	2,802,466	(133.9)
Adjusted operating margins (%)[(1)]	1.1	(3.3)	440 bps	
Adjusted net income (loss) attributable to FGI Industries Ltd. shareholders[(1)]	$ 465,694	$ (2,234,256)	$ 2,699,950	(120.8)

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

Revenue

For the three months ended June 30, 2026, our revenue increased by $0.9 million, or 2.9%, to $31.9 million from $31.0 million for the same period last year. The increase was primarily driven by growth in sanitaryware and shower system sales, which increased by 5.9% and 15.2%, respectively, partially offset by a 15.5% decline in bath furniture sales.

For the six months ended June 30, 2026, our revenue decreased by $1.8 million, or 2.8%, to $62.4 million from $64.2 million for the same period last year. The decrease was primarily driven by a 7.8% decline in sanitaryware sales, partially offset by a 14.6% increase in shower system sales reflecting the continued traction of our recently launched programs.

Revenue categories by product are summarized as follow:

	For the Three Months Ended June 30,				Change
	2026	Percentage	2025	Percentage	Percentage
	USD	%	USD	%	%
Sanitaryware	$ 19,141,529	60.0	$ 18,082,905	58.3	5.9
Bath Furniture	3,498,036	11.0	4,138,223	13.3	(15.5)
Shower System	6,027,171	18.9	5,230,862	16.9	15.2
Others	3,218,816	10.1	3,546,270	11.5	(9.2)
Total	$ 31,885,552	100.0	$ 30,998,260	100.0	2.9

	For the Six Months Ended June 30,				Change
	2026	Percentage	2025	Percentage	Percentage
	USD	%	USD	%	%
Sanitaryware	$ 35,267,898	56.5	$ 38,242,757	59.6	(7.8)
Bath Furniture	8,044,183	12.9	8,238,605	12.8	(2.4)
Shower System	12,507,473	20.0	10,917,179	17.0	14.6
Others	6,567,458	10.6	6,812,267	10.6	(3.6)
Total	$ 62,387,012	100.0	$ 64,210,808	100.0	(2.8)

Sanitaryware is our largest product category, accounting for 60.0% and 56.5% of our total revenue for the three and six months ended June 30, 2026, respectively, compared to 58.3% and 59.6% for the comparable periods of 2025. For the three months ended June 30, 2026, sanitaryware revenue increased by 5.9% to $19.1 million from $18.1 million for the same period of 2025. For the six months ended June 30, 2026, sanitaryware revenue decreased by 7.8% to $35.3 million from $38.2 million for the same period of 2025. The three-month increase was primarily attributable to the comparison against a weaker prior year period, during which customer demand was dampened by uncertainty surrounding U.S. tariff policy. The six-month decline reflects the broader softness in sanitaryware demand. Despite the year-to-date decline, sanitaryware continued to represent the majority of our revenue, and we remain focused on sustaining its performance as we further diversify our product portfolio.

Bath furniture accounted for 11.0% and 12.9% of our total revenue for the three and six months ended June 30, 2026, respectively, compared to 13.3% and 12.8% for the comparable periods of 2025. For the three months ended June 30, 2026, bath furniture sales decreased by 15.5% to $3.5 million from $4.1 million for the same period of 2025. For the six months ended June 30, 2026, bath furniture sales decreased by 2.4% to $8.0 million from $8.2 million for the same period of 2025. The declines across both periods reflect the current demand environment as well as the impact of tariff-related uncertainty on customer purchasing decisions.

Shower systems accounted for 18.9% and 20.0% of our total revenue for the three and six months ended June 30, 2026, respectively, compared to 16.9% and 17.0% for the comparable periods of 2025. For the three months ended June 30, 2026, shower system revenue increased by 15.2% to $6.0 million from $5.2 million for the same period of 2025. For the six months ended June 30, 2026, shower system revenue increased by 14.6% to $12.5 million from $10.9 million for the same period of 2025. The growth across both periods was primarily driven by our recently launched shower system programs, which have gained commercial traction and contributed to shower systems' increasing share of total revenue. We anticipate these programs will continue to be a positive driver going forward, though demand may remain subject to uncertainty in the current macroeconomic environment.

Other revenue, which primarily consists of custom kitchen cabinetry sales from our Covered Bridge business, accounted for 10.1% and 10.6% of our total revenue for the three and six months ended June 30, 2026, respectively, compared to 11.5% and 10.6% for the comparable periods of 2025. For the three months ended June 30, 2026, other revenue decreased by 9.2% to $3.2 million from $3.5 million for the same period of 2025. For the six months ended June 30, 2026, other revenue decreased by 3.6% to $6.6 million from $6.8 million for the same period of 2025. The declines across both periods reflect softer sales across the category.

Revenue Categories by Geographic Location

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

	For the Three Months Ended June 30,				Change
	2026	Percentage	2025	Percentage	Percentage
	USD	%	USD	%	%
United States	$ 21,620,872	67.8	$ 17,970,861	58.0	20.3
Canada	6,617,497	20.8	8,768,471	28.3	(24.5)
Europe	2,872,183	9.0	3,636,110	11.7	(21.0)
Rest of World	775,000	2.4	622,818	2.0	24.4
Total	$ 31,885,552	100.0	$ 30,998,260	100.0	2.9

	For the Six Months Ended June 30,				Change
	2026	Percentage	2025	Percentage	Percentage
	USD	%	USD	%	%
United States	$ 41,532,016	66.6	$ 39,139,233	61.0	6.1
Canada	12,714,583	20.4	16,952,614	26.4	(25.0)
Europe	6,454,256	10.3	6,741,104	10.5	(4.3)
Rest of World	1,686,157	2.7	1,377,857	2.1	22.4
Total	$ 62,387,012	100.0	$ 64,210,808	100.0	(2.8)

The United States is our largest market, accounting for 67.8% and 66.6% of our total revenue for the three and six months ended June 30, 2026, respectively, compared to 58.0% and 61.0% for the comparable periods of 2025. For the three months ended June 30, 2026, U.S. revenue increased by 20.3% to $21.6 million from $18.0 million for the same period of 2025. The three-month increase was primarily attributable to the comparison against a weaker prior year period, during which customer demand was dampened by tariff-related uncertainty. For the six months ended June 30, 2026, U.S. revenue increased by 6.1% to $41.5 million from $39.1 million for the same period of 2025. The six-month increase reflects a strong recovery in the second quarter that more than offset softer sales in the first quarter.

Canada is our second largest market, accounting for 20.8% and 20.4% of our total revenue for the three and six months ended June 30, 2026, respectively, compared to 28.3% and 26.4% for the comparable periods of 2025. For the three months ended June 30, 2026, Canadian revenue decreased by 24.5% to $6.6 million from $8.8 million for the same period of 2025. For the six months ended June 30, 2026, Canadian revenue decreased by 25.0% to $12.7 million from $17.0 million for the same period of 2025. The declines across both periods reflect softer sales across the Canadian market.

Europe, which consists primarily of sales in Germany, accounted for 9.0% and 10.3% of our total revenue for the three and six months ended June 30, 2026, respectively, compared to 11.7% and 10.5% for the comparable periods of 2025. For the three months ended June 30, 2026, European revenue decreased by 21.0% to $2.9 million from $3.6 million for the same period of 2025. For the six months ended June 30, 2026, European revenue decreased by 4.3% to $6.5 million from $6.7 million for the same period of 2025. The declines across both periods were driven by lower sales volumes in the European market.

Gross Profit

Gross profit was $10.7 million and $18.8 million for the three and six months ended June 30, 2026, representing increases of 22.5% and 6.9% compared to the same periods of 2025, respectively. Gross profit margin was 33.4% and 30.2% for the three and six months ended June 30, 2026, compared to 28.1% and 27.4% for the comparable periods of 2025, representing improvements of 530 and 280 basis points, respectively. The margin expansion across both periods was driven by a favorable product mix shift toward higher-margin categories, ongoing cost control initiatives, and the benefit of certain trade-related cost recoveries, partially offset by the impact of tariff-related headwinds on imported goods.

Operating Expenses

Selling and distribution expenses primarily consisted of personnel costs, marketing and promotion costs, commissions, and freight and leasing charges. Our selling and distribution expenses decreased by $0.2 million, or 3.7%, to $6.0 million for the three months ended June 30, 2026, from $6.2 million for the same period of 2025, and decreased by $1.2 million, or 8.8%, to $12.2 million for the six months ended June 30, 2026, from $13.4 million for the same period of 2025. The decreases across both periods were largely attributable to actions taken to optimize our facility footprint and reduce ongoing overhead costs.

General and administrative expenses primarily consisted of personnel costs, professional service fees, depreciation, travel, and office supply expenses. Our general and administrative expenses remained relatively consistent at $2.9 million for the three months ended June 30, 2026, compared to $2.8 million for the same period of 2025, and decreased by $0.3 million, or 5.7%, to $5.2 million for the six months ended June 30, 2026, from $5.5 million for the same period of 2025, reflecting our ongoing efforts to optimize operations and reduce overall operating expenses.

Research and development expenses mainly consisted of personnel costs and product development costs. Our research and development activities remained consistent during the period.

Other Income (Expenses)

Other income (expenses) represents interest income and expenses, as well as non-recurring non-operating gains and losses. Interest expense increased due to a higher average loan balance during the period.

Provision for Income Taxes

We recorded an income tax expense of $0.1 million and an income tax benefit of $0.2 million for the three months ended June 30, 2026 and 2025, respectively, and income tax expense of $0.2 million for the six months ended June 30, 2026, compared to an income tax benefit of $1.0 million for the six months ended June 30, 2025.

Our effective tax rate was 11.1% and 111.0% for the three and six months ended June 30, 2026, respectively, compared to 13.6% and 30.4% for the comparable periods of 2025. The elevated effective tax rate for the six-month period is primarily attributable to the recognition of a valuation allowance against deferred tax assets in certain loss-making jurisdictions, whose losses are offset at the consolidated level by income earned in other jurisdictions. Any sustained positive performance in future periods will be evaluated in accordance with applicable accounting guidance to determine the appropriate level of valuation allowance.

Net Loss

We reported net income of $1.1 million for the three months ended June 30, 2026, compared to a net loss of $1.4 million for the same period of 2025. For the six months ended June 30, 2026, net loss was negligible, compared to a net loss of $2.2 million for the same period of 2025. The improvements across both periods reflect the combination of the factors discussed above, including gross margin expansion, disciplined cost management, and the benefit of certain cost recoveries.

Liquidity and Capital Resources

The Company's unaudited condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate in the normal course of business and will be able to realize its assets and discharge its liabilities as they become due. The Company has incurred net loss of $0.0 million and net cash provided by operating activities of $1.8 million for the six months ended June 30, 2026. As of June 30, 2026, the Company had approximately $4.4 million in cash and had $13.0 million outstanding balance under its credit facilities, which were used primarily for working capital purposes.

Additionally, the Company has been facing adverse impacts from elevated tariff costs on imported goods. These increased costs have put pressure on gross margins and have contributed to the overall liquidity challenges.

In response to the conditions, the Company implemented a number of actions, including:

- Execution of cost control initiatives across multiple operating departments, targeting to lower recurring operating expenses.

- Commercial launch and promotion of new product lines, including anti-overflow toilets, shower systems, and custom kitchen cabinetry, which have begun generating increased revenue.

- Successful renewal of the Company’s credit facility with East West Bank, extending the maturity and maintaining access to committed financing.

As a result of these actions, the Company expects to improve its liquidity and reduce its cost structure. The Company’s management is of the opinion that it has sufficient funds to meet the Company’s working capital requirements and debt obligations as they become due over the next twelve (12) months.

East West Bank Credit Facility

The Company's wholly-owned subsidiary, FGI Industries, has a line of credit agreement (the “Credit Agreement”) with East West Bank, which is collateralized by all assets of FGI Industries and real property owned by Mr. Liang Chou Chen, who holds approximately 49.91% of the voting control of Foremost, and guaranteed by certain affiliates, Mr. Chen and Ms. Han Ping Chen. The current amount of maximum borrowings is $18,000,000 and the maturity date is April 17,

2027. This is an assets-based line of credit, the borrowing limit is calculated based on certain percentage of accounts receivable and inventory balances.

The Credit Agreement contains financial covenants that require FGI Industries to maintain aggregate year to date EBITDA figures (defined as earnings before interest, taxes, depreciation and amortization) on a consolidated and unconsolidated basis, tested monthly, of up to $1.6 million and $1.4 million, respectively, as well as maintain certain limits on intercompany loans and affiliate transactions. As of June 30, 2026, FGI Industries was in compliance with these financial covenants.

The loan bears interest at a variable rate based on the Prime Rate (as quoted by the Wall Street Journal) plus a margin between 0% and 1.5% based on the Company’s trailing twelve month EBITDA (subject to a minimum rate of 4.500% per annum).

Each sum of borrowings under the Credit Agreement is classified as a short-term loan. The outstanding balance of such loan was $9.1 million and $8.1 million as of June 30, 2026 and December 31, 2025, respectively.

RBC Bank Loan

FGI Canada Ltd. (“FGI Canada”) has a line of credit agreement with Royal Bank of Canada (“RBC”), successor by amalgamation of HSBC Canada (the “Canadian Revolver”). The revolving line of credit with RBC allows for borrowing up to CAD7.5 million (USD5.3 million as of June 30, 2026). This is an assets-based line of credit, the borrowing limit is calculated based on certain percentage of accounts receivable and inventory balances. Pursuant to the Canadian Revolver, FGI Canada is required to maintain (a) a debt to tangible net worth ratio of no more than 3.00 to 1.00; and (b) a ratio of current assets to current liabilities of at least 1.25 to 1.00. The loan bears interest at a rate of Prime rate plus 0.50%. As of June 30, 2026, FGI Canada was in compliance with these financial covenants.

Borrowings under this line of credit amounted to $2.5 million and $1.7 million as of June 30, 2026 and December 31, 2025, respectively. The facility matures at the discretion of RBC upon 60 days’ notice.

FGI Canada also has a revolving foreign exchange facility with RBC of up to a permitted maximum of USD3.0 million. The advances are available to purchase foreign exchange forward contracts from time to time up to six months, subject to an overall maximum aggregate USD Equivalent outstanding face value not exceeding USD3.0 million.

CTBC Credit Facility

On January 25, 2024, FGI International entered into an omnibus credit line (the “CTBC Credit Line”) with CTBC Bank Co., Ltd. (“CTBC”). Under the CTBC Credit Line, FGI International may borrow, from time to time, up to $2.5 million, with borrowings limited to 90% of FGI International’s export “open account” trade receivables. The CTBC Credit Line will bear interest at a rate of “Base Rate”, which is based on monthly or quarterly Taipei Interbank Offered Rate in effect from time to time, plus 120 basis points and handling fees, unless otherwise agreed to by the parties. The CTBC Credit Line is unsecured and is fully guaranteed by the Company and partially guaranteed by Mr. Liang Chou Chen. Borrowings under this line of credit amounted to $1.4 million and $2.1 million as of June 30, 2026 and December 31, 2025, respectively.

Cash Flows

The following table summarizes the key components of our cash flows for the six months ended June 30, 2026 and 2025.

	For the Six Months Ended June 30,	
	2026	2025
	USD	USD
Net cash provided by operating activities	$ 1,815,957	$ 195,667
Net cash used in investing activities	(175,399)	(631,150)
Net cash provided by (used in) financing activities	1,166,161	(1,943,867)
Effect of exchange rate fluctuation on cash	(285,462)	340,307
Net changes in cash	2,521,257	(2,039,043)
Cash, beginning of period	1,899,801	4,558,160
Cash, end of period	$ 4,421,058	$ 2,519,117

Operating Activities

Net cash provided by operating activities was $1.8 million for the six months ended June 30, 2026, compared to $0.2 million for the same period of 2025. The improvement was primarily driven by favorable working capital changes, including a $3.2 million decrease in inventories and a $1.3 million decrease in prepayments and other receivables from related parties, which provided significant cash inflows. These were supplemented by non-cash adjustments including $1.1 million of amortization, $0.4 million of depreciation, and a $0.5 million provision for defective returns. These inflows were partially offset by a $2.1 million increase in accounts receivable and a $1.8 million decrease in accounts payable. Overall, the improvement in operating cash flow reflects the Company's near-breakeven net loss position, disciplined inventory management, and ongoing working capital optimization compared to the prior year period.

Investing Activities

Net cash used in investing activities totaled $0.2 million for the six months ended June 30, 2026, compared to $0.6 million for the same period of 2025. The decrease was primarily attributable to reduced capital expenditures, with property and equipment purchases declining to $0.2 million from $0.6 million in the prior year period.

Financing Activities

Net cash provided by financing activities was $1.2 million for the six months ended June 30, 2026, primarily reflecting net proceeds from the Company's revolving credit facilities. In contrast, financing activities used $1.9 million of cash for the same period of 2025, reflecting net repayments under these facilities during that period.

Commitments and Contingencies

Capital Expenditures

Our capital expenditures were incurred primarily in connection with the acquisition of property and equipment. Our capital expenditures amounted to $0.2 million and $0.6 million for the six months ended June 30, 2026 and 2025, respectively. We do not expect to incur significant capital expenditures in the immediate future.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Significant Accounting Estimates

A discussion of our critical accounting policies and significant accounting estimates is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2025 Form 10-K. The preparation of the unaudited condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of some assets and liabilities and, in some instances, the reported amounts of revenue and expenses during the applicable reporting period. Actual results could differ materially from these estimates. Changes in estimates are recorded in results of operations in the period that the events or circumstances giving rise to such changes occur. Within the context of these critical accounting estimates, we are not currently aware of any reasonably likely events or circumstances that would result in different policies or estimates being reported for the six months ended June 30, 2026.

Recently Issued Accounting Pronouncements

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

Non-GAAP Measures

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

We define Adjusted Operating Income as GAAP income from operations excluding the impact of certain non-recurring income and expenses. We define Adjusted Net Income as GAAP income before income taxes excluding the impact of certain non-recurring income and expenses, such as income taxes at historical average effective rate, as well as net income attributable to non-controlling shareholders. We define Adjusted Operating Margins as adjusted income from operations divided by revenue.

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
	USD	USD	USD	USD
Income (loss) from operations	$ 1,400,584	$ (832,338)	$ 709,175	$ (2,113,197)
Adjustments:				
Non-recurring IPO-related share-based compensation	—	—	—	19,906
Adjusted Operating Income (Loss)	$ 1,400,584	$ (832,338)	$ 709,175	$ (2,093,291)
Revenue	$ 31,885,552	$ 30,998,260	$ 62,387,012	$ 64,210,808
Adjusted Operating Margins (%)	4.4	(2.7)	1.1	(3.3)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
	USD	USD	USD	USD
Income (loss) before income taxes	$ 1,267,861	$ (1,579,041)	$ 149,374	$ (3,134,128)
Adjustments:				
Non-recurring IPO-related share-based compensation	—	—	—	19,906
Adjusted income (loss) before income taxes	1,267,861	(1,579,041)	149,374	(3,114,222)
Less: income taxes at 18% rate	228,215	(284,227)	26,887	(560,560)
Less: net loss attributable to non-controlling shareholders	(169,447)	(132,941)	(343,207)	(319,406)
Adjusted Net Income (Loss)	$ 1,209,093	$ (1,161,873)	$ 465,694	$ (2,234,256)

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2026, our disclosure controls and procedures were not effective.

Evaluation of the Effectiveness of Internal Control over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act) as of June 30, 2026. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2026 because of the material weakness in our internal control over financial reporting described below.

Identified Material Weakness

Management identified a material weakness in internal control over financial reporting related to the precision of journal entry and account reconciliation review controls at a newly in-scope foreign subsidiary during the year ended December 31, 2025. Although general ledger, reconciliation, and analytical review procedures were performed, these controls were not designed or operating at a level of precision sufficient to evidence the timely detection of potentially material journal entry errors. This material weakness did not result in any identified misstatements of the Company’s consolidated financial statements.

Management's Remediation Initiatives

Management has initiated remediation actions to address the identified material weakness. These actions include the addition of dedicated in-house accounting personnel to oversee the financial close process, the implementation of enhanced journal entry and account reconciliation review procedures with defined documentation and approval requirements and strengthened evidence-retention practices. Management believes these actions, once fully implemented will remediate the material weakness. Management will continue to monitor and test the operating effectiveness of the related controls.

Changes in Internal Control over Financial Reporting

Other than as described above, there have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II- OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2025, includes a detailed discussion of our risk factors. At the time of this filing, there have been no material changes to the risk factors that were included in the Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Trading Plans

During the three months ended June 30, 2026, no director or executive officer adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Second Amended and Restated Memorandum and Articles of Association of FGI Industries Ltd., effective January 27, 2022 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 27, 2022).
3.2	Amendment to the Amended and Restated Memorandum and Articles of Association of FGI Industries Ltd. (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 29, 2025).
31.1	Rule 13(a)-14(a)/15(d)-14(a) Certification of Principal Executive Officer.
31.2	Rule 13(a)-14(a)/15(d)-14(a) Certification of Principal Financial Officer.
32.1	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer.
101	The following material from FGI Industries Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2026, formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss); (iii) the Condensed Consolidated Statements of Changes in Shareholders' Equity; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) Notes to Unaudited Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File formatted in Inline XBRL and contained in Exhibit 101.

SIGNATURES

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

Dated: August 14, 2026

FGI Industries Ltd.

By: /s/ David Bruce

David Bruce
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Jae Chung

Jae Chung
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

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

I, David Bruce, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

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

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

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

Date: August 14, 2026

/s/ David Bruce

David Bruce
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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

I, Jae Chung, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

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

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

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

Date: August 14, 2026

/s/ Jae Chung

Jae Chung
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report of FGI Industries Ltd. (the "*Company*") on Form 10-Q for the period ended June 30, 2026, to which this certification is being filed as of the date hereof as an exhibit thereto (the "*Report*"), I, David Bruce, Chief Executive Officer of the Company, and I, Jae Chung, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 14, 2026

/s/ David Bruce

David Bruce
Chief Executive Officer
(Principal Executive Officer)

/s/ Jae Chung

Jae Chung
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)