

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

FORM 10-K

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

For the fiscal year ended December 31, 2024

OR

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

Commission file number 001-38180

HF Foods Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

6325 South Rainbow Boulevard, Suite 420

Las Vegas, NV

(Address of principal executive offices)

81-2717873

(I.R.S. Employer
Identification No.)

89118

(Zip Code)

(888) 905-0988

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	HFFG	Nasdaq Capital Market
Preferred Share Purchase Rights	N/A	Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 28, 2024, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$145.9 million.

As of March 12, 2025, there were 52,737,650 shares of the registrant's common stock, par value \$0.0001, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Proxy Statement for the 2025 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. The registrant's Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2024.

HF FOODS GROUP INC.

Annual Report on Form 10-K

For the Fiscal Year Ended December 31, 2024

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for HF Foods Group Inc. ("HF Foods", the "Company," "we," "us," or "our") contains forward-looking statements. Forward-looking statements include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "project," "will" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. Factors that could cause or contribute to such differences include those discussed in this Annual Report on Form 10-K, and in particular, the risks discussed under the caption "Risk Factors" in Item 1A and those discussed in other documents we file with the Securities and Exchange Commission (the "SEC"). We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Annual Report on Form 10-K are made only as of the date hereof. Except as otherwise required by law, we undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise.

PART I.

ITEM 1. BUSINESS.

Overview

HF Foods Group Inc., headquartered in Las Vegas, Nevada, operating through our subsidiaries (collectively “HF Foods” or the “Company”) is a leading marketer and distributor of fresh produce, frozen and dry food, and non-food products to Asian restaurants, as well as other foodservice customers, throughout the United States. HF Foods was formed through a merger between two complementary market leaders, HF Foods and B&R Global Holdings, Inc. (“B&R Global”), on November 4, 2019.

With sixteen distribution centers and three cross-docks and a fleet of over 400 vehicles, our distribution network now spans 46 states covering approximately 95% of the contiguous United States. Capitalizing on our deep understanding of Asian cultures, strong relationships with growers and suppliers of food products primarily in North America, South America and Asia, with over 1,000 employees, and supported by two outsourced call centers in China, we have become a trusted partner serving approximately 15,000 customer locations throughout the United States.

We are committed to providing excellent customer service by delivering a distinctive product portfolio built from an indelible partnership with both foreign and domestic suppliers. These relationships ensure that we deliver an outstanding array of products at competitive prices. Our relationships with suppliers and knowledge of the market are the cornerstones of our negotiating power with suppliers and enable us to better manage potential supply chain disruptions and stockouts, gain price concessions and increase delivery schedules.

Corporate History

HF Foods was originally incorporated in the State of Delaware on May 19, 2016 as a special purpose acquisition company under the name Atlantic Acquisition Corp. (“Atlantic”), in order to acquire, through a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or similar business combination with, one or more businesses or entities.

On August 22, 2018, Atlantic consummated a reverse acquisition transaction resulting in the shareholders of HF Group Holding Corporation (“HF Holding”) becoming the majority shareholders of Atlantic, and changed its name to HF Foods Group Inc. On November 4, 2019, we consummated a merger transaction, resulting in B&R Global becoming a wholly-owned subsidiary of HF Foods.

On January 17, 2020, we acquired 100% equity membership interest in nine subsidiaries under B&R Group Realty Holding, LLC (“BRGR”), which owned warehouse facilities that were being leased to B&R Global for its operations in California, Arizona, Utah, Colorado, Washington, and Montana.

On December 30, 2021, HF Foods acquired substantially all of the assets of leading seafood suppliers Great Wall Seafood Supply, Inc., a Texas corporation, Great Wall Restaurant Supplier, Inc., an Ohio corporation, and First Mart Inc., an Illinois corporation (collectively the “Great Wall Group”).

On April 29, 2022, HF Foods acquired substantially all of the assets of Sealand Food, Inc., one of the largest frozen seafood suppliers servicing customers along the eastern seaboard, from Massachusetts to Florida, as well as Pennsylvania, West Virginia, Ohio, Kentucky, and Tennessee.

Our Business and Products

Our business features sixteen distribution centers and three cross-docks with a total of approximately 1.3 million square feet of warehouse space and a fleet of over 400 vehicles to provide a wide variety of products with a strong focus on specialty food

ingredients essential for Asian cuisine. Supported by an extensive supplier network, we aim to provide a one-stop service with on-time delivery and high fulfillment rates, at competitive pricing.

We offer over 2,000 different products to our customers, which include virtually all items needed to operate their restaurant business. Product offerings range from meat and poultry, perishable fresh produce, frozen seafood, general commodities and takeout food packaging materials to meet our customers' demands. The majority of our procurement currently consists of goods purchased domestically, such as meat, poultry, produce and certain key commodities. We also purchase a significant amount of goods through the import channel, such as frozen seafood, Asian Specialty, packaging and other commodities.

The following table sets forth our broad range of products and sales percentage by category for the year ended December 31, 2024:

Category	Description	Percentage
Seafood	Lobster, shrimp, crab, scallops and fish, such as tuna and Alaskan salmon	33%
Asian Specialty	Products with an Asian flair or flavor, including specialty noodles, rice, dry goods, such as dried mushrooms or dried beans, specialty sauces/seasonings, spring rolls, and canned products, such as preserved vegetables, bamboo shoots and water chestnuts	25%
Meat and Poultry	Beef, pork, chicken and duck	21%
Fresh Produce	Fresh, seasonal fruits and vegetables, such as celery, napa cabbage and winter melon which are widely used in Asian cuisines	11%
Packaging and Other	Take-out accessories for customers, from bamboo chopsticks to takeout containers, plastic cups and sushi combo boxes	5%
Commodity	General commodities including oil, flour, salt and sugar	5%

Our extensive supplier network and long-standing relationships with key suppliers strengthen our negotiating power, allowing us to procure large quantities efficiently through our centralized inventory system. This strategic approach enhances inventory turnover, optimizes accounts payable, and lowers operating costs. This gives customers the ability to shift away from fragmented direct-stores and turn to us as their full-service, one-stop solution for the majority of their purchasing needs.

This initiative is made possible from order placement to delivery due to our warehouse operations, optimized fleet management, material handling equipment and techniques, and efficient administrative and operating staff. This is further complemented by our two outsourced sales call centers located in China which take customers' inbound calls during non-office hours in the U.S. for order taking, customer relationship management and after-sales service, offering customers a warm and friendly human interaction channel who speak and understand their language and needs.

We have an extensive reach to our customers through localized, high frequency deliveries which allows them to reduce their inventory through higher inventory turnover and just-in-time inventory, and to reduce waste, especially in fresh products. Our temperature-controlled trucks deliver both short and medium distance routes daily to ensure on-time delivery and to achieve high fill rates to our customers.

Our Strategy

We are differentiated from mainstream food distribution companies, such as Sysco Corporation, US Foods Holding Corp. and Performance Food Group Company, through our strong understanding of Asian culture and cooking essentials, distinctive product portfolio, and resourceful supply chains. We believe our wide range of Asian-centric product offerings is unmatched, as many of the items we offer are unique and specific to the Asian restaurant industry.

We believe that our scale and deep knowledge of our customers' needs provide a competitive advantage over our direct competitors and have contributed greatly to our success, including the following:

- Wide array of Asian specialty products: These are not commonly provided by large distributors serving the mainstream market.
- Deep understanding of Asian culture: As our customers are primarily Asian restaurants, most of our employees can speak the primary language of our customers. We believe this is a key business strength and competitive advantage, as many of the restaurants' owners/chefs are more comfortable speaking in their primary language.
- Lower sales and administrative expenses: We outsource our telephone-based sales and customer service to two call centers located in China to better serve our customers around the clock.

- Purchasing power: We capitalize on economies of scale and have strong relationships with both our domestic and foreign suppliers.
- Warehouse location: We have strategically located distribution centers and cross-docks, supported by our fleet of delivery vehicles with most routes limited to three to five hours driving time, ensuring on-time delivery and order fill-rate.
- Technology: With our customized inventory management system, we are able to manage our customer relationships and inventory efficiently and reduce operating expenses.
- Customer-specific marketing: Our employees' bilingual capabilities provide a competitive advantage against other major providers in the industry.

We aim to further expand into new key markets, as well as to strategically consolidate our market leadership position in existing markets, primarily through acquisitions. We will also explore potential vertical expansion in our acquisition strategy, both upstream and downstream of the foodservice value chain, including providing value-added items such as semi-prepared food products to help our customers upgrade their service, as well as exploring adjacent markets. We continue to invest in technological advancements to develop state-of-the-art management information and operating systems, to further improve our operational efficiency, accuracy and customer satisfaction, and to cement our foothold as a leading foodservice distributor to Asian restaurants in the U.S.

Features of Asian Restaurants

Set forth below are the principal characteristics of the Asian restaurants we serve.

Primarily Serving Mainstream Americans. There are tens of thousands of Asian restaurants spread throughout the U.S., primarily serving American customers. Although the dishes they serve are more simply and quickly prepared as compared to traditional full-service Asian restaurant cuisine, they still require specialized and distinctive Asian specialty ingredients used in traditional Asian cooking styles.

Operated by Individual Families. Most restaurants serviced by HF Foods are generally family-owned with very few workers, who are often immigrants or first generation Americans. These small restaurant owners, especially the founders, appreciate value-added services from suppliers to help them improve their operational efficiency. The owners and workers in these Asian restaurants usually prefer to speak their primary language. We believe that understanding their culture and language is paramount to facilitating efficient communications and building trust with customers.

Unique Cooking Style and Ingredients for Asian Cuisines. Asian cuisine requires unique cooking techniques such as steaming and stir-frying in a wok, and requires specialty ingredients and vegetables such as bitter melons, Asian yams, vine spinach, napa cabbage and winter melon. It also requires special seasonings and spices, including peanut oil, cooking wine, vinegar, dark soy source, black bean sauce, pepper oil and chili oil. Most of the unique ingredients for Asian cuisine are staple supplies of HF Foods that are not widely available from mainstream U.S. suppliers.

Current Industry Landscape and Opportunities

Growing Demand in Asian Cuisines. The demand for Asian cuisines continues to grow in the U.S. In addition, according to the Pew Research Center, the Asian population in the U.S. is the fastest growing population group in the country. We believe that these powerful trends will continue and result in expanded opportunities for Asian restaurants. As a leading foodservice distributor to Asian restaurants in the U.S., these trends represent a significant growth opportunity for HF Foods.

Cultural Barriers to Entry. Understanding Asian cooking culture is important to running an Asian restaurant, and, therefore, most Asian restaurants are operated by Asian Americans. We believe that it is very difficult for mainstream food distributors to serve these restaurants due to various cultural and language barriers.

Highly Fragmented Market. The Asian foodservice market is currently highly fragmented with many small and unsophisticated direct store distributors, such as small-scale wholesaler redistributors, specialty import brokers, farmers markets, and local produce retailers, operating without significant financial support or a sophisticated logistics infrastructure. We are a leading Asian food distributor in the U.S. with a well-developed logistics infrastructure, strong financial means, and experienced management team that provides the marketplace with an avenue for consolidated purchasing, high fill rate, and efficient delivery frequency at a competitive price. The fragmented nature of the Asian foodservice market creates acquisition opportunities for us to continue to expand our geographic footprint and customer base.

Competitive Advantages over New Entrants. Each distribution center requires a large amount of invested capital to support the full temperature-controlled logistics and warehouse operations to help customers grow their sales and profit. Consolidated purchasing allows us to pass on cost savings to our customers and provide competitive pricing. We believe our continued investment in technology will lead to long-term expense reduction and further administrative efficiency. These competitive advantages result in economies of scale which smaller and fragmented suppliers cannot match.

Demand for Value-Added Services. Our customers are primarily Asian restaurants, and other foodservice customers. These customers are price and quality sensitive with a high demand for great service and mutual trust. Our employees speak their language, understand their culture and build a bond with our customers. Our 24-hour after sale service call center, located domestically and in China, allows us to serve as a supportive and dependable business partner. Through vendor partnerships, we help our large customers source distinct products from their choice of vendors, either domestically or internationally. These are the value added services that we are able to provide to our customers in our one-stop shopping offering.

Continued Consumer Spending on Food Away From Home. As COVID-19 restrictions eased in 2021 and into 2022, both full service and fast food/take out restaurants have rebounded, and we believe the long-term trend of increasing food away from home market consumption has resumed and continues to be a key driver of demand for Asian restaurants.

Customer Service

We employ a two-pronged approach for a complete and cohesive support to both existing and prospective customers; namely, the two outsourced call centers located in Fuzhou, China and the domestic sales team in the U.S. Utilizing these outsourced call centers in China, customers embrace and appreciate our personal customer service conducted in their primary language.

Full sales support from the beginning of a sales order to post-sales service is offered through these call centers. These services are complemented by our domestic sales teams who make regular on-site visits to customers' restaurants. With cultural understanding coupled with a distinct and diverse cultural bonding, the entire sales team has been successful in forging better customer rapport and retention and is better able to understand customers' needs and operations as compared to the mainstream foodservice distributors attempting to serve this channel. Utilizing our customized information system to share valuable and pertinent information with our customers is important to help them grow their business. This information includes, but is not limited to, purchasing history, order tracking, item availability, items on promotion, and best-selling or trending items.

We formulate strategies and implement action plans to ensure cohesive sales and marketing efforts to our existing and prospective customers. The domestic sales team works closely with the sales staff in China to ensure our strategies are implemented effectively and our action plans are carried out swiftly. Distribution centers are empowered to cater to local and regional customers' needs by customizing their specific product portfolio. With respect to customer care and satisfaction, we offer a refund policy without penalty, which many of our small competitors in the market segment and the direct store distributors are unable to provide. Our 100% satisfaction guarantee permits our customers to reject part of the order or the entire order within twenty-four hours of receipt without any penalty. We believe that this refund policy further cements the trust and loyalty of our customers toward our brand and company.

Suppliers

We consolidate procurement on bulk and frequently sold items. Our distribution centers send their inventory procurement requests to buyers who are responsible for consolidation and fulfillment in the most cost-effective way. The consolidated procurement process allows HF Foods to establish a meaningful vendor relationship under one brand.

We maintain a large supplier network through a vendor pool with a carefully selected group of suppliers to ensure product quality, availability and competitive pricing. To minimize costs, the procurement team directly manages our major vendors for large and frequent purchases and engages brokers for our smaller suppliers of specialty goods. Utilizing brokers allows us to maintain lower costs due to the brokers' volume.

The key procurement team members closely monitor the supply market for seasonal products, such as vegetables, and makes procurement adjustments according to market conditions. In addition, they use a dual-sourcing method for their suppliers and can negotiate lower prices for comparable products.

Each distribution center reviews the inventory level in the information system daily and submits purchase requests as needed to the procurement team at headquarters and regional offices. The procurement teams at headquarters and our regional offices can alter or adjust purchasing decisions based on an analysis of the inventory data in the system. Upon receipt of ordered products, the delivery schedule is determined based on the needs of each location. The lead-time for products is dependent on the product

category and need. For perishable goods, products are usually delivered by suppliers within seventy-two hours of placing the order. Products that are ordered through import brokers have lead times of up to seven days.

None of our suppliers accounted for more than 10% of our aggregate purchases during the years ended December 31, 2024 and 2023.

Trademarks

Except for the trademarks for HF black and white/color logos, Rong, Rong GREEN LEAF, Great Wall logos, <333>, SEA333, and SEA888, we do not own or have the right to use any patent, trademark, trade name, license, franchise or concession, the loss of which would have a material adverse effect on our business, financial condition or results of operations.

Human Capital

One of our primary strategic priorities is to continue to enhance the strength of our workforce by retaining, developing, attracting, and recruiting highly qualified and top-performing talent. This effort includes establishing an optimized organizational structure and prioritizing the development of our employees' capabilities through targeted training and professional development initiatives.

We attribute a significant portion of our success to the dedication and loyalty of our workforce. Notably, all general managers and distribution-level management personnel have been with the company since its inception. Their comprehensive understanding of our business operations, coupled with the strong relationships they maintain with frontline employees, has contributed to our ability to operate as a union-free organization.

As of December 31, 2024, we had 1,015 full-time employees, 26 part-time employees and 33 temporary employees through staffing agencies. We offer attractive compensation and benefit packages, and we believe our relationship with our employees is satisfactory.

Recruiting, Training and Development

Our ability to continue to retain, attract, and recruit top talent at all levels is key to our future success. In 2024, we implemented a Learning Management System (LMS) to consolidate employee training in the areas of safety, security, and compliance. We continue to transform our operations through new system and process improvements, training and development.

Inclusion

HF Foods was founded by Asian Americans, and throughout our history, we have continued to maintain inclusion as one of our top priorities by providing opportunities to all employees regardless of background. Four out of five members of our Board of Directors are Asian and three out of five are women. At the corporate level, over 50% of our director and above positions are held by women.

Recent Developments

CEO Transition

On October 24, 2024, the Board of Directors of the Company terminated Xiao Mou (Peter) Zhang as Chief Executive Officer of the Company, without cause, effective immediately. In connection with Mr. Zhang's departure, the Company entered into a Severance Agreement and General Release (the "Severance Agreement") with Mr. Zhang on November 21, 2024. Pursuant to the Severance Agreement, which includes a general release of claims by Mr. Zhang against the Company, Mr. Zhang will be entitled to receive standard severance benefits provided to a Chief Executive Officer under the Company's Amended and Restated Severance Plan. Mr. Zhang continues to serve as a Director on the Board of Directors.

On October 24, 2024, Xi (Felix) Lin was appointed to serve as Interim Chief Executive Officer, effective immediately, and continued to serve as the Company's Chief Operating Officer and President. On December 17, 2024, the Board of Directors of HF Foods appointed Felix Lin to serve as the Company's Chief Executive Officer and President, effective January 1, 2025.

Credit Facility Amended

On February 12, 2025, the Company and certain of its subsidiaries (collectively with the Company, the “Borrowers”) entered into that certain Joinder and Amendment No. 4 to Third Amended and Restated Credit Agreement (the “Amendment”) with the lenders party thereto (the “Lenders”) and JPMorgan Chase Bank, N.A., a national banking association, as administrative agent for the Lenders (in such capacity, the “Administrative Agent”). The Amendment amends the Third Amended and Restated Credit Agreement, dated as of March 31, 2022, by and among the Borrowers, the other loan parties thereto, the Lenders party thereto and the Administrative Agent (as amended, supplemented or otherwise modified, the “Credit Agreement”).

The Amendment amends certain terms and conditions of the Credit Agreement by, among other things, (i) increasing the Aggregate Revolving Commitment (as defined in the Credit Agreement) from \$100,000,000 to \$125,000,000, (ii) joining three new subsidiaries of the Company to the Credit Agreement, each as a “Borrower” thereunder, (iii) joining Wells Fargo Bank, N.A. to the Credit Agreement as a “Lender” thereunder, (iv) amending certain affirmative covenants commensurate with the increase in the Aggregate Revolving Commitment, and (v) amending certain restrictions regarding incurring obligations under real property leases and equipment financings in the ordinary course of business.

Government Regulation

Legal compliance is important to our operations. We are required to comply, and it is our policy to comply, with all applicable laws in the numerous jurisdictions in which we do business.

As a marketer and distributor of food products in the U.S., we are subject to the Federal Food, Drug and Cosmetic Act and regulations promulgated thereunder by the U.S. Food and Drug Administration (the “FDA”). The FDA regulates food safety and quality through various statutory and regulatory mandates, including manufacturing and holding requirements for foods through good manufacturing practice regulations, hazard analysis and critical control point requirements for certain foods, and the food and color additive approval process. The agency also specifies the standards of identity for certain foods, prescribes the format and content of information required to appear on food product labels, regulates food contact packaging and materials, and maintains a Reportable Food Registry for the industry to report when there is a reasonable probability that an article of food will cause serious adverse health consequences. For certain product lines, we are also subject to the Federal Meat Inspection Act, the Poultry Products Inspection Act, the Perishable Agricultural Commodities Act, the Packers and Stockyard Act and regulations promulgated by the USDA to interpret and implement these statutory provisions. The USDA imposes standards for product safety, quality and sanitation through the federal meat and poultry inspection program. The USDA reviews and approves the labeling of these products and also establishes standards for the grading and commercial acceptance of produce shipments from our suppliers. We are also subject to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, which imposes certain registration and record keeping requirements on facilities that manufacture, process, pack or hold food for human or animal consumption.

The recently published and pending rules under the Food Safety Modernization Act (“FSMA”) will significantly expand food safety requirements, including those of HF Foods. Among other things, FDA regulations implementing the FSMA require us to establish and maintain comprehensive, prevention-based controls across the food supply chain that are both verified and validated. The FSMA also imposes new requirements for food products imported into the U.S. and provides the FDA with mandatory recall authority.

HF Foods and our products are also subject to state and local regulation through such measures as the licensing of our facilities; enforcement by state and local health agencies of state and local standards for our products; and regulation of our trade practices in connection with the sale of our products. Our facilities are subject to regulations issued pursuant to the U.S. Occupational Safety and Health Act by the U.S. Department of Labor. These regulations require us to comply with certain manufacturing, health and safety standards to protect employees from accidents and to establish hazard communication programs to transmit information on the hazards of certain chemicals which may be present in products that we distribute.

Our distribution facilities must be registered with the FDA biennially and are subject to periodic government agency inspections by the FDA and USDA. Our facilities are generally inspected at least annually by federal and/or state authorities.

Our business and employment practices are also subject to regulation by numerous federal, state and local regulatory agencies, including, but not limited to, the U.S. Department of Labor, which sets employment practice standards for workers, and the U.S. Department of Transportation, as well as its agencies, the Surface Transportation Board, the Federal Highway Administration, the Federal Motor Carrier Safety Administration, and the National Highway Traffic Safety Administration, which collectively regulate our trucking business through the regulation of operations, safety, insurance and hazardous

materials. We must comply with the safety and fitness regulations promulgated by the Federal Motor Carrier Safety Administration, including those relating to drug and alcohol testing and hours of service. Such matters as weight and dimension of equipment also fall under federal and state regulations. We also are subject to federal and state immigration laws, regulations and programs that regulate our ability to hire or retain foreign employees. In addition, we are subject to the U.S. False Claims Act, and similar state statutes, which prohibit the submission of claims for payment to the government that are false and the knowing retention of overpayments.

Our operations are also subject to a broad range of U.S. federal, state, and local environmental laws and regulations, as well as zoning and building regulations. Environmental laws and regulations cover a variety of procedures, including appropriately managing wastewater and stormwater; complying with clean air laws, including those governing vehicle emissions; proper handling and disposal of solid and hazardous wastes; protecting against and appropriately investigating and remediating spills and releases; and monitoring and maintaining underground and above ground storage tanks for diesel fuel and other petroleum products. For the year ended December 31, 2024, the costs of managing our compliance with environmental laws and regulations was nominal.

The U.S. Foreign Corrupt Practices Act (“FCPA”) prohibits bribery of public officials to obtain or retain business in foreign jurisdictions. The FCPA also requires us to keep accurate books and records and to maintain internal accounting controls to detect and prevent bribery and to ensure that transactions are properly authorized. We have implemented appropriate policy and will continue to maintain a robust anti-corruption compliance program applicable to our operations.

For the purchase of items produced, harvested or manufactured outside of the U.S., we are subject to applicable customs laws regarding the import and export of various products. Certain activities, including working with customs brokers and freight forwarders, are subject to applicable regulation by U.S. Customs and Border Protection, which is a part of the Department of Homeland Security. Additionally, the new U.S. administration has called for substantial changes to foreign trade policy. Significant new restrictions and tariffs on foreign trade could have a negative impact on our business and could increase the cost of sourcing products and certain equipment and other materials used in our operations that we procure from outside the U.S.

Information about our Executive Officers as of December 31, 2024

Name	Age	Position
Xiao Mou Zhang	52	Former Chief Executive Officer
Xi Lin	36	Chief Executive Officer, President and Chief Operating Officer
Cindy Yao	57	Chief Financial Officer
Christine Chang	42	General Counsel and Chief Compliance Officer

Xiao Mou Zhang (aka Peter Zhang) served as Co-Chief Executive Officer and Director since November 4, 2019 following the merger between HF Foods and B&R Global Holdings Inc. (“B&R Global”), and was promoted to sole Chief Executive Officer on February 23, 2021 until October 24, 2024. From 2014 until the merger, he served as chairman of the board and a director of B&R Global that was co-founded by Mr. Zhang and his partners, to consolidate the shareholdings of various operating entities across the Pacific and Mountain States regions. Mr. Zhang has well over 20 years of experience in the food distribution industry with extensive experience in sales, marketing, financing, acquisitions, inventory, logistics and distribution. Under Mr. Zhang’s leadership, B&R Global established a large supplier network and maintained long-term relationships with many major suppliers stemming from business relationships that were built up over the years. A large purchase volume and a centralized procurement process also allowed B&R Global favorable negotiating power with vendors that source high quality products at lower prices than many competitors. On October 24, 2024, the Board of Directors of HF Foods terminated Xiao Mou (Peter) Zhang as chief executive officer of the Company, without cause, effective immediately. Mr. Zhang’s termination was not due to any disagreement with the Company regarding its financial reporting, policies or practices. Mr. Zhang continues to serve as a director on our Board of Directors.

Xi Lin (aka Felix Lin) was appointed to serve as Chief Executive Officer, effective January 1, 2025, and has served as President since February 12, 2024. Mr. Lin previously served as Chief Operating Officer of the Company from May 1, 2022 to January 1, 2025. Mr. Lin also previously served as an independent director of HF Foods from November 2019 to April 2022. Mr. Lin worked in a number of positions at Blue Bird Corporation (NASDAQ: BLBD) from 2010 until his resignation on April 1, 2022. Prior to his resignation, he was Vice President, with responsibility for compliance, human resources, government relations, corporate training, strategic relationships, and supply chain M&A. He also held various other leadership positions within Blue Bird Corporation in the Manufacturing Operations and Supply Chain Departments from 2015 to 2016, the Finance

and Accounting Department in 2011 and from 2013 to 2015, and the International Business Development and M&A Departments in 2012. Mr. Lin received his B.A. in Accounting and Finance from the Eugene Stetson School of Business and Economics at Mercer University in Georgia, a Master's degree in Accountancy from the J. Whitney Bunting College of Business at Georgia College and State University in Georgia, and a Master's degree in Business Administration from the University of North Carolina at Chapel Hill.

Cindy Yao has served as Chief Financial Officer since May 1, 2024. Ms. Yao joins HF Foods with over three decades of Finance and Accounting leadership experience. For the past 10 years, Ms. Yao served as Chief Financial Officer and Executive Vice President for Markel Food Group, a company providing high-quality, innovative automated process solutions, consulting services and technical support to food producers. Prior to that, from 2002 to 2013, Ms. Yao served as Vice President and Corporate Treasurer for Bausch + Lomb Corporation (NYSE: BLCO), an eye health company with \$4.8 billion in annual revenue. Ms. Yao also served in various Finance and Accounting leadership roles with Corning Incorporated (NYSE: GLW), Eastman Kodak Company (NYSE: KODK), and Coopers & Lybrand LLP, (now part of PwC) prior to 2002. Ms. Yao holds a Master's degree in Accounting from the Virginia Polytechnic Institute and State University and an Executive Master's degree in Business Administration from the Simon Business School of the University of Rochester.

Christine Chang has served as General Counsel and Chief Compliance Officer since September 8, 2021. Ms. Chang previously served as Vice President - Legal Affairs, Labor Relations and Litigation for Boyd Gaming Corp. (NYSE: BYD). From 2014 through August 2020, she served in various capacities as Corporate Counsel, Litigation, Senior Corporate Counsel, Litigation, and Vice President and Chief Counsel, Litigation, for Caesars Entertainment, Inc. (NASDAQ: CZR). Ms. Chang also served as an associate at the law firm of Dentons LLP, from 2008 to 2013. Ms. Chang holds a Bachelor of Arts in Rhetoric from the University of California and a Juris Doctorate from Columbia University.

Website and Availability of Information

Our corporate website is located at hffoodsgroup.com. We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our filings with the SEC are available to the public on the SEC's website at www.sec.gov. Those filings are also available to the public on, or accessible through, our corporate website for free via the "Investor Relations" section at investors.hffoodsgroup.com. The information contained on or accessible through our corporate website or any other website that we may maintain is not incorporated by reference into and is not part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS.

The following are significant factors known to us that could materially adversely affect our business, reputation, operating results, industry, financial position and/or future financial performance. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes contained in this report. The following discussion of risks is not all inclusive, but is designed to highlight what we believe are the most significant factors to consider when evaluating our business. The risks set forth in this Section 1A are presented as of December 31, 2024 and the period then ended.

Risk Factors Relating to Our Business and Industry

Our industry is characterized by low margins, and periods of significant or prolonged inflation or deflation affect our product and operational costs, which may negatively impact our profitability.

The foodservice distribution industry is characterized by relatively high inventory turnover with relatively low profit margins. Volatile food costs have a direct impact on our industry. Periods of significant product cost inflation or deflation may adversely affect our results of operations if we are unable to pass on all or a portion of such product cost increases to our customers in a timely manner. In addition, periods of rapidly increasing inflation may adversely affect our business due to the impact of such inflation on discretionary spending by consumers and our limited ability to increase prices in the current, highly competitive environment.

Changes to U.S. trade policy, tariff and import/export regulations may adversely affect our operating results.

Changes in U.S. or international social, political, regulatory and economic conditions or in laws and policies governing foreign trade, development and investment in the territories or countries where we currently conduct our business, as well as any negative sentiment toward the U.S. as a result of such changes, could adversely affect our business. The U.S. has instituted or proposed changes in trade policies that include the negotiation or termination of trade agreements, the imposition of higher

tariffs on imports into the U.S., economic sanctions on individuals, corporations or countries, and other government regulations affecting trade between the U.S. and other countries where we conduct our business. As a result of policy changes and government proposals, there may be greater restrictions and economic disincentives on international trade. The new tariffs and other changes in U.S. trade policy could trigger retaliatory actions by affected countries, and foreign governments have instituted or are considering imposing trade sanctions on U.S. goods. Such changes have the potential to adversely impact the U.S. economy or sectors thereof, our industry and the global demand for our products, and as a result, could have a negative impact on our business, financial condition and results of operations.

If the U.S. continues to impose such tariffs, this may cause supply chain disruptions and could further escalate our costs. We may determine to increase our sales prices in order to pass these increased costs to our customers. In the event we determine to take such action, our customers may reduce their orders from us, which could negatively affect our business, profitability and operating results. We are closely monitoring these developments and evaluating strategies to mitigate potential impacts.

A shortage of qualified labor or an inability to attract, train or retain employees could negatively affect our business and materially reduce earnings.

The foodservice distribution industry is labor intensive. The future success of our operations, including the achievement of our strategic objectives, depends on our ability, and the ability of third parties on which we rely to supply and to deliver our products, to identify, recruit, develop and retain qualified and talented individuals. As a result, any shortage of qualified labor could significantly and adversely affect our business. Employee recruitment, development and retention efforts that we or such third parties undertake may not be successful, which could result in a shortage of qualified individuals in future periods. Any such shortage could decrease our ability to effectively serve our customers and achieve our strategic objectives. Such a shortage would also likely lead to higher wages for employees (or higher costs to purchase the services of such third parties) and a corresponding reduction in our results of operations.

Our success depends in part upon our ability to attract, train and retain a sufficient number of employees who understand and appreciate our culture and are able to represent our brand effectively and establish credibility with our business partners and customers. Our ability to meet our labor needs, while controlling wage and labor-related costs, is subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the regions in which we are located, unemployment levels within those regions, prevailing wage rates, changing demographics, health and other insurance costs and changes in employment legislation.

In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, causing our customer service to suffer, while increasing our wages could cause our profits to decrease. If we are unable to hire and retain employees capable of meeting our business needs and expectations, our business and brand image may be impaired. Any failure to meet our staffing needs or any material increase in turnover rates of our employees may adversely affect our business, results of operations and financial condition.

Unfavorable macroeconomic conditions in the U.S. may adversely affect our business, financial condition and results of operations.

Our operating results are substantially affected by the operating and economic conditions in the regions in which we operate. Economic conditions can affect us in the following ways:

- A reduction in discretionary spending by consumers could adversely impact sales of Asian restaurants, and their purchases from us. Future economic conditions affecting disposable consumer income, such as employment levels, business conditions, changes in housing market conditions, the availability of consumer credit, inflation, interest rates, tax rates and fuel and energy costs, could reduce overall consumer spending.
- Food cost and fuel cost inflation experienced by consumers can lead to reductions in the frequency of and the amount spent by consumers for food away from home purchases, which could negatively impact our business by reducing demand for our products.
- Heightened uncertainty in the financial markets negatively affects consumer confidence and discretionary spending, which can cause disruptions with our customers and suppliers.
- Liquidity issues and the inability of our customers to consistently access credit markets to obtain cash to support their operations can cause temporary interruptions in our ability to conduct day-to-day transactions involving the collection of funds from such customers.

- Liquidity issues and the inability of suppliers to consistently access credit markets to obtain cash to support their operations can cause temporary interruptions in our ability to obtain the foodservice products and supplies needed by us in the quantities and at the prices requested.

In addition, our existing distribution operations are solely in the U.S. The geographic concentration of our operations creates an exposure to economic conditions in the U.S. and any financial downturn in the U.S. could materially adversely affect our financial condition and results of operations.

Competition may increase in the future, which may adversely impact our margins and ability to retain customers, and make it difficult to maintain our market share, growth rate and profitability.

The foodservice distribution industry, as a whole, in the U.S. is fragmented and highly competitive, with local, regional, multi-regional and national distributors, and specialty competitors. In addition, we believe that the market participants serving Asian restaurants are also highly fragmented. Currently, we face competition from smaller and/or dispersed competitors focusing on the niche market serving Asian restaurants, especially takeout restaurants. However, with the growing demand for Asian cuisines, others are operating, or may begin operating in this niche market in the future. Those potential competitors include: (i) national and regional foodservice distributors, (ii) local wholesalers and brokers, (iii) food retailers, and (iv) farmers' markets. The national and regional distributors are experienced in operating multiple distribution locations and expanding management, and they have greater marketing and financial resources than we do. Even though they currently offer only a limited selection of Asian specialty foods, they may be able to devote greater resources to sourcing, promoting and selling their products if they choose to do so. Conversely, the local wholesalers and brokers are small in size with a deep understanding of local preferences, but their lack of scale results in high risk and limited growth potential.

If more competitors enter this market segment aiming to serve Asian restaurants in the future, our operating results may be negatively impacted through a loss of sales, reduction in margins from competitive price changes, and/or greater operating costs, such as marketing costs, due to the increase of competition.

We may not be able to fully compensate for increases in fuel costs when fuel prices experience high volatility, and our operating results would be adversely affected.

Volatile fuel prices have a direct impact on the industry served by us. We require significant quantities of fuel for delivery vehicles and are exposed to the risk associated with fluctuations in the market price for fuel. The price and supply of fuel can fluctuate significantly based on international, political and economic circumstances, as well as other factors outside our control, such as actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, regional production patterns, weather conditions and environmental concerns. The cost of fuel affects the price paid by us for products, as well as the costs we incur to deliver products to the customers. There is no guarantee that we will be able to pass along a portion of increased fuel costs to our customers in the future. If fuel costs remain elevated or increase further in the future, we may experience difficulties in passing all or a portion of these costs along to our customers, which may have a negative impact on our results of operations.

We rely on third-party suppliers, and our business may be affected by interruption of supplies or increases in product costs.

We purchase our food items and related products primarily from third-party suppliers. Our profitability and operating margins are dependent upon, among other things, our ability to anticipate and react to any interruptions in our distribution network and changes to food costs and availability. We generally do not enter into long-term contracts with our suppliers, whereby they would be committed to provide products to us for any appreciable duration of time. Although our purchasing volume can provide leverage when dealing with suppliers, particularly smaller suppliers for whom we may be their largest customer, suppliers may not provide or may be unable to provide the specialty food products, produce or center-of-the-plate products we need in the quantities and at the times and prices we request. The cancellation of our supply arrangements with any of our suppliers or the disruption, delay and/or inability to supply the requested products by our suppliers could adversely affect our sales. Failure to identify an alternate source of supply for these items or comparable products on commercially reasonable terms that meet our customers' expectations may result in significant cost increases. Moreover, we do not currently use financial instruments to hedge our risk exposure to market fluctuations in the price of food products.

Similarly, our suppliers may also be affected by higher costs to source or produce and transport food products, as well as by other related expenses that they pass through to their customers, which could result in higher costs for the products they supply to us. The United States government and foreign governments may also take actions that may impact the purchase and production of goods, including imposing tariffs or other regulations on certain goods shipped, that may increase costs for goods

transported globally. Our inability to anticipate and react to changing food costs through our sourcing and purchasing practices in the future could therefore negatively impact our business, financial condition or results of operations.

Because we do not control the actual production of most of the products we sell, we are also subject to material supply chain interruptions, delays caused by interruption in production, and increases in product costs, including those resulting from product recalls or a need to find alternate materials or suppliers, based on conditions outside our control. These conditions include labor shortages, work slowdowns, work interruptions, strikes or other adverse employment actions by employees of ours or our suppliers, government shutdowns, weather conditions or more prolonged climate change, crop conditions, product recalls, product or raw material scarcity, water shortages, transportation interruptions within our distribution channels, unavailability of fuel or increases in fuel costs, competitive demands, contamination with mold, bacteria or other contaminants, pandemics, natural disasters or other catastrophic events, including the outbreak of e. coli or similar food borne illnesses or bioterrorism in the United States, international hostilities, civil insurrection, and social unrest. In such countries, political and social unrest may cause the prices for these products to rise to levels beyond those that our customers are willing to pay, if the product is available at all. If we are unable to obtain these products, our customers may seek a different supplier for these or other products which could negatively impact our business, financial condition or results of operations.

Accordingly, if we are unable to obtain the specialty food products, produce, meat, poultry or seafood that comprise a significant percentage of our product portfolio in a timely manner and in the quantities and at the prices we request as a result of any of the foregoing factors or otherwise, we may be unable to fulfill our obligations to customers who may, as a result of any such failure, resort to other distributors for their food product needs or change the types of products they buy from us to products that are less profitable for us.

Our relationships with customers may be materially diminished or terminated. The loss of customers could adversely affect our business, financial condition, and results of operations.

We have maintained long-standing relationships with a number of our customers. However, those customers could unilaterally terminate their relationship with us or materially reduce the amount of business they conduct with us at any time. Our customers may shift their purchase orders from us to other competitors due to market competition, change of customer requirements and preferences, or because of the customer's financial condition. There is no guarantee that we will be able to maintain relationships with any of our customers on acceptable terms, or at all. The loss of a number of customers could adversely affect our business, financial condition, and results of operations.

We rely on technology in our business and any cybersecurity incident, other technology disruption or delay in implementing new technology could negatively affect our business and our relationships with customers.

We use technology in our business operations, and our ability to serve customers most effectively depends on the reliability of our technology systems. We use software and other technology systems, among other things, to generate and select orders, to make purchases, to manage warehouses and to monitor and manage our business on a day-to-day basis. Further, our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' and suppliers' personal information, private information about employees, and financial and strategic information about us and our business partners.

These technology systems are vulnerable to disruption from circumstances beyond our control, including fire, natural disasters, power outages, systems failures, security breaches, espionage, cyber-attacks, viruses, theft and inadvertent releases of information. Any such disruption to these software and other technology systems, or the technology systems of third parties on which we rely, the failure of these systems to otherwise perform as anticipated, or the theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage, any or all of which could potentially adversely affect our customer service, decrease the volume of our business and/or result in increased costs and lower profits.

A significant cybersecurity incident involving our cybersecurity infrastructure may result from actions by our employees, suppliers, third-party administrators, or unknown third parties or through cyber-attacks. The risk of such an incident can exist whether software services are in our technology systems or are in cloud-based software services. Intrusions and other incidents have occurred, and may occur again, in our systems and in the systems of our suppliers and third-party administrators. Any such incident could result in operational impairments, significant harm to our reputation and financial losses.

A significant cybersecurity incident could affect our data framework or cause a failure to protect the personal information of our customers, suppliers or employees, or sensitive and confidential information regarding our business and could give rise to legal

liability and regulatory action under data protection and privacy laws. Any such cybersecurity incident involving our or our suppliers' cybersecurity infrastructure could have a material adverse effect on our business, results of operations and financial condition.

Further, as we pursue our strategy to grow through acquisitions and to pursue new initiatives that improve our operations and cost structure, we are also expanding and improving our information technology, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. If we fail to assess and identify cybersecurity risks associated with acquisitions and new initiatives, we may become increasingly vulnerable to such risks. Information technology systems continue to evolve and, in order to remain competitive, we need to implement new technologies in a timely and efficient manner. Investments will continue to be made in attracting, retaining, and training our human capital to remain current on the ever-changing industry best practices related to information security. If our competitors implement new technologies more quickly or successfully than we do, such competitors may be able to provide lower cost or enhanced services of superior quality compared to those we provide, which could have an adverse effect on our results of operations.

Changes in consumer eating habits could materially and adversely affect our business, financial condition, and results of operations.

We provide foodservice distribution to Asian restaurants, primarily takeout restaurants, which focus on serving Asian food to American families. Changes in consumer eating habits (such as a decline in consuming food away from home, a decline in portion sizes, or a shift in preferences toward western foods) could reduce demand for our products. Consumer eating habits could be affected by a number of factors, including attitudes regarding diet and health or new information regarding the health effects of consuming certain foods. If consumer eating habits change significantly, we may be required to modify or discontinue sales of certain items in our product portfolio, and we may experience higher costs and/or supply shortages associated with our efforts to accommodate those changes as our suppliers adapt to new eating preferences.

Additionally, changes in consumer eating habits may result in the enactment or amendment of laws and regulations that impact the ingredients and nutritional content of our food products, or laws and regulations requiring us to disclose the nutritional content of our food products. Compliance with these laws and regulations, as well as others regarding the ingredients and nutritional content of food products, may be costly and time-consuming. We cannot make any assurances regarding our ability to effectively respond to changes in consumer culture preference, health perceptions or resulting new laws or regulations or to adapt our product offerings to trends in eating habits.

We engage in transactions with related parties and such transactions present possible conflicts of interest that could have an adverse effect on us.

We regularly purchase goods and services from related parties. These related-party transactions create the possibility of conflicts of interest with regard to our management, including that:

- we may enter into contracts between us, on the one hand, and related parties, on the other, that are not as a result of arm's-length transactions;
- our executive officers and directors that hold positions of responsibility with related parties may be aware of certain business opportunities that are appropriate for presentation to us as well as to such other related parties and may present such business opportunities to such other parties;
- our executive officers and directors that hold positions of responsibility with related parties may have significant duties with, and spend significant time serving, other entities and may have conflicts of interest in allocating time; and
- such conflicts could cause an individual in our management to seek to advance his or her economic interests or the economic interests of certain related parties above ours.

The appearance of conflicts of interest created by related-party transactions could impair the confidence of our investors. Our Special Transactions Review Committee regularly reviews these transactions. Notwithstanding this, it is possible that a conflict of interest could have an adverse effect on our business, financial condition and results of operations. For more information on our related party transactions, see *Note 13 - Related Party Transactions* in our consolidated financial statements in this Annual Report on Form 10-K.

We may be unable to protect or maintain our intellectual property, which could result in customer confusion, a negative perception of our brand and adversely affect our business.

We believe that our intellectual property has substantial value and has contributed significantly to the success of our business. In particular, our “HF” logo trademarks and our trade names including “Han Feng,” “Rong Cheng” and “Great Wall,” are valuable assets that reinforce our customers’ favorable perception of our products. Our trademark rights and related registrations may be challenged in the future and could be canceled or narrowed. Failure to protect our trademark rights could cause customer confusion or negatively affect customers’ perception of our brand and products, and eventually adversely affect our sales and profitability. Moreover, intellectual property disputes and proceedings and infringement claims may result in a significant distraction for management and significant expense, which may not be recoverable regardless of whether we are successful. Such proceedings may be protracted with no certainty of success, and an adverse outcome could subject us to liability, force us to cease use of certain trademarks or other intellectual property or force us to enter into licenses with others. Any one of these occurrences may have a material adverse effect on our business, results of operations and financial condition.

If we are unable to renew or replace our current leases on favorable terms, or any of our current leases are terminated prior to expiration of their stated terms, and we cannot find suitable alternate locations, our operations and profitability could be negatively impacted.

We own approximately 907,000 square feet of our distribution centers (or 71% of the total square feet), and the remainder (or 29% of the total square feet) is occupied under leasing arrangements. Our ability to re-negotiate favorable terms on an expiring lease or to negotiate favorable terms for a suitable alternate location, and our ability to negotiate favorable lease terms for additional locations, could depend on conditions in the real estate market, competition for desirable properties, our relationships with current and prospective landlords, and/or other factors that are not within our control. Any or all of these factors and conditions could negatively impact our growth and profitability.

Turnover among our senior management, directors and other key personnel may create uncertainty and adversely affect our operations.

Our success is substantially dependent on our senior management, directors and other key personnel. Our senior management, directors and other key personnel have been primarily responsible for determining the strategic direction of our business and for executing our growth strategy, and are integral to our brand, culture and reputation with suppliers and consumers. The loss of the services of any senior management, directors or other key personnel could have a material adverse effect on our business and prospects. We have recently appointed four new members to our board of directors as part of our continuous efforts to enhance our corporate governance and our future strategies and plans. Our new directors have different professional experiences and industry knowledge from those individuals who previously served, and we expect they will have different views on the issues that will determine our future strategies and plans. Such changes to strategic or operating goals may ultimately be unsuccessful. In addition, transition periods relating to such changes are often difficult as new personnel gain more detailed knowledge of our operations and management. If we do not integrate any new personnel successfully, including our new directors, we may be unable to manage and grow our business, and our financial condition and profitability may suffer as a result. Any departure of senior management, directors and other key personnel could be viewed in a negative light by investors and analysts, which may cause our stock price to decline.

Changes in and enforcement of immigration laws could increase our costs and adversely affect our ability to attract and retain qualified employees.

Federal and state governments from time to time implement immigration laws, regulations or programs that regulate our ability to attract or retain qualified foreign employees. Some of these changes may increase our obligations for compliance and oversight, which could subject us to additional costs and make our hiring process more cumbersome or reduce the availability of potential employees. Although we have implemented, and are in the process of enhancing, procedures to ensure our compliance with the employment eligibility verification requirements, there can be no assurance that these procedures are adequate and some of our employees may, without our knowledge, be unauthorized workers. The employment of unauthorized workers may subject us to fines or civil or criminal penalties, and if any of our workers are found to be unauthorized, we could experience adverse publicity that negatively impacts our brand and makes it more difficult to hire and keep qualified employees. We may be required to terminate the employment of certain of our employees who are determined to be unauthorized workers. The termination of a significant number of employees may disrupt our operations, cause temporary increases in our labor costs as we train new employees and result in adverse publicity. Our financial performance could be materially harmed as a result of any of these factors.

Potential labor disputes with employees and increases in labor costs could adversely affect our business.

A considerable amount of our operating costs are attributable to labor costs and, therefore, our financial performance is greatly influenced by increases in wage and benefit costs. As a result, we are exposed to risks associated with a competitive labor market. Rising health care costs and the nature and structure of work rules will always be important issues. Any work stoppages or labor disturbances as a result of employee dissatisfaction with their current employment terms could have a material adverse effect on our financial condition, results of operations and cash flows. We also expect that in the event of a work stoppage or labor disturbance, we could incur additional costs and face increased competition.

If we fail to comply with requirements imposed by applicable law and other governmental regulations, we could become subject to lawsuits, investigations and other liabilities and restrictions on our operations that could significantly and adversely affect our business.

We are subject to regulation by various federal, state, and local governments, applicable to food safety and sanitation, ethical business practices, securities, transportation, minimum wage, overtime, other wage payment requirements, employment discrimination, immigration, and human health and safety. While we attempt to comply with all applicable laws and regulations, we cannot represent that we are in full compliance with all applicable laws and regulations or interpretations of these laws and regulations at all times or that we will be able to comply with any future laws, regulations or interpretations of these laws and regulations. If we fail to comply with applicable laws and regulations, we may be subject to investigations, criminal sanctions or civil remedies, including fines, injunctions, and prohibitions on exporting. The cost of compliance or the consequences of non-compliance, including debarments, could have an adverse effect on our results of operations. In addition, governmental units may make changes in the regulatory frameworks within which we operate that may require us to incur substantial increases in costs in order to comply with such laws and regulations.

If the products distributed by us are alleged to have caused injury or illness, or to have failed to comply with governmental regulations, we may need to recall our products and may experience product liability claims.

We, like any other foodservice distributor, may be subject to product recalls, including voluntary recalls or withdrawals, if the products we distribute are alleged to have caused injury or illness, to have been mislabeled, misbranded, or adulterated or to otherwise have violated applicable governmental regulations. We may also choose to voluntarily recall or withdraw products that we determine do not satisfy our quality standards, whether for taste, appearance, or otherwise, in order to protect our brand and reputation. Any future product recall or withdrawal that results in substantial and unexpected expenditures, destruction of product inventory, damage to our reputation, and/or lost sales due to the unavailability of the product for a period of time, could materially adversely affect our results of operations and financial condition.

We also face the risk of exposure to product liability claims in the event that the use of products sold by us are alleged to have caused injury or illness. We cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Further, even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image.

Our product liability insurance plans may not continue to be available at a reasonable cost or, if available, may not be adequate to cover all of our liabilities. We generally seek contractual indemnification and insurance coverage from parties supplying products to us, but this indemnification or insurance coverage is limited, as a practical matter, to the creditworthiness of the indemnifying party and the insured limits of any insurance provided by such suppliers. If we do not have adequate insurance or contractual indemnification available, product liability relating to defective products could materially adversely affect our results of operations and financial condition.

Litigation may materially adversely affect our business, financial condition and results of operations.

From time to time, we may be party to various claims and legal proceedings, as well as governmental and regulatory investigations and proceedings. We evaluate these claims and proceedings to assess the likelihood of unfavorable outcomes and to estimate, if probable and estimable, the amount of potential losses. Based on these assessments and estimates, we may establish reserves, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from our assessments and estimates. For more information related to our litigation and regulatory proceedings, see *Part I, Item 3. Legal Proceedings* to this Form 10-K.

Even when not merited, the defense of these lawsuits or legal proceedings, including potential securities litigation and/or other legal actions, is expensive and may divert management's attention, and we may incur significant expenses in defending these lawsuits or legal proceedings. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some of these legal disputes may result in adverse monetary damages, penalties or injunctive relief against us. While we maintain insurance, insurance coverage may not be adequate, and the cost to defend against future litigation may be significant. There may also be adverse publicity associated with litigation that may decrease consumer confidence in our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may materially and adversely affect our business, financial condition, cash flows and results of operations.

An increase in interest rates could adversely affect our cash flow and financial condition.

Central bank policy interest rates remain elevated since rising in 2022. Rising interest rates could have a dampening effect on overall economic activity and/or the financial condition of our customers, either or both of which could negatively affect customer demand for our products and industry demand generally. Rising interest rates may cause credit market dislocations which can impact funding costs.

Additionally, our borrowings bear interest at variable rates and expose us to interest rate risk. Although we monitor and manage this exposure, changes in interest rates cannot always be predicted, hedged, or offset with price increases to eliminate earnings volatility.

Impairment charges for goodwill, amortizable intangible assets or other long-lived assets could adversely affect our financial condition and results of operation.

We review our amortizable intangible assets and other long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate an asset may be impaired. Relevant factors, events and circumstances that affect the fair value of goodwill may include external factors such as macroeconomic, industry, and market conditions, as well as cost factors, overall financial performance, other relevant entity-specific events, specific events affecting the reporting unit, or sustained decrease in share price. We may be required to record a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill, amortizable intangible assets, or other long-lived assets is determined, which would negatively affect our results of operations.

Impairment analysis requires significant judgment by management and the fair value of goodwill, amortizable intangible assets or other long-lived assets are sensitive to changes in key assumptions used in the projected cash flows, which include forecasted revenues and perpetual growth rates, among others, as well as current market conditions in both the United States and globally. To the extent that business conditions may deteriorate, or if changes in key assumptions and estimates differ significantly from management's expectations, it may be necessary to record impairment charges, which could be material. The Company completed its most recent annual impairment assessment for goodwill as of the last day of the fourth quarter of fiscal year 2024. The results of the assessment indicated carrying value in excess of fair value of the reporting unit, and as such, a goodwill impairment charge of \$46.3 million was recorded during the year ended December 31, 2024.

Assumptions used in impairment testing are made at a point in time and require significant judgment; therefore, they are subject to change based on the facts and circumstances present at each impairment test date. Additionally, these assumptions are generally interdependent and do not change in isolation.

If, in future periods, the financial performance of the reporting unit does not meet forecasted expectations, or a prolonged further decline occurs in the market price of our common stock, it may cause a change in the results of the impairment assessment and, as such, could result in further impairment of goodwill.

Risk Factors Relating to our Acquisition Strategy

Our continued growth depends on future acquisitions of other distributors or wholesalers and enlarging our customer base. The failure to achieve these goals could negatively impact our results of operations and financial condition.

Historically, a portion of our growth has come through acquisitions, and our growth strategy depends, in large part, on acquiring other distributors or wholesalers to access untapped market regions and enlarge our customer base. Successful implementation of this strategy is dependent on sufficient capital support from financing, finding suitable targets to acquire, identifying suitable locations and negotiating acceptable acquisition prices and terms. There can be no assurance that we will continue to grow through acquisitions. We may not be able to obtain sufficient capital support for our expansion plan, or successfully implement the plan to acquire other competitors timely or within budget or operate those businesses successfully.

If we are unable to integrate acquired businesses successfully or realize anticipated economic, operational and other benefits and synergies in a timely manner, our earnings may be materially adversely affected. A significant expansion of our business and operations, in terms of geography or magnitude, could strain our administrative and operational resources. Significant acquisitions may also require the issuance of material additional amounts of debt or equity, which could materially alter our debt-to-equity ratio, increase our interest expense and decrease net income, and make it difficult for us to obtain favorable financing for other acquisitions or capital investments.

Our operating results will be adversely affected if we fail to implement our growth strategy or if we invest resources in a growth strategy that ultimately proves unsuccessful.

There is a scarcity of and competition for acquisition opportunities.

There are a limited number of operating companies available for acquisition that we deem to be desirable targets. In addition, there is a very high level of competition among companies seeking to acquire these operating companies. Many established and well-financed entities are active in acquiring interests in companies that we may find to be desirable acquisition candidates. Many of these entities have significantly greater financial resources, technical expertise and managerial capabilities than we do. Consequently, we will be at a competitive disadvantage in negotiating and executing possible acquisitions of such businesses. Even if we are able to successfully compete with these larger entities, this competition may affect the terms of the transactions we are able to negotiate and, as a result, we may pay more or receive less favorable terms than we expected for potential acquisitions. We may not be able to identify operating companies that complement our strategy, and even if we identify a company that does so, we may be unable to complete a successful acquisition of such a company.

Risks related to acquisition financing.

We have a limited amount of financial resources and our ability to make additional acquisitions without securing additional financing from outside sources is limited. In order to continue to pursue our acquisition strategy, we may be required to obtain additional financing. We may obtain such financing through a combination of traditional debt financing and/or the placement of debt and equity securities. We may finance some portion of our future acquisitions by either issuing equity or by using shares of our common stock for all or a portion of the purchase price for such businesses. In the event that our common stock does not attain or maintain a sufficient market value, or potential acquisition candidates are otherwise unwilling to accept our common stock as part of the purchase price for the sale of their businesses, we may be required to use more of our cash resources, if available, in order to maintain our acquisition program. If we do not have sufficient cash resources, we will not be able to complete acquisitions and our growth could be limited unless we are able to obtain additional capital through debt or equity financings. The terms of our credit facility require that we obtain the consent of our lenders prior to securing additional debt financing. There could be circumstances in which our ability to obtain additional debt financing could be constrained if we are unable to secure such consent.

We may experience difficulties in integrating the operations, personnel and assets of acquired businesses that may disrupt our business, dilute stockholder value and adversely affect our operating results.

A core component of our business plan is to acquire businesses and assets in the food distribution industry. There can be no assurance that we will be able to identify, acquire or profitably manage businesses or successfully integrate our acquired businesses without substantial costs, delays or other operational or financial problems. Such acquisitions also involve numerous operational risks, including:

- difficulties in integrating operations, technologies, services and personnel;

- the diversion of financial and management resources from existing operations;
- the risk of entering new markets;
- the potential loss of existing or acquired strategic operating partners following an acquisition;
- the potential loss of key employees following an acquisition and the associated risk of competitive efforts from such departed personnel;
- possible legal disputes with the acquired company following an acquisition; and
- the inability to generate sufficient revenue to offset acquisition or investment costs.

As a result, if we fail to properly evaluate and execute any acquisitions or investments, our business and prospects may be adversely affected.

Risk Factors Relating to our Common Stock

We have identified material weaknesses in our internal control over financial reporting, which could affect our ability to ensure timely and reliable financial reports, affect the ability of our auditors to attest to the effectiveness of our internal controls, and weaken investor confidence in our financial reporting.

The Sarbanes-Oxley Act of 2002 requires, among other things, that we design, implement and maintain adequate internal controls and procedures over financial reporting. Our management has concluded that (1) our internal controls over financial reporting were not effective as of December 31, 2024, (2) there existed material weaknesses in our internal control over financial reporting as of December 31, 2024, and (3) our disclosure controls and procedures were not effective as of December 31, 2024. Refer to the discussion of these conclusions below, under *Item 9A. Controls and Procedures* of this Annual Report on Form 10-K.

We have taken and will continue to take appropriate actions to remediate such material weakness and inadequate disclosure controls and procedures; however, such continuous measures are still works-in-progress and may not be sufficient to address the material weaknesses identified or ensure that our disclosure controls and procedures are effective. We may also discover other material weaknesses in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in the implementation of such controls, could cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements and affect the ability of our auditors to attest to the effectiveness of our internal controls over financial reporting. In addition, substantial costs and resources may be required to rectify any internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our common stock could decline significantly, and our business and financial condition could be adversely affected.

Zhou Min Ni has significant influence over the Company and may have interests that conflict with those of our other shareholders.

The Company's former Chairman and Co-CEO Zhou Min Ni, directly and indirectly through the trustee of the trusts established for the benefit of his family, beneficially owns approximately 22% of our common stock. As a result, Mr. Ni has sufficient voting power to significantly influence matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. However, in June 2024, Mr. Ni entered into a settlement with the SEC, pursuant to which Mr. Ni is enjoined from directly or indirectly participating in the management of, or otherwise exercising any control or influence over the Company; provided, however, that such injunction does not prevent Mr. Ni from voting, purchasing or selling shares of the Company on his own behalf.

Additionally, on November 18, 2024, the Company entered into a cooperation agreement (the "Cooperation Agreement") with Zhou Min Ni, Raymond Ni, Fai Lam, in his capacity as Trustee of the Irrevocable Trust for Raymond Ni, Amanda Ni, in her capacity as Trustee of each of the Irrevocable Trust for Amanda Ni, the Irrevocable Trust for Ivy Ni and the Irrevocable Trust for Tina Ni, Weihui Kwok, Yuanyuan Wu, and Maodong Xu (each, a "Stockholder Related Party," and collectively, the "Stockholder Related Parties"), effective November 21, 2024. Pursuant to the Cooperation Agreement, the Stockholder Related Parties have agreed, for the period beginning on the effective date of the Cooperation Agreement through the date that is sixty days after the 2025 annual meeting of stockholders of the Company (the "Cooperation Period"), to vote the shares of voting securities of the Company that each Stockholder Related Party has the right to vote, or to direct the vote of, in a manner proportional to the vote of the Company's disinterested stockholders. Notwithstanding the foregoing, the Stockholder Related Parties are permitted to vote a greater number of shares of the Company's voting securities in accordance with recommendations by the Company's Board of Directors on all director nominations and other proposals or business that may be

the subject of stockholder action at any meeting of the Company's stockholders, or in connection with any consent solicitation of the Company's stockholders. The Cooperation Agreement further provides that, during the Cooperation Period, each Stockholder Related Party will be subject to customary standstill restrictions, including, among others, with respect to proxy solicitations, stockholder proposals and extraordinary transactions, and purchases and certain sales of Company voting securities. The Cooperation Agreement is limited to

Despite the settlement with the SEC and the Cooperation Agreement, the possibility that Mr. Ni may sell all or a large portion of his common stock in a short period of time could adversely affect the trading price of our common stock. Further, upon the expiration of the Cooperation Period, the interests of Mr. Ni may not align with the interests of other holders of our common stock, and he may vote against the Company's interests. Mr. Ni's significant beneficial ownership may also adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

Anti-takeover provisions contained in our amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions which could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management, and amendment of our amended and restated certificate of incorporation to change or modify certain of these provisions requires approval of a super-majority of our stockholders, which we may not be able to obtain.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents certain stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding common stock not held by such 15% or greater stockholder.

In addition, in April 2023, we implemented a stockholder rights plan, also called a "poison pill," that may have the effect of discouraging or preventing a change of control by, among other things, making it uneconomical for a third party to acquire us without the consent of our board of directors.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 1C. CYBERSECURITY.

Cybersecurity Risk Management and Strategy

The Company assesses, identifies, and manages cybersecurity risks using a risk management program intended to reduce risks to the Company, its employees, customers and stockholders.

Our process for identifying and assessing material risks from cybersecurity threats operates alongside our broader overall enterprise risk assessment procedures. Our cybersecurity-specific risk assessment and management procedures help identify cybersecurity threat risks. Our cybersecurity risk assessment program includes the following:

- Annual cybersecurity vulnerability and maturity assessments based on the Center for Internet Security (CIS) Critical Security Controls framework.
- Annual internal/external penetration testing conducted by a third-party offensive security vendor.

A significant cybersecurity incident may result from actions by our employees, suppliers, third-party administrators, or unknown third parties or through cyber-attacks and could affect our data framework or cause a failure to protect the personal information of our customers, suppliers or employees, or sensitive and confidential information regarding our business and

could give rise to legal liability and regulatory action under data protection and privacy laws. The Company describes whether and how risks from identified cybersecurity threats have materially affected or are reasonably likely to materially affect the Company under the heading “*We rely on technology in our business and any cybersecurity incident, other technology disruption or delay in implementing new technology could negatively affect our business and our relationships with customers,*” in Item 1A of this Annual Report on Form 10-K. To date, there have not been any cybersecurity threats or incidents that have materially affected, or are reasonably likely to materially affect, the Company, including its financial condition, results of operations, or business strategies.

Governance

Our Board of Directors oversees our overall risk management strategy. Our information security program is managed by our Senior Vice President of People and Technology, who has twenty-five years of experience in IT leadership across a variety of industries including manufacturing, distribution, defense, and financial services, whose team is responsible for maintaining our enterprise-wide cybersecurity strategy, policies, standards, architecture and processes. Our program is assessed both internally and externally by third parties, including our virtual Chief Information Security Officer (“vCISO”) partner. Our Senior Vice President of People and Technology provides reports at least quarterly to our Audit Committee, as well as our Disclosure Committee, which comprises senior management and key stakeholders, as appropriate. The reports provided include updates on our cyber risks and threats, and key updates to our information security systems and programs as well as the current threat environment.

We also have processes in place to stay informed of and monitor prevention, detection, mitigation, and remediation of cybersecurity risks, including:

- Any cybersecurity breach, unauthorized access, data loss, or ransomware attack must be immediately escalated to the Disclosure Committee, General Counsel, Internal Audit, and Audit Committee.
- On a quarterly basis, the Disclosure Committee, in coordination with the SVP of People and Technology, Internal Audit, and vCISO, shall assess the Company’s cybersecurity risk exposure, including potential vulnerabilities in IT systems and data security.

ITEM 2. PROPERTIES.

We operate sixteen distribution centers with a total of approximately 1.3 million square feet of warehouse space, including approximately 400,000 square feet of cold storage, for distribution, warehousing inventory, service and administrative functions. We own approximately 907,000 square feet of our distribution centers (or 71% of the total square feet), and the remainder (or 29% of the total square feet) is occupied under leasing arrangements. The following table sets forth the approximate aggregate square footage by state for these distribution facilities as of December 31, 2024.

Location	Number of Facilities	Total Square Feet
Arizona	1	68,000
California	4	351,000
Colorado	1	56,000
Florida	1	130,000
Georgia	1	100,000
Illinois	1	140,000
North Carolina	1	172,000
Texas	2	60,000
Utah	2	94,000
Washington	1	70,000
Virginia	1	44,000
Total	16	1,285,000

We also operate three cross-docks which are located in Nevada, Ohio and Oregon. Additionally, we own a 118,000 square foot distribution facility in North Carolina which we are preparing for operations to commence in 2025.

We lease our corporate headquarters located in Las Vegas, Nevada, consisting of approximately 5,000 square feet with a term of 6.5 years that began on March 17, 2021. We also lease office space for a corporate location in Los Angeles, California. The Company entered into a lease on September 30, 2024 for a new Atlanta, Georgia based distribution center which commenced on February 1, 2025 for a term of 10 years and five months, exclusive of renewal options.

We believe that, in the aggregate, our real estate is suitable and adequate to serve the needs of our business.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we are a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. When we become aware of a claim or potential claim, we assess the likelihood of any loss or exposure. In accordance with authoritative guidance, we record loss contingencies in our financial statements only for matters in which losses are probable and can be reasonably estimated. Where a range of loss can be reasonably estimated with no best estimate in the range, we record the minimum estimated liability. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. We continuously assess the potential liability related to our pending litigation and revise its estimates when additional information becomes available. Adverse outcomes in some or all of these matters may result in significant monetary damages or injunctive relief against us that could adversely affect our ability to conduct our business. There also exists the possibility of a material adverse effect on our financial statements for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

On October 13, 2023, the Company received a “Wells Notice” from the staff of the SEC (the “Wells Notice”) relating to the previously disclosed formal, non-public SEC investigation (the “SEC Investigation”) of allegations that the Company and certain of its current and former directors and officers violated the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making allegedly false and misleading statements.

On June 6, 2024, the SEC announced that it had accepted an Offer of Settlement submitted by the Company in order to resolve the SEC Investigation. Under the settlement, without admitting or denying the SEC’s findings in this matter, the Company consented to the entry of an administrative civil cease-and-desist order by the SEC (the “Order”) with respect to violations of Sections 17(a) of the Securities Act, and of Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Securities Exchange Act of 1934, as amended, and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13a-15(a), and 14a-9 thereunder, resulting from the materially false and misleading disclosures and other fraudulent conduct implemented by its former Chairman and Chief Executive Officer Zhou Min Ni and former Chief Financial Officer Jian Ming “Jonathan” Ni. During the quarter ended June 30, 2024 the Company agreed to and paid a civil monetary penalty of \$3.9 million, which was recorded in other income (expense), net in the Company’s condensed consolidated statements of operations and comprehensive income (loss).

The Order states that, in determining to accept the Company’s Offer of Settlement, the SEC considered the numerous remedial actions promptly undertaken by the Company and its cooperation during the investigation. The Company’s resolution follows charges brought by the SEC against the two former executives in a District Court action filed on June 3, 2024. As a result of the SEC’s district court complaint against them, the two former executives agreed to pay civil fines and disgorgement, and agreed to be subject to officer and director bars. Zhou Min Ni also agreed to a conduct-based injunction which enjoins him from directly or indirectly participating in the management of, or otherwise exercising any control of influence over the Company. The Special Litigation Committee of the Board of Directors previously obtained a monetary settlement from the former executives that was ratified by the Delaware Chancery Court.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Shares of our common stock are listed for trading on NASDAQ under the symbol "HFFG," and have been publicly traded since September 7, 2017. Prior to that date, there was no public market for our stock.

Holdings of Record

As of March 12, 2025, there were 52,737,650 shares of our common stock outstanding held by 33 shareholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies.

Dividends

We have not paid any cash dividends on our common stock to date. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and our general financial condition. The payment of any dividends will be within the discretion of our Board of Directors at such time. It is the present intention of our Board of Directors to retain all earnings, if any, for use in our business operations and, accordingly, our Board of Directors does not anticipate declaring any dividends in the foreseeable future. In addition, our Board of Directors is not currently contemplating and does not anticipate declaring any stock dividends in the foreseeable future. Further, if we incur any indebtedness, our ability to declare dividends may be limited by restrictive covenants we may agree to in connection therewith.

Recent Sales of Unregistered Securities

None.

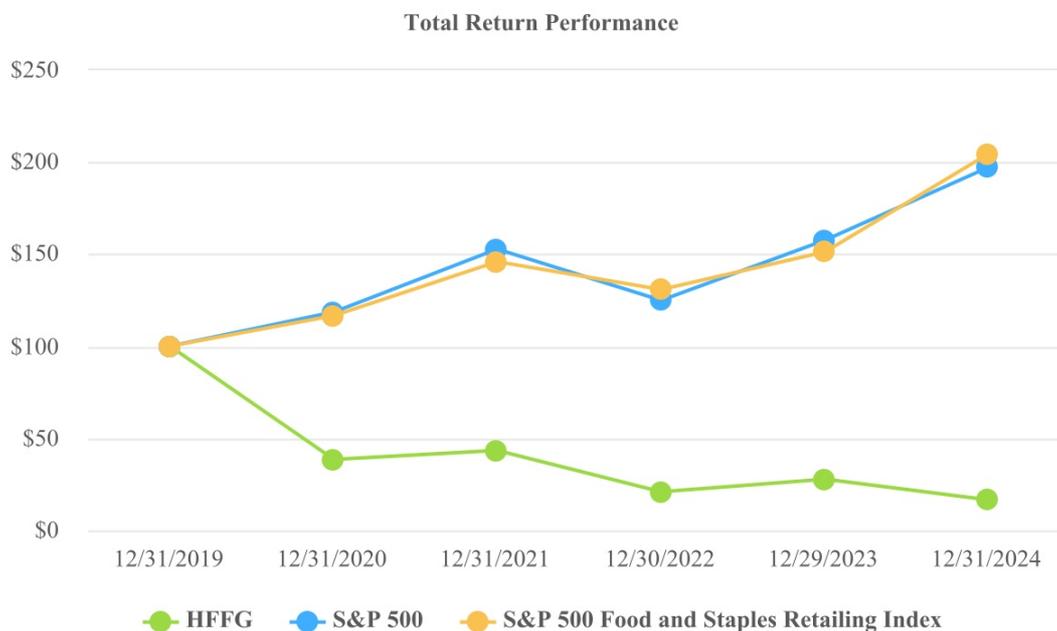
Issuer Purchases of Equity Securities

None.

Stock Performance Graph

The following graph compares the cumulative total return on our common stock with the cumulative total returns on the Standard & Poor’s 500 Composite Stock Price Index (“S&P 500”), and the Standard and Poor’s 500 Food & Staples Retailing Industry Index from December 31, 2019 to December 31, 2024.

The graph assumes an investment of \$100 in our common stock and each of the indices on December 31, 2019. The cumulative total return on our common stock as presented is not necessarily indicative of future performance.



	12/31/2019	12/31/2020	12/31/2021	12/30/2022	12/29/2023	12/31/2024
HF Foods Group Inc.	\$100	\$39	\$43	\$21	\$27	\$16
S&P 500	\$100	\$118	\$152	\$125	\$158	\$197
S&P 500 Food and Staples Retailing Index	\$100	\$116	\$146	\$131	\$151	\$204

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis provides information about our business, the results of operations, financial condition, liquidity and capital resources of HF Foods Group Inc. This information is intended to facilitate the understanding and assessment of significant changes and trends related to our results of operations and financial condition. This discussion and analysis should be read in conjunction with the consolidated financial statements and the accompanying notes presented elsewhere in this Annual Report on Form 10-K. Discussions of 2022 items and year-to-year comparisons between 2023 and 2022 that are not included in this Annual Report on Form 10-K can be found in “*Part II – Item 7. – Management’s Discussion and Analysis of Financial Condition and Results of Operations*” of our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 26, 2024.

Recent Developments

CEO Transition

On October 24, 2024, the Board of Directors of the Company terminated Xiao Mou (Peter) Zhang as Chief Executive Officer of the Company, without cause, effective immediately. In connection with Mr. Zhang’s departure, the Company entered into a Severance Agreement and General Release (the “Severance Agreement”) with Mr. Zhang on November 21, 2024. Pursuant to the Severance Agreement, which includes a general release of claims by Mr. Zhang against the Company, Mr. Zhang will be entitled to receive standard severance benefits provided to a Chief Executive Officer under the Company’s Amended and Restated Severance Plan. Mr. Zhang continues to serve as a Director on the Board of Directors.

On October 24, 2024, Xi (Felix) Lin was appointed to serve as Interim Chief Executive Officer, effective immediately, and continued to serve as the Company’s Chief Operating Officer and President. On December 17, 2024, the Board of Directors of HF Foods Group Inc. appointed Felix Lin to serve as the Company’s Chief Executive Officer and President, effective January 1, 2025.

Credit Facility Amended

On February 12, 2025, the Company amended certain terms and conditions of the JPM Credit Agreement, by, among other things, (i) increasing the Revolving Commitment (as defined in the Credit Agreement) from \$100.0 million to \$125.0 million, (ii) joining three new subsidiaries of the Company to the Credit Agreement, each as a “Borrower” thereunder, (iii) joining Wells Fargo Bank, N.A. to the JPM Credit Agreement as a “Lender” thereunder, (iv) amending certain affirmative covenants commensurate with the increase in the Revolving Facility, and (v) amending certain restrictions regarding incurring obligations under real property leases and equipment financings in the ordinary course of business.

Business Overview

We market and distribute Asian specialty food products, seafood, fresh produce, frozen and dry food, and non-food products primarily to Asian restaurants and other foodservice customers throughout the United States. HF Foods was formed through a merger between two complementary market leaders, HF Foods Group Inc. and B&R Global.

On December 30, 2021, HF Foods acquired a leading seafood supplier, the Great Wall Group, resulting in the addition of three distribution centers, located in Illinois and Texas (the “Great Wall Acquisition”).

On April 29, 2022, HF Foods acquired substantially all of the assets of Sealand Food, Inc. (the “Sealand Acquisition”), one of the largest frozen seafood suppliers servicing the Asian restaurant market along the eastern seaboard, from Massachusetts to Florida, as well as Pennsylvania, West Virginia, Ohio, Kentucky, and Tennessee. See *Note 7 - Acquisitions* to the consolidated financial statements in this Annual Report on Form 10-K for additional information regarding recent acquisitions.

With sixteen distribution centers and three cross-docks and a fleet of over 400 vehicles, our distribution network now spans 46 states covering approximately 95% of the contiguous United States. Capitalizing on our deep understanding of Asian cultures, strong relationships with growers and suppliers of food products primarily in North America, South America, and Asia, with over 1,000 employees, and supported by two outsourced call centers in China, we have become a trusted partner serving approximately 15,000 customer locations throughout the United States. We are dedicated to serving the vast array of Asian restaurants in need of high-quality and specialized food ingredients at competitive prices.

How to Assess HF Foods' Performance

In assessing our performance, we consider a variety of performance and financial measures, including principal growth in net revenue, gross profit, distribution, selling and administrative expenses, as well as certain non-GAAP financial measures, including EBITDA and Adjusted EBITDA. The key measures that we use to evaluate the performance of our business are set forth below:

Net Revenue

Net revenue is equal to gross sales minus sales returns, sales incentives that we offer to our customers, such as rebates and discounts that are offsets to gross sales; and certain other adjustments. Our net revenue is driven by changes in number of customers and average customer order amount, product inflation that is reflected in the pricing of our products and mix of products sold.

Gross Profit

Gross profit is equal to net revenue minus cost of revenue. Cost of revenue primarily includes inventory costs (net of supplier consideration), inbound freight, customs clearance fees and other miscellaneous expenses. Cost of revenue generally changes as we incur higher or lower costs from suppliers and as the customer and product mix changes.

Distribution, Selling and Administrative Expenses

Distribution, selling and administrative expenses consist primarily of salaries, stock-based compensation and benefits for employees and contract laborers, trucking and fuel expenses, utilities, maintenance and repair expenses, insurance expenses, depreciation and amortization expenses, selling and marketing expenses, professional fees and other operating expenses.

EBITDA and Adjusted EBITDA

Discussion of our results includes certain non-GAAP financial measures, including EBITDA and Adjusted EBITDA, that we believe provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial performance with other companies in the same industry, many of which present similar non-GAAP financial measures to investors. We present EBITDA and Adjusted EBITDA in order to provide supplemental information that we consider relevant for the readers of our consolidated financial statements included elsewhere in this report, and such information is not meant to replace or supersede GAAP measures.

Management uses EBITDA to measure operating performance, defined as net income before interest expense, interest income, income taxes, and depreciation and amortization. In addition, management uses Adjusted EBITDA, defined as net income before interest expense, interest income, income taxes, and depreciation and amortization, further adjusted to exclude certain unusual, non-cash, or non-recurring expenses. Management believes that Adjusted EBITDA is less susceptible to variances in actual performance resulting from non-recurring expenses, and other non-cash charges and is more reflective of other factors that affect our operating performance.

The definition of EBITDA and Adjusted EBITDA may not be the same as similarly titled measures used by other companies in the industry. EBITDA and Adjusted EBITDA are not defined under GAAP and are subject to important limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of HF Foods' results as reported under GAAP. For example, Adjusted EBITDA:

- excludes certain tax payments that may represent a reduction in cash available;
- does not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- does not reflect changes in, or cash requirements for, our working capital needs; and
- does not reflect the significant interest expense, or the cash requirements, necessary to service our debt.

For additional information on EBITDA and Adjusted EBITDA, see the section entitled "EBITDA and Adjusted EBITDA" below.

Financial Review

Highlights for 2024 included:

- **Net revenue:** Net revenue was \$1,201.7 million in 2024, compared to \$1,148.5 million in 2023, an increase of \$53.2 million, or 4.6%. This increase was primarily attributable to volume growth associated with new wholesale accounts, case count growth, product cost inflation and improved pricing in certain categories, partially offset by the \$13.3 million loss in revenue from the exit of our chicken processing businesses during the second half of 2023.
- **Gross profit:** Gross profit was \$205.2 million in 2024 compared to \$204.0 million in 2023, an increase of \$1.2 million, or 0.6%. The increase was primarily attributable to increased net revenue partially offset by increased costs. Gross profit margin of 17.1% for 2024 decreased from 17.8% in the prior year.
- **Distribution, selling and administrative expenses:** Distribution, selling and administrative expenses increased by \$3.0 million, or 1.5%, in 2024 compared to 2023, mainly due to an increase in payroll and related labor costs of \$4.3 million as well as insurance costs of \$1.1 million partially offset by a reduction in professional fees of \$2.8 million. Distribution, selling and administrative expenses as a percentage of net revenue decreased to 16.5% in 2024 from 17.0% in 2023, primarily due to lower professional fees and increased net revenue, partially offset by increased payroll and related labor costs and insurance costs.
- **Net loss attributable to HF Foods Group Inc.:** Net loss attributable to HF Foods Group Inc. was \$48.5 million in 2024 compared to net loss of \$2.2 million in 2023. The increase of \$46.3 million was primarily driven by goodwill impairment charges of \$46.3 million in 2024.

Results of Operations

Comparison of Year Ended December 31, 2024 to Year Ended December 31, 2023

The following table sets forth a summary of our consolidated results of operations for the years ended December 31, 2024 and 2023. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

(\$ in thousands)	Year Ended December 31,		Change
	2024	2023	
Net revenue	\$ 1,201,667	\$ 1,148,493	\$ 53,174
Cost of revenue	996,473	944,462	52,011
Gross profit	205,194	204,031	1,163
Distribution, selling and administrative expenses	198,026	195,062	2,964
Goodwill impairment charges	46,303	—	46,303
(Loss) income from operations	(39,135)	8,969	(48,104)
Interest expense	11,425	11,478	(53)
Other expense (income), net	2,818	(1,091)	3,909
Change in fair value of interest rate swap contracts	(1,693)	1,580	(3,273)
Lease guarantee income	(5,548)	(377)	(5,171)
Loss before income taxes	(46,137)	(2,621)	(43,516)
Income tax expense	1,965	41	1,924
Net loss and comprehensive loss	(48,102)	(2,662)	(45,440)
Less: net income (loss) attributable to noncontrolling interests	409	(488)	897
Net loss and comprehensive loss attributable to HF Foods Group Inc.	\$ (48,511)	\$ (2,174)	\$ (46,337)

The following table sets forth the components of our consolidated results of operations expressed as a percentage of net revenue for the periods indicated:

	Year Ended December 31,	
	2024	2023
Net revenue	100.0 %	100.0 %
Cost of revenue	82.9 %	82.2 %
Gross profit	17.1 %	17.8 %
Distribution, selling and administrative expenses	16.5 %	17.0 %
Goodwill impairment charges	3.9 %	— %
(Loss) income from operations	(3.3)%	0.8 %
Interest expense	0.9 %	1.0 %
Other expense (income), net	0.2 %	(0.1)%
Change in fair value of interest rate swap contracts	(0.1)%	0.1 %
Lease guarantee income	(0.5)%	— %
Loss before income taxes	(3.8)%	(0.2)%
Income tax expense	0.2 %	— %
Net loss and comprehensive loss	(4.0)%	(0.2)%
Less: net income (loss) attributable to noncontrolling interests	— %	— %
Net loss and comprehensive loss attributable to HF Foods Group Inc.	(4.0)%	(0.2)%

Net Revenue

Net revenue for the year ended December 31, 2024 increased by \$53.2 million, or 4.6%, compared to the same period in 2023. This increase was primarily attributable to volume growth associated with new wholesale accounts, case count growth, product cost inflation and improved pricing in certain categories, partially offset by the \$13.3 million loss in revenue resulting from the exit of our chicken processing businesses during the second half of 2023.

Gross Profit

Gross profit was \$205.2 million for the year ended December 31, 2024 compared to \$204.0 million in the same period in 2023, an increase of \$1.2 million, or 0.6%. The gross profit increase was primarily attributable to increased net revenue partially offset by increased costs. Gross profit margin for the year ended December 31, 2024 decreased to 17.1% compared to 17.8% in the same period in 2023.

Distribution, Selling and Administrative Expenses

Distribution, selling and administrative expenses of \$198.0 million for the year ended December 31, 2024 increased compared to prior year expenses of \$195.1 million primarily due to an increase of \$4.3 million in payroll and related labor costs and an increase of \$1.1 million in insurance costs, partially offset by a decrease of \$2.8 million in professional fees. Distribution, selling and administrative expenses as a percentage of net revenue decreased to 16.5% for the year ended December 31, 2024 from 17.0% in the same period in 2023, primarily due to lower professional fees and increased net revenue, partially offset by increased payroll and related labor costs and insurance costs.

Interest Expense

Interest expense for the year ended December 31, 2024 decreased by \$0.1 million or 0.5%, compared to the year ended December 31, 2023, primarily due to a decrease in our average daily JPMorgan Chase mortgage-secured term loan balance of \$5.1 million, partially offset by an increase in our average daily line of credit balance of \$10.6 million combined with a slightly higher interest-rate environment. Average floating interest rates on our floating-rate debt for the year ended December 31, 2024 increased by approximately 0.2% on the line of credit and 0.1% on the JPMorgan Chase mortgage-secured term loan, compared to the same period in 2023. Our average daily line of credit balance increased by \$10.6 million, or 23.7%, to \$55.5 million for the year ended December 31, 2024 from \$44.9 million for the year ended December 31, 2023, and our average daily JPMorgan Chase mortgage-secured term loan balance decreased by \$5.1 million, or 4.7%, to \$103.6 million for the year ended December 31, 2024 from \$108.6 million for the year ended December 31, 2023.

Income Tax Expense

Income tax expense was \$2.0 million for the year ended December 31, 2024, compared to \$41,000 for the year ended December 31, 2023. The increase in income tax expense of \$1.9 million was due to non-deductible items including the impact of the Company's goodwill impairment charges, SEC settlement, and state taxes, partially offset by the change in valuation allowance, tax credits, the expiration of the statute of limitations in relation to unrecognized tax benefits, and other tax adjustments during the year ended December 31, 2024.

Net Loss Attributable to HF Foods Group Inc.

Net loss attributable to HF Foods Group Inc. was \$48.5 million for the year ended December 31, 2024, compared to net loss of \$2.2 million for the year ended December 31, 2023. The increase in loss of \$46.3 million was primarily driven by goodwill impairment charges of \$46.3 million recorded during the year ended December 31, 2024.

EBITDA and Adjusted EBITDA

The following table reconciles EBITDA and Adjusted EBITDA to the most directly comparable GAAP measure:

(\$ in thousands)	Year Ended December 31,		Change
	2024	2023	
Net loss	\$ (48,102)	\$ (2,662)	\$ (45,440)
Interest expense	11,425	11,478	(53)
Income tax expense	1,965	41	1,924
Depreciation and amortization	26,677	25,918	759
EBITDA	(8,035)	34,775	(42,810)
Lease guarantee income	(5,548)	(377)	(5,171)
Change in fair value of interest rate swap contracts	(1,693)	1,580	(3,273)
Stock-based compensation expense	2,088	3,352	(1,264)
SEC settlement	3,900	—	3,900
Goodwill impairment charges	46,303	—	46,303
Settlement gain ⁽¹⁾	—	(10,000)	10,000
Other asset impairment charges	—	1,200	(1,200)
Business transformation costs ⁽²⁾	1,223	929	294
Other non-routine expense ⁽³⁾	874	3,124	(2,250)
Executive transition and organizational redesign ⁽⁴⁾	2,929	—	2,929
Adjusted EBITDA	\$ 42,041	\$ 34,583	\$ 7,458

(1) As discussed in *Note 17 - Commitments and Contingencies* to the consolidated financial statements in this Annual Report on Form 10-K, the Company recovered approximately \$10.0 million related to the Settlement Agreement. The Company accounted for the settlement as a recovery of previously recorded expenses related to the litigation. The Company has adjusted for the \$10.0 million recovery.

(2) Represents costs associated with the launch of strategic projects including supply chain management improvements and technology infrastructure initiatives.

(3) Includes contested proxy and related legal and consulting costs and facility closure costs.

(4) Includes severance and related expenses for the Company's transition of executive officers and organizational redesign.

Liquidity and Capital Resources

As of December 31, 2024, we had cash of approximately \$14.5 million, checks issued not presented for payment of \$5.7 million and access to approximately \$36.1 million in additional funds through our \$100.0 million line of credit, subject to a borrowing base calculation. We have funded working capital and other capital requirements primarily by cash flow from operations and bank loans. Cash is required to pay purchase costs for inventory, salaries, fuel and trucking expenses, selling expenses, rental expenses, income taxes, other operating expenses and to service debts.

We believe that our cash flow generated from operations is sufficient to meet our normal working capital needs for at least the next twelve months. However, our ability to repay our current obligations will depend on the future realization of our current assets. Management has considered the historical experience, the economy, the trends in the foodservice distribution industry to determine the expected collectability of accounts receivable and the realization of inventories as of December 31, 2024.

We are party to an amortizing interest rate swap contract with JPMorgan Chase for an initial notional amount of \$120.0 million, expiring in March 2028, as a means to partially hedge our existing floating rate loans exposure. Pursuant to the agreement, we will pay the swap counterparty a fixed rate of 4.11% in exchange for floating payments based on CME Term SOFR.

Our liquidity is also affected by the entry of an administrative civil cease-and-desist order by the SEC, whereby we agreed to payment of a civil monetary penalty of \$3.9 million. We made this payment during the year ended December 31, 2024.

Management believes we have sufficient funds to meet our working capital requirements and debt obligations in the next twelve months. However, there are a number of factors that could potentially arise which might result in shortfalls in anticipated cash flow, such as the demand for our products, economic conditions, competitive pricing in the foodservice distribution industry, and our bank and suppliers being able to provide continued support. If the future cash flow from operations and other capital resources is insufficient to fund our liquidity needs, we may have to resort to reducing or delaying our expected acquisition plans, liquidating assets, obtaining additional debt or equity capital, or refinancing all or a portion of our debt.

As of December 31, 2024, we have no off balance sheet arrangements that currently have or are reasonably likely to have a material effect on our consolidated financial position, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources.

The following table summarizes cash flow data for the years ended December 31, 2024 and 2023:

(In thousands)	Year Ended December 31,		Change
	2024	2023	
Net cash provided by (used in) operating activities	\$ 22,636	\$ (1,648)	\$ 24,284
Net cash used in investing activities	(12,548)	(1,514)	(11,034)
Net cash used in financing activities	(10,853)	(5,895)	(4,958)
Net decrease in cash and cash equivalents	\$ (765)	\$ (9,057)	\$ 8,292

Operating Activities

Net cash provided by operating activities consists primarily of net income adjusted for non-cash items, including depreciation and amortization, asset impairment charges, changes in deferred income taxes and others, and includes the effect of working capital changes. Checks issued not presented for payment was reclassified from financing to operating activities for both the current and prior year which resulted in a \$1.2 million increase to net cash provided by operating activities in the current year and a \$17.5 million decrease in the prior year. Net cash provided by operating activities increased by \$24.3 million primarily due to the timing of working capital outlays such as the increase of \$18.6 million resulting from checks issued not presented for payment and was partially offset by decreased operating income (excluding the \$46.3 million non-cash goodwill impairment charge) and the \$3.9 million SEC settlement payment.

Investing Activities

Net cash used in investing activities increased by \$11.0 million primarily due to increased capital project spend in the year ended December 31, 2024.

Financing Activities

Net cash used in financing activities increased by \$5.0 million to \$10.9 million during the year ended December 31, 2024 primarily due to the change in line of credit activity from net proceeds for the year ended December 31, 2023 to net payments for the year ended December 31, 2024.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. These principles require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, cash flow and related disclosure of contingent assets and liabilities. The estimates include, but are not limited to, inventory reserves, impairment of long-lived assets, impairment of goodwill, and the purchase price allocation and fair value of assets and liabilities acquired with respect to business combinations. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and the actual results, future financial statements will be affected.

We believe that among our significant accounting policies, which are described in *Note 2 - Summary of Significant Accounting Policies* to the consolidated financial statements in this Annual Report on Form 10-K, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, we believe these are the most critical to fully understand and evaluate our financial condition and results of operations.

Business Combinations

We account for our business combinations using the purchase method of accounting in accordance with ASC Topic 805 (“ASC 805”), *Business Combinations*. The purchase method of accounting requires that the consideration transferred be allocated to the assets, including separately identifiable assets and liabilities we acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total of cost of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over, (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

We estimate the fair value of assets acquired and liabilities assumed in a business combination. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, its estimates are inherently uncertain and subject to refinement. Significant estimates in valuing certain intangible assets include, but are not limited to future expected revenues and cash flows, useful lives, discount rates, and selection of comparable companies. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from management of the acquired companies and are inherently uncertain. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. On the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations and comprehensive income (loss).

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. We test goodwill for impairment at least annually, as of December 31, or whenever events or changes in circumstances indicate that goodwill might be impaired. We have concluded we are one reporting unit for purposes of testing goodwill for impairment.

We review the carrying value of goodwill whenever events or changes in circumstances indicate that such carrying values may not be recoverable and annually for goodwill as required by ASC Topic 350, *Intangibles — Goodwill and Other*. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill may not be recoverable, include a sustained decline in stock price and market capitalization, reduced future cash flow estimates and slower growth rates in our industry. This guidance provides the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on a review of qualitative factors, it is more likely than not that the fair value of a reporting unit is less than its carrying value, we perform a quantitative analysis. If the quantitative analysis indicates the carrying value of a reporting unit exceeds its fair value, we measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

As a result of our 2023 financial performance in comparison to previous forecasts, combined with our level of stock price, we performed a quantitative impairment assessment as of December 31, 2023. A quantitative goodwill impairment analysis requires valuation of the respective reporting unit, which requires complex analysis and judgment. The results of the testing as of December 31, 2023, concluded that the estimated fair value exceeded carrying value by approximately 10%, and no impairment existed as of that date.

As of September 30, 2024, the Company concluded that a triggering event occurred due to a sustained decline in the Company's stock price since December 31, 2023, which required interim testing for goodwill impairment in accordance with ASC 350. Accordingly, the Company performed a quantitative assessment as of September 30, 2024. The fair value of the reporting unit exceeded the carrying value by approximately 1%, and therefore we concluded no impairment existed as of that date.

As a result of continued declines in the level of stock price, the Company performed a quantitative impairment assessment as of December 31, 2024. The results of the testing as of December 31, 2024, concluded that the estimated fair value of the reporting unit fell short of carrying value, and therefore impairment existed as of that date. A goodwill impairment charge of \$46.3 million was recorded in the consolidated statements of operations during the year ended December 31, 2024.

For the December 31, 2024, September 30, 2024 and December 31, 2023 impairment tests, we used a combination of discounted cash flow ("DCF") model and market approaches, such as public company comparable analysis and comparable acquisitions analysis to determine fair value of the reporting unit. The income approach and market approaches were weighted equally to estimate fair value. The income approach requires detailed forecasts of cash flows, including significant assumptions such as revenue growth rates, gross profit margins, distribution, selling and administrative expenses, among other assumptions, and an estimate of weighted-average cost of capital which we believe approximate the assumptions from a market participant's perspective. The market approaches are primarily impacted by an enterprise value multiple of EBITDA. These estimates incorporate many uncertain factors which could be impacted by changes in market conditions, interest rates, growth rate, tax rates, costs, customer behavior, regulatory environment and other macroeconomic changes. In addition, we considered the reasonableness of the fair value of the reporting unit by assessing the implied enterprise value control premium based on our market capitalization and also considered the lack of liquidity in the Company's common stock. The Company's common stock is fairly thinly traded, with a higher level of internal stockholders than its peers, and no major analyst coverage. As a result, the implied value from the traded stock price is based on limited investment public interest. Our market capitalization is calculated using the number of common shares outstanding and common stock publicly traded price. We determined that the implied control premium was reasonable which corroborates our fair value estimates. We categorize the fair value determination as Level 3 in the fair value hierarchy due to its use of internal projections and unobservable measurement inputs.

See *Note 8 - Goodwill and Acquired Intangible Assets* to the consolidated financial statements in this Annual Report on Form 10-K for additional information.

Assumptions used in impairment testing are made at a point in time and require significant judgment; therefore, they are subject to change based on the facts and circumstances present at each impairment test date. Additionally, these assumptions are generally interdependent and do not change in isolation.

We performed sensitivity analyses on the key inputs and assumptions used in determining the estimated fair value of our reporting unit by utilizing changes in assumptions that would reasonably likely occur. Assuming all other assumptions and inputs used in the fair value analysis are held constant, for the December 31, 2024 impairment test, a 100 basis point increase in the discount rate assumption, a 1x decrease in the respective EBITDA multiple assumptions, a 25 basis point decrease in the gross profit margin assumption, and a 50 basis point decrease in the revenue growth rate assumption would result in a decrease in the fair value of our reporting unit of approximately \$11.6 million, \$31.0 million, \$7.3 million, and \$5.5 million, respectively, which would likely result in further impairment. These estimated changes in fair value are not necessarily representative of the actual impairment that would be recorded in the event of a fair value decline.

If, in future periods, the financial performance of the reporting unit does not meet forecasted expectations, or a prolonged decline occurs in the market price of our common stock, it may cause a change in the results of the impairment assessment and, as such, could result in further impairment of goodwill.

Impairment of Long-lived Assets

We assess our long-lived assets such as property and equipment and intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. Factors which may indicate potential impairment include a significant underperformance related to the historical or projected future operating results or a significant negative industry or economic trend. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows which the assets or asset groups are expected to generate. If property and equipment and intangible assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds their fair value.

No impairment of long-lived assets was recognized during the year ended December 31, 2024. We impaired machinery used in the operations within HF Foods Industrial, Inc. and recognized impairment expense of \$1.2 million in distribution, selling and administrative expenses in the consolidated statements of operations during the year ended December 31, 2023. We impaired our acquired developed technology attributable to Syncglobal, Inc. and recognized impairment expense of \$0.4 million in distribution, selling and administrative expenses in the consolidated statements of operations during the year ended December 31, 2022.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see *Note 2 - Summary of Significant Accounting Policies* to the consolidated financial statements in this Annual Report on Form 10-K.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk.

Interest Rate Risk

Our debt exposes us to risk of fluctuations in interest rates. Floating rate debt, where the interest rate fluctuates periodically, exposes us to short-term changes in market interest rates. Fixed rate debt, where the interest rate is fixed over the life of the instrument, exposes us to changes in market interest rates reflected in the fair value of the debt and to the risk that we may need to refinance maturing debt with new debt at higher rates. We manage our debt portfolio to achieve an overall desired proportion of fixed and floating rate debts and may employ interest rate swaps as a tool from time to time to achieve that position. To manage our interest rate risk exposure, we entered into four interest rate swap contracts to hedge the floating rate term loans. See *Note 9 - Derivative Financial Instruments* to the consolidated financial statements in this Annual Report on Form 10-K for additional information.

As of December 31, 2024, our aggregate floating rate debt's outstanding principal balance without hedging was \$59.7 million, or 35.9% of total debt, consisting primarily of our revolving line of credit (see *Note 10 - Debt* to the consolidated financial statements in this Annual Report on Form 10-K). Our floating rate debt interest is based on the floating 1-month SOFR plus a predetermined credit adjustment rate plus the bank spread. The remaining 64.1% of our debt is on a fixed rate or a floating rate with hedging. In a hypothetical scenario, a 1% change in the applicable rate would cause the interest expense on our floating rate debt to change by approximately \$0.6 million per year.

Fuel Price Risk

We are also exposed to risks relating to fluctuations in the price and availability of diesel fuel. We require significant quantities of diesel fuel for our vehicle fleet, and the inbound delivery of the products we sell is also dependent upon shipment by diesel-fueled vehicles. Additionally, elevated fuel costs can negatively impact consumer confidence and discretionary spending and thus reduce the frequency and amount spent by consumers for food-away-from-home purchases. We currently are able to obtain adequate supplies of diesel fuel, and average prices in 2024 decreased in comparison to average prices in the same period in 2023, decreasing 10.8% on average. However, it is impossible to predict the future availability or price of diesel fuel. The price and supply of diesel fuel fluctuates based on external factors not within our control, including geopolitical developments, supply and demand for oil and gas, regional production patterns, weather conditions and environmental concerns. Increases in the cost of diesel fuel could increase our cost of goods sold and operating costs to deliver products to our customers.

We do not actively hedge the price fluctuation of diesel fuel in general. Instead, we seek to minimize fuel cost risk through delivery route optimization and fleet utilization improvement.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**HF Foods Group Inc. and Subsidiaries
Consolidated Financial Statements
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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
HF Foods Group Inc.
Las Vegas, Nevada

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of HF Foods Group Inc. (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 17, 2025, expressed an adverse opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Consolidated Financial Statements - Impact of Control Environment and Information Technology General Controls

As disclosed in management’s report on internal control over financial reporting, the Company identified material weaknesses as of December 31, 2024. These material weaknesses included ineffective entity-level controls, ineffective information technology general controls (ITGCs), and ineffective controls over certain non-routine transactions, significant management estimates, and financial reporting. The completeness and accuracy of the consolidated financial statements, including the financial condition, results of operations and cash flows, is dependent on, in part, the Company’s ability to (i) design and maintain an effective control environment, including maintaining a sufficient number of qualified resources to support and provide proper oversight and accountability over the performance of controls, (ii) design and maintain effective ITGCs for certain information systems relevant to the preparation of the financial statements, and (iii) design and maintain effective controls over financial reporting.

We identified a critical audit matter over the completeness and accuracy of the consolidated financial statements. The ineffective control environment, including the ineffective ITGCs resulted in several material weaknesses. Designing the appropriate procedures and evaluating audit evidence to ensure the completeness and accuracy of the consolidated financial

statements, including higher risk areas, with an ineffective control environment, required especially challenging and subjective auditor judgment due to the increased extent of audit effort including the need to modify the nature and extent of audit evidence obtained.

The primary procedures we performed to address this critical audit matter included:

- Performing incremental procedures over material financial statement accounts such as revenue and receivables by i) increasing the sample sizes to perform certain audit procedures and ii) lowering the testing thresholds and by expanding the types of journal entries to be tested.
- Evaluating the impact of improper segregation of duties and designing incremental procedures over disbursements.
- Manually testing the completeness and accuracy of information provided by the Company and increasing the extent of our testing for items to be selected and agreed to source documents.

Goodwill Impairment – Valuation of Reporting Unit

As disclosed in Notes 2 and 8 to the consolidated financial statements, the Company's consolidated goodwill balance was \$38.8 million as of December 31, 2024. Goodwill is tested for impairment at the reporting unit level at least annually, or whenever events or changes in circumstances indicate that goodwill might be impaired. In the valuation of goodwill, management must make assumptions regarding estimated future cash flows to be derived from the Company's business. A change in underlying assumptions could cause a change in the results of the impairment test and, as such, could cause fair value to be less than the carrying amount and result in an impairment of goodwill in the future. In connection with the impairment tests completed as of September 30, 2024 and December 31, 2024 using the quantitative goodwill impairment assessment, the Company determined the fair value of its one reporting unit, using an average of the income approach, specifically, the discounted cash flow method, and market approaches, specifically, the comparable public company analysis and comparable acquisition analysis methods. The income approach uses a discounted cash flow model that reflects management significant assumptions that mainly related to revenue growth rates, gross profit margins, distribution, selling & administrative (DS&A) expenses and a discount rate. The comparable public company and comparable acquisition analysis methods apply a market multiple assumption to the Company's EBITDA to calculate fair value. The fair value of the Company's reporting unit exceeded the carrying value as of September 30, 2024. The results of the impairment testing as of December 31, 2024 concluded that the fair value of the Company's reporting unit did not exceed the carrying value, and therefore the Company recorded a goodwill impairment charge of \$46.3 million during the year ended December 31, 2024.

We identified certain assumptions used in the valuation of goodwill for the reporting unit for both the September 30, 2024 and December 31, 2024 impairment tests as a critical audit matter. Management's determination of the fair value of the reporting unit required the use of significant judgment due to the subjectivity and uncertainty of the gross profit margins, DS&A expenses and discount rate assumptions used in the income approach, and the EBITDA multiple assumption used in the comparable public company analysis and comparable acquisition analysis approaches. Auditing these elements involved especially challenging and subjective auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skill or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of the gross profit margins and DS&A expenses by: i) evaluating the consistency of the gross profit margins and DS&A expenses with historical results, ii) evaluating the consistency of the gross profit margins, and DS&A expenses with the Company's objectives and strategies, and iii) comparing the forecasted gross profit margins and DS&A expenses with external market data and evidence obtained in other areas of the audit.
- Utilizing personnel with specialized knowledge and skill with valuation to assist in assessing the reasonableness of the concluded fair value of the Company's reporting unit, as well as the discount rate incorporated in the income approach and the EBITDA multiples incorporated in the comparable public company analysis and comparable acquisition analysis approaches.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2021.

Troy, Michigan

March 17, 2025

HF Foods Group Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share data)

	December 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash	\$ 14,467	\$ 15,232
Accounts receivable, net of allowances of \$1,557 and \$2,119	54,107	47,524
Accounts receivable - related parties	239	308
Inventories	97,783	105,618
Prepaid expenses and other current assets	11,507	10,145
TOTAL CURRENT ASSETS	178,103	178,827
Property and equipment, net	149,572	133,136
Operating lease right-of-use assets	13,944	12,714
Long-term investments	2,350	2,388
Customer relationships, net	136,615	147,181
Trademarks, trade names and other intangibles, net	24,911	30,625
Goodwill	38,815	85,118
Other long-term assets	5,681	6,531
TOTAL ASSETS	\$ 549,991	\$ 596,520
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Checks issued not presented for payment	\$ 5,687	\$ 4,494
Line of credit	57,483	58,564
Accounts payable	50,592	51,617
Accounts payable - related parties	52	397
Current portion of long-term debt, net	5,410	5,450
Current portion of obligations under finance leases	3,797	1,749
Current portion of obligations under operating leases	4,177	3,706
Accrued expenses and other liabilities	18,001	17,287
TOTAL CURRENT LIABILITIES	145,199	143,264
Long-term debt, net of current portion	103,324	108,711
Obligations under finance leases, non-current	19,929	11,229
Obligations under operating leases, non-current	10,125	9,414
Deferred tax liabilities	29,392	29,028
Other long-term liabilities	728	6,891
TOTAL LIABILITIES	308,697	308,537
COMMITMENTS AND CONTINGENCIES (Note 17)		
SHAREHOLDERS' EQUITY:		
Series A Participating Preferred Stock, par value \$0.001; 100,000 shares authorized, no shares issued and outstanding	—	—
Preferred Stock, \$0.001 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common Stock, \$0.0001 par value; 100,000,000 shares authorized; 54,735,073 and 54,153,391 shares issued and 52,737,650 and 52,155,968 shares outstanding as of December 31, 2024 and December 31, 2023, respectively	5	5
Treasury stock, at cost; 1,997,423 shares as of December 31, 2024 and December 31, 2023	(7,750)	(7,750)
Additional paid-in capital	604,235	603,094
Accumulated deficit	(357,199)	(308,688)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO HF FOODS GROUP INC.	239,291	286,661
Noncontrolling interests	2,003	1,322
TOTAL SHAREHOLDERS' EQUITY	241,294	287,983
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 549,991	\$ 596,520

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

HF Foods Group Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except share and per share data)

	Year Ended December 31,		
	2024	2023	2022
Net revenue - third parties	\$ 1,197,926	\$ 1,142,648	\$ 1,163,525
Net revenue - related parties	3,741	5,845	6,942
TOTAL NET REVENUE	1,201,667	1,148,493	1,170,467
Cost of revenue - third parties	993,026	938,815	958,775
Cost of revenue - related parties	3,447	5,647	6,180
TOTAL COST OF REVENUE	996,473	944,462	964,955
GROSS PROFIT	205,194	204,031	205,512
Distribution, selling and administrative expenses	198,026	195,062	194,953
Goodwill impairment charges	46,303	—	—
(LOSS) INCOME FROM OPERATIONS	(39,135)	8,969	10,559
Interest expense	11,425	11,478	7,457
Other expense (income), net	2,818	(1,091)	(1,829)
Change in fair value of interest rate swap contracts	(1,693)	1,580	(817)
Lease guarantee (income) expense	(5,548)	(377)	5,744
(LOSS) INCOME BEFORE INCOME TAXES	(46,137)	(2,621)	4
Income tax expense (benefit)	1,965	41	(231)
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME	(48,102)	(2,662)	235
Less: net income (loss) attributable to noncontrolling interests	409	(488)	(225)
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO HF FOODS GROUP INC.	\$ (48,511)	\$ (2,174)	\$ 460
(LOSS) EARNINGS PER COMMON SHARE - BASIC	\$ (0.92)	\$ (0.04)	\$ 0.01
(LOSS) EARNINGS PER COMMON SHARE - DILUTED	\$ (0.92)	\$ (0.04)	\$ 0.01
WEIGHTED AVERAGE SHARES - BASIC	52,552,490	53,878,237	53,757,162
WEIGHTED AVERAGE SHARES - DILUTED	52,552,490	53,878,237	53,863,448

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

HF Foods Group Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net (loss) income	\$ (48,102)	\$ (2,662)	\$ 235
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	26,677	25,918	24,936
Treasury stock received via legal settlement	—	(7,750)	—
Goodwill impairment charges	46,303	—	—
Other asset impairment charges	—	1,200	422
Gain from disposal of property and equipment	(12)	(362)	(1,327)
(Credit) provision for expected credit losses	(103)	701	82
Deferred tax expense (benefit)	364	(5,415)	(5,012)
Change in fair value of interest rate swap contracts	(1,693)	1,580	817
Stock-based compensation	2,088	3,352	1,257
Non-cash lease expense	3,992	4,033	4,442
Lease guarantee (income) expense	(5,548)	(377)	5,744
Other non-cash expense (income)	1,169	493	(266)
Changes in operating assets and liabilities:			
Accounts receivable	(6,421)	(4,039)	(8,577)
Accounts receivable - related parties	10	(95)	36
Inventories	7,835	14,673	(3,755)
Prepaid expenses and other current assets	(1,362)	(1,069)	(4,008)
Other long-term assets	942	(3,418)	(1,199)
Checks issued not presented for payment	1,193	(17,452)	4,112
Accounts payable	(1,025)	(3,898)	15,207
Accounts payable - related parties	(345)	(1,132)	(412)
Operating lease liabilities	(4,040)	(3,730)	(4,408)
Accrued expenses and other liabilities	714	(2,199)	7,070
Net cash provided by operating activities	22,636	(1,648)	35,396
Cash flows from investing activities:			
Purchase of property and equipment	(12,547)	(3,514)	(6,287)
Proceeds from sale of property and equipment	48	2,000	7,794
Contribution to equity method investee	(49)	—	—
Payment made for acquisition of Sealand	—	—	(34,848)
Payment made for acquisition of Great Wall Group	—	—	(17,445)
Net cash used in investing activities	(12,548)	(1,514)	(50,786)
Cash flows from financing activities:			
Payments for tax withholding related to vested stock awards	(175)	(394)	—
Proceeds from line of credit	1,476,106	1,237,101	1,200,996
Repayment of line of credit	(1,477,240)	(1,231,647)	(1,203,112)
Proceeds from long-term debt	—	—	45,956
Repayment of long-term debt	(5,470)	(7,591)	(11,336)
Payment of debt financing costs	—	—	(544)
Repayment of obligations under finance leases	(3,574)	(2,480)	(2,626)
Repayment of promissory note payable - related party	—	—	(4,500)
Proceeds from noncontrolling interests	—	—	240
Cash distributions to noncontrolling interests	(500)	(884)	(187)
Net cash (used in) provided by financing activities	(10,853)	(5,895)	24,887
Net (decrease) increase in cash	(765)	(9,057)	9,497
Cash at beginning of the period	15,232	24,289	14,792
Cash at end of the period	\$ 14,467	\$ 15,232	\$ 24,289

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

HF Foods Group Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
(In thousands)

	Year Ended December 31,		
	2024	2023	2022
Supplemental disclosure of cash flow data:			
Cash paid for interest	\$ 11,623	\$ 10,407	\$ 6,230
Cash paid for income taxes	2,506	4,040	8,655
Supplemental disclosure of non-cash investing and financing activities:			
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 5,222	\$ 2,583	\$ 6,815
Property acquired in exchange for finance leases	14,322	1,763	1,272
Treasury stock received via legal settlement	—	7,750	—
Acquisition of noncontrolling interests	772	1,652	—
Note receivable related to property and equipment sales	—	300	—
Intangible asset acquired in exchange for noncontrolling interests	—	—	566

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

HF Foods Group Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(In thousands, except share data)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity Attributable to HF Foods Group Inc.	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
Balance at January 1, 2022	53,706,392	\$ 5	—	—	\$ 597,227	\$ (306,974)	\$ 290,258	\$ 4,041	\$ 294,299
Net income (loss)	—	—	—	—	—	460	460	(225)	235
Capital contribution by shareholders	—	—	—	—	—	—	—	806	806
Issuance of common stock pursuant to equity compensation plan	139,239	—	—	—	—	—	—	—	—
Shares withheld for tax withholdings on vested awards	(31,854)	—	—	—	(162)	—	(162)	—	(162)
Distribution to shareholders	—	—	—	—	—	—	—	(186)	(186)
Stock-based compensation	—	—	—	—	1,257	—	1,257	—	1,257
Balance at December 31, 2022	53,813,777	\$ 5	—	\$ —	\$ 598,322	\$ (306,514)	\$ 291,813	\$ 4,436	\$ 296,249
Net loss	—	—	—	—	—	(2,174)	(2,174)	(488)	(2,662)
Issuance of common stock pursuant to equity compensation plan	391,983	—	—	—	—	—	—	—	—
Shares withheld for tax withholdings on vested awards	(52,369)	—	—	—	(232)	—	(232)	—	(232)
Treasury stock received via legal settlement	—	—	1,997,423	(7,750)	—	—	(7,750)	—	(7,750)
Distribution to shareholders	—	—	—	—	—	—	—	(884)	(884)
Dissolution of noncontrolling interests	—	—	—	—	1,652	—	1,652	(1,742)	(90)
Stock-based compensation	—	—	—	—	3,352	—	3,352	—	3,352
Balance at December 31, 2023	54,153,391	\$ 5	1,997,423	\$ (7,750)	\$ 603,094	\$ (308,688)	\$ 286,661	\$ 1,322	\$ 287,983
Net (loss) income	—	—	—	—	—	(48,511)	(48,511)	409	(48,102)
Issuance of common stock pursuant to equity compensation plan	638,721	—	—	—	—	—	—	—	—
Shares withheld for tax withholdings on vested awards	(57,039)	—	—	—	(175)	—	(175)	—	(175)
Distribution to shareholders	—	—	—	—	—	—	—	(500)	(500)
Dissolution of noncontrolling interests	—	—	—	—	(772)	—	(772)	772	—
Stock-based compensation	—	—	—	—	2,088	—	2,088	—	2,088
Balance at December 31, 2024	54,735,073	\$ 5	1,997,423	\$ (7,750)	\$ 604,235	\$ (357,199)	\$ 239,291	\$ 2,003	\$ 241,294

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

HF Foods Group Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1 - Organization and Description of Business

Organization and General

HF Foods Group Inc., headquartered in Las Vegas, Nevada, operating through our subsidiaries (collectively “HF Foods” or the “Company”) is a marketer and distributor of fresh produce, frozen and dry food, and non-food products to Asian restaurants, as well as other foodservice customers, throughout the United States. With multiple distribution centers located throughout the nation, HF Foods supplies Asian cuisine through its relationships with growers and suppliers of food products in North America, South America and Asia. The Company’s business consists of one operating segment, which is also its one reportable segment: HF Foods, which operates solely in the United States, offers specialty restaurant foods and supplies to its customers.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding annual financial reporting. All adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The accompanying consolidated financial statements for 2024 and 2023 include the accounts of HF Foods, and for 2022, the accounts of HF Foods and certain variable interest entities for which the Company was the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation. For consolidated entities where we own or are exposed to less than 100% of the economics, the Company records net income (loss) attributable to noncontrolling interest in its consolidated statements of operations and comprehensive income (loss) equal to the percentage of the economic or ownership interest retained in such entity by the respective noncontrolling party.

Reclassifications

During 2024, the Company reclassified the presentation of checks issued not presented for payment from cash flows from financing activities to cash flows from operating activities in the consolidated statement of cash flows. Prior periods amounts were reclassified to conform to the current period presentation. The reclassification did not impact consolidated balance sheets or consolidated statements of operations and comprehensive income (loss).

Variable Interest Entities

GAAP provides guidance on the identification of a variable interest entity (“VIE”) and financial reporting for an entity over which control is achieved through means other than voting interests. The Company evaluates each of its interests in an entity to determine whether or not the investee is a VIE and, if so, whether the Company is the primary beneficiary of such VIE. In determining whether the Company is the primary beneficiary, the Company considers if the Company (1) has power to direct the activities that most significantly affect the economic performance of the VIE, and (2) has the obligation to absorb losses or the right to receive the economic benefits of the VIE that could be potentially significant to the VIE. If deemed the primary beneficiary, the Company consolidates the VIE.

As of and for the years ended December 31, 2023 and 2022, the Company had one VIE, AnHeart, Inc. (“AnHeart”), for which the Company was not the primary beneficiary and therefore did not consolidate. Effective April 30, 2024, the Company assumed the lease for which AnHeart was a lessee and the Company was a guarantor, and as such, it no longer recognizes AnHeart as a VIE as of December 31, 2024. See *Note 17 - Commitments and Contingencies* for additional information on AnHeart.

During the year ended December 31, 2022, the Company consolidated FUSO Trucking, LLC (“FUSO”) which was established to provide exclusive trucking services to the Company and was dissolved in 2022. The results of operations and cash flows of FUSO prior to being dissolved were immaterial during 2022.

Noncontrolling Interests

GAAP requires that noncontrolling interests in subsidiaries and affiliates be reported in the equity section of the Company's consolidated balance sheets. In addition, the amounts attributable to the net income (loss) of those noncontrolling interests are reported separately in the consolidated statements of operations and comprehensive loss.

As of December 31, 2024 and December 31, 2023, noncontrolling interest equity consisted of the following:

(\$ in thousands)	Ownership of noncontrolling interest at		
	December 31, 2024	December 31, 2023	
HF Foods Industrial, LLC ("HFFI") ^(a)	N/A	\$ —	\$ (759)
Min Food, Inc.	39.75%	1,561	1,715
Monterey Food Service, LLC	35.00%	442	366
Total		\$ 2,003	\$ 1,322

(a) During the year ended December 31, 2024, upon dissolution of HFFI, the Company assumed HFFI's remaining assets and liabilities. In accordance with ASC Topic 810 ("ASC 810"), Consolidation, changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary shall be accounted for as equity transactions. No gain or loss was recognized. As a result of this transaction, noncontrolling interest of \$(0.8) million was reclassified to additional paid-in capital on the consolidated balance sheets.

Uses of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during each reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company's consolidated financial statements include, but are not limited to, inventory reserves, impairment of long-lived assets, impairment of goodwill, and the purchase price allocation and fair value of assets and liabilities acquired with respect to business combinations.

Recent Issued Accounting Pronouncements not yet Adopted

In December 2023, the FASB issued Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires public entities to disclose specific categories in its annual effective tax rate reconciliation and disaggregated information about significant reconciling items by jurisdiction and by nature. This guidance also requires entities to disclose their income tax payments (net of refunds) to international, federal, and state and local jurisdictions. This guidance is effective for fiscal years beginning after December 15, 2024. Upon adoption, ASU 2023-09 should be applied on a prospective basis while retrospective application is permitted. The Company does not expect this adoption to have a material impact on its consolidated financial statements.

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. The guidance requires additional disclosure of certain amounts included in the expense captions presented on the Statement of Operations as well as disclosures about selling expenses. This guidance is effective on a prospective basis, with the option for retrospective application, for annual periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. The Company is in the process of assessing the impact the adoption of this guidance will have on the Company's financial statement disclosures.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires enhanced disclosures about segment expenses on an annual and interim basis. This standard is effective for the Company's consolidated financial statements for the year ending December 31, 2024 and for interim periods beginning in 2025. See *Note 16 - Segment Information* in the accompanying notes to the consolidated financial statements for further detail.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or shorter as cash equivalents. As of December 31, 2024 and December 31, 2023, the Company had no cash equivalents.

Checks issued not presented for payment represent accounts at banks with an aggregate excess of the amount of outstanding checks over the cash balances and are presented in current liabilities in the consolidated balance sheets. The net changes to checks issued not presented for payment are presented in the operating section of the statement of cash flows.

Accounts Receivable, net

Accounts receivable represent amounts due from customers in the ordinary course of business and are recorded at the invoiced amount and do not bear interest. Receivables are presented net of the allowance for expected credit losses in the accompanying consolidated balance sheets. The Company evaluates the collectability of its accounts receivable and determines the appropriate allowance for expected credit losses based on a combination of factors. The Company maintains an allowance for expected credit losses based on historic collection trends, write-offs and the aging of receivables. The Company uses specific criteria to determine uncollectible receivables to be written off, including, bankruptcy filings, the referral of customer accounts to outside parties for collection, and the length that accounts remain past due.

Inventories

The Company's inventories, consisting mainly of food and other foodservice-related products, are considered finished goods. Inventory costs, including the purchase price of the product and freight charges to deliver it to the Company's warehouses, are net of certain cash consideration received from vendors, primarily in the form of rebates. The Company adjusts its inventory balance for slow-moving, excess and obsolete inventories to the net recoverable value of such goods based upon inventory category, inventory age, specifically identified items, and overall economic conditions. Inventories are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

Property and Equipment, net

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Following are the estimated useful lives of the Company's property and equipment:

	Estimated Useful Lives
Automobiles	3 to 7 years
Buildings and improvements	7 to 39 years
Furniture and fixtures	4 to 10 years
Machinery and equipment	3 to 10 years

Leasehold improvements are amortized over the shorter of the useful life of those leasehold improvements and the remaining lease term.

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterment that extends the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of operations and comprehensive income (loss) in distribution, selling and administrative expenses.

Software Costs

In accordance with ASC 350-40, *Internal-Use Software*, the Company capitalizes certain computer software licenses and software implementation costs related to developing or obtaining computer software for internal use. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task that it previously did not perform. Internal use software is amortized on a straight-line basis over a three to five year period. Capitalized costs include direct acquisitions as well as software and software development acquired under capitalized leases and internal labor where appropriate. Capitalized software purchases and related development costs, net of accumulated amortization, were \$4.1 million as of December 31, 2024 and \$5.1 million as of December 31, 2023, and are included in other long-term assets on the consolidated balance sheets.

Business Combinations

The Company accounts for its business combinations using the purchase method of accounting in accordance with ASC Topic 805, *Business Combinations*. The purchase method of accounting requires that the consideration transferred be allocated to the assets, including separately identifiable assets and liabilities the Company acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total of cost of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over, (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

The Company estimates the fair value of assets acquired and liabilities assumed in a business combination. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, its estimates are inherently uncertain and subject to refinement. Significant estimates in valuing certain intangible assets include, but are not limited to future expected revenues and cash flows, useful lives, discount rates, and selection of comparable companies. Although the Company believes the assumptions and estimates it has made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from management of the acquired companies and are inherently uncertain. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. On the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations and comprehensive income (loss).

Transaction costs associated with business combinations are expensed as incurred, and are included in distribution, selling and administrative expenses in the Company's consolidated statements of operations and comprehensive income (loss). The results of operations of the businesses that the Company acquired are included in the Company's consolidated financial statements from the date of acquisition.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. The Company tests goodwill for impairment at least annually, as of December 31, or whenever events or changes in circumstances indicate that goodwill might be impaired.

The Company's policy is to test goodwill for impairment annually on the last day of the fourth quarter, or more frequently if certain triggering events or circumstances indicate it could be impaired. Potential impairment indicators include (but are not limited to) macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant entity-specific events, specific events affecting the reporting unit, or sustained decrease in share price. This guidance provides the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on a review of qualitative factors, it is more likely than not that the fair value of a reporting unit is less than its carrying value, or at management's discretion, the Company performs a quantitative analysis. If the quantitative analysis indicates the carrying value of a reporting unit exceeds its fair value, the Company measures any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit. As of December 31, 2024 and December 31, 2023,

the Company has one reporting unit for purposes of testing goodwill for impairment. See *Note 8 - Goodwill and Acquired Intangible Assets* for additional information.

Determining the fair value of a reporting unit requires the application of judgment and involves the use of significant estimates and assumptions including, projections of future cash flows, which include forecasted revenue, discount rate, and other factors which can be affected by changes in business climate, economic conditions, the competitive environment and other factors. The Company also considers the use of market approaches, such as the comparable public company analysis and comparable acquisitions analysis, to estimate the fair value of the reporting unit. The Company bases these fair value estimates on assumptions management believes to be reasonable but which are unpredictable and inherently uncertain. A change in underlying assumptions would cause a change in the results of the tests and, as such, could cause fair value to be less than the carrying amount and result in an impairment of goodwill in the future. Additionally, if actual results are not consistent with the estimates and assumptions or if there are significant changes to the Company's planned strategy, it may cause the fair value of the reporting unit to be less than its carrying amount and result in an impairment of goodwill in the future. The Company corroborates the reasonableness of the total fair value of the reporting unit by assessing the implied control premium based on the Company's market capitalization. The Company's market capitalization is calculated using the relevant shares outstanding and stock price of the Company's publicly traded shares. In the event of a goodwill impairment, the Company would be required to record an impairment, which would impact earnings and reduce the carrying amounts of goodwill on the consolidated balance sheet.

Intangible Assets, net

Intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company determines the appropriate useful life of its intangible assets by measuring the expected cash flows of acquired assets. The estimated useful lives of intangible assets are as follows:

	Estimated Useful Lives
Non-competition agreements	3 years
Trademarks and trade names	10 years
Customer relationships	10 to 20 years

Long-term Investments

The Company's investments in unconsolidated entities consist of an equity investment and an investment without readily determinable fair value.

The Company follows ASC Topic 321 ("ASC 321"), *Investments – Equity Securities*, using the measurement alternative to measure investments in investees that do not have readily determinable fair value and over which the Company does not have significant influence at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. The Company makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the Company has to estimate the investment's fair value in accordance with the principles of ASC Topic 820 ("ASC 820"), *Fair Value Measurements and Disclosures*. If the fair value is less than the investment's carrying value, the entity has to recognize an impairment loss in earnings equal to the difference between the carrying value and fair value.

Investments in entities in which the Company can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC Topic 323 ("ASC 323"), *Investments-Equity Method and Joint Ventures*. Under the equity method, the Company initially records its investment at cost, which is included in the equity method investment on the consolidated balance sheets. The Company subsequently adjusts the carrying amount of the investment to recognize the Company's proportionate share of each equity investee's net income or loss into earnings after the date of investment. The Company evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

The Company did not record any impairment loss on its long-term investments during the years ended December 31, 2024, 2023 and 2022.

Impairment of Long-lived Assets

The Company assesses its long-lived assets such as property and equipment and intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. Factors which may indicate potential impairment include a significant underperformance related to the historical or projected future operating results or a significant negative industry or economic trend. Recoverability of an asset or asset group is measured by comparison of its carrying amount to future undiscounted cash flows the asset or asset group is expected to generate. If property and equipment, and intangible assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset or asset group exceeds its fair value.

The Company impaired machinery related to HFFI and recognized impairment expense of \$1.2 million in distribution, selling and administrative expenses in the consolidated statements of operations during the year ended December 31, 2023. The Company fully impaired its acquired developed technology associated with the Syncglobal joint venture and recognized impairment expense of \$0.4 million in distribution, selling and administrative expenses in the consolidated statements of operations during the year ended December 31, 2022. Fair value was determined using Level 3 inputs at the time of impairment. The Company did not record any impairment loss on its long-lived assets during the year ended December 31, 2024.

Insurance and Claim Costs

The Company maintains workers compensation and general liability insurance with licensed insurance carriers. Beginning in April 2020, the Company is self-insured for auto claims less than \$100,000 per claim. Insurance and claims expense represent premiums the Company paid and the accruals made for claims within the Company's self-insured retention amounts. A liability is recognized for the estimated cost of all self-insured claims including an estimate of incurred but not reported claims based on historical experience and for claims expected to exceed the Company's policy limits.

The Company establishes reserves for anticipated losses and expenses related to auto liability claims. The reserves consist of specific reserves for all known claims and an estimate for claims incurred but not reported, and losses arising from known claims ultimately settling in excess of insurance coverage using loss development factors based upon industry data and past experience. In determining the liability, the Company specifically reviews all known claims and records a liability based upon the Company's best estimate of the amount to be paid. In making the estimate, the Company considers the amount and validity of the claim, as well as the Company's past experience with similar claims. In establishing the reserve for claims incurred but not reported, the Company considers its past claims history, including the length of time it takes for claims to be reported to the Company. These reserves are periodically reviewed and adjusted to reflect the Company's experience and updated information relating to specific claims. As of December 31, 2024 and December 31, 2023, the Company has recorded a self-insurance liability of \$1.7 million and \$1.7 million, respectively, which is included in accrued expenses and other liabilities on the consolidated balance sheets.

Revenue Recognition

The Company recognizes revenue from the sale of products when control of each product passes to the customer and the customer accepts the goods, which occurs at delivery. The majority of customer orders are fulfilled within a day and customer payment terms are typically thirty days or less from invoice date. Our 100% satisfaction guarantee permits our customers to reject part of the order or the entire order within twenty-four hours of receipt without any penalty. Sales taxes invoiced to customers and remitted to government authorities are excluded from net sales.

The Company follows ASC Topic 606, *Revenue from Contracts with Customers*. The Company recognizes revenue that represents the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This requires the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfer to a customer. The Company's contracts contain performance obligations which are satisfied when customers have physical possession of each product. The Company's revenue streams are recognized at a specific point in time.

Cost of Revenue

Cost of revenue primarily includes inventory costs (net of vendor consideration, primarily in the form of rebates), inbound freight, customs clearance fees and other miscellaneous expenses.

Distribution, Selling and Administrative Expenses

Distribution, selling and administrative expenses consist primarily of salaries and benefits for employees and contract laborers, trucking and fuel expenses for deliveries, utilities, maintenance and repair expenses, insurance expenses, depreciation and amortization expenses, selling and marketing expenses, professional fees and other operating expenses.

Shipping and Handling Costs

Shipping and handling costs, which include costs related to the selection of products and their delivery to customers, are included in distribution, selling and administrative expenses. Shipping and handling costs were \$69.2 million, \$76.0 million and \$83.7 million for the years ended December 31, 2024, 2023 and 2022, respectively, and includes estimates for labor associated with shipping and handling activities for the years ended December 31, 2023 and 2022.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, the Company determines deferred tax assets and liabilities based on the differences between the financial statement and tax basis of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. A valuation allowance is provided when it is more likely than not that some portion or all of the net deferred tax assets will not be realized.

Based on our assessment, it is more likely than not that the deferred tax assets will be realized through future taxable income. In 2023, management established a valuation allowance of \$0.7 million against certain deferred taxes attributable to the Company's subsidiary, HFFI. In 2024, the Company dissolved its subsidiary, HFFI, and as such, the deferred tax balances and corresponding valuation allowance associated with this entity were written off during the year ended December 31, 2024. There is no remaining valuation allowance as of December 31, 2024.

The Company will continue to assess the need for a valuation allowance in the future by evaluating both positive and negative evidence that may exist.

The Company records uncertain tax positions in accordance with ASC Topic 740, *Income Taxes* ("ASC 740"), on the basis of a two-step process in which (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. See *Note 12 - Income Taxes* for additional information.

In 2021, the Organization for Economic Co-operation and Development ("OECD") published the Tax Challenges Arising from the Global Anti-Base Erosion Model Rules ("Pillar Two"), also referred to as the GloBE Rules or Pillar Two. The rules are designed to ensure large multinational enterprises ("MNEs") pay a minimum level of tax (15%) on income of each jurisdiction. The legislation applies to MNEs with annual consolidated group revenues of at least €750 million if at least one jurisdiction in which the MNE operates has enacted tax laws in accordance with the Pillar Two framework. Many aspects of Pillar Two are effective for tax years beginning after January 1, 2024 with certain remaining aspects to be effective for tax years beginning January 1, 2025 or later. The Company currently does not have any foreign operations that would trigger the application of Pillar Two and therefore it is not anticipated to have a significant impact. The Company will continue to monitor the effects of Pillar Two and any potential future developments.

Leases

The Company accounts for leases following ASC Topic 842, *Leases* ("ASC 842"). The Company determines if an arrangement is a lease at inception and also considers classification of leases as operating or finance. Operating leases are included in

operating lease ROU assets, current portion of obligations under operating leases, and obligations under operating leases, non-current on the Company's consolidated balance sheets. Finance leases are included in property and equipment, net, current portion of obligations under finance leases, and obligations under finance leases, non-current on the consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and initial direct costs incurred and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable rent payments related to both operating and finance leases are expensed as incurred. The Company's variable lease payments primarily consist of real estate, maintenance and usage charges.

The Company has elected to exclude short-term leases from the recognition requirements of ASC 842. A lease is short-term if, at the commencement date, it has a term of less than or equal to one year. Lease expense related to short-term leases is recognized on a straight-line basis over the lease term. The Company has also elected to combine lease and non-lease components when measuring lease liabilities for vehicle and equipment leases.

Derivative Financial Instruments

In accordance with the guidance in ASC Topic 815, *Derivatives and Hedging* ("ASC 815"), derivative financial instruments are recognized as assets or liabilities on the consolidated balance sheets at fair value. The Company has not designated its interest rate swap ("IRS") contracts as hedges for accounting treatment. Pursuant to GAAP, income or loss from fair value changes for derivatives that are not designated as hedges by management are reflected as income or loss on the consolidated statements of operations and comprehensive income (loss). Net amounts received or paid under the interest rate swap contracts are recognized as an increase or decrease to interest expense when such amounts are incurred. The Company is exposed to credit loss in the event of nonperformance by the counterparty.

Concentrations and Credit Risk

The Company had no customers that comprised more than 10% of consolidated net sales for the years ended December 31, 2024, 2023, or 2022, respectively. At December 31, 2024 and 2023, the Company had no customers that comprised more than 10% of consolidated accounts receivable. Accounts receivable are typically unsecured and derived from revenue earned from customers, and thereby exposed to credit risk. The risk is mitigated by the Company's large customer base and ongoing assessments of its customers' creditworthiness and outstanding balances.

The Company maintains cash balances with banks which at times exceed federally insured limits. The Company has not experienced any losses in such accounts.

Segment Reporting

ASC Topic 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 details on the Company's business segments. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's operating decision makers for making operational decisions and assessing performance as the source for determining the Company's reportable segments. The Company's chief operating decision maker ("CODM") is its chief executive officer, who reviews operating results and makes resource allocations on a consolidated basis and thus the Company has concluded it has one operating and reportable segment. See *Note 16 - Segment Information* in the accompanying notes to the consolidated financial statements for further detail.

Stock-Based Compensation

The Company grants restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs") annually. Stock-based compensation expense is based on the fair value of the stock awards at the grant date and is recognized, net of forfeitures, over the requisite service period. See *Note 14 - Stock-Based Compensation* to the consolidated financial statements for further information regarding stock-based compensation.

Note 3 - Revenue

The following table presents the Company's net revenue disaggregated by principal product categories:

(\$ in thousands)	Year Ended December 31,					
	2024		2023		2022	
Seafood	\$ 394,032	33 %	\$ 361,219	31 %	\$ 354,220	30 %
Asian Specialty	305,584	25 %	305,466	27 %	299,215	26 %
Meat and Poultry	253,008	21 %	215,789	19 %	238,276	20 %
Produce	128,837	11 %	123,202	11 %	126,560	11 %
Packaging and Other	62,677	5 %	71,245	6 %	84,489	7 %
Commodity	57,529	5 %	71,572	6 %	67,707	6 %
Total	<u>\$ 1,201,667</u>	<u>100 %</u>	<u>\$ 1,148,493</u>	<u>100 %</u>	<u>\$ 1,170,467</u>	<u>100 %</u>

Note 4 - Balance Sheet Components

Accounts receivable, net consisted of the following:

(In thousands)	December 31, 2024	December 31, 2023
Accounts receivable	\$ 55,664	\$ 49,643
Less: allowance for expected credit losses	(1,557)	(2,119)
Accounts receivable, net	<u>\$ 54,107</u>	<u>\$ 47,524</u>

Movement of allowance for expected credit losses was as follows:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Beginning balance	\$ 2,119	\$ 1,442	\$ 1,530
(Credit) provision for expected credit losses	(103)	701	82
Bad debt write-offs	(459)	(24)	(170)
Ending balance	<u>\$ 1,557</u>	<u>\$ 2,119</u>	<u>\$ 1,442</u>

Prepaid expenses and other current assets consisted of the following:

(In thousands)	December 31, 2024	December 31, 2023
Prepaid expenses	\$ 4,443	\$ 4,591
Advances to suppliers	5,606	3,340
Other current assets	1,458	2,214
Prepaid expenses and other current assets	<u>\$ 11,507</u>	<u>\$ 10,145</u>

Property and equipment, net consisted of the following:

(In thousands)	December 31, 2024	December 31, 2023
Automobiles ⁽¹⁾	\$ 50,565	\$ 37,256
Buildings	63,045	63,045
Building improvements	22,709	22,014
Furniture and fixtures	398	474
Land	49,929	49,929
Machinery and equipment	13,216	11,532
Construction in progress	10,370	1,391
Subtotal	210,232	185,641
Less: accumulated depreciation	(60,660)	(52,505)
Property and equipment, net	\$ 149,572	\$ 133,136

(1) The cost and accumulated depreciation of property and equipment related to finance leases was \$36.1 million and \$14.3 million, respectively, at December 31, 2024 and \$22.2 million and \$10.3 million, respectively, at December 31, 2023, which primarily relates to Automobiles. During the year ended December 31, 2024, the Company entered into finance leases for automobiles which mature in 4 to 7 years and have a weighted average discount rate of 6.3%. The total future minimum lease payments under finance leases as of December 31, 2024 is \$35.7 million. As of December 31, 2024, the Company had additional automobile leases that had not yet commenced which total \$15.4 million in future minimum lease payments.

Depreciation expense was \$10.4 million, \$9.6 million and \$9.2 million for the years ended December 31, 2024, 2023 and 2022, respectively. During the year ended December 31, 2023, the Company impaired machinery and recognized impairment expense of \$1.2 million in distribution, selling and administrative expense in the consolidated statements of operations and comprehensive income (loss).

Long-term investments consisted of the following:

(In thousands)	Ownership as of December 31, 2024	December 31, 2024	December 31, 2023
Asahi Food, Inc. (“Asahi”)	49%	\$ 550	\$ 588
Pt. Tamron Akuatik Produk Industri (“Tamron”)	12%	1,800	1,800
Total long-term investments		\$ 2,350	\$ 2,388

The investment in Tamron is accounted for using the measurement alternative under Accounting Standards Codification (“ASC”) Topic 321 *Investments—Equity Securities*, which is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments, if any. The investment in Asahi is accounted for under the equity method due to the fact that the Company has significant influence but does not exercise control over this investee. The Company determined there was no impairment for the years ended December 31, 2024, 2023 and 2022 for these investments.

Accrued expenses and other liabilities consisted of the following:

(In thousands)	December 31, 2024	December 31, 2023
Accrued compensation	\$ 7,497	\$ 7,941
Accrued professional fees	553	1,353
Accrued interest and fees	938	1,276
Self-insurance liability	1,671	1,723
Advance from customers	3,081	1,390
Other	4,261	3,604
Total accrued expenses and other liabilities	\$ 18,001	\$ 17,287

Note 5 - Fair Value Measurements

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of the dates indicated:

	December 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	(In thousands)							
<i>Assets:</i>								
Interest rate swaps	\$ —	\$ 504	\$ —	\$ 504	\$ —	\$ 412	\$ —	\$ 412
<i>Liabilities:</i>								
Interest rate swaps	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,601	\$ —	\$ 1,601

The Company follows the provisions of ASC Topic 820 *Fair Value Measurement* which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.
- Level 2 - Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
- Level 3 - Inputs are unobservable inputs which reflect the reporting entity's own assumptions about what assumptions market participants would use in pricing the asset or liability based on the best available information.

Any transfers of assets or liabilities between Level 1, Level 2, and Level 3 of the fair value hierarchy will be recognized at the end of the reporting period in which the transfer occurs. There were no transfers between fair value levels in any of the periods presented herein.

The carrying amounts reported in the consolidated balance sheets for cash, accounts receivable, other current assets, accounts payable, checks issued not presented for payment and accrued expenses and other liabilities approximate their fair value based on the short-term maturity of these instruments.

See *Note 9 - Derivative Financial Instruments* for additional information regarding the Company's interest rate swaps.

Carrying Value and Estimated Fair Value of Outstanding Debt - The following table presents the carrying value and estimated fair value of the Company's outstanding debt as described in *Note 10 - Debt*, including the current portion, as of the dates indicated:

(In thousands)	Fair Value Measurements			Carrying Value
	Level 1	Level 2	Level 3	
December 31, 2024				
<i>Fixed rate debt:</i>				
Bank of America	\$ —	\$ —	\$ 104	\$ 113
<i>Variable rate debt:</i>				
JPMorgan Chase	\$ —	\$ 101,040	\$ —	\$ 101,040
Bank of America	\$ —	\$ 2,063	\$ —	\$ 2,063
East West Bank	\$ —	\$ 5,518	\$ —	\$ 5,518
December 31, 2023				
<i>Fixed rate debt:</i>				
Bank of America	\$ —	\$ —	\$ 151	\$ 169
Other finance institutions	\$ —	\$ —	\$ 43	\$ 45
<i>Variable rate debt:</i>				
JPMorgan Chase	\$ —	\$ 106,079	\$ —	\$ 106,079
Bank of America	\$ —	\$ 2,193	\$ —	\$ 2,193
East West Bank	\$ —	\$ 5,675	\$ —	\$ 5,675

The carrying value of the variable rate debt approximates its fair value because of the variability of interest rates associated with these instruments. For the Company's fixed rate debt, the fair values were estimated using discounted cash flow analyses, based on the current incremental borrowing rates for similar types of borrowing arrangements.

See *Note 10 - Debt* for additional information regarding the Company's debt.

Nonrecurring Fair Values

The Company measures fair value of certain assets on a nonrecurring basis when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable.

As further disclosed in *Note 8 - Goodwill and Acquired Intangible Assets*, we performed a quantitative goodwill impairment analysis as of December 31, 2024. The results of testing as of December 31, 2024 concluded that the estimated fair value of our one reporting unit fell short of carrying value, and therefore impairment existed as of that date. Goodwill impairment charges of \$46.3 million were recorded in the consolidated statements of operations during the year ended December 31, 2024. The calculation of the fair value of our reporting unit was determined using Level 3 fair value measurements.

No other adjustments to fair value from the write-down of asset values due to impairment were made during the year ended December 31, 2024.

During the year ended December 31, 2023, the Company partially impaired machinery related to the operations of HFFI and recognized impairment expense of \$1.2 million in distribution, selling and administrative expense in the consolidated statements of operations and comprehensive income (loss). The machinery was sold during the year ended December 31, 2023. The impairment was based on sales prices of similar equipment listed by third-party sellers and considered a Level 3 fair value measurement.

During the year ended December 31, 2022, the Company fully impaired its acquired developed technology associated with the Syncglobal, Inc. joint venture and recognized impairment expense of \$0.4 million in distribution, selling and administrative expenses in the consolidated statements of operations and comprehensive income (loss) during the year ended December 31, 2022.

There were no assets other than goodwill that were carried at nonrecurring fair value at December 31, 2024. There were no assets carried at nonrecurring fair value at December 31, 2023.

Note 6 - Leases

The Company leases office space, warehouses and vacant land that is currently being developed under non-cancelable operating leases, with terms typically ranging from one to thirty years, as well as operating and finance leases for vehicles and delivery trucks, forklifts and computer equipment with various expiration dates through 2051. The Company determines whether an arrangement is or includes an embedded lease at contract inception.

Operating and finance lease assets and lease liabilities are recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Company also recognizes finance lease assets and finance lease liabilities at inception, with lease expense recognized as interest expense and amortization of the lease payment. Variable lease costs were insignificant in the years ended December 31, 2024, 2023 and 2022.

Operating Leases

The components of operating lease expense were as follows:

(\$ in thousands)	Year Ended December 31,		
	2024	2023	2022
Operating lease cost	\$ 4,709	\$ 4,342	\$ 4,045
Short-term lease cost	\$ 868	\$ 1,507	\$ 1,037
Weighted average remaining lease term (months)	58	42	47
Weighted average discount rate	5.4%	4.5%	3.8%

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Operating cash flows from operating leases	\$ 4,623	\$ 4,234	\$ 4,005

Finance Leases

The components of lease expense were as follows:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Finance leases cost:			
Amortization of ROU assets	\$ 4,249	\$ 2,639	\$ 2,808
Interest on lease liabilities	1,284	755	787
Total finance leases cost	\$ 5,533	\$ 3,394	\$ 3,595

Supplemental cash flow information related to finance leases was as follows:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Operating cash flows from finance leases	\$ 1,205	\$ 657	\$ 670

Supplemental balance sheet information related to finance leases was as follows:

(\$ in thousands)	December 31, 2024	December 31, 2023
Property and equipment, at cost	\$ 36,072	\$ 22,203
Accumulated depreciation	(14,262)	(10,288)
Property and equipment, net	<u>\$ 21,810</u>	<u>\$ 11,915</u>
Weighted average remaining lease term (months)	143	219
Weighted average discount rate	5.9 %	5.7 %

Maturities of lease liabilities are as follows:

(In thousands)	Operating Leases			Finance Leases
	Related Party ⁽¹⁾	Third Party	Total	
Year Ended December 31,				
2025	\$ 331	\$ 4,834	\$ 5,165	\$ 5,038
2026	—	4,856	4,856	4,604
2027	—	2,408	2,408	4,146
2028	—	1,666	1,666	3,243
2029	—	694	694	2,020
Thereafter	—	3,148	3,148	16,610
Total lease payments	331	17,606	17,937	35,661
Less: Imputed interest	(6)	(3,629)	(3,635)	(11,935)
Total	<u>\$ 325</u>	<u>\$ 13,977</u>	<u>\$ 14,302</u>	<u>\$ 23,726</u>

(1) See Note 13 - Related Party Transactions

As of December 31, 2024, the Company had additional leases for vehicles that had not yet commenced which total \$15.4 million in future minimum lease payments and were excluded from the table above. These vehicle leases are expected to commence during the year ended December 31, 2025 with lease terms of 4 to 7 years. Also excluded from the table above, the Company entered into a lease on September 30, 2024 for a new Atlanta, Georgia based distribution center which commenced February 1, 2025 and total \$15.8 million in future minimum lease payments over 10 years.

Note 7 - Acquisitions

Acquisition of Sealand

On April 29, 2022, the Company completed the acquisition of substantially all of the operating assets of Sealand, including equipment, machinery and vehicles. The acquisition was completed to expand the Company's territory along the East Coast, from Massachusetts to Florida, as well as Pennsylvania, West Virginia, Ohio, Kentucky, and Tennessee.

The price for the purchased assets was \$20.0 million paid in cash at closing. In addition to the closing cash payment, the Company separately acquired all of the sellers' saleable product inventory, for approximately \$14.4 million and additional fixed assets for approximately \$0.5 million.

The Company accounted for this transaction under ASC 805 *Business Combinations*, by applying the acquisition method of accounting and established a new basis of accounting on the date of acquisition. The assets acquired by the Company were measured at their estimated fair values as of the date of acquisition. Goodwill is calculated as the excess of the purchase price over the net assets recognized and represent synergies and benefits expected as a result from combining operations with an emerging national presence. The transaction costs for the acquisition for the year ended December 31, 2022 totaled approximately \$0.7 million and were reflected in distribution, selling and administrative expenses in the consolidated statement of operations and comprehensive income.

The information included herein was prepared based on the allocation of the purchase price using estimates of the fair value of assets acquired and liabilities assumed which were determined using a combination of quoted market prices, discounted cash flows, and other estimates made by management.

Purchase Price Allocation

The total consideration paid to acquire the assets and liabilities of Sealand, as set forth below:

(In thousands)	Amount
Inventory	\$ 13,846
Property plant, and equipment	1,424
Right-of-use assets	127
Intangible assets	14,717
Total assets acquired	30,114
Obligations under operating leases	127
Total liabilities assumed	127
Net assets	29,987
Goodwill	4,861
Total consideration	\$ 34,848

The Company recorded acquired intangible assets of \$14.7 million, which were measured at fair value using Level 3 inputs. These intangible assets include tradenames and trademarks of \$4.4 million, customer relationships of \$8.9 million and non-competition agreements of \$1.4 million. The fair value of customer relationships was determined by applying the income approach utilizing the excess earnings methodology and Level 3 inputs including a discount rate. The fair value of tradenames and trademarks was determined by applying the income approach utilizing the relief from royalty methodology and Level 3 inputs including a royalty rate of 1% and a discount rate. The fair value of non-competition agreements was determined by applying the income approach and Level 3 inputs including a discount rate. Discount rates used in determining fair values for customer relationships, tradenames and trademarks, and non-competition agreements ranged from 17.5% to 18.0%. The useful lives of the tradenames and trademarks are ten years, customer relationships are ten years and non-competition agreements are three years, with a weighted average amortization period of approximately nine years. The associated goodwill is deductible for tax purposes.

Unaudited Supplemental Pro Forma Financial Information

The following table presents the Company's unaudited pro forma results for the year ended December 31, 2022, as if the Sealand Acquisition had been consummated on January 1, 2021. The unaudited pro forma financial information presented includes the effects of adjustments related to the amortization of acquired intangible assets and excludes other non-recurring transaction costs directly associated with the acquisition such as legal and other professional service fees. Statutory rates were used to calculate income taxes.

(In thousands, except share and per share data)	Year Ended December 31,	
	2022	
Pro forma net revenue	\$	1,202,296
Pro forma net income attributable to HF Foods	\$	35
Pro forma earnings per common share—basic	\$	—
Pro forma earnings per common share—diluted	\$	—
Pro forma weighted average shares—basic		53,757,199
Pro forma weighted average shares—diluted		53,757,199

Note 8 - Goodwill and Acquired Intangible Assets

Goodwill

The changes in the carrying amount of goodwill are presented below:

(In thousands)	Amount
Balance at December 31, 2022	\$ 85,118
No Goodwill activity	—
Balance at December 31, 2023	\$ 85,118
Goodwill impairment charges	(46,303)
Balance at December 31, 2024	\$ 38,815

Accumulated impairment for goodwill is \$384.5 million as of December 31, 2024 and \$338.2 million as of December 31, 2023 and 2022. Prior to the goodwill impairment charge in the current year, the accumulated impairment resulted from an impairment during the year ended December 31, 2020.

There is only one reporting unit at December 31, 2024 and 2023. The Company tests goodwill for impairment at least annually, as of December 31, or whenever events or changes in circumstances indicated goodwill might be impaired.

The Company performed a quantitative goodwill impairment assessment as of December 31, 2023, as a result of the Company's results of operations during 2023 compared to previous forecasts, combined with the level of the Company's stock price. The annual goodwill impairment test in 2023 resulted in an estimated fair value that exceeded carrying value at December 31, 2023, and therefore, the Company concluded no impairment was required to be recorded during the year ended December 31, 2023.

As of September 30, 2024, the Company concluded that a triggering event occurred due to a sustained decline in the Company's stock price since December 31, 2023, which required interim testing for goodwill impairment in accordance with ASC 350. Accordingly, the Company performed a quantitative assessment as of September 30, 2024. The fair value of the reporting unit exceeded the carrying value, and therefore the Company concluded no impairment was required to be recorded during the period ended September 30, 2024.

As a result of continued declines in the level of stock price, the Company performed a quantitative impairment assessment as of December 31, 2024. The results of the testing as of December 31, 2024, concluded that the estimated fair value of the reporting unit fell short of carrying value, and therefore impairment existed as of that date. A goodwill impairment charge of \$46.3 million was recorded in the consolidated statements of operations during the year ended December 31, 2024.

For the December 31, 2024, September 30, 2024 and December 31, 2023 impairment tests, the Company used a combination of discounted cash flow ("DCF") model and market approaches, such as public company comparable analysis and comparable acquisitions analysis to determine fair value of the reporting unit. The income approach and market approaches were weighted equally to estimate fair value. The income approach requires detailed forecasts of cash flows, including assumptions such as revenue growth rates, gross profit margins, distribution, selling and administrative expenses, among other assumptions, and an estimate of weighted-average cost of capital which the Company believes approximate the assumptions from a market participant's perspective. The market approaches are primarily impacted by an enterprise value multiple of EBITDA. These estimates incorporate many uncertain factors which could be impacted by changes in market conditions, interest rates, growth rate, tax rates, costs, customer behavior, regulatory environment and other macroeconomic changes. In addition, the Company considered the reasonableness of the fair value of the reporting unit by assessing the implied enterprise value control premium based on the Company's market capitalization. The Company determined that the implied control premium was reasonable which corroborates the Company's fair value estimates. The Company categorized the fair value determination as Level 3 in the fair value hierarchy due to its use of internal projections and unobservable measurement inputs.

Assumptions used in impairment testing are made at a point in time and require significant judgment; therefore, they are subject to change based on the facts and circumstances present at each impairment test date. Additionally, these assumptions are generally interdependent and do not change in isolation.

If, in future periods, the financial performance of the reporting unit does not meet forecasted expectations, or a prolonged further decline occurs in the market price of the Company's common stock, it may cause a change in the results of the impairment assessment and, as such, could result in further impairment of goodwill.

Acquired Intangible Assets

In connection with the Sealand acquisition in 2022, the Company acquired \$14.7 million of intangible assets, primarily representing trademarks and trade names of \$4.4 million, customer relationships of \$8.9 million and non-compete agreements of \$1.4 million. The useful lives of trademarks and trade names are ten years, customer relationships are ten years and non-compete agreements are three years, with a weighted average amortization period of approximately nine years. The associated goodwill is deductible for tax purposes.

In connection with the Great Wall Group acquisition in 2021, HF Foods acquired \$30.1 million of intangible assets, primarily representing a non-competition agreement, trademarks and trade names and customer relationships, which have an estimated amortization period of approximately 3 years, 10 years, and 10 years, respectively.

In connection with the acquisition of B&R Global in 2019, HF Foods acquired \$188.5 million of intangible assets, primarily representing trademarks and trade names and customer relationships which have an estimated amortization period of 10 and 20 years, respectively.

(In thousands)	December 31, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Non-competition agreements	\$ 3,892	\$ (3,723)	\$ 169	\$ 3,892	\$ (2,429)	\$ 1,463
Trademarks and trade names	44,207	(19,465)	24,742	44,207	(15,045)	29,162
Customer relationships	185,266	(48,651)	136,615	185,266	(38,085)	147,181
Total	\$ 233,365	\$ (71,839)	\$ 161,526	\$ 233,365	\$ (55,559)	\$ 177,806

The Company evaluated possible triggering events that would indicate long-lived asset impairment assessment. The Company impaired its acquired developed technology associated with the former Syncglobal, Inc. joint venture and recognized impairment expense of \$0.4 million in distribution, selling and administrative expenses in the consolidated statements of operations during the year ended December 31, 2022. There were no triggering events identified for the remaining acquired intangible assets at December 31, 2022. No impairment was recorded against acquired intangible assets for the years ended December 31, 2024 and 2023.

Amortization expense for acquired intangible assets was \$16.3 million, \$16.3 million and \$15.7 million for the years ended December 31, 2024, 2023 and 2022, respectively.

The estimated future amortization expense for intangible assets is presented below:

(In thousands)	Amount
Year ending December 31,	
2025	\$ 15,152
2026	14,987
2027	14,987
2028	14,987
2029	14,499
Thereafter	86,914
Total	\$ 161,526

Note 9 - Derivative Financial Instruments

Derivative Instruments

The Company utilizes interest rate swaps (“IRS”) for the sole purpose of mitigating interest rate fluctuation risk associated with floating rate debt instruments (as defined in *Note 10 - Debt*). The Company does not use any other derivative financial instruments for trading or speculative purposes.

On August 20, 2019, HF Foods entered into two IRS contracts with East West Bank (the “EWB IRS”) for initial notional amounts of \$1.1 million and \$2.6 million, respectively. On April 20, 2023, the Company amended the corresponding mortgage term loans, which pegged the two mortgage term loans to 1-month Term SOFR (Secured Overnight Financing Rate) + 2.29% per annum for the remaining duration of the term loans. The amended EWB IRS contracts fixed the two term loans at 4.23% per annum until maturity in September 2029.

On December 19, 2019, HF Foods entered into an IRS contract with Bank of America (the “BOA IRS”) for an initial notional amount of \$2.7 million in conjunction with a newly contracted mortgage term loan of corresponding amount. On December 19, 2021, the Company entered into the Second Amendment to Loan Agreement, which pegged the mortgage term loan to Term SOFR + 2.5%. The BOA IRS was modified accordingly to fix the SOFR based loan to approximately 4.50%. The term loan and corresponding BOA IRS contract mature in December 2029.

On March 15, 2023, the Company entered into an amortizing IRS contract with JPMorgan Chase for an initial notional amount of \$120.0 million, effective from March 1, 2023 and expiring in March 2028, as a means to partially hedge its existing floating rate loans exposure. Pursuant to the agreement, the Company will pay the swap counterparty a fixed rate of 4.11% in exchange for floating payments based on Term SOFR.

The Company evaluated the aforementioned IRS contracts currently in place and did not designate those as cash flow hedges. Hence, the fair value changes of these IRS contracts are accounted for and recognized as a change in fair value of interest rate swap contracts in the consolidated statements of operations and comprehensive income (loss).

As of December 31, 2024, the Company determined that the fair values of the IRS contracts were \$0.5 million in an asset position and none in a liability position. As of December 31, 2023, the fair values of the IRS contracts were \$0.4 million in an asset position and \$1.6 million in a liability position. The Company includes these in other long-term assets and other long-term liabilities, respectively, on the consolidated balance sheets.

Note 10 - Debt

Long-term debt at December 31, 2024 and December 31, 2023 is summarized as follows:

(\$ in thousands)

Bank Name	Maturity	Interest Rate at December 31, 2024	December 31, 2024	December 31, 2023
Bank of America ^(a)	October 2026 - December 2029	4.34% - 7.22%	\$ 2,176	\$ 2,362
East West Bank ^(b)	August 2027 - September 2029	6.81% - 8.00%	5,518	5,675
JPMorgan Chase ^(c)	January 2030	6.53%	101,255	106,337
Other finance institutions ^(d)	July 2024	N/A	—	45
Total debt, principal amount			108,949	114,419
Less: debt issuance costs			(215)	(258)
Total debt, carrying value			108,734	114,161
Less: current portion			(5,410)	(5,450)
Long-term debt			\$ 103,324	\$ 108,711

(a) Loan balance consists of real estate term loan and equipment term loan, collateralized by one real property and specific equipment. The real estate term loan is pegged to TERM SOFR + 2.5%.

(b) Real estate term loans with East West Bank are collateralized by three real properties. Balloon payments of \$2.2 million and \$3.3 million are due at maturity in 2027 and 2029, respectively.

- (c) Real estate term loan with a principal balance of \$101.3 million as of December 31, 2024 and \$106.3 million as of December 31, 2023 is secured by assets held by the Company and has a maturity date of January 2030.
- (d) Secured by vehicles.

The terms of the various loan agreements related to long-term bank borrowings require the Company to comply with certain financial covenants, including, but not limited to, a fixed charge coverage ratio and effective tangible net worth. As of December 31, 2024, the Company was in compliance with its covenants.

On March 31, 2022, the Company amended the JPM Credit Agreement, defined below, extending the Real Estate Term Loan for five years. The amendment provided for an increase in the Real Estate Term Loan from \$69.0 million to \$115.0 million with a 1-month SOFR plus a credit adjustment of 0.1% plus 1.875% per annum.

The future maturities of long-term debt as of December 31, 2024 are as follows:

(In thousands)	Amount	
Year ending December 31,		
2025	\$	5,410
2026		5,385
2027		7,194
2028		5,229
2029		9,585
Thereafter		75,931
Total	\$	108,734

Credit Facility

On November 4, 2019, the Company entered into a credit agreement with JPMorgan Chase (the “JPM Credit Agreement”). The JPM Credit Agreement provided for a \$100.0 million asset-secured revolving credit facility maturing on November 4, 2022, with an option to renew at the bank’s discretion. On January 17, 2020, the Company and certain of the wholly-owned subsidiaries and affiliates of the Company as borrowers, and certain material subsidiaries of the Company as guarantors, entered into the Second Amended Credit Agreement. On December 30, 2021, the Company entered into the Consent, Waiver, Joinder and Amendment No. 3 to the Second Amended Credit Agreement with JPMorgan Chase, as Administrative Agent, and certain lender parties thereto, including Comerica Bank. The Second Amended Credit Agreement, as amended, provided for (i) a \$100.0 million asset-secured revolving credit facility maturing on November 4, 2022 (the “Revolving Facility”), (ii) mortgage-secured term loan of \$75.6 million, (the “Term Loan”), and (iii) amendment in the referenced interest rate from 1-month LIBOR to 1-month Secured Overnight Financing Rate (“SOFR”) plus a credit adjustment of 0.1% (difference between LIBOR and SOFR plus 1.375% per annum).

The existing revolving credit facility balance under the Second Amended Credit Agreement, was rolled over to the Revolving Facility on December 30, 2021. On the same day, the Company utilized an additional \$33.3 million drawdown from the Revolving Facility to fund the Great Wall Acquisition. The Second Amended Credit Agreement, as amended, contains certain financial covenants, including, but not limited to, a fixed charge coverage ratio.

On March 31, 2022, the Company entered into the Third Amended Credit Agreement extending the Revolving Facility for five years, with a maturity date of March 31, 2027. The Third Amended Credit Agreement provides for a \$100.0 million asset-secured revolving credit facility with a one-month SOFR plus a credit adjustment of 0.1% plus 1.375% per annum. On February 6, 2024, the Company amended the Third Amended Credit Agreement to (i) remove a cap on permitted indebtedness in respect of capital lease obligations, subject to certain enumerated conditions; (ii) create a reserve on the borrowing base, which will be reduced on a dollar-for-dollar basis once the Company has made expenditures in excess of such amount relating to the development and construction of certain real property, and which amounts shall be excluded from certain financial covenants under the Third Amended Credit Agreement and; (iii) remove certain sublease income from various financial covenants. On July 15, 2024, the Company again amended the Third Amended Credit Agreement to (i) increase the issuing bank sublimit to \$10.0 million and; (ii) modify the due date for a borrowing base certificate based on availability under the revolving credit facility. As of December 31, 2024, the Company was in compliance with its covenants. The outstanding principal balance on the line of credit as of December 31, 2024 was \$57.5 million and outstanding letters of credit amounted to \$6.4 million leaving access to approximately \$36.1 million in additional funds through our \$100.0 million line of credit, subject to a borrowing base calculation.

On February 12, 2025, the Company amended certain terms and conditions of the Third Amended Credit Agreement, by, among other things, (i) increasing the Revolving Commitment (as defined in the Credit Agreement) from \$100.0 million to \$125.0 million, (ii) joining three new subsidiaries of the Company to the Credit Agreement, each as a “Borrower” thereunder, (iii) joining Wells Fargo Bank, N.A. to the credit agreement as a “Lender” thereunder, (iv) amending certain affirmative covenants commensurate with the increase in the Revolving Facility, and (v) amending certain restrictions regarding incurring obligations under real property leases and equipment financings in the ordinary course of business.

Note 11 - Earnings (Loss) Per Share

The Company computes earnings per share (“EPS”) in accordance with ASC Topic 260 (“ASC 260”), *Earnings per Share*. ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net (loss) income divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS, but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options, warrants and restricted stock) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common 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. There were 1,482,062, 862,182 and 348,610, potential common shares related to performance-based restricted stock units and restricted stock units that were excluded from the calculation of diluted EPS for the years ended December 31, 2024, 2023 and 2022, respectively, because their effect could have been anti-dilutive.

The following table sets forth the computation of basic and diluted EPS:

(\$ in thousands, except share and per share data)	Year Ended December 31,		
	2024	2023	2022
Numerator:			
Net (loss) income attributable to HF Foods Group Inc.	\$ (48,511)	\$ (2,174)	\$ 460
Denominator:			
Weighted-average common shares outstanding	52,552,490	53,878,237	53,757,162
Effect of dilutive securities	—	—	106,286
Weighted-average dilutive shares outstanding	52,552,490	53,878,237	53,863,448
(Loss) earnings per common share:			
Basic	\$ (0.92)	\$ (0.04)	\$ 0.01
Diluted	\$ (0.92)	\$ (0.04)	\$ 0.01

Note 12 - Income Taxes

The provision (benefit) for income taxes of the Company for the years ended December 31, 2024, 2023 and 2022 consists of the following:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	\$ 1,346	\$ 4,237	\$ 3,620
State	255	1,219	1,161
Current income taxes	1,601	5,456	4,781
Deferred income benefit:			
Federal	(756)	(4,550)	(4,321)
State	1,120	(865)	(691)
Deferred income taxes (benefit):	364	(5,415)	(5,012)
Total income tax expense (benefit)	\$ 1,965	\$ 41	\$ (231)

The Company’s effective income tax rates for the years ended December 31, 2024, 2023 and 2022 were (4.3)%, (1.6)% and (5,148.7)%, respectively. The determination of the Company’s overall effective income tax rate requires the use of estimates.

The effective income tax rate reflects the income earned and taxed in U.S. federal and various state jurisdictions based on enacted tax law, permanent differences between book and tax items, tax credits and the Company's change in relative income in each jurisdiction. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and the Company's effective income tax rate in the future. The Company has no operations outside the U.S., as such, no foreign income tax was recorded.

Reconciliations of the statutory income tax rate to the effective income tax rate are as follows:

	Year Ended December 31,		
	2024	2023	2022
Federal statutory tax rate (21%)	21.0 %	21.0 %	21.0 %
State statutory tax rate	(1.1)%	(13.9)%	3,963.2 %
U.S permanent differences	(0.3)%	(8.7)%	207.1 %
Noncontrolling interests	0.2 %	5.5 %	3,164.6 %
Officers' compensation	(0.4)%	(12.5)%	— %
Rate change	(1.2)%	— %	(2,566.3)%
Return to provision	— %	21.6 %	— %
Change in valuation allowance	1.6 %	(35.9)%	— %
Tax credits	0.3 %	6.7 %	— %
Uncertain tax positions	0.3 %	14.9 %	(10,573.0)%
Stock compensation	(0.2)%	(6.6)%	— %
Payable adjustments	— %	6.0 %	— %
Dissolution of HFFI	(1.6)%	— %	— %
SEC Settlement	(1.8)%	— %	— %
Goodwill impairment charges	(21.1)%	— %	— %
Other	— %	0.3 %	634.7 %
Effective tax rate	(4.3)%	(1.6)%	(5,148.7)%

Temporary differences and carryforwards of the Company that created significant deferred tax assets and liabilities are as follows:

(In thousands)	December 31, 2024	December 31, 2023
Deferred tax assets:		
Allowance for expected credit losses	\$ 343	\$ 523
Inventories	967	1,216
Equity compensation	465	552
Compensation related accruals	948	984
Guarantee liability	—	1,326
Fair value change in interest rate swap contracts	—	233
Leases	4,956	5,325
Accrued expenses	792	902
Interest expense limitation	2,297	415
Equity investments	163	80
Net operating loss carryovers	—	706
Other	283	49
Total deferred tax assets	11,214	12,311
Deferred tax liabilities:		
Property and equipment	(6,751)	(4,588)
Intangible assets	(30,609)	(32,959)
Right of use assets	(2,646)	(3,069)
Fair value change in interest rate swap contracts	(170)	—
Other	(430)	—
Total deferred tax liabilities	(40,606)	(40,616)
Less: Valuation allowance	—	(723)
Net deferred tax liabilities	\$ (29,392)	\$ (29,028)

As of December 31, 2024 and 2023, the Company had no federal net operating loss (“NOL”) carryovers and \$3.0 million, respectively. As of December 31, 2024 and 2023, the Company had no state NOL carryovers and \$2.2 million, respectively. The Company previously recorded a full valuation allowance against the NOL carryovers related to the Company’s subsidiary, HFFI. In 2024, the Company dissolved its subsidiary, HFFI, and as such, the NOL balances and valuation allowance associated with this entity were written off during the year.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. During the year ended December 31, 2024, management concluded that it was more likely than not that the Company would be able to realize the benefit of the deferred tax assets in the future. We based this conclusion on historical and projected operating performance, as well as our expectation that our operations will generate sufficient taxable income in future periods to realize the tax benefits associated with the deferred tax assets. As of December 31, 2023, management established a valuation allowance of \$0.7 million against certain deferred taxes attributable to the assets of the Company’s subsidiary, HFFI. In 2024, the Company dissolved its subsidiary, HFFI. As such, the deferred tax balances and corresponding valuation allowance associated with this entity were written off during the year.

The Company will continue to assess the need for a valuation allowance in the future by evaluating both positive and negative evidence that may exist.

Unrecognized Tax Benefits

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Total unrecognized tax benefits on January 1,	\$ 106	\$ 350	\$ 752
Decrease related to positions taken on items from prior years	(106)	(244)	(402)
Increase related to positions taken in the current year	—	—	—
Total unrecognized tax benefits on December 31,	<u>\$ —</u>	<u>\$ 106</u>	<u>\$ 350</u>

The Company has no unrecognized tax benefits as of December 31, 2024. Due to the statute of limitations expiring, the unrecognized tax liability for the tax year ended December 31, 2020, was reversed, which was recorded as an income tax benefit on the consolidated statements of operations and comprehensive income (loss), in the amount of \$0.1 million as of December 31, 2024.

As of December 31, 2024 and 2023, the Company had no accrued penalties and \$17,000, respectively, and no accrued interest and \$10,000, respectively. During the year ended December 31, 2024, the Company reversed accrued penalties and accrued interest of \$17,000 and \$10,000, respectively. The Company recognized the reversal of accrued interest and penalties related to unrecognized tax benefits as income tax benefit.

The Company is subject to taxation in the United States and various states. As of December 31, 2024, tax years for 2021 through 2023 are subject to examination by the tax authorities.

Note 13 - Related Party Transactions

The Company makes regular purchases from and sales to various related parties. Related party affiliations were attributed to transactions conducted between the Company and those business entities partially or wholly owned by the Company, the Company's officers and/or shareholders who owned no less than 10% shareholdings of the Company.

Mr. Xiao Mou Zhang ("Mr. Zhang"), the former Chief Executive Officer through October 24, 2024 and current Director on the board of directors of the Company, and certain of his immediate family members have ownership interests in various related parties involved in (i) the distribution of food and related products to restaurants and other retailers and (ii) the supply of fresh food, frozen food, and packaging supplies to distributors. Mr. Zhang does not have any involvement in negotiations with any of the above-mentioned related parties.

Effective October 24, 2024, Mr. Zhang departed from his role as Chief Executive Officer of the Company. In connection with Mr. Zhang's departure, the Company entered into a Severance Agreement and General Release (the "Severance Agreement") with Mr. Zhang on November 21, 2024. Pursuant to the Severance Agreement, which includes a general release of claims by Mr. Zhang against the Company, Mr. Zhang will be entitled to receive standard severance benefits provided to a Chief Executive Officer under the Company's Amended and Restated Severance Plan, which consists of payment of base salary multiplied by two, totaling \$1.35 million, and payment of COBRA premiums, for up to 12 months. The severance expenses were recorded in distribution, selling, and administrative expense in the consolidated statement of operations and both accrued expenses and other liabilities and other long-term liabilities in the consolidated balance sheet.

The Company believes that Mr. Zhou Min Ni ("Mr. Ni"), the Company's former Co-Chief Executive Officer, together with various trusts for the benefit of Mr. Ni's four children, are collectively beneficial owners of more than 10% of the outstanding shares of the Company's common stock, and he and certain of his immediate family members have ownership interests in related parties involved in (i) the distribution of food and related products to restaurants and other retailers and (ii) the supply of fresh food, frozen food, and packaging supplies to distributors.

The related party transactions as of December 31, 2024 and December 31, 2023 and for the years ended December 31, 2024, 2023 and 2022, are identified as follows:

Related Party Sales, Purchases, and Lease Agreements

Purchases

Below is a summary of purchases of goods and services from related parties recorded for the years ended December 31, 2024, 2023 and 2022, respectively:

(In thousands)	Nature	Year Ended December 31,		
		2024	2023	2022
(a) Asahi Food, Inc.	Trade	\$ 97	\$ 71	120
(b) Conexus Food Solutions LLC (formerly known as Best Food Services, LLC)	Trade	5,055	8,581	10,514
(c) Eastern Fresh NJ, LLC	Trade	—	—	1,093
(c) Enson Seafood GA, Inc. (formerly “GA-GW Seafood, Inc.”)	Trade	N/A	37	52
(d) First Choice Seafood, Inc.	Trade	—	—	134
(d) Fujian RongFeng Plastic Co., Ltd	Trade	—	—	372
(e) North Carolina Good Taste Noodle, Inc.	Trade	N/A	N/A	7,227
(c) Ocean Pacific Seafood Group, Inc.	Trade	257	381	589
(c) Rainfield Ranches, LP	Trade	186	134	147
Others	Trade	—	—	13
Total		\$ 5,595	\$ 9,204	\$ 20,261

- (a) The Company, through its subsidiary Mountain Food, LLC, owns an equity interest in this entity.
(b) An equity interest is held by three Irrevocable Trusts for the benefit of Mr. Zhang’s children.
(c) Mr. Zhou Min Ni owns an equity interest in this entity. Enson Seafood GA, Inc. is no longer considered a related party as of January 1, 2024 since Mr. Zhou Min Ni disposed his equity interest in this entity.
(d) Mr. Zhou Min Ni owns an equity interest in this entity indirectly through its parent company.
(e) No longer considered a related party as of January 1, 2023 since it has been three years since Mr. Jian Ming Ni, a former executive, resigned from the Company. As a result, amounts have not been disclosed for the years ended December 31, 2024 and 2023, respectively..

Sales

Below is a summary of sales to related parties recorded for the years ended December 31, 2024, 2023 and 2022, respectively:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
(a) ABC Food Trading, LLC	\$ 1,916	\$ 2,078	\$ 3,949
(b) Asahi Food, Inc.	565	791	639
(a) Conexus Food Solutions LLC (formerly known as Best Food Services, LLC)	1,016	928	1,285
(c) Eagle Food Service, LLC	—	1,942	879
(d) First Choice Seafood, Inc.	29	31	35
(d) Fortune One Foods, Inc.	215	42	115
(e) N&F Logistics, Inc.	—	6	40
(f) Union Food LLC	—	27	—
Total	\$ 3,741	\$ 5,845	\$ 6,942

- (a) An equity interest is held by three Irrevocable Trusts for the benefit of Mr. Zhang’s children.
(b) The Company, through its subsidiary Mountain Food, LLC, owns an equity interest in this entity.
(c) Tina Ni, one of Mr. Zhou Min Ni’s family members, owns an equity interest in this entity indirectly through its parent company.
(d) Mr. Zhou Min Ni owns an equity interest in this entity indirectly through its parent company.
(e) Mr. Zhou Min Ni owns an equity interest in this entity.
(f) Tina Ni, one of Mr. Zhou Min Ni’s family members, owns an equity interest in this entity.

Lease Agreements

The Company leases various facilities to related parties.

In 2020, the Company renewed a warehouse lease from Yoan Chang Trading Inc. under an operating lease agreement which expired on December 31, 2020. In February 2021, the Company executed a new five-year operating lease agreement with Yoan Chang Trading Inc., effective January 1, 2021 and expiring on December 31, 2025. Rent expense was \$0.3 million, \$0.3 million and \$0.3 million for the years ended December 31, 2024, 2023 and 2022, respectively, which is included in distribution, selling and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

Beginning 2014, the Company leased a warehouse to Asahi Food, Inc. under a commercial lease agreement which was rescinded March 1, 2020. A new commercial lease agreement for a period of one year was entered into, expiring February 28, 2021, with a total of four renewal periods with each term being one year. The lease term was extended by an addendum dated September 1, 2023 which extended the lease through September 1, 2025. Rental income was \$0.1 million, \$0.1 million and \$0.1 million for the years ended December 31, 2024, 2023 and 2022, respectively, which is included in other expense (income), net in the consolidated statements of operations and comprehensive income (loss).

Related Party Balances

Accounts Receivable - Related Parties, Net

Below is a summary of accounts receivable with related parties recorded as of December 31, 2024 and December 31, 2023, respectively:

(In thousands)	December 31, 2024	December 31, 2023
(a) ABC Food Trading, LLC	\$ 155	\$ 94
(b) Asahi Food, Inc.	84	69
(a) Conexus Food Solutions LLC (formerly known as Best Food Services, LLC)	—	84
(c) Enson Seafood GA, Inc. (formerly known as GA-GW Seafood, Inc.)	N/A	59
(d) Union Food LLC	—	2
Total	<u>\$ 239</u>	<u>\$ 308</u>

- (a) An equity interest is held by three Irrevocable Trusts for the benefit of Mr. Zhang's children.
(b) The Company, through its subsidiary Mountain Food, LLC, owns an equity interest in this entity.
(c) No longer considered a related party as of January 1, 2024 since Mr. Zhou Min Ni disposed his equity interest in this entity.
(d) Tina Ni, one of Mr. Zhou Min Ni's family members, owns an equity interest in this entity.

The Company has reserved for 100% of the accounts receivable due from Enson Seafood GA, Inc. as of December 31, 2023. During the year ended December 31, 2024 it was determined that Enson Seafood GA, Inc. is no longer a related party due to Mr. Ni having sold all of his equity interest to a third party. All other accounts receivable from these related parties are current and considered fully collectible. No additional allowance is deemed necessary as of December 31, 2024 and December 31, 2023.

Line of Credit Note - Related Parties

The Company issued a \$51,000 line of credit note to Asahi Food, Inc. on November 1, 2024, which is outstanding at December 31, 2024 and included in other current assets in the consolidated balance sheet. Interest shall accrue at a rate of 7.25% per annum with monthly payments of interest only due beginning December 1, 2024 and continuing through the first day of each calendar month until the maturity date of October 31, 2025. Interest income was \$308 for the year ended December 31, 2024, which is included in interest expense in the consolidated statements of operations and comprehensive income (loss).

Accounts Payable - Related Parties

All the accounts payable to related parties are payable upon demand without interest. Below is a summary of accounts payable with related parties recorded as of December 31, 2024 and December 31, 2023, respectively:

(In thousands)	December 31, 2024	December 31, 2023
(a) Conexus Food Solutions LLC (formerly known as Best Food Services, LLC)	\$ 35	\$ 379
Others	17	18
Total	\$ 52	\$ 397

(a) An equity interest is held by three Irrevocable Trusts for the benefit of Mr. Zhang's children.

Note 14 - Stock-Based Compensation

In 2021, the Company began issuing awards under the HF Foods Group Inc. 2018 Omnibus Equity Incentive Plan (the "2018 Incentive Plan"), which reserved up to 3,000,000 shares of the Company's common stock for issuance of awards to employees and non-employee directors. On June 3, 2024, the Company's shareholders approved an amendment to the 2018 Incentive Plan which increased the number of shares of the Company's common stock available for issuance under the 2018 Incentive Plan to 7,000,000, an increase of 4,000,000 shares. The 2018 Incentive Plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights, other stock awards, and performance awards that may be settled in stock, or other property.

As of December 31, 2024, the Company had 619,932 time-based vesting restricted stock units ("RSUs") unvested, 579,075 performance-based restricted stock units ("PSUs") unvested, and 1,169,943 shares of common stock vested leaving 4,631,050 shares remaining available for future awards under the 2018 Incentive Plan.

RSUs granted to employees vest over time based on continued service (vesting over a period between one to three years in equal installments). PSUs granted to employees vest based on (i) the attainment of certain financial metrics, as defined by the Company's compensation committee ("Financial PSUs") and (ii) for the 2021 grants, total shareholder return of the Company's common stock ("TSR PSUs"). Both types of PSUs vest over three years in equal installments based on the performance metrics established for each year and also require continued service for vesting.

A summary of RSU and PSU activity for the year ended December 31, 2024 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested RSUs at January 1, 2024	810,944	\$ 4.43
Granted	665,427	3.52
Forfeited	(445,286)	3.87
Vested	(411,153)	4.67
Unvested RSUs at December 31, 2024	619,932	3.70
	Shares	Weighted Average Grant Date Fair Value
Unvested PSUs at January 1, 2024	665,932	\$ 4.23
Granted	626,591	3.55
Forfeited	(485,880)	3.98
Vested	(227,568)	4.23
Unvested PSUs at December 31, 2024	579,075	3.71

The weighted-average grant date fair value per share of RSUs granted during the years ended December 31, 2024, 2023, and 2022 was \$3.52, \$3.86 and \$5.04, respectively. The weighted-average grant date fair value per share of PSUs granted during the years ended December 31, 2024, 2023 and 2022 was \$3.55, \$3.86 and \$4.76, respectively. The total fair value of equity based awards that vested during the years ended December 31, 2024, 2023 and 2022 was \$2.0 million, \$1.5 million and \$0.8 million, respectively.

The Company accounts for stock-based compensation in accordance with ASC Topic 718 *Compensation - Stock Compensation* (“ASC 718”). ASC 718 addresses all forms of share-based payment awards including shares issued under employee stock purchase plans and stock incentive shares. The fair value of the RSUs and Financial PSUs are measured using the closing price of the Company’s common stock on NASDAQ Global Capital Market on the grant date. The fair value of TSR PSUs are determined using a Monte Carlo simulation model. No TSR PSUs were granted during the years ended December 31, 2024, 2023 and 2022.

The fair value of RSUs are amortized on a straight-line basis over the requisite service period for each award. For the PSUs, the Company recognizes stock-based compensation expense on a straight-line basis for each vesting tranche over the longer of the derived, explicit, or implicit service period for the vesting tranche. As of interim and annual reporting periods, the Financial PSUs stock-based compensation expense is adjusted based on expected achievement of performance targets, while TSR PSUs stock-based compensation expense is not adjusted. The Company recognizes forfeitures as they occur.

Stock-based compensation expense is included in distribution, selling and administrative expenses in the Company’s consolidated statements of operations and comprehensive income (loss). The components of stock-based compensation expense for the years ended December 31, 2024 and 2023 and 2022 were as follows:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Stock-based compensation (RSUs) expense	\$ 1,382	\$ 2,118	\$ 897
Stock-based compensation (PSUs) expense	706	1,234	360
Total stock-based compensation expense	\$ 2,088	\$ 3,352	\$ 1,257
Tax benefit of stock-based compensation expense	\$ 742	\$ 931	\$ 366

As of December 31, 2024, there was \$3.1 million of total unrecognized compensation cost related to all non-vested outstanding RSUs and PSUs outstanding under the 2018 Incentive Plan, with a weighted average remaining service period of 1.96 years. Of the total unrecognized compensation cost, \$1.6 million is related to RSUs with time-based vesting provisions and \$1.5 million is related to PSUs with performance-based vesting provisions.

Note 15 - Employee Benefit Plan

The Company sponsors a defined contribution plan, the HF Foods Group, Inc. Employees 401(k) Savings Plan (the “401(k) Plan”). Under the 401(k) Plan, after one month of service, eligible employees may elect to defer up to 100% of their compensation before taxes, up to the dollar limit imposed by the Internal Revenue Service for tax purposes. The Company matches 100% of an eligible employee’s contributions, dollar for dollar, up to 3% of eligible pay, plus 50% of each additional dollar greater than 3% and no more than 5% of eligible pay. 401(k) Plan participants are immediately 100% vested in the Company’s non-discretionary contributions to the plan. For the years ended December 31, 2024, 2023 and 2022, the Company recognized expense of \$1.2 million, \$0.8 million and \$0.4 million, respectively, in distribution, selling and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

Note 16 - Segment Information

The Company’s business consists of one operating segment, which is also its one reportable segment. The Company operates solely in the United States and derives revenues by providing sales of food and non-food to customers. The segment’s customer base consists primarily of Asian restaurants located throughout the United States. The Company’s chief operating decision maker (“CODM”) is its chief executive officer, who reviews financial information presented on a consolidated basis. The CODM uses consolidated net income to assess financial performance and allocate resources. The Company’s measure of segment assets is total assets, as reported on the consolidated balance sheets. Accounting policies for the company’s single operating segment are the same as those described in *Note 2 - Summary of Significant Accounting Policies*.

The following table presents selected financial information with respect to the Company's single operating segment for the years ended December 31, 2024, 2023 and 2022:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Net Revenue	\$ 1,201,667	\$ 1,148,493	\$ 1,170,467
Less:			
Cost of Revenue	996,473	944,462	964,955
Payroll and related labor costs	98,991	94,680	87,394
Professional fees	11,066	13,878	26,776
Depreciation	10,397	9,633	9,192
Amortization	16,280	16,285	15,744
Other segment expenses ^(a)	61,292	60,586	55,847
Distribution, selling and administrative expenses	198,026	195,062	194,953
Goodwill impairment charges	46,303	—	—
Interest expense	11,425	11,478	7,457
Other expense (income), net	2,818	(1,091)	(1,829)
Change in fair value of interest rate swap contracts	(1,693)	1,580	(817)
Lease guarantee (income) expense	(5,548)	(377)	5,744
Income tax expense (benefit)	1,965	41	(231)
Less: net income (loss) attributable to noncontrolling interests	409	(488)	(225)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO HF FOODS GROUP INC.	\$ (48,511)	\$ (2,174)	\$ 460

(a) Other segment expenses include distribution, selling and administrative expenses which are not provided to the chief operating decision maker on a regular basis. These expenses include primarily auto & truck expense, insurance, occupancy expense and utilities.

Note 17 - Commitments and Contingencies

From time to time, the Company is a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. When the Company becomes aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. In accordance with authoritative guidance, the Company records loss contingencies in its financial statements only for matters in which losses are probable and can be reasonably estimated. Where a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum estimated liability. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. The Company continuously assesses the potential liability related to its pending litigation and revises its estimates when additional information becomes available. Adverse outcomes in some or all of these matters may result in significant monetary damages or injunctive relief against the Company that could adversely affect its ability to conduct business. There also exists the possibility of a material adverse effect on the Company's financial statements for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable. Legal costs associated with loss contingencies are expensed as incurred.

On June 6, 2024, the SEC announced that it had accepted an Offer of Settlement submitted by the Company in order to resolve the previously disclosed formal, non-public SEC investigation of allegations that the Company and certain of its former directors and officers violated the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making allegedly false and misleading statements. Under the settlement, without admitting or denying the SEC's findings in this matter, the Company consented to the entry of an administrative civil cease-and-desist order by the SEC (the "Order") with respect to violations of Sections 17(a) of the Securities Act, and of Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Securities Exchange Act of 1934, as amended, and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13a-15(a), and 14a-9 thereunder, resulting from the materially false and misleading disclosures and other fraudulent conduct implemented by its former Chairman and CEO Zhou Min Ni and former CFO Jian Ming "Jonathan" Ni. During the quarter ended June 30, 2024 the

Company agreed to and paid a civil monetary penalty of \$3.9 million, which was recorded in other expense (income), net in the Company's consolidated statements of operations and comprehensive income (loss).

The Order states that, in determining to accept the Company's Offer of Settlement, the SEC considered the numerous remedial actions promptly undertaken by the Company and its cooperation during the investigation. The Company's resolution follows charges brought by the SEC against the two former executives in a District Court action filed on June 3, 2024. As a result of the SEC's district court complaint against them, the two former executives agreed to pay civil fines and disgorgement, and agreed to be subject to officer and director bars. Zhou Min Ni also agreed to a conduct-based injunction which enjoins him from directly or indirectly participating in the management of, or otherwise exercising any control of influence over the Company. The Special Litigation Committee of the Board of Directors previously obtained a monetary settlement from the former executives that was ratified by the Delaware Chancery Court.

The Company also created a Special Litigation Committee which determined to pursue claims against certain former officers and directors. As a result, pursuant to the previously disclosed settlement agreement (as amended on November 1, 2023, the "Settlement Agreement") between the Company and certain parties to the verified stockholder derivative complaint filed by James Bishop in the Court of Chancery of the State of Delaware, on October 16, 2023, the Company received \$1.5 million on behalf of Zhou Min Ni and Chan Sin Wong, a former President and Chief Operating Officer of the Company (together, the "Ni Defendants"). Subsequently, on December 1, 2023, the Company received 1,997,423 shares (valued at \$7.75 million) of the Company's common stock, based on the closing price of \$3.88 on October 13, 2023, plus a cash payment of approximately \$0.1 million of accrued interest through the date of payment, in satisfaction of the Ni Defendants' payment obligations totaling \$9.25 million under the Settlement Agreement. Additionally, the Company received a related D&O insurance payout settlement in the amount of \$1.7 million, of which we paid \$0.9 million, resulting in total net settlements in 2023 of approximately \$10.0 million. The receipt of the settlement proceeds were recorded in 2023 in distribution, selling, and administrative expense in the consolidated statement of operations (as a recovery of previously recorded expenses related to the litigation) and cash and treasury stock in the consolidated balance sheet. Pursuant to the terms of the Settlement Agreement, Mr. Ni, Ms. Wong and Jonathan Ni, the former Chief Financial Officer of the Company, agreed to give up any rights to indemnification or the advancement of fees in connection with the SEC investigation and any actions the SEC might take against them relating to the SEC investigation.

AnHeart Lease Guarantee

The Company provided a guarantee for two separate leases for two properties located in Manhattan, New York, at 273 Fifth Avenue and 275 Fifth Avenue, for 30 years and 15 years, respectively. The Company previously determined that AnHeart was a VIE as a result of the guarantees. However, the Company concluded it was not the primary beneficiary of AnHeart and therefore did not consolidate, because it did not have the power to direct the activities of AnHeart that most significantly impact AnHeart's economic performance.

On February 10, 2021, the Company entered into an Assignment and Assumption of Lease Agreement ("Assignment"), dated effective as of January 21, 2021, with AnHeart and Premier 273 Fifth, LLC, pursuant to which it assumed the lease of the premises at 273 Fifth Avenue (the "273 Lease Agreement"). At the same time, the closing documents were delivered to effectuate the amendment of the 273 Lease Agreement pursuant to an Amendment to Lease (the "Lease Amendment"). The Assignment and the Lease Amendment were negotiated in light of the Company's guarantee obligations as guarantor under the 273 Lease Agreement. The Company agreed to observe all the covenants and conditions of the 273 Lease Agreement, as amended, including the payment of all rents due. Under the terms of the 273 Lease Agreement and the Assignment, the Company has undertaken to construct, at its own expense, a building on the premises at a minimum cost of \$2.5 million. The Lease Amendment permits subletting of the premises, and the Company intends to sublease the newly constructed premises to defray the rental expense undertaken pursuant to its guaranty obligations. In March 2024, the Company began construction of a multi-use facility on 273 Fifth Avenue and committed \$7.0 million for the completion of the construction project. The Company has incurred \$5.4 million in construction costs which was recorded in construction in progress within property and equipment, net in the Company's consolidated balance sheet as of December 31, 2024. The Company expects to complete construction in June 2025.

On January 17, 2022, the Company received notice that AnHeart had defaulted on its obligations as tenant under the lease for 275 Fifth Avenue. On February 7, 2022, the Company undertook its guaranty obligations by assuming responsibility for payment of monthly rent and other tenant obligations, including past due rent as well as property tax obligations beginning with the January 2022 rent due. As a result, during the year ended December 31, 2022, the Company recorded a lease guarantee liability of \$5.9 million. On February 25, 2022, the Company instituted a legal action to pursue legal remedies against AnHeart and Minsheng. In March 2022, the Company agreed to stay that litigation against AnHeart in exchange for AnHeart's payment of certain back rent from January to April 2022 and its continued partial payment of monthly rent. AnHeart subsequently

defaulted on these obligations. On October 25, 2023, the Company commenced a new legal action by filing a complaint in New York County Supreme Court to pursue legal remedies against AnHeart and Minsheng (the “2023 Action”). As of the filing of the new summons and complaint, AnHeart and Minsheng are indebted to the Company in the amount of \$474,000. AnHeart and the Company have since reached a settlement agreement (the “Settlement Agreement”) for AnHeart to pay the Company \$40,000 a month in rent through December 2024, \$46,750 a month in rent from January 2025 through December 2025, and commence regular monthly rental payments in accordance with the lease for 275 Fifth Avenue. The Settlement Agreement also provides that AnHeart will pay twenty-four monthly installments of \$11,250 from January 2025 through December 2026 as payment for all back rent due. Effective April 30, 2024, the Company through its subsidiary assumed the lease of a building located on the premises of 275 Fifth Avenue. The assumption of the lease had no impact on the Company’s obligations as guarantor. The lease covers certain portions of the ground floor, lower level, and second floor of the building. The lease term ends on April 30, 2034 and is renewable at the option of the Company for up to two additional five-year terms. The Company shall pay rent of approximately \$45,000 per month with provisions for yearly increases. With the assumption of the lease for 275 Fifth Avenue, the Company no longer recognized AnHeart as a VIE. In addition, the remaining lease guarantee liability of \$5.4 million was reversed and an operating lease right-of-use asset and liability of \$4.9 million was recorded to the consolidated balance sheet. As a result of the reversal, a gain of \$5.4 million was recorded to other expense (income), net on the consolidated statements of operations and comprehensive income (loss) in 2024.

Other Commitments

On September 30, 2024, the Company entered into the lease of a new distribution center located in Georgia. The lease term commenced February 1, 2025 for a period of 10 years and five months and is renewable at the option of the Company for up to three additional five-year terms. The company shall pay rent of approximately \$120,000 per month with provisions for yearly increases.

As of December 31, 2024, the Company had additional automobile leases that had not yet commenced which total \$15.4 million in future minimum lease payments.

Note 18 - Subsequent Events

Appointment of Xi (Felix) Lin as Chief Executive Officer

Effective January 1, 2025, Xi (Felix) Lin was appointed to serve as Chief Executive Officer by the Board of Directors. Mr. Lin continues to also serve as the Company’s President. On January 3, 2025, according to the employment agreement entered into on December 16, 2024, Mr. Lin received a market-based performance stock unit award of 310,559 shares of Class A Common Stock contingent upon satisfaction of the applicable vesting conditions. The PSUs are scheduled to vest on the third anniversary of the grant date, if for at least a period of thirty consecutive trading days at any time prior to the vesting date, the closing per share price of the Issuer’s Class A Common Stock averages at least \$7.00 over such thirty-day period.

Credit Facility Amended

On February 12, 2025, the Company amended certain terms and conditions of the JPM Credit Agreement. See *Note 10 - Debt* for additional information regarding the terms of the amendment.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial and accounting officer, conducted an evaluation of the effectiveness of our internal controls over financial reporting, and disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial and accounting officer concluded that, due to the material weaknesses described below, our disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2024.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal controls over financial reporting is a process designed under the supervision of our principal executive officer and principal financial and accounting officer 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.

Because of its inherent limitations, internal control over financial reporting may not detect or prevent misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2024, management assessed the effectiveness of our internal controls over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control - Integrated Framework", issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in 2013.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Based on this assessment, our management concluded that our internal control over financial reporting was not effective as of December 31, 2024, due to the material weaknesses in our internal control over financial reporting described below.

As previously reported, we identified the following material weaknesses, which continue to exist as of December 31, 2024.

We did not maintain appropriately designed entity-level controls impacting the (1) control environment, (2) risk assessment procedures, (3) control activities, (4) information and communication, and (5) monitoring activities to prevent or detect material misstatements to the financial statements and assess whether the components of internal control were present and functioning properly. These deficiencies were primarily attributed to an insufficient number of qualified resources to support and provide proper oversight and accountability over the performance of controls.

These entity-level material weaknesses resulted in the following specific material weaknesses:

- Information Technology (IT) General Controls - We did not design and maintain effective information technology general controls over logical access, program change management, and segregation of duties for key IT systems. As a result, certain business process controls that are dependent upon information from these systems were also not effective. Additionally, we did not design and maintain effective controls over the implementation of new IT systems.
- Financial Reporting - We did not properly design or maintain effective controls over the financial reporting process to enable timely reporting of complete and accurate financial information. We did not design and implement certain review controls with a sufficient precision to prevent or detect a material misstatement, did not consistently perform sufficient review of journal entries, or consistently retain adequate supporting documentation for financial statement balances and the related footnote disclosures. Additionally, we did not design and maintain effective controls over

certain non-routine transactions or significant management estimates, including the review of underlying data and assumptions for completeness and accuracy.

Remediation Activities

In response to these material weaknesses, with oversight from the Audit Committee of the Board of Directors, we have continued to implement measures to improve our internal control structure. Specifically, we have:

- Internal Controls and Leadership
 - Accounting, Internal Audit & IT teams
 - Hired a new CFO in May 2024 with public company experience to execute the finance and accounting transformation planned approach.
 - Hired new Head of Internal Audit in September 2024 and engaged ITGC and business process control experts to assist the company in remediation efforts.
 - Hired a new VP, Corporate Controller in February 2025 with extensive experience in internal controls over financial reporting at publicly traded companies and material weakness remediation efforts.
 - Promoted a VP, Operations who brings 20+ years of industry and operational control standardization experience to lead transformation initiatives.
 - Oversight & Governance
 - Established a cross functional Remediation Steering Committee, chaired by the new CFO, to set strategic direction.
 - Developed a detailed, integrated remediation approach, ensuring senior leadership across all functions (i.e. Accounting, IT, Finance, Operations, HR and Internal Audit) is actively involved.
- Technology and Data
 - System Implementation & Automation
 - Implemented a new inventory and distribution system in several of our distribution centers to improve operational and financial processes, working towards greater accuracy and completeness of financial data. The remaining distribution centers will implement the new system in FY25.
 - Legacy applications are set to be retired across all distribution centers in FY25, marking another milestone in our multi-year technology upgrade program.
 - Standardizing Processes & Compliance Programs
 - Continued progress on designing and implementing uniform processes across all distribution centers.
 - Implemented new training programs related to safety, security and compliance through Learning Management System (LMS) application that provides greater visibility into tracking compliance.

We are committed to ensuring that our internal controls over financial reporting are designed and operating effectively. We believe the efforts taken to date and certain measures that are in progress will improve the effectiveness of our internal controls over financial reporting and mitigate risks of material misstatement. We are still in the process of implementing these steps and cannot assure investors that these measures will significantly improve or remediate the material weaknesses described above. Additionally, while we believe these efforts will improve our internal control environment, our remediation is still in progress and subject to ongoing testing of the design and operating effectiveness over a sufficient period of time in order to effectively remediate these material weaknesses.

The effectiveness of our internal control over financial reporting as of December 31, 2024 has been audited by BDO USA, P.C., an independent registered public accounting firm, as stated in their attestation report, which is included in *Part II, Item 8* of this Annual Report on Form 10-K.

Changes in Internal Controls Over Financial Reporting and Disclosure Controls

Management remains committed to ongoing efforts to address material weaknesses. Although we will continue to implement measures to remedy our internal control deficiencies, there can be no assurance that our efforts will be successful or avoid potential future material weaknesses. In addition, until remediation steps have been completed and operated for a sufficient

period of time, and subsequent evaluation of their effectiveness is completed, the material weaknesses previously identified will continue to exist.

Other than the actions taken to continue our material weaknesses remediation efforts, described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
HF Foods Group Inc.
Las Vegas, Nevada

Opinion on Internal Control over Financial Reporting

We have audited HF Foods Group Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements") and our report dated March 17, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Annual Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in the accompanying Management's Report on Internal Control Over Financial Reporting:

The Company did not maintain appropriately designed entity-level controls impacting the (1) control environment, (2) risk assessment procedures, (3) control activities, (4) information and communication, and (5) monitoring activities to prevent or detect material misstatements to the financial statements and assess whether the components of internal control were present and functioning properly. These deficiencies were primarily attributed to an insufficient number of qualified resources to support and provide proper oversight and accountability over the performance of controls.

These entity-level material weaknesses resulted in the following specific material weaknesses:

- Information Technology (IT) General Controls – The Company did not design and maintain effective information technology general controls over logical access, program change management and segregation of duties for key IT systems. As a result, certain business process controls that are dependent upon information from these systems were also not effective. Additionally, the Company did not design and maintain effective controls over the implementation of new IT systems.
- Financial Reporting – The Company did not properly design or maintain effective controls over the financial reporting process to enable reporting of complete and accurate financial information. The Company did not design and implement certain review controls with a sufficient precision to prevent or detect a material misstatement, did not consistently perform sufficient review of journal entries, or consistently retain adequate supporting documentation for financial statement balances and the related footnote disclosure. Additionally, the Company did not design and maintain effective controls over certain non-routine transactions or significant management estimates, including the review of underlying data and assumption for completeness and accuracy.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2024 consolidated financial statements, and this report does not affect our report dated March 17, 2025 on those consolidated financial statements.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, P.C.

Troy, Michigan

March 17, 2025

ITEM 9B. OTHER INFORMATION.

During the fiscal quarter ended December 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (in each case, as defined in Item 408 of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information required by this Item will be included in our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC, within 120 days of the fiscal year ended December 31, 2024, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

Information required by this Item will be included in our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC, within 120 days of the fiscal year ended December 31, 2024, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information required by this Item will be included in our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC, within 120 days of the fiscal year ended December 31, 2024, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information required by this Item will be included in our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC, within 120 days of the fiscal year ended December 31, 2024, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Information required by this Item will be included in our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC, within 120 days of the fiscal year ended December 31, 2024, and is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

We have filed the following documents as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

See Index to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and accompanying notes in this Annual Report on Form 10-K.

3. Exhibits

The following exhibits are incorporated herein by reference or are filed or furnished with this report as indicated below:

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit/Appendix	Filing Date
2.1	Merger Agreement dated March 27, 2018, by and among Atlantic Acquisition Corp., HF Group Merger Sub Inc., HF Group Holding Corporation, the stockholders of HF Group Holding Corporation and Zhou Min Ni, as the stockholders' representative	DEF14A	A	7/18/2018
3.1	Second Amended and Restated Certificate of Incorporation	8-K	3.1.2	11/5/2019

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit/Appendix	Filing Date
3.2	Amended and Restated Bylaws	8-K	3.02	11/4/2022
3.3	Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock	8-K	3.1	4/12/2023
3.4	First Amendment to Amended and Restated Bylaws, dated April 25, 2023	8-K	3.1	4/26/2023
4.1	Specimen Common Stock Certificate	S-1/A	4.2	7/28/2017
4.2	Form of Unit Purchase Option between the Registrant and Chardan Capital Markets, LLC	S-1/A	4.5	7/28/2017
4.3	Form of Rights Agreement, dated August 8, 2017, by and between American Stock Transfer & Trust Company, LLC and the Registrant	8-K	4.1	8/11/2017
4.4	Preferred Stock Rights Agreement, dated as of April 11, 2023, by and between HF Foods Group Inc. and American Stock Transfer & Trust Company, LLC, as rights agent	8-K	4.1	4/12/2023
4.5	Amendment to Preferred Stock Rights Agreement, dated as of April 11, 2024, by and between HF Foods Group Inc. and Equiniti Trust Company, LLC (f/k/a American Stock Transfer & Trust Company, LLC), as rights agent	8-A	4.2	4/12/2024
4.6	Form of Indenture	S-3	4.5	9/4/2024
4.7*	Description of Registrant's Securities			
10.1†	HF Food Group Inc. 2018 Omnibus Equity Incentive Plan	DEF14A	B	7/18/2018
10.2	Form of Registration Rights Agreement between the Company, HF Group Holdings Corporation and Zhou Min Ni, as representative of the stockholders of HF Foods	8-K	10.9	8/27/2018
10.3	Credit Agreement dated as of January 5, 2012 between Han Feng, Inc. and East West Bank	10-K	10.12	4/1/2019
10.4	Amendment to Credit Agreement dated as of May 21, 2013 by and between Han Feng, Inc. and East West Bank	10-K	10.13	4/1/2019
10.5	Second Amendment to Credit Agreement dated as of December 10, 2013 by and between Han Feng, Inc. and East West Bank	10-K	10.14	4/1/2019
10.6	Third Amendment to Credit Agreement dated as of July 1, 2016 between Han Feng, Inc. and East West Bank	10-K	10.15	4/1/2019
10.7	Fourth Amendment to Credit Agreement dated July 18, 2017 between Han Feng, Inc. and East West Bank	10-K	10.16	4/1/2019
10.8	Credit Agreement dated as of February 26, 2018 between New Southern Food Distributors, Inc. and Bank of America, N.A.	10-K	10.17	4/1/2019
10.9	Warehouse Lease Agreement dated as January 7, 2019 between Yoan Chang Trading and Kirmland Food Service	10-K	10.18	4/1/2019
10.11	Membership Interest Purchase Agreement among B&R Global Holdings, Inc., B&R Group Realty Holding, LLC, and subsidiaries of B&R Group Realty Holding, LLC, dated January 17, 2020	10-Q	2.1	5/18/2020
10.12	Second Amended and Restated Credit Agreement among HF Foods Group Inc. B&R Global Holdings, Inc., subsidiaries of the Company, JPMorgan Chase Bank, N.A. ("JPMorgan"), as Administrative Agent, and certain lender parties thereto, dated January 17, 2020	10-Q	10.1	5/18/2020
10.13	Assignment and Assumption of Lease Agreement, dated as of January 21, 2021 between Anheart, Inc. and 273 Fifth Avenue, LLC	10-K	10.25	3/16/2021
10.14	Lease dated July 2, 2018, between Anheart Inc. and Premier 273 Fifth, LLC	10-K	10.26	3/16/2021
10.15	Amendment of Lease, dated as of January 21, 2021, between Anheart, Inc. and Premier 273 Fifth, LLC	10-K	10.27	3/16/2021
10.16	Lease Agreement between Yoan Chang Trading, Inc. and Kirmland Food Distribution, Inc., dated as of January 1, 2021	10-K	10.29	3/16/2021
10.17	Stock Purchase Agreement, dated May 28, 2021, by and among Ki Tai Yeung, HF Group Holding Corp., and Kirmland Food Distribution, Inc.	8-K	10.1	6/1/2021

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit/ Appendix	Filing Date
10.18†	HF Foods Group Inc. Amended and Restated Severance Plan	8-K	10.1	1/5/2023
10.19†	Employment Agreement between Christine Chang and HF Foods Group Inc., dated as of July 29, 2021	8-K	10.2	8/4/2021
10.20	Continuing Guaranty, dated August 2, 2021, executed by HF Foods Group Inc. in favor of JPMorgan Chase Bank, N.A.	8-K	10.1	9/9/2021
10.21	Consent, Waiver, Joinder and Amendment No. 3 to Second Amended and Restated Credit Agreement by and among HF Foods Group Inc., B&R Global Holdings, Inc. and certain of the wholly-owned subsidiaries and affiliates of the Company, including Great Wall Seafood IL, L.L.C., and Great Wall Seafood TX, L.L.C., as borrowers, JPMorgan Chase Bank, N.A. as Administrative Agent, and certain lender parties thereto, including Comerica Bank, dated December 30, 2021	8-K	10.1	1/4/2022
10.22	Asset Purchase Agreement by and among Great Wall Seafood Supply, Inc., Great Wall Restaurant Supplier, Inc., First Mart Inc., Great Wall Seafood IL, L.L.C., Great Wall Seafood TX, L.L.C., Bo Chuan Wong and Qiu Xian Li, dated December 30, 2021	8-K	10.2	1/4/2022
10.23†	Form of Restricted Stock Agreement	S-8	4.7	6/15/2021
10.24	Third Amended and Restated Credit Agreement by and among HF Foods Group Inc., B&R Global Holdings, Inc. and certain of the wholly-owned subsidiaries and affiliates of the Company, as borrowers, JPMorgan Chase Bank, N.A. as Administrative Agent, and certain lender parties thereto, including Comerica Bank, dated March 31, 2022	8-K	10.1	4/1/2022
10.25†	Offer of Employment for Felix Lin dated April 15, 2022	8-K	10.1	4/20/2022
10.26	Asset Purchase Agreement, dated as of April 19, 2022, by and among Sealand Food, Inc., Connie Wang, Jenny Wang and Great Wall Seafood VA, L.L.C. and, solely for purposes of Section 2.1(d) thereof, HF Foods Group, Inc.	8-K	10.1	4/25/2022
10.27	Consent Under Third Amended and Restated Credit Agreement, dated October 26, 2022	8-K	10.1	10/31/2022
10.28	Amendment No. 1 to Third Amended and Restated Credit Agreement, dated as of February 6, 2024	8-K	10.1	2/9/2024
10.29†	Offer Letter, dated April 22, 2024, by and among HF Foods Group Inc. and Cindy Yao.	8-K	10.1	4/25/2024
10.30	Lease dated July 2, 2018, between Anheart Inc. and 825 Broadway Realty, LLC, Samayabeneli RE LLC, AS 2 East 30, LLC, 273 Yoco LLC, and UBA 2 East 30, LLC.	8-K	10.1	5/6/2024
10.31	Amendment to Lease, dated as of January 21, 2021, between Anheart, Inc. and 825 Broadway Realty, LLC, Samayabeneli RE LLC, AS 2 East 30, LLC, 273 Yoco LLC, and UBA 2 East 30, LLC.	8-K	10.2	5/6/2024
10.32	Assignment and Assumption of Lease Agreement, dated as of August 16, 2022 and effective as of April 30, 2024, between Anheart, Inc. and 273 Fifth Avenue, L.L.C.	8-K	10.3	5/6/2024
10.33†	Form of Restricted Stock Unit Award Agreement	S-8	4.2	6/5/2024
10.34†	Form of Performance Awards Agreement	S-8	4.3	6/5/2024
10.35†	First Amendment to HF Foods Group Inc. 2018 Omnibus Equity Incentive Plan	S-8	4.4	6/5/2024
10.36†	Second Amendment to HF Foods Group Inc. 2018 Omnibus Equity Incentive Plan	DEF14A	Annex	4/24/2024
10.37†	Separation Agreement, effective May 31, 2024, between HF Foods Group Inc. and Carlos Rodriguez.	8-K	10.1	6/5/2024
10.38†	Form of Director Letter Agreement	8-K	10.1	6/28/2024
10.39	Amendment No. 2 to Third Amended and Restated Credit Agreement, dated as of July 15, 2024	10-Q	10.1	11/12/2024
10.40*	Amendment No. 3 to Third Amended and Restated Credit Agreement, dated as of September 18, 2024			

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit/ Appendix	Filing Date
10.41	Lease Agreement between CH Realty IX-NDG Atlanta Freeman Intermodal, L.P., as Landlord, and HF Foods Group, Inc., as Tenant, dated as of September 30, 2024	10-Q	10.2	11/12/2024
10.42	Cooperation Agreement, dated as of November 18, 2024, by and among the Stockholder Related Parties and HF Foods Group, Inc.	8-K	10.1	11/22/2024
10.43†	Employment Agreement between HF Foods Group Inc. and Xi Lin, dated as of December 16, 2024 and effective as of January 1, 2025	8-K	10.1	12/19/2024
10.44	Amendment No. 4 to Third Amended and Restated Credit Agreement, dated as of February 12, 2025	8-K	10.1	2/18/2025
19.1*	Insider Trading Policy			
21.1*	Subsidiaries of Registrant			
23.1*	Consent of BDO USA, P.C.			
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended			
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended			
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
97.1	Policy for the Recovery of Erroneously Awarded Compensation	10-K	97.1	3/26/2024
101*	Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K			
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed herewith.

** Furnished herewith.

† Indicates a management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HF Foods Group Inc.

Date: March 17, 2025

By: /s/ Felix Lin
Felix Lin
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 17, 2025

By: /s/ Cindy Yao
Cindy Yao
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Xiao Mou Zhang</u> Xiao Mou Zhang	Director	March 17, 2025
<u>/s/ Lisa Lim</u> Lisa Lim	Director	March 17, 2025
<u>/s/ Maria Ross</u> Maria Ross	Director	March 17, 2025
<u>/s/ Yujie Wang</u> Dr. Yujie Wang	Director	March 17, 2025
<u>/s/ Charlotte Westfall</u> Charlotte Westfall	Director	March 17, 2025

**DESCRIPTION OF THE REGISTRANT'S
SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934
DESCRIPTION OF CAPITAL STOCK**

The following description of the capital stock of HF Foods Group Inc. (the "Company," "us," "we," or "our") is a summary and does not purport to be complete. It is subject to, and qualified in its entirety by, reference to our Second Amended and Restated Certificate of Incorporation ("Certificate of Incorporation") and our Bylaws ("Bylaws"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part.

Authorized Capital Stock

Under our Certificate of Incorporation, our authorized capital stock consists of 101,000,000 shares of capital stock, consisting of 100,000,000 shares of common stock, par value \$0.0001 per share, and 1,000,000 shares of preferred stock, par value \$0.001 per share. The number of authorized shares of any class or classes of our capital stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of our outstanding capital stock entitled to vote thereon, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation (as defined below), and irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law (the "DGCL"). We may not authorize the issuance of any class, or series thereof, of nonvoting equity shares. Our common stock and Preferred Stock Purchase Rights (as defined below) are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Common Stock

Voting Rights

Holders of our common stock are entitled to one vote per share on all matters voted on by the stockholders, including in connection with the election of directors, as provided by law. Holders of our common stock do not have cumulative voting rights. Except as otherwise required by the DGCL or our Certificate of Incorporation or Bylaws, action requiring stockholder approval may be taken by a vote of the holders of a majority of the voting power of the shares of stock of the Company present in person or by proxy and entitled to vote on the relevant matter at a meeting at which a quorum is present.

Dividend Rights

After satisfaction of any dividend rights of holders of preferred stock and subject to applicable law, if any, holders of common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors in its discretion.

Liquidation Rights

Subject to any preferential rights of holders of our outstanding preferred stock, upon any liquidation, dissolution, or winding up of the Company, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any then-outstanding shares of preferred stock.

Other Rights and Preferences

Holders of our common stock have no preemptive, subscription, redemption, conversion or exchange rights and no sinking fund provisions.

All outstanding shares of our common stock are duly authorized, validly issued, fully paid and non-assessable. Additional shares of common stock may be issued, as authorized by our board of directors from time to time, without stockholder approval, except for any stockholder approval required by The Nasdaq Capital Market.

The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Equiniti Trust Company, LLC, New York, New York.

Listing

Our common stock is listed on The Nasdaq Capital Market under the symbol "HFFG."

Preferred Stock

Our board of directors has been authorized to provide for the issuance of up to 1,000,000 shares of our preferred stock from time to time in one or more series without the approval of stockholders (a "Preferred Stock Designation"). With respect to each series of our preferred stock, our board of directors has the authority to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption, including sinking fund provisions, the redemption price or prices, and the liquidation preferences of any wholly unissued class or series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them.

Preferred Stock Purchase Rights

On April 11, 2023, our board of directors authorized and declared a dividend distribution of one right (each, a "Right" and collectively, the "Rights" or the "Preferred Stock Purchase Rights") for each outstanding share of common stock to stockholders of record as of the close of business on April 24, 2023 (the "Record Date"). Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Participating Preferred Stock, par value \$0.001 per share (the "Series A Preferred Stock"), of the Company at an exercise price of \$19.50 (the "Exercise Price"), subject to adjustment. On April 11, 2024, the expiration date of each Right was extended to April 11, 2025. The complete terms of the Rights are set forth in a Preferred Stock Rights Agreement (as amended, the "Rights Agreement"), dated as of April 11, 2023, as amended on April 11, 2024, between the Company and American Stock Transfer & Trust Company, LLC (now known as Equiniti Trust Company, LLC), as rights agent.

Our board of directors adopted the Rights Agreement to protect stockholders from coercive or otherwise unfair takeover tactics. The Rights Agreement functions by imposing a significant penalty upon any person or group that acquires fifteen percent (15%) or more of the shares of our common stock without the approval of the board of directors. As a result, the overall effect of the Rights Agreement and the issuance of the Rights may be to render more difficult or discourage a merger, tender or exchange offer or other business combination involving the Company that is not approved by the board of directors.

Distribution and Transfer of Rights; Rights Certificates

Our board of directors has declared a dividend of one Right for each outstanding share of common stock. Prior to the Distribution Date referred to below:

- the Rights are evidenced by and trade with the certificates for the common stock (or, with respect to any uncertificated common stock registered in book entry form, by notation in book entry), and no separate rights certificates will be distributed;
- new common stock certificates issued after the Record Date contain a legend incorporating the Rights Agreement by reference (for uncertificated common stock registered in book entry form, this legend will be contained in a notation in book entry); and
- the surrender for transfer of any certificates for common stock (or the surrender for transfer of any uncertificated common stock registered in book entry form) also constitute the transfer of the Rights associated with such common stock.

Rights will accompany any new shares of common stock that are issued after the Record Date.

Distribution Date

Subject to certain exceptions specified in the Rights Agreement, the Rights will separate from the common stock and become exercisable following (1) the 10th business day (or such later date as may be determined by the board of directors) after the public announcement that a person or group of affiliated or associated persons (such person or group, an “Acquiring Person”) has acquired beneficial ownership of fifteen percent (15%) or more of the common stock or (2) the 10th business day (or such later date as may be determined by the board of directors) after a person or group announces a tender or exchange offer that would result in ownership by a person or group of fifteen percent (15%) or more of the common stock. For purposes of the Rights Agreement, beneficial ownership is defined to include the ownership of derivative securities.

A person or group who beneficially owned fifteen percent (15%) or more of the Company’s outstanding common stock prior to the first public announcement by the Company of the adoption of the Rights Agreement will not trigger the Rights Agreement so long as they do not acquire beneficial ownership of any additional shares of common stock at a time when they still beneficially own fifteen percent (15%) or more of such common stock, subject to certain exceptions as set forth in the Rights Agreement.

The date on which the Rights separate from the common stock and become exercisable is referred to as the “Distribution Date.”

After the Distribution Date, the Company will mail Rights certificates to the Company’s stockholders as of the close of business on the Distribution Date and the Rights will become transferable apart from the common stock. Thereafter, such Rights certificates alone will represent the Rights.

Series A Preferred Stock Purchasable Upon Exercise of Rights

After the Distribution Date, each Right will entitle the holder to purchase, for the Exercise Price, one one-thousandth of a share of Series A Preferred Stock having economic and other terms similar to that of one share of common stock. This portion of a share of Series A Preferred Stock is intended to give the stockholder approximately the same dividend, voting and liquidation rights as would one share of common stock, and should approximate the value of one share of common stock.

More specifically, each one one-thousandth of a share of Series A Preferred Stock, if issued, will:

- not be redeemable;
- entitle holders to quarterly dividend payments of \$0.001 per one one-thousandth of a share of Series A Preferred Stock, or an amount equal to the dividend paid on one share of common stock, whichever is greater;
- entitle holders upon liquidation either to receive \$1 per one one-thousandth of a share of Series A Preferred Stock or an amount equal to the payment made on one share of common stock, whichever is greater;
- have the same voting power as one share of common stock; and
- entitle holders to a payment per one one-thousandth of a share of Series A Preferred Stock equal to the payment made on one share of common stock if the common stock is exchanged via merger, consolidation or a similar transaction.

Flip-In Trigger

If an Acquiring Person obtains beneficial ownership of fifteen percent (15%) or more of the common stock, then each Right will entitle the holder thereof to purchase, for the Exercise Price, a number of shares of common stock (or, in certain

circumstances, cash, property or other securities of the Company) having a then-current market value of twice the Exercise Price. However, the Rights are not exercisable following the occurrence of the foregoing event until such time as the Rights are no longer redeemable by the Company, as further described below.

Following the occurrence of an event set forth in preceding paragraph, all Rights that are or, under certain circumstances specified in the Rights Agreement, were beneficially owned by an Acquiring Person or certain of its transferees will be void.

Flip-Over Trigger

If, after an Acquiring Person obtains fifteen percent (15%) or more of the common stock, (1) the Company merges into another entity, (2) an acquiring entity merges into the Company or (3) the Company sells or transfers more than 50 percent of its assets, cash flow or earning power, then each Right (except for Rights that have previously been voided as set forth above) will entitle the holder thereof to purchase, for the Exercise Price, a number of shares of common stock of the person engaging in the transaction having a then-current market value of twice the Exercise Price.

Redemption of the Rights

The Rights will be redeemable at the Company's option for \$0.001 per Right (payable in cash, common stock or other consideration deemed appropriate by the board of directors) at any time on or prior to the 10th business day (or such later date as may be determined by the board of directors) after the public announcement that an Acquiring Person has acquired beneficial ownership of fifteen percent (15%) or more of the common stock. Immediately upon the action of the board of directors ordering redemption, the Rights will terminate and the only right of the holders of the Rights will be to receive the \$0.001 redemption price. The redemption price will be adjusted if the Company undertakes a stock dividend or a stock split.

Exchange Provision

At any time after the date on which an Acquiring Person beneficially owns fifteen percent (15%) or more of the common stock and prior to the acquisition by the Acquiring Person of 50 percent of the common stock, the board of directors may exchange the Rights (except for Rights that have previously been voided as set forth above), in whole or in part, for common stock at an exchange ratio of one share of common stock per Right (subject to adjustment). In certain circumstances, the Company may elect to exchange the Rights for cash or other securities of the Company having a value approximately equal to one share of common stock.

Expiration of the Rights

The Rights expire on the earliest of (1) 5:00 p.m., New York City time, on April 11, 2025 or (2) upon the redemption or exchange of the Rights as described above.

Amendment of Terms of the Rights Agreement and Rights

The terms of the Rights and the Rights Agreement may be amended in any respect without the consent of the holders of the Rights on or prior to the Distribution Date. Thereafter, the terms of the Rights and the Rights Agreement may be amended without the consent of the holders of Rights in order to (1) cure any ambiguities, (2) shorten or lengthen any time period pursuant to the Rights Agreement or (3) make changes that do not adversely affect the interests of holders of the Rights.

Voting Rights Other Stockholder Rights

The Rights will not have any voting rights. Until a Right is exercised, the holder thereof, as such, will have no separate rights as stockholder of the Company.

Anti-Dilution Provisions

The board of directors may adjust the Exercise Price, the number of shares of Series A Preferred Stock issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split or a reclassification of the Series A Preferred Stock or common stock.

With certain exceptions, no adjustments to the Exercise Price will be made until the cumulative adjustments amount to at least one percent of the Exercise Price. No fractional shares of Series A Preferred Stock will be issued and, in lieu thereof, an adjustment in cash will be made based on the current market price of the Series A Preferred Stock.

Taxes

The distribution of Rights should not be taxable for federal income tax purposes. However, following an event that renders the Rights exercisable or upon redemption of the Rights, stockholders may recognize taxable income.

For additional information regarding the Rights, the Rights Agreement and the Series A Preferred Stock, see our Registration Statement on Form 8-A filed with the SEC on April 12, 2023, our Amendment No. 1 to Form 8-A filed with the SEC on April 11, 2024, our Amendment No. 2 to Form 8-A filed with the SEC on April 12, 2024 and our Current Report on Form 8-K filed with the SEC on April 12, 2023.

Anti-Takeover Effects of Provisions of our Certificate of Incorporation and Bylaws

Some provisions of Delaware law, our Certificate of Incorporation and our Bylaws could delay or discourage some transactions involving an actual or potential change in control of us or our management and may limit the ability of our stockholders to remove current management or approve transactions that our stockholders may deem to be in their best interests. These provisions:

- allow our board of directors to issue any authorized but unissued shares of common stock without approval of stockholders;
- authorize our board of directors to establish one or more series of preferred stock, the terms of which can be determined by our board of directors at the time of issuance;
- provide an advanced written notice procedure with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors, subject to the rights of stockholders to request inclusion of proposals in our proxy statement pursuant to Rule 14a-8 under the Exchange Act (or any successor provision of law);
- state that special meetings of our stockholders may be called only by the Chairman of our board of directors, our President, or at the request of a majority of our board of directors;
- allow our directors, and not our stockholders, to fill vacancies on our board of directors, including vacancies resulting from removal or enlargement of our board of directors, unless such vacancies are created by the removal of a director by the stockholders; and
- grant our board of directors the authority to alter any provision of the Bylaws without a stockholder assent or vote; provided, however, that such authority of our board of directors is subject to the power of the stockholders to alter, amend, change, add to, repeal, rescind or make new Bylaws by the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares entitled to vote thereon.

Delaware Anti-takeover Law

The Company is subject to Section 203 of the DGCL, which is an anti-takeover law. In general, Section 203 prevents a publicly-held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for a period of three years following the date that such person became an interested stockholder unless (1) our board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, (2) at least two-thirds of the outstanding shares not owned by that interested stockholder approve the business combination, or (3) upon becoming an interested stockholder, that stockholder owned at least 85% of the outstanding shares, excluding those held by officers, directors and some employee stock plans.

Section 203 of the DGCL defines a “business combination” to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, lease, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance of transfer by the corporation of any stock of the corporation to the interested stockholder;
- subject to exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 of the DGCL defines an “interested stockholder” as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions.

Exclusive Forum Provision

Our Certificate of Incorporation provides that, unless the Company consents in writing to the selection of an alternative forum, the sole and exclusive forum for certain legal actions involving the Company will be the Court of Chancery of the State of Delaware. If the Court of Chancery of the State of Delaware lacks subject matter jurisdiction over such action or proceeding, the sole and exclusive forum for such action or proceeding shall be another state or federal court located within the State of Delaware or, if no court of the State of Delaware has jurisdiction, then the United States District Court for the District of Delaware. Unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended and the rules and regulations promulgated thereunder.

AMENDMENT NO. 3 TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NO. 3 TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is entered into as of September 18, 2024, by and among HF FOODS GROUP INC., a Delaware corporation ("HF"), B&R GLOBAL HOLDINGS, INC., a Delaware corporation ("B&R"), RONGCHENG TRADING, LLC, a California limited liability company ("Rongcheng"), CAPITAL TRADING, LLC, a Utah limited liability company ("Capital"), WIN WOO TRADING, LLC, a California limited liability company ("Win Woo"), R & C TRADING L.L.C., an Arizona limited liability company ("R & C"), GREAT WALL SEAFOOD LA, LLC, a California limited liability company ("Great Wall"), B & L TRADING, LLC, a Washington limited liability company ("B & L"), MOUNTAIN FOOD, LLC, a Colorado limited liability company ("Mountain"), MIN FOOD INC., a California corporation ("Min Food"), MONTEREY FOOD SERVICE, LLC, a California limited liability company ("Monterey"), HAN FENG, INC., a North Carolina corporation ("Han Feng"), NEW SOUTHERN FOOD DISTRIBUTORS, INC., a Florida corporation ("NSFD"), KIRNLAND FOOD DISTRIBUTION, INC., a Georgia corporation ("Kirmland"), GREAT WALL SEAFOOD IL, L.L.C., an Illinois limited liability company ("Great Wall IL"), GREAT WALL SEAFOOD TX, L.L.C., a Texas limited liability company ("Great Wall TX"), GREAT WALL SEAFOOD VA, L.L.C., a Virginia limited liability company ("Great Wall VA"; HF, B&R, Rongcheng, Capital, Win Woo, R & C, Great Wall, B & L, Mountain, Min Food, Monterey, Han Feng, NSFD, Kirmland, Great Wall IL, Great Wall TX and Great Wall VA are collectively referred to as the "Working Capital Borrowers"), B & R REALTY, LLC, a California limited liability company ("Realty"), LUCKY REALTY, LLC, a California limited liability company ("Lucky"), GENSTAR REALTY, LLC, a California limited liability company ("Genstar"), MURRAY PROPERTIES, LLC, a Utah limited liability company ("Murray"), FORTUNE LIBERTY, LLC, a Utah limited liability company ("Fortune"), A & KIE, LLC, an Arizona limited liability company ("A & Kie"), LENFA FOOD, LLC, a Colorado limited liability company ("Lenfa"), BIG SEA REALTY, LLC, a Washington limited liability company ("Big Sea"; Realty, Lucky, Genstar, Murray, Fortune, A & Kie, Lenfa and Big Sea are collectively referred to as the "Real Estate Borrowers"; the Working Capital Borrowers and the Real Estate Borrowers, each a "Borrower" and collectively, the "Borrowers"), the Lenders party hereto (which constitute Required Lenders) and JPMORGAN CHASE BANK, N.A., as administrative agent for the Lenders (in such capacity, "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrowers, the other Loan Parties party thereto, the Lenders party thereto and Administrative Agent are parties to that certain Third Amended and Restated Credit Agreement dated as of March 31, 2022 (as amended, restated, supplemented or otherwise modified to date and from time to time, including hereby, the "Credit Agreement"; capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Credit Agreement); and

WHEREAS, the Borrowers have requested that Required Lenders agree to amend the Credit Agreement as specified herein, and Required Lenders have agreed to such request, subject to the terms and conditions of this Amendment.

NOW THEREFORE, in consideration of the mutual conditions and agreements set forth in the Credit Agreement and this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Amendments to Credit Agreement.** Subject to the satisfaction of the conditions precedent set forth in Section 2 below, and in reliance on the representations and warranties set forth in Section 3 below:

(a) Section 1.01 of the Credit Agreement is hereby amended by adding the following new defined terms thereto, in appropriate alphabetical order, to read as follows:

"Powder Springs Lease" means that certain Lease Agreement, entered into on or about the Third Amendment Closing Date, between CH REALTY IX-NDG ATLANTA FREEMAN INTERMODAL, L.P., a Delaware limited partnership, as landlord thereunder, and HF Foods, as tenant thereunder, with respect to 4795 Innovative Way, Powder Springs, Georgia 30127, in form and substance substantially similar to the draft thereof provided to Administrative Agent on or prior to the Third Amendment Closing Date or as otherwise approved by Administrative Agent in its reasonable discretion.

"Third Amendment Closing Date" means September 18, 2024.

(b) Section 3.24 of the Credit Agreement is hereby amended and restated in its entirety as follows:

Holding Companies. Each of B&R, HF Foods and HF Holding is a holding company that does not conduct any business, own any material assets or have any material liabilities, other than (i) ownership of the Equity Interests of its Subsidiaries, (ii) its obligations under the Loan Documents, (iii) maintenance of its existence, (iv) the leasing of executive office space and the engagement of services related to its corporate management functions and (v) obligations (x) as a tenant under the Powder Springs Lease or (y) in respect of a Guarantee by B&R, HF Foods or HF Holding of the obligations of another Loan Party acting as tenant under the Powder Springs Lease.

(c) Section 6.03(d) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(d) None of B&R, HF Foods or HF Holding will engage in any business or activity, own any material assets or incur any material liabilities other than (i) ownership of the Equity Interests of its Subsidiaries, (ii) its obligations under the Loan Documents, (iii) maintenance of its existence, (iv) the leasing of executive office space and the engagement of services related to its corporate management functions and (v) obligations (x) as a tenant under the Powder Springs Lease or (y) in respect of a Guarantee by B&R, HF Foods or HF Holding of the obligations of another Loan Party acting as tenant under the Powder Springs Lease.

2. **Conditions to Effectiveness.** The effectiveness of Section 1 of this Amendment is subject to the following conditions precedent:

(a) Administrative Agent shall have received a copy of this Amendment executed by each Borrower, Administrative Agent and Required Lenders;

(b) Administrative Agent shall have received all fees, costs and expenses due and payable as of the date hereof under the Credit Agreement and the other Loan Documents (including reasonable fees and expenses of legal counsel to the extent invoiced on or prior to the date hereof); and

(c) immediately after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing or shall be caused by the transactions contemplated by this Amendment.

3. **Representations and Warranties.** To induce Administrative Agent and the Lenders party hereto to enter into this Amendment, each of the Borrowers hereby represents and warrants to Administrative Agent and the Lenders that: (i) the execution, delivery and performance of this Amendment has been duly authorized by all requisite action on the part of such Borrower and this Amendment has been duly executed and delivered by such Borrower; (ii) immediately before and after giving effect to the consummation of the transactions contemplated by this Amendment, each of the representations and warranties of the Loan Parties set forth in the Credit Agreement and each of the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the date hereof (except to the extent they relate to an earlier date, in which case they shall have been true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date); and (iii) immediately after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

4. **[Reserved]**.

5. **Release.**

(a) In consideration of the agreements of Administrative Agent and the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Borrower, on behalf of itself, each of its Subsidiaries, and each of its and their respective successors, assigns, and other legal representatives (each such Borrower and all such other Persons being hereafter referred to collectively as the "**Releasors**" and individually as a "**Releasor**"), hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Administrative Agent and the Lenders, and each of their successors and assigns, and each of their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents, other representatives (Administrative Agent and the Lender and all such other Persons being hereinafter referred to collectively as the "**Releasees**" and individually as a "**Releasee**"), of and from all demands, actions, causes of action, suits, controversies, damages and any and all other claims, counterclaims, defenses, rights of set-off and liabilities whatsoever, including claims for breach of contract, (individually, a "**Claim**" and collectively, "**Claims**") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which any Releasor may now own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment for or on account of, or in relation to, or in any way in connection with the Credit Agreement or any of the other Loan Documents or transactions thereunder or related thereto; provided that nothing in this paragraph shall modify, amend, or terminate the Credit Agreement, any of the other Loan Documents, or any other contract or agreement to which a Releasor is a party or of which the Releasor is a beneficiary and further provided that nothing in this paragraph shall release, remise or discharge any Releasee from liability for future performance due under any such contracts or agreements or with respect to any demand deposit account.

(b) Each Releasor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Each Releasor agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

6. **Severability.** Any provision of this Amendment held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such

invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

7. **References.** Any reference to the Credit Agreement contained in any Loan Document or any other document, instrument or agreement executed in connection with the Credit Agreement shall be deemed to be a reference to the Credit Agreement as modified by this Amendment.

8. **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall constitute an original, but all of which taken together shall be one and the same instrument. Delivery by telecopy or electronic portable document format (i.e., "pdf") transmission of executed signature pages hereof from one party hereto to another party hereto shall be deemed to constitute due execution and delivery by such party.

9. **Ratification.** The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions of the Credit Agreement and shall not be deemed to be a consent to the modification or waiver of any other term or condition of the Credit Agreement or any of the other Loan Documents. Except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement are ratified and confirmed and shall continue in full force and effect.

10. **Governing Law.** This Amendment shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the State of Illinois, but giving effect to federal laws applicable to national banks.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective duly authorized officers on the date first written above.

BORROWERS:

HF FOODS GROUP INC.

By: __
Name: __
Title: __

B&R GLOBAL HOLDINGS, INC.

By: __
Name: __
Title: __

RONGCHENG TRADING, LLC

By: __
Name: __
Title: __

CAPITAL TRADING, LLC

By: __
Name: __
Title: __

WIN WOO TRADING, LLC

By: __
Name: __
Title: __

R & C TRADING L.L.C.

By: __
Name: __
Title: __

GREAT WALL SEAFOOD LA, LLC

By: __
Name: __
Title: __

B & L TRADING, LLC

By: __
Name: __
Title: __

MOUNTAIN FOOD, LLC

By: __
Name: __
Title: __

MIN FOOD INC.

By: __
Name: __
Title: __

MONTEREY FOOD SERVICE, LLC

By: __
Name: __
Title: __

HAN FENG, INC.

By: __
Name: __
Title: __

**NEW SOUTHERN FOOD DISTRIBUTORS,
INC.**

By: __
Name: __
Title: __

KIRNLAND FOOD DISTRIBUTION, INC.

By: __
Name: __
Title: __

GREAT WALL SEAFOOD TX, L.L.C.

By: __
Name: __
Title: __

GREAT WALL SEAFOOD IL, L.L.C.

By: __
Name: __
Title: __

GREAT WALL SEAFOOD VA, L.L.C.

By: __
Name: __
Title: __

B & R REALTY, LLC

By: __
Name: __
Title: __

LUCKY REALTY, LLC

By: __
Name: __
Title: __

GENSTAR REALTY, LLC

By: __
Name: __
Title: __

MURRAY PROPERTIES, LLC

By: __
Name: __
Title: __

FORTUNE LIBERTY, LLC

By: __
Name: __
Title: __

A & KIE, LLC

By: __
Name: __
Title: __

LENFA FOOD, LLC

By: __
Name: __
Title: __

BIG SEA REALTY, LLC

By: __
Name: __
Title: __

JPMORGAN CHASE BANK, N.A., as
Administrative Agent and a Lender

By:
Name:
Title:

COMERICA BANK, as a Lender

By:
Name:
Title:

Signature Page to Amendment No. 3 to Third Amended and Restated Credit Agreement

HF FOODS GROUP, INC.
INSIDER TRADING POLICY

Last Revised March 13, 2025

HF Foods Group, Inc. (“HFFG” or “Company”) is a reporting company under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) and therefore must abide by U.S. securities laws and regulations. This Insider Trading Policy (“Policy”) describes the Company’s standards on trading, and causing the trading of, the Company’s securities or securities of other publicly-traded companies while in possession of confidential information.

This Policy is designed to prevent insider trading and the appearance of impropriety, to satisfy the Company’s obligation to use reasonable efforts to supervise the activities of HFFG employees and all employees of its operating companies, subsidiaries, divisions and affiliated companies, and all officers and directors, including our Board of Directors (“Employees” or “You”), and to help Employees avoid the severe consequences associated with violations of insider trading laws. It is Your obligation to understand and comply with this Policy.

Application

This Policy continues to apply following the termination of any such individual’s service to or employment with the Company until any and all material information about the Company, its business and its finances that has not been made public by the Company that is possessed by such individual has been made public by the Company or is no longer material. The same restrictions that apply to You also apply to anyone with whom You have a close personal relationship and to any investment fund, trust, retirement plan, partnership, corporation or other entity or person over which You have the ability to influence or direct investment decisions concerning securities. You are responsible for ensuring compliance with this Policy by all such persons and anyone else that is affiliated with You.

General Principles

It is illegal for Employees to trade in the securities of the Company while in the possession of material, non-public information about the Company. It is also illegal for Employees to disclose material, non-public information about the Company to others who may trade on the basis of that information. These illegal activities are commonly referred to as “insider trading.”

If You wish to buy, sell, or enter into any other form of transaction with respect to the Company’s securities, You must first request in writing and obtain pre-clearance from the Legal Department. No trade shall be entered into without the express written approval of the Legal Department. Notwithstanding the foregoing, if You are a member of the Company’s Board of Directors or an officer of the Company that has been deemed an “Executive Officer” as defined in Section 16 the Securities Exchange Act of 1934, as amended (a “Section 16 Filer”), You must first request pre-clearance in writing to the Company’s General Counsel. No trade by a Section 16 Filer shall be entered into without the express written approval of the Company’s General Counsel, Chief Executive Officer and the chairperson of the Nominating and Corporate Governance Committee of the Company’s Board of Directors. Trading includes, without limitation, buying or selling or participating in a decision to buy or sell, the Company’s securities. The Company will

maintain a written record of any requests for pre-clearance under this Policy and of any advice given the ability to trade in the Company's securities.

For further clarity, this pre-clearance requirement also applies to any instructions or directions You may give to another person to take any action with respect to the Company's securities, even if You do not profit personally from such action.

Failure to obtain pre-clearance prior to a trade could result in disciplinary action taken against You, up to and including termination, and may subject You to criminal prosecution, depending on the circumstances.

Every person subject to this Policy has the individual responsibility to comply with this Policy against insider trading, and appropriate judgment should be exercised in connection with any trade in the Company's securities. You may, from time to time, have to forego a proposed transaction in the Company's securities even if You planned to make the transaction before learning of material, non-public information and even though You believe You may suffer an economic loss or forego anticipated profit by waiting.

Materiality

Information about the Company is "material" if it could reasonably be expected to affect the market price of the Company's securities or if a reasonable investor would consider the information important in determining whether to buy, sell or hold the Company's securities. Both positive and negative information may be material. While it is not possible to identify all information that would be deemed "material," the following items are types of information that are generally considered material:

- Projections of future revenues, earnings or losses, or other financial guidance (such as operating margins) or changes in such projections
- Earnings and revenue
- Restatements or potential restatements of the Company's financial statements
- Changes in auditors, auditor notification that the Company may no longer rely on an auditor's audit report, and issues with the Company's or the auditor's assessments of the Company's internal controls
- Significant pending or proposed mergers, acquisitions, tender offers, joint ventures or dispositions of significant assets or operations
- Changes in management or the Board of Directors
- Significant actual or threatened litigation, regulatory action or governmental investigations or major developments in such matters
- Significant changes in operations
- Significant developments regarding products, services, customers, suppliers, orders, contracts, or financing sources
- Changes in a significant customer relationship
- Changes in dividend policy, declarations of stock splits, stock repurchases, or public or private sales of additional securities
- Defaults or potential defaults under the Company's credit agreements or indentures, or the existence of material liquidity deficiencies
- Bankruptcies or receiverships

The US Securities and Exchange Commission (“SEC”) has stated that there is no dollar value that determines materiality, and that even very small quantitative changes can be material if they could result in a change in the price of the Company’s securities. When in doubt, information concerning the Company should be presumed to be material and non-public (i.e., not disclosed to the public). If You have any questions about what is “material,” You must reach out to the Legal Department for further guidance.

Non-Public Information

Material information is “non-public” if it has not been made generally available to the investing public. To show that information is public, it is necessary to point to some fact that establishes that the information has become publicly available, such as the filing of a report with the SEC, the distribution of a press release through a widely disseminated news or wire service, or by other means used by the Company that are reasonably designed to provide broad public access. Before a person who possesses material, non-public information can trade, there also must be adequate time for the market as a whole to absorb the information that has been disclosed. For the purposes of this Policy, information will be considered public beginning on the first full trading day following the Company’s public release of the information. Thus, if an announcement is made before the market opens on a Monday, Tuesday generally would be the first day on which you may trade. If an announcement is made before the market opens on a Friday, Monday generally would be the first day on which you may trade. If You have any questions about what information is “non-public,” You must reach out to the Legal Department for further information.

Violations

Employees with knowledge of material, non-public information may not trade in the Company’s securities, which includes common stock, options to purchase common stock, any other type of securities that the Company may issue (such as preferred stock, convertible debentures, warrants, exchange-traded options or other derivative securities), and any derivative securities that provide the economic equivalent of ownership of any of the Company’s securities or an opportunity, direct or indirect, to profit from any change in the value of the Company’s securities. Having others trade in the Company’s securities for You in order to circumvent this Policy is also prohibited.

Giving trading advice of any kind about the Company, disclosing the material, non- public information about the Company to anyone else who might then trade, or recommending to anyone that they purchase or sell the Company’s securities are practices known as “tipping.” Tipping is also illegal and a violation of this Policy. You may, when appropriate, advise others not to trade if doing so might violate the law or this Policy.

Employees may not engage in short-term or speculative transactions in the Company’s securities or sales of Company securities that evidence an expectation on the part of the seller that the securities will decline in value or reduce the seller’s incentive to improve the Company’s performance. As such, the following transactions are prohibited and will not be approved by the Legal Department:

- Purchases or sales of puts, calls, or other derivative securities, or any derivative securities that provide the economic equivalent of ownership of any of the Company's securities or an opportunity to profit from a change directly or indirectly in the value of the Company's securities
- Short sales of the Company's securities, which are also illegal under Section 16(c) of the Exchange Act for officers and directors
- Margining, or make any offer to margin, any of the Company's securities as collateral to purchase the Company's securities or the securities of any other issuer

The preceding sentence is not meant to, and shall not be construed so as to, affect Your ability to use your securities as collateral to securitize a bona fide loan.

Trading Windows

The announcement of the Company's quarterly financial results and the filing of the Company's annual and quarterly reports with the SEC can always have a material effect on the market for the Company's securities. Although You may not know the financial results prior to public announcement, if You engage in a trade before the financial results are disclosed to the public, such trades may give an appearance of impropriety that could subject You and the Company to a charge of insider trading. Therefore, subject to limited exceptions, the Legal Department may approve of Your trade in Company securities only during four quarterly trading windows. The four trading windows consist of the periods beginning on the first full trading day following the Company's issuance of a press release (or other method of broad public dissemination) announcing its quarterly or annual earnings and end at the close of business on the 5th calendar day before the end of the quarter during which that announcement is made. Even during a time when a trading window is open, all trading must still be approved by the Legal Department. Please consult the Legal Department if You have questions regarding the Company's trading windows.

The Company may impose special blackout periods during which Employees are prohibited from trading in the Company's securities in order to prevent Employees from trading on material, non-public information. If the Company imposes a special blackout period, the Legal Department will notify You.

The prohibition of trading during blackout periods shall also not apply with respect to a public offering of Company securities specifically authorized by the Company's Board of directors or duly authorized committee of the Board of Directors.

Online Activities

While the Company encourages its stockholders and potential investors to obtain as much information as possible about the Company, the Company believes that information should come from its publicly-filed SEC reports, press releases and external website or from a designated Company spokesperson, rather than from speculation or unauthorized disclosures by Employees. For this reason, the Company has designated spokespeople to respond to inquiries regarding the Company's business and prospects. This centralization of communication is designed to ensure that the information the Company discloses is accurate and considered in light of previous disclosures. Formal announcements are generally reviewed by management and the Legal

Department before they are made public. Any communications that do not go through this review process create an increased risk to the Company, as well as to the individual responsible for the communication, of civil and criminal liability.

In addition, with the advent of the Internet, and the emergence of websites and apps where individuals discuss investments, such as Reddit, electronic discussions about companies and their business prospects have become common. Inappropriate communications disseminated on the Internet may pose an inherently greater risk due to the size of the audience they can reach. These forums have the potential to move a stock price significantly, and very rapidly – yet the information disseminated through these sources often is unreliable, and in some cases, may be deliberately false. The SEC has investigated and prosecuted a number of fraudulent schemes involving discussions online. You may encounter information about the Company on the Internet that You believe is harmful or inaccurate, or other information that You believe is true or beneficial for the Company. Although You may have a natural tendency to deny or confirm such information online, any sort of response, even if it presents accurate information, could be considered improper disclosure and could result in legal liability to You and/or to the Company. Therefore, Employees may not participate in such forums or communicate any information on such media unless such communications have been specifically authorized.

Confidentiality

The Company is committed to preventing inadvertent disclosures of material, non-public information, preventing unwitting participation in Internet-based securities fraud, and avoiding the appearance of impropriety by the Company or Employees. Accordingly, the Company expects You to keep non-public information, non-public. This Policy prohibits You from discussing Material, Non-Public Information about the Company with anyone, including other Employees, except as required in the performance of Your duties. You should not under any circumstances provide information or discuss matters involving the Company with the news media, any broker-dealer, analyst, investment banker, investment advisor, institutional investment manager, investment company or stockholder (even if You are contacted directly by such persons) without express prior authorization. You should refer all such contact or inquiries to the Legal Department.

Penalties

The U.S. Government, including the SEC, pursues insider trading violations aggressively. Penalties for insider trading or tipping can include:

- Disgorgement of the profit gain or loss avoided
- Payment of the loss suffered by individuals who purchased or sold securities legally
- Criminal penalties up to \$5 million
- Civil penalties up to three times the profit made or loss avoided
- Imprisonment

The Company can be required to pay civil and criminal penalties or be subject to lawsuits from individuals or classes of plaintiffs.

Violation of this Policy or applicable laws by Employees may result in disciplinary action by the Company up to and including termination. The Company reserves the right to determine, in

its own discretion and on the basis of the information available to it, whether this Policy has been violated. The Company may determine that specific conduct violates this Policy, whether or not the conduct also violates the law. It is not necessary for the Company to await the filing or conclusion of a civil or criminal action against the alleged violator before taking disciplinary action.

Exceptions

This Policy does not apply to:

- Stock option exercises or a tax withholding right
- Restricted stock, restricted stock units, performance stock units, or similar securities that have been withheld by the Company under a stock incentive plan
- Purchases of Company securities as part of an employee stock purchase plan

Other Companies

This Policy and the restrictions and guidelines described herein also apply to material, nonpublic information relating to other companies, including the Company's customers, vendors or suppliers ("business partners"), when that information is obtained in the course of employment with, or other services performed for, the Company. Civil and criminal penalties, and termination of employment, may result from trading on inside information regarding the Company's business partners. You should treat Material Nonpublic Information about the Company's business partners with the same care required for information related directly to the Company.

Reporting and Training

If You violate this Insider Trading Policy or any federal or state laws governing insider trading, or know of any such violation by another Employee, You must report the violation immediately to the Legal Department. Our Company has a non-retaliation policy and we encourage Employees to speak up when there are concerns.

Additional Resources and Questions

If You have any questions about this Policy, please speak with Your manager, the Legal Department, or see the Code section titled "How to Report and Additional Contact Information."

HF FOODS GROUP INC.

Subsidiaries

Entity Name	State of Incorporation
273 Fifth Avenue, L.L.C.	Delaware
A & Kie, LLC	Arizona
American Fortune Foods, Inc.	California
Asahi Food, Inc (ownership 49%)	Colorado
B & L Trading, LLC	Washington
B&B Trucking Services, Inc.	Florida
B&R Global Holdings, Inc.	Delaware
B&R Global Services, LLC	Delaware
B&R Group Logistics Holding LLC	Delaware
B&R Realty, LLC	California
Big Sea Realty, LLC	Washington
Capital Trading, LLC	Utah
Chinesetg, Inc.	New York
Fortune Liberty, LLC	Utah
Genstar Realty, LLC	California
GM Food Supplies, Inc.	California
Great Wall Seafood IL, LLC	Illinois
Great Wall Seafood TX, LLC	Texas
Great Wall Seafood VA, LLC	Virginia
Great Wall Seafood LA, LLC	California
Han Feng, Inc.	North Carolina
Happy FM Group, Inc. (dissolved 2/25/2025)	California
Hayward Trucking, Inc.	California
HF Charlotte, LLC	Charlotte
HF Group Holding Corp.	Delaware
HG Realty, LLC	Georgia
Irwindale Poultry, LLC (dissolved 3/10/2025)	California
Kirnland Food Distribution, Inc.	Georgia
KYL Group, Inc.	Nevada
Lenfa Food, LLC	Colorado
Lin's Distribution Inc, Inc. (dissolved 2/18/2025)	Utah
Lin's Farms, LLC	Utah
Lucky Realty, LLC	California
MF Food Services, Inc. (dissolved 2/25/2025)	California
Min Food, Inc. (ownership 60.25%)	California
Monterey Food Service, LLC (ownership 65%)	California
Morning First Delivery, Inc.	North Carolina

Entity Name	State of Incorporation
Mountain Food, LLC	Colorado
Murray Properties, LLC	Utah
New Southern Food Distributors, Inc.	Florida
Ocean West Food Services, LLC	California
R & C Trading, L.L.C.	Arizona
R&N Charlotte, LLC	North Carolina
R&N Holdings, LLC	North Carolina
Rongcheng Trading, LLC	California
Royal Service, Inc.	Oregon
Sunflower 2.0 LLC	Kansas
T&G Group, LLC	California
Win Woo Trading, LLC	California

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-281918) and Form S-8 (No. 333-257100 and 333-279961) of HF Foods Group Inc. (the Company) of our reports dated March 17, 2025, relating to the consolidated financial statements, and the effectiveness of the Company's internal control over financial reporting, which appears in this Annual Report on Form 10-K. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2024.

/s/ BDO USA, P.C.

Troy, Michigan

March 17, 2025

Certification of Chief Executive Officer

I, Felix Lin, certify that:

1. I have reviewed this Annual Report on Form 10-K of HF Foods Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - 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: March 17, 2025

By: /s/ Felix Lin

Felix Lin

President and Chief Executive Officer

Certification of Chief Financial Officer

I, Cindy Yao, certify that:

1. I have reviewed this Annual Report on Form 10-K of HF Foods Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - 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: March 17, 2025

By: /s/ Cindy Yao
Cindy Yao
Chief Financial Officer

Section 1350 Certification of Chief Executive Officer

In connection with the Annual Report on Form 10-K of HF Foods Group Inc. (the “Company”) for the annual period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Felix Lin, President and Chief Executive Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 17, 2025

By: /s/ Felix Lin

Felix Lin

President and Chief Executive Officer

Section 1350 Certification of Chief Financial Officer

In connection with the Annual Report on Form 10-K of HF Foods Group Inc. (the “Company”) for the annual period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Cindy Yao, Chief Financial Officer, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 17, 2025

By: /s/ Cindy Yao

Cindy Yao
Chief Financial Officer