

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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File number 001-38605

**GREENLAND TECHNOLOGIES HOLDING CORPORATION**  
(Exact name of registrant as specified in charter)

**British Virgin Islands**

(State or other jurisdiction of  
incorporation or organization)

**001-38605**

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

**50 Millstone Road, Building 400 Suite 130  
East Windsor, NJ  
United States**

(Address of principal executive offices)

**08512**

(Zip Code)

1 (888) 827-4832

(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
Ordinary shares, no par value	GTEC	The NASDAQ Stock Market LLC

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

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

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

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

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

As of November 14, 2024, there were 13,594,530 ordinary shares of the registrant outstanding.

GREENLAND TECHNOLOGIES HOLDING CORPORATION

FORM 10-Q

For the Quarterly Period Ended September 30, 2024

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## FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, Financial Statements and Notes to Financial Statements contain forward-looking statements that discuss, among other things, future expectations and projections regarding future developments, operations and financial conditions. Forward-looking statements may appear throughout this report and other documents we file with the U.S. Securities and Exchange Commission ("SEC"), including without limitation, the following sections: Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q.

Forward-looking statements generally can be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "will be," "will continue," "may," "could," "will likely result," and similar expressions. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those reflected in the forward-looking statements. In addition, there is uncertainty about the future development of the COVID-19 pandemic and the impact it may have on the Company's operations, the demand for the Company's products or services, global supply chains and economic activity in general. 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.

## PART I - FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

#### GREENLAND TECHNOLOGIES HOLDING CORPORATION UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023

(IN U.S. DOLLARS)

	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 17,633,936	\$ 22,981,324
Restricted cash	3,091,545	5,208,063
Short Term Investment	7,053,694	2,818,068
Notes receivable	27,681,834	27,135,249
Accounts receivable, net	20,268,970	16,483,533
Inventories, net	21,844,780	24,596,795
Due from related parties-current, net	228,311	225,927
Advance to suppliers	631,924	288,578
Prepayments and other current assets	1,748,121	53,204
<b>Total Current Assets</b>	<b>\$ 100,183,115</b>	<b>\$ 99,790,741</b>
<b>Non-current asset</b>		
Property, plant, equipment and construction in progress, net	13,823,008	13,698,997
Land use rights, net	3,423,184	3,448,505
Other intangible assets	118,139	189,620
Deferred tax assets	483,781	256,556
Right-of-use assets	1,748,818	2,125,542
Fixed deposit	7,337,008	9,916,308
Other non-current assets	390,365	1,050,698
<b>Total non-current assets</b>	<b>\$ 27,324,303</b>	<b>\$ 30,686,226</b>
<b>TOTAL ASSETS</b>	<b>\$ 127,507,418</b>	<b>\$ 130,476,967</b>

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

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GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023 ( Continued)

(IN U.S. DOLLARS)

	September 30, 2024	December 31, 2023
<b>Current Liabilities</b>		
Short-term bank loans	\$ -	\$ 3,042,296
Notes payable-bank acceptance notes	25,463,319	36,712,562
Accounts payable	26,342,111	25,272,528
Taxes payables	767,200	758,307
Customer deposits	420,266	137,985
Due to related parties	3,831,666	3,831,636
Other current liabilities	2,365,909	2,281,507
Lease liabilities	506,118	487,695
<b>Total current liabilities</b>	<b>\$ 59,696,589</b>	<b>\$ 72,524,516</b>
<b>Non-current liabilities</b>		
Lease liabilities	1,301,291	1,684,614
Deferred revenue	1,372,358	1,529,831
Warrant liability	3,841,293	4,084,605
<b>Total non-current liabilities</b>	<b>\$ 6,514,942</b>	<b>\$ 7,299,050</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 66,211,531</b>	<b>\$ 79,823,566</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-
<b>Shareholders' equity</b>		
Ordinary shares, no par value, unlimited shares authorized; 13,594,530 and 13,594,530 shares issued and outstanding as of September 30, 2024 and December 31, 2023.	-	-
Additional paid-in capital	30,286,560	30,286,560
Statutory reserves	3,842,331	3,842,331
Retained earnings	25,003,855	18,535,133
Accumulated other comprehensive loss	(2,004,595)	(2,583,794)
<b>Total shareholders' equity</b>	<b>\$ 57,128,151</b>	<b>\$ 50,080,230</b>
Non-controlling interest	4,167,736	573,171
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 61,295,887</b>	<b>\$ 50,653,401</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 127,507,418</b>	<b>\$ 130,476,967</b>

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

**GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**  
**(UNAUDITED, IN U.S. DOLLARS)**

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
<b>Revenues</b>	<b>\$ 18,834,093</b>	<b>\$ 21,836,761</b>	<b>\$ 64,574,944</b>	<b>\$ 67,555,570</b>
<b>Cost of goods sold</b>	<b>13,868,406</b>	<b>15,568,224</b>	<b>47,188,133</b>	<b>48,835,766</b>
<b>Gross profit</b>	<b>4,965,687</b>	<b>6,268,537</b>	<b>17,386,811</b>	<b>18,719,804</b>
Selling expenses	397,444	606,649	1,412,086	1,568,174
General and administrative expenses	1,202,242	1,610,100	4,585,163	4,771,568
Research and development expenses	437,978	1,245,646	2,548,765	3,790,931
<b>Total operating expenses</b>	<b>\$ 2,037,664</b>	<b>\$ 3,462,395</b>	<b>\$ 8,546,014</b>	<b>\$ 10,130,673</b>
<b>INCOME FROM OPERATIONS</b>	<b>\$ 2,928,023</b>	<b>\$ 2,806,142</b>	<b>\$ 8,840,797</b>	<b>\$ 8,589,131</b>
Interest income	237,333	4,242	622,278	79,318
Interest expense	(9,477)	(72,952)	(89,325)	(218,949)
Change in fair value of the warrant liability	(2,661,012)	-	243,312	-
Other income (loss)	208,676	(1,663,627)	1,023,713	(1,375,252)
<b>INCOME BEFORE INCOME TAX</b>	<b>\$ 703,543</b>	<b>\$ 1,073,805</b>	<b>\$ 10,640,775</b>	<b>\$ 7,074,248</b>
<b>INCOME TAX EXPENSE</b>	<b>344,250</b>	<b>878,922</b>	<b>839,050</b>	<b>1,480,595</b>
<b>NET INCOME</b>	<b>\$ 359,293</b>	<b>\$ 194,883</b>	<b>\$ 9,801,725</b>	<b>\$ 5,593,653</b>
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	1,043,684	1,082,303	3,333,003	2,634,960
<b>NET INCOME ATTRIBUTABLE TO GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES</b>	<b>\$ (684,391)</b>	<b>\$ (887,420)</b>	<b>\$ 6,468,722</b>	<b>\$ 2,958,693</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>	<b>2,153,895</b>	<b>3,756,643</b>	<b>840,761</b>	<b>(517,156)</b>
Unrealized foreign currency translation loss attributable to Greenland Technologies Holding Corporation and subsidiaries	1,530,392	2,251,583	579,199	(721,427)
Unrealized foreign currency translation loss attributable to non-controlling interest	623,503	1,505,060	261,562	204,271
<b>Total comprehensive income attributable to Greenland technologies holding corporation and subsidiaries</b>	<b>846,001</b>	<b>1,364,163</b>	<b>7,047,921</b>	<b>2,237,266</b>
<b>Total comprehensive income attributable to noncontrolling interest</b>	<b>1,667,187</b>	<b>2,587,363</b>	<b>3,594,565</b>	<b>2,839,231</b>
<b>WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING:</b>	<b>13,594,530</b>	<b>13,594,530</b>	<b>13,594,530</b>	<b>13,307,954</b>
Basic and diluted	(0.05)	(0.07)	0.48	0.22

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

**GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**  
**(UNAUDITED, IN U.S. DOLLARS, EXCEPT FOR SHARE DATA)**

	Ordinary Shares No Par Value		Additional Paid-in Capital	Accumulated Other Comprehensive Income/(loss)	Statutory Reserve	Retained Earnings	Non- controlling Interest	Total
	Shares	Amount						
Balance as of December 31, 2022	12,978,504	-	\$32,955,927	\$ (2,831,419)	3,842,331	\$37,228,261	\$13,722,663	\$84,917,763
Net income	-	-	-	-	-	1,446,975	1,011,599	2,458,574
Foreign currency translation adjustment	-	-	-	212,352	-	-	104,980	317,332
Balance as of March 31, 2023	12,978,504	-	\$32,955,927	\$ (2,619,067)	3,842,331	\$38,675,236	\$14,839,242	\$87,693,669
Net income	-	-	-	-	-	2,399,138	541,058	2,940,196
Dividend	-	-	-	-	-	-	(703,595)	(703,595)
Foreign currency translation adjustment	-	-	-	(3,185,362)	-	-	(1,405,769)	(4,591,131)
Balance at June 30, 2023	12,978,504	-	\$32,955,927	\$ (5,804,429)	3,842,331	\$41,074,374	\$13,270,936	\$85,339,139
Cancellation of subsidiary	-	-	-	-	-	-	(3,902,544)	(3,902,544)
Cashless exercise of stock warrants	616,026	-	-	-	-	-	-	-
Net (loss) income	-	-	-	-	-	(887,420)	1,082,303	194,883
Foreign currency translation adjustment	-	-	-	2,251,583	-	-	1,505,060	3,756,643
Balance at September 30, 2023	13,594,530	-	\$32,955,927	\$ (3,552,846)	3,842,331	\$40,186,954	\$11,955,755	\$85,388,121
Balance as of December 31, 2023	13,594,530	-	\$30,286,560	\$ (2,583,794)	3,842,331	\$18,535,133	\$ 573,171	\$50,653,401
Net income	-	-	-	-	-	2,502,203	1,067,045	3,569,248

Foreign currency translation adjustment	-	-	-	(653,808)	-	-	(254,954)	(908,762)
Balance as of March 31, 2024	13,594,530	-	\$30,286,560	\$ (3,237,602)	3,842,331	\$21,037,336	\$ 1,385,262	\$53,313,887
Net income	-	-	-	-	-	4,650,910	1,222,274	5,873,184
Foreign currency translation adjustment	-	-	-	(297,385)	-	-	(106,987)	(404,372)
Balance as of June 30, 2024	13,594,530	-	\$30,286,560	(3,534,987)	3,842,331	25,688,246	2,500,549	58,782,699
Net (loss) income	-	-	-	-	-	(684,391)	1,043,684	359,293
Foreign currency translation adjustment	-	-	-	1,530,392	-	-	623,503	2,153,895
Balance as of September 30, 2024	13,594,530	-	\$30,286,560	(2,004,595)	3,842,331	25,003,855	4,167,736	61,295,887

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

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GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

(UNAUDITED, IN U.S. DOLLARS)

	For the nine months ended September 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 9,801,725	\$ 5,593,653
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,652,894	1,632,430
Amortization of deferred revenue	(171,025)	(141,748)
Increase in allowance for credit losses	570,111	387,053
Increase(Decrease) in provision for inventory	(120,385)	108,723
Change in fair value of warrant liability	(243,312)	-
Deferred tax assets	(218,607)	(74,533)
Non-cash lease expenses	417,581	463,483
Loss on disposal of short term investment	-	25,325
Accrued interest income derived from loan to related parties	(2,385)	(5,332)
Accrued expense	1,007,652	818,840
<b>Changes in operating assets and liabilities:</b>		
<b>Decrease (Increase) In:</b>		
Accounts receivable	(4,103,084)	(7,929,905)
Notes receivable	(222,638)	(5,420,169)
Inventories	3,067,395	1,335,565
Advance to suppliers	(337,532)	(1,298,963)
Other current and noncurrent assets	(1,796,856)	2,682,993
<b>Increase (Decrease) In:</b>		
Accounts payable	753,849	2,339,606
Customer deposits	278,003	91,344
Other current liabilities	(944,133)	396,751
Income tax payable	-	(118,429)
Lease liabilities	(405,757)	(445,232)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 8,983,496</b>	<b>\$ 441,455</b>

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

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GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023 (Continued)

(UNAUDITED, IN U.S. DOLLARS)

	For the nine months ended September 30,	
	2024	2023
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of long-term assets	\$ (1,416,348)	\$ (592,412)
Loan lent to third parties	(694,666)	(426,482)
Loan payment to third parties	-	1,848,087
Proceeds from sale of short term investment	-	444,155
Investment in a joint venture	-	(50,000)

<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ (2,111,014)</b>	<b>\$ 1,223,348</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term bank loans	\$ 5,557,331	\$ 6,766,842
Repayments of short-term bank loans	(8,558,290)	(8,811,111)
Notes payable	(11,387,545)	4,134,691
Dividend paid	-	(703,595)
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>\$ (14,388,504)</b>	<b>\$ 1,386,827</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>\$ (7,516,022)</b>	<b>\$ 3,051,630</b>
Effect of exchange rate changes on cash	52,116	1,567,033
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b>28,189,387</b>	<b>19,729,056</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD</b>	<b>\$ 20,725,481</b>	<b>\$ 24,347,719</b>
Bank balances and cash	17,633,936	21,543,963
Bank balances and cash included in assets classified as restricted cash	3,091,545	2,803,756
<b>Supplemental Disclosure of Cash Flow Information</b>		
Income taxes paid	1,378,817	797,593
Interest paid	50,404	215,487

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

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 – ORGANIZATION AND PRINCIPAL ACTIVITIES

Greenland Technologies Holding Corporation (the “Company” or “Greenland”) designs, develops, manufactures and sells components and products for the global material handling industries.

Through its PRC subsidiaries, Greenland offers transmission products, which are key components for forklift trucks used in manufacturing and logistic applications, such as factories, workshops, warehouses, fulfilment centers, shipyards, and seaports. Forklifts play an important role in the logistic systems of many companies across different industries in China and globally. Generally, industries with the largest demand for forklifts include the transportation, warehousing logistics, electrical machinery, and automobile industries.

Greenland’s transmission products are used in 1-ton to 15-tons forklift trucks, some with mechanical shift and some with automatic shift. Greenland sells these transmission products directly to forklift-truck manufacturers. In the nine months ended September 30, 2024 and 2023, Greenland sold an aggregate of 114,075 and 112,414 sets of transmission products, respectively, to more than 100 forklift manufacturers in the PRC.

In January 2020, Greenland launched HEVI Corp. (“HEVI”), formerly known as Greenland Technologies Corp. to focus on the production and sale of electric industrial vehicles to meet the increasing demand for electric industrial vehicles and machinery powered by sustainable energy in order to reduce air pollution and lower carbon emissions. HEVI is a wholly owned subsidiary of Greenland incorporated under the laws of the State of Delaware. HEVI’s electric industrial vehicle products currently include GEF-series electric forklifts, a series of lithium powered forklifts with three models ranging in size from 1.8 tons to 3.5 tons, GEL-1800, a 1.8 ton rated load lithium powered electric wheeled front loader, GEX-8000, an all-electric 8.0 ton rated load lithium powered wheeled excavator, and GEL-5000, an all-electric 5.0 ton rated load lithium wheeled front loader. In addition, HEVI introduced a line of mobile DC battery chargers that support DC powered EV applications in the North America market. These products are available for purchase in the United States (“U.S.”) market. In August 2022, Greenland launched a 54,000 square foot industrial electric vehicle assembly site in Baltimore, Maryland to support local services, assembly and distribution of its electric industrial heavy equipment products line. In July 2024, HEVI announced a partnership with Lonking Holdings Limited to develop and distribute heavy electric machinery and related technology specialized for the U.S. market. In August 2024, HEVI launched its H55L all-electric wheeled front-end loader, which can lift up to six tons in indoor and outdoor applications without the mess and emissions of diesel, and the H65L all-electric wheeled front-end loader, the largest lithium battery powered electric wheel loader commercially available in North America.

Greenland serves as the parent company of Greenland Holding Enterprises Inc. (“Greenland Holding”), a company incorporated in the State of Delaware and a wholly-owned subsidiary of Greenland, which in turns holds 100% of the equity interests in Zhongchai Holding (Hong Kong) Limited, a holding company formed under the laws of the Hong Kong Special Administrative Region (“Hong Kong”) on April 23, 2009 (“Zhongchai Holding”). Zhongchai Holding’s subsidiaries include Zhejiang Zhongchai Machinery Co. Ltd., an operating company formed under the laws of the People’s Republic of China (the “PRC” or “China”) in 2005, Hangzhou Greenland Energy Technologies Co., Ltd. (“Hangzhou Greenland”), an operating company formed under the laws of the PRC in 2019, and Hengyu Capital Limited, a company formed in Hong Kong on August 16, 2022 (“Hengyu Capital”). Through Zhongchai Holding and its subsidiaries, Greenland develops and manufactures traditional transmission products for material handling machineries in the PRC.

Greenland was incorporated on December 28, 2017 as a British Virgin Islands company with limited liability. Following the Business Combination (as described and defined below) in October 2019, the Company changed its name from Greenland Acquisition Corporation to Greenland Technologies Holding Corporation.

The COVID-19 pandemic has significantly affected business and manufacturing activities within China, including travel restrictions, widespread mandatory quarantines, and suspension of business activities within China. Chinese industries have gradually resumed businesses since the Chinese government lifted its COVID-19 protocols and measures in December 2022. Currently, the COVID-19 pandemic has no significant impact on our operations.

#### The Company’s Shareholders

As of September 30, 2024, Cenntro Holding Limited owned 45.69% of Greenland’s outstanding ordinary shares. Cenntro Holding Limited is controlled and beneficially owned by Mr. Peter Zuguang Wang, the chairman of the board of directors of the Company.

#### The Company’s Subsidiaries

Zhongchai Holding, an indirect wholly owned subsidiary of the Company, owns 71.576% of the equity interests in Zhejiang Zhongchai Machinery Co., Ltd. (“Zhejiang Zhongchai”), 100% of the equity interests in Hangzhou Greenland Energy Technologies Co., Ltd Co., Ltd (“Hangzhou Greenland”), and 62.5% of the equity interests in Hengyu Capital, Ltd. (“Hengyu Capital”). HEVI (formerly known as Greenland Technologies Corp.) is a wholly owned



subsidiary of Greenland and Greenland Holding Enterprises Inc. is a wholly owned subsidiary of Greenland, which holds 100% of the equity interests in Zhongchai Holding.

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 – ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

##### *Zhejiang Zhongchai*

Zhejiang Zhongchai, a limited liability company registered on November 21, 2005, is the direct operating subsidiary of Zhongchai Holding in the PRC. On April 5, 2007, Usunco Automotive Limited ("Usunco"), a British Virgin Islands limited liability company, invested US\$8,000,000 for purchasing approximately a 75.4717% equity interest of Zhejiang Zhongchai. On December 16, 2009, Usunco agreed to transfer its 75.4717% interest in Zhejiang Zhongchai to Zhongchai Holding. On April 26, 2010, Xinchang County Keyi Machinery Co., Ltd. transferred 24.5283% equity interest it owned in Zhejiang Zhongchai to Zhongchai Holding in exchange for a consideration of US\$2.6 million. On November 1, 2017, Xinchang County Jiuxin Investment Management Partnership (LP) ("Jiuxin"), an entity controlled and beneficially owned by Mr. He Mengxing, president of Zhejiang Zhongchai, completed its investment of approximately RMB31,590,000 in Zhejiang Zhongchai for a 10.53% equity interest. On December 29, 2021, Xinchang County Jiuhe Investment Management Partnership (LP) ("Jiuhe"), an entity controlled and beneficially owned by Mr. He Mengxing, president of Zhejiang Zhongchai, completed its investment of approximately RMB34,300,000 in Zhejiang Zhongchai for a 20.00% equity interest. As of September 30, 2024, Zhongchai Holding owned approximately 71.576% of the equity interests, Jiuxin owned approximately 8.424% of the equity interests, and Jiuhe owned approximately 20.00% of the equity interests in Zhejiang Zhongchai.

Through Zhejiang Zhongchai, the Company has been engaging in the manufacturing and sales of transmission systems mainly for forklift trucks since 2006. These forklift trucks are used in manufacturing and logistics applications, such as factory, workshop, warehouse, fulfilment centers, shipyards and seaports. The transmission systems are the key components for forklift trucks. The Company supplies transmission systems to forklift truck manufacturers. Its transmission systems fit for forklift trucks ranging from 1 to 15 tons, with either mechanical shift or automatic shift. All the products are currently manufactured at the Company's facility in Xinchang, Zhejiang Province, the PRC and are sold to both domestic and oversea markets.

##### *Hangzhou Greenland*

Hangzhou Greenland is a limited liability company registered on August 9, 2019 in Hangzhou Sunking Plaza, Zhejiang, the PRC. Hangzhou Greenland engages in the business of trading construction engineering machinery, electronic components, hardware, and others.

##### *HEVI*

HEVI, formerly known as Greenland Technologies Corp. prior to May 2022, was incorporated on January 14, 2020 under the laws of the State of Delaware. HEVI is a wholly owned subsidiary of Greenland and promotes sales of sustainable alternative products for the heavy industrial equipment industry, including electric industrial vehicles, in the North American market.

##### *Hengyu Capital*

Hengyu Capital is a limited liability company registered on August 16, 2022 in Hong Kong. The main business of Hengyu Capital is to engage in investment management and consulting services.

##### *Greenland Holding Enterprises Inc.*

Greenland Holding Enterprises Inc. is a holding company registered on August 28, 2023 in the State of Delaware with no operations.

Details of the Company's subsidiaries, which are included in these unaudited consolidated financial statements as of September 30, 2024, are as follows:

Name	Domicile and Date of Incorporation	Paid-in Capital	Ownership Percentage	Principal Activities
Zhongchai Holding (Hong Kong) Limited	Hong Kong April 23, 2009	HKD 10,000	100%	Holding
Zhejiang Zhongchai Machinery Co., Ltd.	PRC November 21, 2005	RMB 25,000,000	71.576%	Manufacture, sale of various transmission boxes
Hangzhou Greenland Energy Technologies Co., Ltd.	PRC August 8, 2020	RMB 8,669,482	100%	Trading
HEVI Corp.	Delaware January 14, 2020	USD 6,363,557	100%	U.S. operation and distribution of electric industrial vehicles for North American market
Hengyu Capital, Ltd	Hong Kong August 16, 2022	HKD 10,000	62.5%	Investment management and consulting services
Greenland Holding Enterprises Inc.	Delaware August 28, 2023	USD 1	100%	Holding

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Presentation**

The accompanying unaudited consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for information pursuant to the rules and regulations of the U.S. Securities and Exchange Commission.

## Principles of Consolidation

The unaudited consolidated financial statements are prepared in accordance with U.S. GAAP. The unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries, which include Hong Kong-registered entities and PRC-registered entities directly or indirectly owned by the Company. All transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation. The results of subsidiaries acquired or disposed of are recorded in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

A subsidiary is an entity in which (i) the Company directly or indirectly controls more than 50% of the voting power; or (ii) the Company has the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meetings of the board of directors or to govern the financial and operating policies of the investee pursuant to a statute or under an agreement among the shareholders or equity holders.

## Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made. Actual results could differ from those estimates. Significant estimates in the nine months ended September 30, 2024 and 2023 include allowance for expected credit losses, reserve for inventories, fair value of warrant liability, useful life of property, plant and equipment, assumptions used in assessing impairment of long-term assets, estimates used in accounting for leases in accordance with FASB ASC 842, Leases and valuation of deferred tax assets and accruals for taxes due.

## Non-controlling Interest

Non-controlling interests in the Company's subsidiaries are recorded in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification 810 Consolidation ("ASC 810") and are reported as a component of equity, separate from the parent's equity. Purchase or sale of equity interests that do not result in a change of control are accounted for as equity transactions. Results of operations attributable to the non-controlling interest are included in our consolidated results of operations and, upon loss of control, the interest sold, as well as interest retained, if any, will be reported at fair value with any gain or loss recognized in earnings.

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Foreign Currency Translation

Since the Company operates primarily in the PRC, the Company's functional currency is the Renminbi ("RMB"). The Company's financial statements have been translated into the reporting currency of the United States Dollar ("USD", "US\$" or "\$"). Assets and liabilities of the Company are translated at the exchange rate at each reporting period end date. Equity is translated at the historical exchange rate when the transaction occurs. Income and expense accounts are translated at the average rate of exchange during the reporting period. The resulting translation adjustments are reported under other comprehensive income (loss). Gains and losses resulting from the translation of foreign currency transactions and balances are reflected in the results of operations.

	As of	
	September 30, 2024	December 31, 2023
Period end RMB: US\$ exchange rate	7.0176	7.0999
	For the nine months ended September 30,	
	2024	2023
Period average RMB: US\$ exchange rate	7.1977	7.0343

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. The PRC government imposes significant exchange restrictions on fund transfers out of the PRC that are not related to business operations.

##### Cash and Cash Equivalents

For financial reporting purposes, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its bank accounts with various financial institutions primarily in mainland China and the U.S. The Company has not experienced any losses in bank accounts.

##### Restricted Cash

Restricted cash represents amounts held by a bank as security for bank acceptance bills, as well as the financial product secured for the short-term bank loan and therefore is not available for the Company's use until such time as the bank acceptance notes and bank loans have been fulfilled or expired, normally within a twelve-month period.

##### Fair Value of Financial Instruments

The Company applies the provisions of ASC 820, *Fair Value Measurements and Disclosures*, to the financial instruments that are required to be carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company uses a three-tier fair value hierarchy based upon observable and non-observable inputs that prioritizes the information used to develop our assumptions regarding fair value. Fair value measurements are separately disclosed by level within the fair value hierarchy.



- Level 1—defined as observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2—defined as inputs other than quoted prices in active markets, that are either directly or indirectly observable; and
- Level 3—defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company's financial assets and liabilities, which include financial instruments as defined by FASB ASC 820, include cash, cash equivalents and restricted cash, short term investment, accounts receivable, notes receivables, due from related party, fixed deposit, short term bank loans, accounts payable, other payable, notes payable and warrant liability. As of September 30, 2024 and December 31, 2023, the carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, notes receivables, notes payables and accounts payable were approximation of their fair value due to the short-term nature. As of September 30, 2024 and December 31, 2023, fixed deposits and bank loans were measured at amortized cost.

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table summarizes the fair value measurements of assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2024:

(amount in absolute value)	Active Market for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Carrying Value
Short term investment	\$ 7,053,694	-	-	\$ 7,053,694
Warrants liability	-	3,841,293	-	3,841,293
Total	\$ 7,053,694	3,841,293	-	\$ 10,894,987

#### Accounts Receivable and Allowance for Expected Credit Losses

Accounts receivable are stated at the historical carrying amount net of allowance for expected credit losses.

The Company adopted ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments" on January 1, 2023 using a modified retrospective approach. The Company also adopted this guidance to notes receivable and due from related parties.

To estimate expected credit losses, the Company has identified the relevant risk characteristics of its customers and the related receivables. The Company considers the past collection experience, current economic conditions, future economic conditions (external data and macroeconomic factors) and changes in the Company's customer collection trends. The allowance for expected credit losses and corresponding receivables were written off when they are determined to be uncollectible.

#### Inventories

Inventories are stated at the lower of cost or net realizable value, which is based on estimated selling prices less any further costs expected to be incurred for completion and disposal. Cost of raw materials is calculated using the weighted average method and is based on purchase cost. Work-in-progress and finished goods costs are determined using the weighted average method and comprise direct materials, direct labor and an appropriate proportion of overhead.

#### Advance to Suppliers

Advance to suppliers represents interest-free cash paid in advance to suppliers for purchases of parts and/or raw materials. The balance of advance to suppliers was \$0.63 million and \$0.29 million as of September 30, 2024 and December 31, 2023, respectively.

#### Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation, and include expenditure that substantially increases the useful lives of existing assets. Expenditures for repairs and maintenance, which do not extend the useful life of the assets, are expensed as incurred.

Depreciation is provided over their estimated useful lives, using the straight-line method. Estimated useful lives are as follows:

Buildings	20 years
Machinery	2~10 years
Motor vehicles	4 years
Electronic equipment	3~5 years
Fixed assets decoration	5 years

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When assets are sold or retired, their costs and accumulated depreciation are eliminated from the consolidated financial statements and any gain or loss resulting from their disposal is recognized in the period of disposition as an element of other income. The cost of maintenance and repairs is charged to income as incurred, whereas significant renewals and betterments are capitalized.

### **Construction in process**

Property, plant, and equipment that are purchased or constructed which require a period of time before the assets are ready for their intended use are accounted for as construction-in-progress. Construction-in-progress is recorded at acquisition cost, including installation costs. Construction-in-progress is transferred to specific property and equipment accounts and commences depreciation when these assets are ready for their intended use.

### **Land Use Rights**

According to the PRC laws, the government owns all the land in the PRC. Companies or individuals are authorized to possess and use the land only through land use rights granted by the Chinese government. The land use rights granted to the Company are being amortized using the straight-line method over the lease term of fifty years.

### **Impairment of Long-Lived Assets**

Long-lived assets are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable in accordance with FASB ASC 360, "Property, Plant and Equipment".

In evaluating long-lived assets for recoverability, the Company uses its best estimate of future cash flows expected to result from the use of the asset and eventual disposition in accordance with FASB ASC 360-10-15. To the extent that estimated future, undiscounted cash inflows attributable to the asset, less estimated future, undiscounted cash outflows, are less than the carrying amount, an impairment loss is recognized in an amount equal to the difference between the carrying value of such asset and its fair value. Assets to be disposed of and for which there is a committed plan of disposal, whether through sale or abandonment, are reported at the lower of carrying value or fair value less costs to sell. There was no impairment loss recognized for the nine months ended September 30, 2024 and 2023.

### **Lease**

ASC 842 supersedes the lease requirements in ASC 840 "Leases," and generally requires lessees to recognize operating and finance lease liabilities and corresponding right-of-use assets on the balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements. Leases that transfer substantially all of the benefits and risks incidental to the ownership of assets are accounted for as finance leases as if there was an acquisition of an asset and incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases.

A sale-leaseback transaction occurs when an entity sells an asset it owns and immediately leases the asset back from the buyer. The seller then becomes the lessee and the buyer becomes the lessor. Under ASC 842, both parties must assess whether the buyer-lessor has obtained control of the asset and a sale has occurred.

The Company has leased premises for its assembly site under non-cancellable operating leases since June 2022. Operating lease payments are expensed over the term of lease using straight line method. The Company's office leases have a 3-year term and the lease of its assembly site has a 5.5-year term. Usually within four months prior to the expiration date of a lease, the Company is required to notify the lessor and has a priority to continue renting the lease property if a lessor intends to lease property. The lease itself does not have restrictions or covenants. Any damage, if made by the lessee, to the property and equipment within the property has to be fixed or reimbursed by the lessee. The Company does not have any leases entered into that have not yet commenced. Under the terms of the lease agreements, the Company has no legal or contractual asset retirement obligations at the end of the leases.

## **GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES**

### **NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Revenue Recognition**

In accordance with ASC Topic 606, "Revenue from Contracts with Customers," the Company recognizes revenues when goods or services are transferred to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. In determining when and how revenues are recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customer; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations and (v) recognition of revenues when (or as) the Company satisfies each performance obligation. The Company derives revenues from the processing, distribution and sale of its products. The Company recognizes its revenues net of value-added taxes ("VAT"). The Company is subject to VAT which had been levied at the rate of 17% on the invoiced value of sales until April 30, 2018, after which date the rate was reduced to 16%. VAT rate was further reduced to 13% starting from April 1, 2019. Output VAT is borne by customers in addition to the invoiced value of sales and input VAT is borne by the Company in addition to the invoiced value of purchases to the extent not refunded for export sales.

Revenues are recognized at a point in time once the Company has determined that the customer has obtained control over the product. Control is typically deemed to have been transferred to the customer when the performance obligation is fulfilled, usually at the time of customers' acceptance or consumption, at the net sales price (transaction price) and each of the criteria under ASC 606 have been met. Contract terms may require the Company to deliver the finished goods to the customers' location or the customer may pick up the finished goods at the Company's factory. International sales are recognized when shipment clears customs and leaves the port. Payments due within two months after customers' acceptance or consumption.

The Company adopted ASC 606 on January 1, 2018, using the transition method of Modified-Retrospective Method ("MRM"). The adoption of ASC 606 had no impact on the Company's beginning balance of retained earnings.

The Company's contracts are all short-term in nature with a contract term of one year or less. Receivables are recorded when the Company has an unconditional right to consideration.

Contracts do not offer any price protection but allow for the return of certain goods if there is a quality problem, which is standard warranty. The Company's product returns and recorded reserve for sales returns were minimal for the nine months ended September 30, 2024 and 2023. The total

sales return amount accounted for around 0.11% and 0.09% of the total revenue of Greenland for the nine months ended September 30, 2024 and 2023, respectively. The total warrants expenditures amount accounted for around 0.48% and 0.19% of the total revenue of Greenland for the nine months ended September 30, 2024 and 2023, respectively.

The following table sets forth disaggregation of revenue:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
<b>Major Products</b>				
Transmission boxes for Forklift	\$ 18,126,164	\$ 21,005,937	\$ 60,936,495	\$ 64,531,896
Transmission boxes for Non-Forklift (EV, etc.)	707,929	830,824	3,638,449	3,023,674
<b>Total</b>	<b>\$ 18,834,093</b>	<b>\$ 21,836,761</b>	<b>\$ 64,574,944</b>	<b>\$ 67,555,570</b>

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Cost of Goods Sold

Cost of goods sold consists primarily of material costs, freight charges, purchasing and receiving costs, inspection costs, internal transfer costs, wages, employee compensation, amortization, depreciation and related costs, which are directly attributable to the production of products. Write-down of inventory to lower of cost or net realizable value is also recorded in cost of goods sold.

##### Selling Expenses

Selling expenses include operating expenses such as payroll and traveling and transportation expenses.

##### General and Administrative Expenses

General and administrative expenses include management and office salaries and employee benefits, depreciation for office facility and office equipment, travel and entertainment, legal and accounting, consulting fees and other office expenses.

##### Research and Development

Research and development costs are expensed as incurred and totaled approximately \$ 0.44 million and \$1.25 million for the three months ended September 30, 2024 and 2023, respectively. Research and development costs are expensed as incurred and totaled approximately \$2.55 million and \$3.79 million for the nine months ended September 30, 2024 and 2023, respectively. Research and development costs are incurred on a project specific basis.

##### Government Subsidies

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and all attaching conditions will be complied with. When the subsidy relates to an expense item, it is recognized as income over the periods necessary to match the subsidy on a systematic basis to the costs that it is intended to compensate. Where the subsidy relates to an asset, it is recognized as other long-term liabilities and is released to the statement of operations over the expected useful life in a consistent manner with the depreciation method for the relevant asset. Total government subsidies recorded in the other long-term liabilities were \$1.37 million and \$1.53 million as of September 30, 2024 and December 31, 2023, respectively.

##### Income Taxes

The Company accounts for income taxes following the liability method pursuant to FASB ASC 740 "Income Taxes". Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in income in the period that includes the enactment date.

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company also follows FASB ASC 740, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of September 30, 2024 and December 31, 2023, the Company did not have a liability for unrecognized tax benefits. It is the Company's policy to include penalties and interest expense related to income taxes as a component of other expense and interest expense, respectively, as necessary. The Company's historical tax years will remain open for examination by the local authorities until the statute of limitations has passed.

##### Value-Added Tax

Enterprises or individuals, who sell commodities, engage in repair and maintenance or import or export goods in the PRC are subject to a value added tax in accordance with PRC Laws. The VAT standard rate had been 17% of the gross sale price until April 30, 2018, after which date the rate was reduced to 16%. VAT rate was further reduced to 13% starting from April 1, 2019. A credit is available whereby VAT paid on the purchases of semi-finished products or raw materials used in the production of the Company's finished products can be used to offset the VAT due on the sales of the finished products.

#### **Statutory Reserve**

In accordance with the PRC Regulations on Enterprises with Foreign Investment, an enterprise established in the PRC with foreign investment is required to provide for certain statutory reserves, namely (i) a General Reserve Fund, (ii) an Enterprise Expansion Fund and (iii) a Staff Welfare and Bonus Fund, which are appropriated from net profit as reported in the enterprise's PRC statutory accounts. A wholly owned foreign enterprise is required to allocate at least 10% of its annual after-tax profit to the General Reserve Fund until the balance of such fund has reached 50% of its respective registered capital. A non-wholly owned foreign invested enterprise is permitted to provide for the above allocation at the discretion of its board of directors. Appropriations to the Enterprise Expansion Fund and Staff Welfare and Bonus Fund are at the discretion of the board of directors for all foreign invested enterprises. The reserves can only be used for specific purposes and are not distributable as cash dividends.

#### **Comprehensive Income (Loss)**

Comprehensive income (loss) is defined as the change in equity during the year from transactions and other events, excluding the changes resulting from investments by owners and distributions to owners, and is not included in the computation of income tax expense or benefit. Accumulated comprehensive income consists of foreign currency translation. The Company presents comprehensive income (loss) in accordance with ASC Topic 220, "Comprehensive Income".

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### **GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES**

#### **NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

##### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Earnings per share**

The Company calculates earnings per share in accordance with ASC Topic 260 "Earnings per Share." Basic earnings per share is computed by dividing the net income(loss) attributable to Greenland Technologies Holding Corporation, by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional ordinary shares that would have been outstanding if the potential ordinary shares equivalents had been issued and if the additional ordinary shares were dilutive.

#### **Segments and Related Information**

ASC 280 "Segment reporting" establishes standards for reporting information on operating segments in interim and annual financial statements. All of the Company's operations are considered by the chief operating decision maker to be aggregated in one reportable operating segment.

The Company is engaged in the business of manufacturing and selling various transmission boxes. The Company's manufacturing process is essentially the same for the entire Company and is performed in-house at the Company's facilities in the PRC. The Company's customers primarily consist of entities in the automotive, construction machinery or warehousing equipment industries. The distribution of the Company's products is consistent across the entire Company. In addition, the economic characteristics of each customer arrangement are similar in that the Company maintains policies at the corporate level.

#### **Commitments and contingencies**

In the normal course of business, the Company is subject to contingencies, including legal proceedings and environmental claims arising out of the normal course of businesses that relate to a wide range of matters, including among others, contracts breach liability. The Company records accruals for such contingencies based upon the assessment of the probability of occurrence and, where determinable, an estimate of the liability. Management may consider many factors in making these assessments including past history, scientific evidence and the specifics of each matter. The Company's management has evaluated all such proceedings and claims that existed as of September 30, 2024 and December 31, 2023. Normal course of businesses that relate to a wide range of matters, including among others, contracts breach liability. The Company records accruals for such contingencies based upon the assessment of the probability of occurrence and, where determinable, an estimate of the liability. Management may consider many factors in making these assessments including past history, scientific evidence and the specifics of each matter. The Company's management has evaluated all such proceedings and claims that existed as of September 30, 2024 and December 31, 2023.

#### **Related Party**

In general, related parties exist when there is a relationship that offers the potential for transactions at less than arm's-length, favorable treatment, or the ability to influence the outcome of events different from that outcome which might result in the absence of that relationship. A related party may be any of the following: a) an affiliate, which is a party that directly or indirectly controls, is controlled by, or is under common control with another party; b) a principle owner, owner of record or known beneficial owner of more than 10% of the voting interest of an entity; c) management, which are persons having responsibility for achieving objectives of the entity and requisite authority to make decision; d) immediate family of management or principal owners; e) a parent company and its subsidiaries; f) other parties that have ability to significant influence the management or operating policies of the entity; and g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its or their own separate interests. The Company discloses all significant related party transactions.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Uncertainty and Risks****Political, Social and Economic Risks**

A significant portion of the Company's operations are conducted in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC economy.

The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation, among other things.

**Currency Exchange Risk**

The Company cannot guarantee that the current exchange rate will remain steady. Therefore, there is a possibility that the Company could post the same amount of profit for two comparable periods and yet, because of the fluctuating exchange rate, record higher or lower profit depending on exchange rate of RMB converted to U.S. dollars on the relevant dates. The exchange rate could fluctuate depending on changes in the political and economic environment without notice.

**Concentration of Credit Risk**

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash in bank and accounts receivable.

The Company places its cash with financial institutions in the PRC and the U.S. Balances at financial institutions and state-owned banks within the PRC are covered by insurance up to RMB500,000 (USD70,000) per bank. As of September 30, 2024 and December 31, 2023, the Company's bank account balance in the PRC was \$27,174,432 and \$33,033,191, respectively, exceeding PRC deposit insurance of RMB 500,000 (USD70,000) as of each year end. To date, the Company has not experienced any losses in such accounts.

The Company's bank deposits in the U.S. are insured to the maximum extent permitted by the Deposit Insurance Fund in the U.S. Dodd-Frank permanently increased the maximum amount of deposit insurance to \$250,000 per depositor, per insured institution for each account ownership category. Federal Deposit Insurance Corporation ("FDIC") insurance is backed by the full faith and credit of the United States government. As of September 30, 2024 and December 31, 2023, the Company's bank account balance in the United States was \$279,960 and \$3,797,076, respectively, exceeding FDIC insurance of \$250,000 as of each period end. To date, the Company has not experienced any losses in such accounts.

The Company conducts credit evaluations of customers, and generally does not require collateral or other security from its customers. The Company establishes an allowance for expected credit losses primarily based upon the factors surrounding the credit risk of specific customers.

**Warrants**

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in the ASC 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and Hedging ("ASC 815"). Management's assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, whether they meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own ordinary shares and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period-end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, they are recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, they are recorded as warrant liability at their initial fair value on the date of issuance and subject to remeasurement each balance sheet date with changes in the estimated fair value of the warrants to be recognized as a non-cash gain or loss in the statement of operations.

**GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Recently Issued Accounting Pronouncements**

Recent accounting pronouncements that the Company has adopted or may be required to adopt in the future are summarized below:

In June 2016, the FASB issued ASU 2016-13, Credit Losses, Measurement of Credit Losses on Financial Instruments. This ASU provides more useful information about expected credit losses to financial statement users and changes how entities will measure credit losses on financial instruments and timing of when such losses should be recognized. This ASU is effective for annual and interim periods beginning after December 15, 2019 for issuers and December 15, 2020 for non-issuers. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. In May 2019, the FASB issued ASU 2019-05, Financial Instruments — Credit Losses (Topic 326): Targeted Transition Relief. This update adds optional transition relief for entities to elect the fair value option for certain financial assets previously measured at amortized cost basis to increase comparability of similar financial assets. The updates should be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified retrospective approach). On November 19, 2019, the FASB issued ASU 2019-10 to amend the effective date for ASU 2016-13 to be fiscal years beginning after December 15, 2022 and interim periods therein. The Company adopted this guidance on January 1, 2023, and the adoption did not have a material impact on its consolidated financial statements.

In March 2023, the FASB issued an ASU to amend certain provisions of ASC 842 that apply to arrangements between related parties under common control. The ASU amends the accounting for the amortization period of leasehold improvements in common-control leases for all entities and requires

certain disclosures when the lease term is shorter than the useful life of the asset. This ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. We do not expect the application of this ASU to have a material impact on our consolidated financial statements or financial disclosures.

In November 2023, Accounting Standards Update ("ASU") 2023-07, "Improvements to Reportable Segment Disclosures" was issued. ASU 2023-07 requires, among other updates, enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker, as well as the aggregate amount of other segment items included in the reported measure of segment profit or loss. This aims to provide more decision-useful information to stakeholders by giving a clearer picture of the costs incurred by each reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective adoption. Early adoption is permitted. We are assessing the impact of this guidance on our disclosures.

In December 2023, ASU 2023-09, "Improvements to Income Tax Disclosures" was issued. ASU 2023-09 requires enhanced annual disclosures regarding the rate reconciliation and income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, and may be adopted on a prospective or retrospective basis. Early adoption is permitted. We are assessing the impact of this guidance on our disclosures.

Other accounting standards that have been issued by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on, or are unrelated to, its consolidated financial condition, results of operations, cash flows or disclosures.

### NOTE 3 – SHORT TERM INVESTMENT

As of September 30, 2024 and December 31, 2023, the Company's short term investment amounted to \$ 7,053,694 and \$2,818,068, respectively. In the nine months ended September 30, 2024, the Company purchased bank management products in a total amount of \$6,877,197 (RMB49,500,000). As of September 30, 2024, the fair value of the Company's bank management products was \$7,053,694 (RMB49,500,000).

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 4 – CONCENTRATION ON REVENUES AND COST OF GOODS SOLD

Concentration of major customers and suppliers:

	For the nine months ended September 30,			
	2024		2023	
Major customers representing more than 10% of the Company's revenues				
Company A	\$ 8,917,263	13.81%	\$ 10,900,747	16.14%
Company B	8,101,045	12.55%	7,692,337	11.38
<b>Total Revenues</b>	<b>\$ 17,018,308</b>	<b>26.36%</b>	<b>\$ 18,593,084</b>	<b>27.52%</b>

  

	As of			
	September 30, 2024		December 31, 2023	
Major customers of the Company's accounts receivable, net				
Company A	2,014,999	9.94%	2,143,828	12.36%
Company B	1,670,364	8.24%	1,582,994	9.12%
Company C	1,357,013	6.70%	1,415,116	8.16%
Company D	1,013,697	5.00%	1,370,447	7.90%
Company E	973,140	4.80%	1,192,684	6.87%
Company F	931,558	4.60%	746,874	4.30%
<b>Total</b>	<b>\$ 7,960,771</b>	<b>39.28%</b>	<b>\$ 8,451,943</b>	<b>48.71%</b>

Accounts receivable from the Company's major customers accounted for 39.28% and 48.71% of total accounts receivable balances as of September 30, 2024 and December 31, 2023, respectively.

There were no suppliers representing more than 10% of the Company's total purchases for the nine months ended September 30, 2024 and 2023, respectively.

#### NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable is net of allowance for expected credit losses.

	As of	
	September 30, 2024	December 31, 2023
Accounts receivable	\$ 21,731,756	\$ 17,351,398
Less: allowance for expected credit losses	(1,462,786)	(867,865)
<b>Accounts receivable, net</b>	<b>\$ 20,268,970</b>	<b>\$ 16,483,533</b>

Changes in the allowance for expected credit losses are as follows:

	As of	
	September 30, 2024	December 31, 2023
Beginning balance	\$ 867,865	\$ 762,325
Additional provision charged to expense	570,111	127,646
Effect of foreign exchange change	24,810	(22,106)



Ending balance	\$ 1,462,786	\$ 867,865
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GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – INVENTORIES, NET

As of September 30, 2024 and December 31, 2023, inventories consisted of the following:

	As of	
	September 30, 2024	December 31, 2023
Raw materials	\$ 8,011,330	\$ 9,337,110
Revolving material	1,145,738	1,143,558
Consigned processing material	2,204	60,754
Work-in-progress	2,157,233	2,501,368
Finished goods	11,047,944	12,192,937
Less: inventory impairment	(519,669)	(638,932)
<b>Inventories, net</b>	<b>\$ 21,844,780</b>	<b>\$ 24,596,795</b>

Changes in the inventory reserves are as follows:

	As of	
	September 30, 2024	December 31, 2023
Beginning balance	\$ 638,932	\$ 375,846
(Reversal of) inventory write-downs	(120,385)	271,233
Effect of foreign exchange change	1,122	(8,147)
<b>Ending balance</b>	<b>\$ 519,669</b>	<b>\$ 638,932</b>

NOTE 7 – NOTES RECEIVABLE

	As of	
	September 30, 2024	December 31, 2023
Bank notes receivable:	\$ 26,164,608	\$ 27,135,249
Commercial notes receivable	1,517,226	-
<b>Total</b>	<b>\$ 27,681,834</b>	<b>\$ 27,135,249</b>

Bank notes and commercial notes are means of payment from customers for the purchase of the Company's products and are issued by financial institutions or business entities, respectively, that entitle the Company to receive the full nominal amount from the issuers at maturity, which bear no interest and generally range from three to nine months from the date of issuance. As of September 30, 2024, the Company pledged notes receivable for an aggregate amount of \$18.93 million to Bank of Hangzhou as a means of security for issuance of bank acceptance notes in an aggregate amount of \$13.97 million. As of December 31, 2023, the Company pledged notes receivable for an aggregate amount of \$ 21.85 million to Bank of Hangzhou as a means of security for issuance of bank acceptance notes in an aggregate amount of \$19.35 million. The Company expects to collect notes receivable within 6 months after the issuance date of bank acceptance notes.

Due to the short term, high-quality credit rating of these commercial banks and no losses have occurred in history, for the nine months ended September 30, 2024 and 2023, the Company had no allowance for expected credit losses for notes receivable.

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GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

(a) As of September 30, 2024 and December 31, 2023, property, plant and equipment consisted of the following:

	As of	
	September 30, 2024	December 31, 2023
Buildings	\$ 11,579,128	\$ 11,444,906
Machinery	22,728,349	20,974,546
Motor vehicles	340,417	336,541
Electronic equipment	245,361	246,207
<b>Total property plant and equipment, at cost</b>	<b>34,893,255</b>	<b>33,002,200</b>
Less: accumulated depreciation	(21,076,369)	(19,325,844)
<b>Property, plant and equipment, net</b>	<b>\$ 13,816,886</b>	<b>\$ 13,676,356</b>
Construction in process	6,122	22,641

Total	<u>\$ 13,823,008</u>	<u>\$ 13,698,997</u>
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For the nine months ended September 30, 2024 and 2023, depreciation expense amounted to \$ 1.52 million and \$1.52 million, respectively, of which \$0.98 million and \$0.86 million, respectively, was included in cost of revenue and inventories, and the remainder was included in general and administrative expense and research and development expenses, respectively.

For the nine months ended September 30, 2024 and 2023, \$ 0.41 million and nil of construction-in-progress was converted into fixed assets.

Restricted assets consist of the following:

	As of	
	September 30, 2024	December 31, 2023
Buildings, net	\$ 1,949,074	\$ 2,024,994
<b>Total</b>	<b><u>1,949,074</u></b>	<b><u>2,024,994</u></b>

As of September 30, 2024, the Company pledged its ownership interests in certain buildings for book value of RMB 13.68 million (\$1.95 million) as security with Communications Bank of PRC for its loan facility with maximum exposure of RMB60.01 million.

#### NOTE 9 – LAND USE RIGHTS, NET

Land use rights consisted of the following:

	As of	
	September 30, 2024	December 31, 2023
Land use rights, cost	\$ 4,384,206	\$ 4,333,386
Less: Accumulated amortization	(961,022)	(884,881)
<b>Land use rights, net</b>	<b><u>\$ 3,423,184</u></b>	<b><u>\$ 3,448,505</u></b>

As of September 30, 2024, the Company had land use rights with net book value of \$ 1.13 million, which were pledged as collateral for the Company's short-term bank loans. As of December 31, 2023, the Company had land use rights with net book value of \$1.14 million, which were pledged as collateral for the Company's short-term bank loans.

Estimated future amortization expense is as follows as of September 30, 2024:

Years ending September 30,	Amortization expense
2025	\$ 85,490
2026	85,490
2027	85,490
2028	85,490
2029	85,490
Thereafter	2,995,734
<b>Total</b>	<b><u>\$ 3,423,184</u></b>

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### GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

#### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 10 – FIXED DEPOSIT

As of September 30, 2024 and December 31, 2023, fixed deposit consisted of the following:

	As of	
	September 30, 2024	December 31, 2023
Three-year bank deposit	\$ 7,337,008	\$ 9,916,308
<b>Total</b>	<b><u>\$ 7,337,008</u></b>	<b><u>\$ 9,916,308</u></b>

All fixed deposit were deposited in local banks in the PRC and the deposit term is three years. Fixed deposits will expire in 2026.

#### NOTE 11 – NOTES PAYABLE-BANK ACCEPTANCE NOTES

	As of	
	September 30, 2024	December 31, 2023
Bank acceptance notes	\$ 25,463,319	\$ 36,712,562
<b>Total</b>	<b><u>\$ 25,463,319</u></b>	<b><u>\$ 36,712,562</u></b>

The interest-free notes payable, ranging from nine months to one year from the date of issuance, were secured by \$3.09 million and \$5.21 million restricted cash, and \$18.93 million and \$21.85 million notes receivable, as of September 30, 2024 and December 31, 2023, respectively.

All the notes payable are subject to bank charges of 0.05% of the principal amount as commission, included in the financial expenses in the statement of operations, on each loan transaction. The interest charge of notes payable is free.

**NOTE 12 – ACCOUNTS PAYABLE**

Accounts payable are summarized as follow:

	As of	
	September 30, 2024	December 31, 2023
Procurement of Materials	\$ 26,005,329	\$ 25,011,515
Infrastructure& Equipment	180,034	43,530
Freight fee	156,748	217,483
<b>Total</b>	<b>\$ 26,342,111</b>	<b>\$ 25,272,528</b>

**NOTE 13 – SHORT TERM BANK LOANS**

Short-term loans are summarized as follow:

	As of	
	September 30, 2024	December 31, 2023
Collateralized bank loans	\$ -	\$ 2,760,602
Unsecured bank loans	-	281,694
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,042,296</b>

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**GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 13 – SHORT TERM BANK LOANS (CONTINUED)**

Short-term loans as of December 31, 2023 are as follow:

Maturity Date	Type	Bank Name	Interest Rate per Annum (%)	December 31, 2023
July 22, 2024	Operating Loans	Bank of Zheshang	3.60	\$ 1,352,132
July 25, 2024	Operating Loans	Bank of Hangzhou	3.55	1,408,470
February 22, 2024	Operating Loans	Industrial and Commercial Bank of Xinchang	3.45	\$ 281,694
<b>Total</b>				<b>\$ 3,042,296</b>

All short-term bank loans were obtained from local banks in the PRC and are repayable within one year.

On June 27, 2022, Zhejiang Zhongchai signed a Maximum Amount Pledge Contract with Bank of Communications Co. LTD., pledging its land use rights and property ownership as security, for a loan facility with a maximum principal amount of US\$8.28 million (RMB60.01 million) during the period from June 27, 2022 to June 26, 2027.

The average annual interest rate of the short-term bank loans was 3.122% and 3.805% for the nine months ended September 30, 2024 and 2023, respectively. The Company was in compliance with its loan financial covenants as of September 30, 2024 and December 31, 2023, respectively.

**NOTE 14 – OTHER CURRENT LIABILITIES**

Other current liabilities are summarized as follow:

	As of	
	September 30, 2024	December 31, 2023
Employee payables	112,004	807,615
Other tax payables	206,943	507,464
Other payable	346,800	115,443
Accrued expenses	1,700,162	660,985
<b>Total</b>	<b>\$ 2,365,909</b>	<b>\$ 2,091,507</b>

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**GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 15 – DEFERRED REVENUE**

Deferred revenue is summarized as follow:

As of

	September 30, 2024	December 31, 2023
Subsidy	1,372,358	1,529,831
<b>Total</b>	<b>\$ 1,372,358</b>	<b>\$ 1,529,831</b>

Subsidy mainly consists of an incentive granted by the Chinese government to encourage transformation of fixed assets in China and other miscellaneous subsidy from the Chinese government. As of September 30, 2024, grant income decreased by \$0.16 million, as compared to December 31, 2023. The change was mainly due to timing of incurring qualifying expenses.

#### NOTE 16 – LEASES

The Company leases its corporate offices and assembly site under operating leases, with initial terms of 5.58 years, respectively. Usually within four months prior to the expiration date of a lease, the Company is required to notify the lessor and has a priority to continue renting the lease property if a lessor intends to lease property. The lease itself does not have restrictions or covenants. Any damage, if made by the lessee, to the property and equipment within the property has to be fixed or reimbursed by the lessee.

Supplemental balance sheet information related to leases as of September 30, 2024 and December 31, 2023 is as follows:

	As of	
	September 30, 2024	December 31, 2023
<b>Assets:</b>		
Right-of-use assets	\$ 1,748,818	\$ 2,125,542
<b>Liabilities:</b>		
Lease liabilities	\$ 506,118	\$ 487,695
Lease liabilities	1,301,291	1,684,614
<b>Total operating lease liabilities</b>	<b>\$ 1,807,409</b>	<b>\$ 2,172,309</b>
<b>Lease term and discount rate</b>		
Weighted average remaining lease term (in years)	3.17	2.09
Weighted average discount rate	4.32	4.5

The following summarizes the components of operating lease expense and provides supplemental cash flow information for operating leases:

	For the nine months ended September 30,	
	2024	2023
<b>Components of lease expense:</b>		
Operating lease expense	\$ 417,581	\$ 308,407
Total lease expense	\$ 417,581	\$ 308,407

The following table summarizes the maturity of lease liabilities under operating leases as of September 30, 2024:

For the years ending September 30,	Operating Leases
2025	\$ 585,084
2026	602,020
2027	619,552
2028	157,878
Total lease payments	\$ 1,964,534
Less: imputed interest	(157,125)
Present value of lease liabilities	1,807,409

## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 17 – WARRANT LIABILITY

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in FASBASC 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815. The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own ordinary shares and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations.

In connection with the registered direct offering closed on July 27, 2022, the Company issued to an investor a warrant to purchase up to 4,530,000 ordinary shares at an exercise price of \$4.49 per share. The warrant became exercisable on January 27, 2023 and will expire on January 26, 2028.

The warrants meet the definition of a derivative under FASB ASC 815, as the Company cannot avoid a net cash settlement under certain circumstances. The fair value of the warrant liabilities was measured using a Black-Scholes model. Significant inputs into the model as of the reporting period begin remeasurement dates, and as of the reporting period end remeasurement dates are as follows:

	Ordinary Share Warrants September 30, 2024	Ordinary Share Warrants December 31, 2023
Share price	\$ 2.47	\$ 2.79
Exercise price	\$ 4.49	\$ 4.49
Expected term (years)	1.66	2.04
Risk-free interest rate	3.8%	4.2%
Expected volatility	100.00%	80.00%

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 17 – WARRANT LIABILITY (CONTINUED)

The warrants outstanding and fair values at each of the respective valuation dates are summarized below:

	As of	
	September 30, 2024	December 31, 2023
Number of ordinary share warrants	4,530,000	4,530,000
Fair value of the warrants	\$ 3,841,293	\$ 4,084,605

The fair value of the warrants was classified as a liability of \$ 4,084,605 as of December 31, 2023. For the nine months ended September 30, 2024, the Company recognized a gain of \$243,312 for the investor warrant from the change in fair value of the warrant liability. As a result, the warrant liability is carried on the consolidated balance sheets at the fair value of \$3,841,293 for the investor warrant, collectively, as of September 30, 2024.

#### NOTE 18 – SHAREHOLDER'S EQUITY

**Preferred Shares** — The Company is authorized to issue an unlimited number of no par value preferred shares, divided into five classes, Class A through Class E, each with such designation, rights and preferences as may be determined by a resolution of the Company's board of directors to amend the Memorandum and Articles of Association to create such designations, rights and preferences. The Company has five classes of preferred shares to give the Company flexibility as to the terms on which each class is issued. All shares of a single class must be issued with the same rights and obligations. Accordingly, starting with five classes of preferred shares will allow the Company to issue shares at different times on different terms. As of September 30, 2024 and December 31, 2023, there were no preferred shares designated, issued or outstanding.

**Ordinary Shares** — The Company is authorized to issue an unlimited number of no par value ordinary shares. Holders of the Company's ordinary shares are entitled to one vote for each share. As of September 30, 2024 and December 31, 2023, there were 13,594,530 and 13,594,530 ordinary shares issued and outstanding.

**Warrants** — Redeemable warrants sold as part of the units in the Company's initial public offering, or the Public Warrants (together with the Private Warrants (as defined below), the "Warrants") may only be exercised for a whole number of shares. No fractional shares were issued upon exercise of the Public Warrants. The Public Warrants were exercisable from October 24, 2019 to October 24, 2024, five years from the consummation of the Business Combination.

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 18 – SHAREHOLDER'S EQUITY (CONTINUED)

Private warrants included (i) the 282,000 warrants underlying the units issued to Greenland Asset Management Corporation (the "Sponsor") and Chardan Capital Markets, LLC ("Chardan") in a private placement in connection with our initial public offering ("Private Unit Warrants"), and (ii) 120,000 warrants held by Chardan upon the exercise of its unit purchase option to purchase 120,000 units in March 2021 ("Option Warrants," together with Private Unit Warrants, the "Private Warrants"). The Private Warrants are identical to the Public Warrants underlying the units sold in the Initial Public Offering, except that the Private Warrants and the ordinary shares issuable upon the exercise of the Private Warrants are not transferable, assignable or saleable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Warrants were exercisable on a cashless basis and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants were held by someone other than the initial purchasers or their permitted transferees, the Private Warrants would be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

As of September 30, 2024, there were a total of 4,705,312 Warrants outstanding, including 4,303,312 Public Warrants held by CEDE & CO, and 142,000 and 260,000 Private Warrants held by Chardan and the Sponsor, respectively.

#### Unit Purchase Option

On July 27, 2018, the Company sold to Chardan (and its designees), for \$ 100, an option to purchase up to 240,000 units exercisable at \$11.50 per unit (or an aggregate exercise price of \$2,760,000), commencing on the consummation of the Business Combination. The unit purchase option may be exercised for cash or on a cashless basis, at the holder's option, and expired on July 24, 2023. The units issuable upon exercise of the option are identical to those offered in the initial public offering. The Company accounted for the unit purchase option, inclusive of the receipt of \$100 cash payment, as an expense of the initial public offering resulting in a charge directly to shareholders' equity. The option and such units purchased pursuant

to the option, as well as the ordinary shares underlying such units, the rights included in such units, the ordinary shares that are issuable for the rights included in such units, the warrants included in such units, and the shares underlying such warrants, have been deemed compensation by FINRA and are therefore subject to a 180-day lock-up pursuant to Rule 5110(g) (1) of FINRA's Nasdaq Conduct Rules. Additionally, the option may not be sold, transferred, assigned, pledged or hypothecated for a one-year period (including the foregoing 180-day period) following the date of initial public offering except to any underwriter and selected dealer participating in the initial public offering and their bona fide officers or partners. The option grants to holders demand and "piggy back" rights for periods of five and seven years, respectively, from the effective date of the registration statement with respect to the registration under the Securities Act of 1933, as amended, of the securities directly and indirectly issuable upon exercise of the option. The Company will bear all fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and number of units issuable upon exercise of the option may be adjusted in certain circumstances including in the event of a stock dividend, or the Company's recapitalization, reorganization, merger or consolidation. However, the option will not be adjusted for issuances of ordinary shares at a price below its exercise price. As of September 30, 2024, the unit purchase option had expired and no unit purchase option exercisable by Chardan is outstanding.

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 19 – EARNINGS PER SHARE

The Company reports earnings per share in accordance with the provisions of the FASB's related accounting standard. This standard requires presentation of basic and diluted earnings per share in conjunction with the disclosure of the methodology used in computing such earnings per share. Basic earnings per share excludes dilution, but includes vested restricted stocks and is computed by dividing income available to shareholders by the weighted average ordinary shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised and converted into ordinary shares.

The following is a reconciliation of the basic and diluted earnings per share computation:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Net income attributable to the Greenland Technologies Holding Corporation and subsidiaries	\$ (684,391)	\$ (887,420)	\$ 6,468,722	\$ 2,958,693
Weighted average basic and diluted computation shares outstanding:				
<b>Weighted average shares used in basic computation</b>	<b>13,594,530</b>	<b>13,594,530</b>	<b>13,594,530</b>	<b>13,307,954</b>
Diluted effect of stock options and warrants	—	—	—	—
<b>Weighted average shares used in diluted computation</b>	<b>13,594,530</b>	<b>13,594,530</b>	<b>13,594,530</b>	<b>13,307,954</b>
Basic and diluted net income per share	\$ (0.05)	\$ (0.07)	0.48	0.22

For the nine months ended September 30, 2024 and 2023, 4,530,000 shares underlying outstanding warrants to an investor were excluded from the calculation of diluted loss per share as the warrants were anti-dilutive. The exercise price of the warrants is higher than the average price of ordinary shares during the periods, so the warrants is "out-of-the-money" and result in an anti-dilutive effect on earnings per share.

#### NOTE 20 – GEOGRAPHICAL SALES AND SEGMENTS

All of the Company's operations are considered by the chief operating decision maker to be aggregated in one reportable operating segment.

Information for the Company's sales by geographical area for the three and nine months ended September 30, 2024 and 2023 are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Domestic Sales	\$ 18,666,444	\$ 21,707,665	\$ 62,719,017	\$ 66,982,355
International Sales	167,649	129,096	1,855,927	573,215
<b>Total</b>	<b>\$ 18,834,093</b>	<b>\$ 21,836,761</b>	<b>\$ 64,574,944</b>	<b>\$ 67,555,570</b>

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## GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 21 – INCOME TAXES

Income tax expense includes a provision for federal, state and foreign taxes based on the annual estimated effective tax rate applicable to the Company and its subsidiaries, adjusted for items which are considered discrete to the period.

The effective tax rates on income before income taxes for the nine months ended September 30, 2024 was 7.89%. The effective tax rate for the nine months ended September 30, 2024 was lower than the PRC tax rate of 25.0% primarily due to the China Super R&D deduction.

The effective tax rates on income before income taxes for the nine months ended September 30, 2023 was 20.93%. The effective tax rate for the nine months ended September 30, 2023 was lower than the PRC tax rate of 25.0% primarily due to the China Super R&D deduction.

The Company has recorded nil unrecognized benefit as of September 30, 2024 and December 31, 2023, respectively. On the information currently available, the Company does not anticipate a significant increase or decrease to its unrecognized benefit within the next 12 months.

#### NOTE 22 – COMMITMENTS AND CONTINGENCIES



Guarantees and pledged collateral for bank loans to other parties:

*Pledged collateral for bank loans*

On June 27, 2022, Zhejiang Zhongchai signed a Maximum Amount Pledge Contract with Bank of Communications Co. LTD., pledging its land use rights and property ownership as security, for a loan facility with a maximum principal amount of US\$8.28 million (RMB60.01 million) during the period from June 27, 2022 to June 26, 2027. As of September 30, 2024 and December 31, 2023, the outstanding amount of the short-term bank loan under this pledge contract was nil.

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**GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 22 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Facility Leases**

The Company has leased premises for its assembly site under non-cancellable operating leases since June 2022. See further discussion in NOTE 16 – LEASES.

Rent expense is recognized on a straight-line basis over the terms of the operating leases accordingly and the Company records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability.

The following are the aggregate non-cancellable future minimum lease payments under operating and financing leases as of September 30, 2024:

<b>For the years ending September 30,</b>	<b>Operating Leases</b>
<b>2025</b>	<b>\$ 25,122</b>
Total lease payments	<b>\$ 25,122</b>

**NOTE 23 – RELATED PARTY TRANSACTIONS**

**(a) Names and Relationship of Related Parties:**

	<b>Existing Relationship with the Company</b>
Cenntro Holding Limited	Controlling shareholder of the Company
Cenntro Smart Manufacturing Tech. Co., Ltd.	Under common control of Peter Zuguang Wang
Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership)	Under common control of Peter Zuguang Wang
Peter Zuguang Wang	Chairman of the Board of Directors of the Company

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**GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 23 – RELATED PARTY TRANSACTIONS (CONTINUED)**

**(b) Summary of Balances with Related Parties:**

	<b>As of</b>	
	<b>September 30, 2024</b>	<b>December 31, 2023</b>
<b>Due to related parties:</b>		
Cenntro Smart Manufacturing Tech. Co., Ltd. <sup>1</sup>	\$ 2,636	\$ 2,606
Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership) <sup>2</sup>	94,442	94,442
Cenntro Holding Limited <sup>3</sup>	1,341,627	1,341,627
Peter Zuguang Wang <sup>4</sup>	2,392,961	2,392,961
<b>Total</b>	<b>\$ 3,831,666</b>	<b>\$ 3,831,636</b>

All balances of due to related parties as of September 30, 2024 and December 31, 2023 were unsecured, interest-free and had no fixed terms of repayments.

The balance of due to related parties as of September 30, 2024 and December 31, 2023 consisted of:

- Employee wages paid by Cenntro Smart Manufacturing Tech. Co., Ltd. on the Company's behalf;
- Temporary borrowings from Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership);
- Total dividend payment of \$7.6 million declared by Zhongchai Holding to Cenntro Holding Limited. As of December 31, 2019, the balance was \$ 1.34 million, and no further payments had been made since then;

- 4 Payable to Peter Zuguang Wang for capital reduction due to the dissolution of Shanghai Hengyu Business Management Consulting Co., Ltd. on July 10, 2023.

	As of	
	September 30, 2024	December 31, 2023
<b>Due from related parties-current, net:</b>		
Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership)	228,311	225,927
<b>Total</b>	<b>\$ 228,311</b>	<b>\$ 225,927</b>

The balance of due from related parties as of September 30, 2024 and December 31, 2023 consisted of:

Other receivable from Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership) was \$ 0.23 million and \$0.23 million as of September 30, 2024 and December 31, 2023, respectively. The receivable was a loan with annual interest rate of 4.785%.

**(c) Summary of Related Party dividend payment:**

A summary of dividend payment declared by Zhejiang Zhongchai to related parties for the nine months ended September 30, 2024 and 2023 are listed below:

	For the nine months ended September 30,	
	2024	2023
<b>Dividend payment to related parties:</b>		
Xinchang County Jiuxin Investment Management Partnership (LP)	-	208,524
Xinchang County Jiuhe Investment Management Partnership (LP)	-	495,071

**NOTE 24 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which is November 14, 2024. All subsequent events requiring recognition as of September 30, 2024 have been incorporated into these financial statements and there are no other subsequent events that require disclosure in accordance with FASB ASC Topic 855.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

*The following discussion and analysis of financial condition and results of operations relates to the operations and financial condition reported in the consolidated financial statements of the Company thereto, which appear elsewhere in this quarterly report on Form 10-Q, and should be read in conjunction with such financial statements and related notes included in this quarterly report on Form 10-Q. Except for the historical information contained herein, the following discussion, as well as other information in this report, contain "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the "safe harbor" created by those sections. Actual results and the timing of the events may differ materially from those contained in these forward-looking statements due to many factors, including those discussed in the "Forward-Looking Statements" set forth elsewhere in this quarterly report on Form 10-Q.*

**Overview**

Greenland Technologies Holding Corporation (the "Company" or "Greenland") designs, develops, manufactures and sells components and products for the global material handling industries.

Through its PRC subsidiaries, Greenland offers transmission products, which are key components for forklift trucks used in manufacturing and logistic applications, such as factories, workshops, warehouses, fulfillment centers, shipyards, and seaports. Forklifts play an important role in the logistic systems of many companies across different industries in China and globally. Generally, industries with the largest demand for forklifts include the transportation, warehousing logistics, electrical machinery, and automobile industries. Greenland's revenue decreased from approximately \$67.56 million for the nine months ended September 30, 2023 to \$64.57 million for the nine months ended September 30, 2024. The decrease in revenue was primarily the result of the decrease of approximately \$2.88 million in the Company's sales volume of transmission products for the nine months ended September 30, 2024. Nevertheless, based on the revenues for the nine months ended September 30, 2024 and 2023, Greenland believes that it is one of the major developers and manufacturers of transmission products for small and medium-sized forklift trucks in China.

Greenland's transmission products are used in 1-ton to 15-tons forklift trucks, some with mechanical shift and some with automatic shift. Greenland sells these transmission products directly to forklift-truck manufacturers. For the nine months ended September 30, 2024 and 2023, Greenland sold an aggregate of 114,075 and 112,414 sets of transmission products, respectively, to more than 100 forklift manufacturers in the PRC.

In January 2020, Greenland launched HEVI Corp. ("HEVI"), formerly known as Greenland Technologies Corp. to focus on the production and sale of electric industrial vehicles to meet the increasing demand for electric industrial vehicles and machinery powered by sustainable energy in order to reduce air pollution and lower carbon emissions. HEVI is a wholly owned subsidiary of Greenland incorporated under the laws of the State of Delaware. HEVI's electric industrial vehicle products currently include GEF-series electric forklifts, a series of lithium powered forklifts with three models ranging in size from 1.8 tons to 3.5 tons, GEL-1800, a 1.8 ton rated load lithium powered electric wheeled front loader, GEX-8000, an all-electric 8.0 ton rated load lithium powered wheeled excavator, and GEL-5000, an all-electric 5.0 ton rated load lithium wheeled front loader. In addition, HEVI introduced a line of mobile DC battery chargers that support DC powered EV applications in the North America market. These products are available for purchase in the United States ("U.S.") market. In August 2022, Greenland launched a 54,000 square foot industrial electric vehicle assembly site in Baltimore, Maryland to support local services, assembly and distribution of its electric industrial heavy equipment products line. In July 2024, HEVI announced a partnership with Lonking Holdings Limited to develop and distribute heavy electric machinery and related technology specialized for the U.S. market. In August 2024, HEVI launched its H55L all-electric wheeled front-end loader, which can lift up to six tons in indoor and outdoor applications without the mess and emissions of diesel, and the H65L all-electric wheeled front-end loader, the largest lithium battery powered electric wheel loader commercially available in North America.

Greenland serves as the parent company of Greenland Holding Enterprises Inc. ("Greenland Holding"), a company incorporated in the State of Delaware and a wholly-owned subsidiary of Greenland, which in turns holds 100% of the equity interests in Zhongchai Holding (Hong Kong) Limited, a holding company formed under the laws of the Hong Kong Special Administrative Region ("Hong Kong") on April 23, 2009 ("Zhongchai Holding"). Zhongchai Holding's subsidiaries include Zhejiang Zhongchai Machinery Co. Ltd., an operating company formed under the laws of the People's Republic of China (the "PRC" or "China") in 2005, Hangzhou Greenland Energy Technologies Co., Ltd. ("Hangzhou Greenland"), an operating company formed under the laws of the PRC in 2019, and Hengyu Capital Limited, a company formed in Hong Kong on August 16, 2022 ("Hengyu Capital"). Through Zhongchai Holding and its subsidiaries, Greenland develops and manufactures traditional transmission products for material handling machineries in the PRC.

Greenland was incorporated on December 28, 2017 as a British Virgin Islands company with limited liability. Following the Business Combination (as described and defined below) in October 2019, the Company changed its name from Greenland Acquisition Corporation to Greenland Technologies Holding Corporation.

## Results of Operations

### For the three months ended September 30, 2024 and 2023

#### Overview

	For the three months ended September 30			
	2024	2023	Change	Variance
<b>Revenues</b>	\$ 18,834,093	\$ 21,836,761	\$ (3,002,668)	(13.8)%
<b>Cost of Goods Sold</b>	13,868,406	15,568,224	(1,699,818)	(10.9)%
<b>Gross Profit</b>	<b>4,965,687</b>	<b>6,268,537</b>	<b>(1,302,850)</b>	<b>(20.8)%</b>
Selling expenses	397,444	606,649	(209,205)	(34.5)%
General and administrative expenses	1,202,242	1,610,100	(407,858)	(25.3)%
Research and development expenses	437,978	1,245,646	(807,668)	(64.8)%
<b>Total Operating Expenses</b>	<b>2,037,664</b>	<b>3,462,395</b>	<b>(1,424,731)</b>	<b>(41.1)%</b>
<b>Income from operations</b>	<b>2,928,023</b>	<b>2,806,142</b>	<b>121,881</b>	<b>4.3%</b>
Interest income	237,333	4,242	233,091	5,494.8%
Interest expenses	(9,477)	(72,952)	63,475	(87.0)%
Change in fair value of the warrant liability	(2,661,012)	-	(2,661,012)	100.0%
Other income	208,676	(1,663,627)	1,872,303	(112.5)%
<b>Income before income tax</b>	<b>703,543</b>	<b>1,073,805</b>	<b>(370,262)</b>	<b>(34.5)%</b>
<b>Income tax</b>	<b>344,250</b>	<b>878,922</b>	<b>(534,672)</b>	<b>(60.8)%</b>
<b>Net income</b>	<b>359,293</b>	<b>194,883</b>	<b>164,410</b>	<b>84.4%</b>

#### Components of Results of Operations

Component of Results of Operations	For the three months ended September 30	
	2024	2023
Revenues	\$ 18,834,093	\$ 21,836,761
Cost of Goods Sold	13,868,406	15,568,224
Gross Profit	<b>4,965,687</b>	<b>6,268,537</b>
Operating Expenses	2,037,664	3,462,395
Net Income	<b>359,293</b>	<b>194,883</b>

#### Revenue

Greenland's revenue was approximately \$18.83 million for the three months ended September 30, 2024, representing a decrease of approximately \$3.01 million, or 13.8%, as compared to that of approximately \$21.84 million for the three months ended September 30, 2023. The decrease in revenue was primarily a result of the decrease of approximately \$2.88 million in the Company's sales volume of transmission products for the three months ended September 30, 2024. On an RMB basis, our revenue for the three months ended September 30, 2024 decreased by approximately 14.9% as compared to that for the three months ended September 30, 2023.

#### Cost of Goods Sold

Greenland's cost of goods sold consists primarily of material costs, freight charges, purchasing and receiving costs, inspection costs, internal transfer costs, wages, employee compensation, amortization, depreciation and related costs, which are directly attributable to the Company's manufacturing activities. The write down of inventory using the net realizable value impairment test is also recorded in cost of goods sold. The total cost of goods sold was approximately \$13.87 million for the three months ended September 30, 2024, representing a decrease by approximately \$1.70 million, or 10.9%, as compared to that of approximately \$15.57 million for the three months ended September 30, 2023. Cost of goods sold decreased due to the decrease in our sales volume.

#### Gross Profit

Greenland's gross profit was approximately \$4.97 million for the three months ended September 30, 2024, representing a decrease by approximately \$1.30 million, or 20.8%, as compared to that of approximately \$6.27 million for the three months ended September 30, 2023. For the three months ended September 30, 2024 and 2023, Greenland's gross margin were approximately 26.4% and 28.7%, respectively. The decrease in gross profit in the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was primarily due to the decrease in our sales volume.

#### Operating Expenses

Greenland's operating expenses consist of selling expenses, general and administrative expenses and research and development expenses.

### Selling Expenses

Selling expenses mainly comprise of operating expenses such as sales staff payroll, traveling expenses, and transportation expenses. Our selling expenses were approximately \$0.40 million for the three months ended September 30, 2024, representing a decrease of approximately \$0.21 million, or 34.5%, as compared to approximately \$0.61 million for the three months ended September 30, 2023. The decrease was mainly due to a decrease in advertising and marketing expenses and shipping expenses for the three months ended September 30, 2024.

### General and Administrative Expenses

General and administrative expenses comprise of management and staff salaries, employee benefits, depreciation for office facility and office furniture and equipment, travel and entertainment expenses, legal and accounting fees, financial consulting fees, and other office expenses. General and administrative expenses were approximately \$1.20 million for the three months ended September 30, 2024, representing a decrease of approximately \$0.41 million, or 25.3%, as compared to that of approximately \$1.61 million for the three months ended September 30, 2023. The decrease in general and administrative expenses was mainly due to the decrease of approximately \$0.23 million in provision for inventory and the decrease of approximately \$0.18 million in professional fees for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023.

### Research and Development (R&D) Expenses

R&D expenses consist of R&D personnel compensation, costs of materials used in R&D projects, and depreciation costs for research-related equipment. R&D expenses were approximately \$0.44 million for the three months ended September 30, 2024, representing a decrease of approximately \$0.81 million, or 64.8%, as compared to that of approximately \$1.25 million for the three months ended September 30, 2023. Such decrease was primarily attributable to a significant decrease in the Company's R&D activities during the three months ended September 30, 2024.

### Income from Operations

Income from operations for the three months ended September 30, 2024 was approximately \$2.93 million, representing an increase of approximately \$0.12 million, as compared to that of approximately \$2.81 million for the three months ended September 30, 2023.

### Interest Income and Interest Expenses

Greenland's interest income was approximately \$0.24 million for the three months ended September 30, 2024, representing an increase of approximately \$0.24 million, or 5,494.8%, as compared to that of approximately \$0.00 million for the three months ended September 30, 2023. The increase in interest income was because more cash was deposited in banks during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023.

Greenland's interest expenses were approximately \$0.01 million for the three months ended September 30, 2024, representing a decrease of approximately \$0.06 million, or 87.0%, as compared to that of approximately \$0.07 million for the three months ended September 30, 2023. The decrease was primarily due to a decrease of our short-term loans for the three months ended September 30, 2024, compared to those for the three months ended September 30, 2023.

### Other Income

Greenland's other income was approximately \$0.21 million for the three months ended September 30, 2024, representing an increase of approximately \$1.87 million, or 112.5%, as compared to approximately \$1.66 million in other loss for the three months ended September 30, 2023. The increase was primarily due to a decrease in investment loss for the three months ended September 30, 2024, compared to those for the three months ended September 30, 2023.

### Income Taxes

Greenland's income tax was approximately \$0.34 million for the three months ended September 30, 2024, as compared to that of approximately \$0.88 million for the three months ended September 30, 2023.

Zhejiang Zhongchai obtained a "high-tech enterprise" status near the end of the fiscal year of 2022. Such status allows Zhejiang Zhongchai to enjoy a reduced statutory income tax rate of 15%, rather than the standard PRC corporate income tax rate of 25%. Income tax for the nine months ended September 30, 2024 and 2023 were calculated based on a rate of 15%. The "high-tech enterprise" status is reevaluated by relevant Chinese government agencies every three years. Zhejiang Zhongchai's current "high-tech enterprise" will be reevaluated near the end of 2025.

Greenland's other PRC subsidiaries are subject to different income tax rates. Hangzhou Greenland, the wholly owned subsidiary of Zhongchai Holding, is subject to the 25% standard income tax rate. Greenland is a holding company registered in the British Virgin Islands and is not subject to tax on income or capital gains under the current British Virgin Islands law. In addition, upon payment of dividends to its shareholders, the Company will not be subject to any British Virgin Islands withholding tax.

On January 14, 2020, Greenland established HEVI, its wholly owned subsidiary in the state of Delaware. HEVI promotes sales of sustainable alternative products for the heavy industrial equipment industry, including electric industrial vehicles, in the North American market. On December 22, 2017, the U.S. federal government enacted the 2017 Tax Act. The 2017 Tax Act includes a number of changes in existing tax law impacting businesses, including the transition tax, a one-time deemed repatriation of cumulative undistributed foreign earnings and a permanent reduction in the U.S. federal statutory rate from 35% to 21%, effective on January 1, 2018. ASC 740 requires companies to recognize the effect of tax law changes in the period of enactment, and accordingly, the effects must be recognized on companies' calendar year-end financial statements, even though the effective date for most provisions is January 1, 2018. Since HEVI was established in 2020, the one-time transition tax did not have any impact on the Company's tax provision and there was no undistributed accumulated earnings and profits as of September 30, 2024.

On March 26, 2024, the Company entered into a share exchange agreement with Greenland Holding Enterprises Inc. and Zhongchai Holding (the "2024 Share Exchange Agreement"). Pursuant to the 2024 Share Exchange Agreement, Greenland Holding Enterprises Inc. issued 100 shares of common stock to the Company, par value \$0.01 per share, representing all issued and outstanding share capital of Greenland Holding Enterprises Inc., in

exchange for 100% of the equity interest of Zhongchai Holding. Greenland Holding Enterprises Inc. is a holding company registered on August 28, 2023 in the State of Delaware with no material operations. Since Greenland Holding Enterprises Inc. was established in 2023, the one-time transition tax did not have any impact on the Company's tax provision and there was no undistributed accumulated earnings and profits as of September 30, 2024.

#### Net Income

Our net income was approximately \$0.36 million for the three months ended September 30, 2024, representing an increase of approximately \$0.17 million, as compared to that of approximately \$0.19 million for the three months ended September 30, 2023.

#### For the nine months ended September 30, 2024 and 2023

##### Overview

	For the nine months ended September 30			
	2024	2023	Change	Variance
<b>Revenues</b>	\$ 64,574,944	\$ 67,555,570	\$ (2,980,626)	(4.4)%
<b>Cost of Goods Sold</b>	47,188,133	48,835,766	(1,647,633)	(3.4)%
<b>Gross Profit</b>	<b>17,386,811</b>	<b>18,719,804</b>	<b>(1,332,993)</b>	<b>(7.1)%</b>
Selling expenses	1,412,086	1,568,174	(156,088)	(10.0)%
General and administrative expenses	4,585,163	4,771,568	(186,405)	(3.9)%
Research and development expenses	2,548,765	3,790,931	(1,242,166)	(32.8)%
<b>Total Operating Expenses</b>	<b>8,546,014</b>	<b>10,130,673</b>	<b>(1,584,659)</b>	<b>(15.6)%</b>
<b>Income from operations</b>	<b>8,840,797</b>	<b>8,589,131</b>	<b>251,666</b>	<b>2.9%</b>
Interest income	622,278	79,318	542,960	684.5%
Interest expenses	(89,325)	(218,949)	129,624	(59.2)%
Change in fair value of the warrant liability	243,312	-	243,312	100.0%
Other income	1,023,713	(1,375,252)	2,398,965	(174.4)%
<b>Income before income tax</b>	<b>10,640,775</b>	<b>7,074,248</b>	<b>3,566,527</b>	<b>50.4%</b>
<b>Income tax</b>	<b>839,050</b>	<b>1,480,595</b>	<b>(641,545)</b>	<b>(43.3)%</b>
<b>Net income</b>	<b>9,801,725</b>	<b>5,593,653</b>	<b>4,208,072</b>	<b>75.2%</b>

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#### Components of Results of Operations

Component of Results of Operations	For the nine months ended September 30	
	2024	2023
Revenues	\$ 64,574,944	\$ 67,555,570
Cost of Goods Sold	47,188,133	48,835,766
Gross Profit	<b>17,386,811</b>	<b>18,719,804</b>
Operating Expenses	8,546,014	10,130,673
Net Income	<b>9,801,725</b>	<b>5,593,653</b>

#### Revenue

Greenland's revenue was approximately \$64.57 million for the nine months ended September 30, 2024, representing a decrease of approximately \$2.99 million, or 4.4%, as compared to that of approximately \$67.56 million for the nine months ended September 30, 2023. The decrease in revenue was primarily a result of the decrease of approximately \$3.60 million in the Company's sales volume of transmission products for the nine months ended September 30, 2024. On an RMB basis, our revenue for the nine months ended September 30, 2024 decreased by approximately 2.2% as compared to that for the nine months ended September 30, 2023.

#### Cost of Goods Sold

Greenland's cost of goods sold consists primarily of material costs, freight charges, purchasing and receiving costs, inspection costs, internal transfer costs, wages, employee compensation, amortization, depreciation and related costs, which are directly attributable to the Company's manufacturing activities. The write down of inventory using the net realizable value impairment test is also recorded in cost of goods sold. The total cost of goods sold was approximately \$47.19 million for the nine months ended September 30, 2024, representing a decrease by approximately \$1.65 million, or 3.4%, as compared to that of approximately \$48.84 million for the nine months ended September 30, 2023. Cost of goods sold decreased due to the decrease in our sales volume.

#### Gross Profit

Greenland's gross profit was approximately \$17.39 million for the nine months ended September 30, 2024, representing a decrease by approximately \$1.33 million, or 7.1%, as compared to that of approximately \$18.72 million for the nine months ended September 30, 2023. For the nine months ended September 30, 2024 and 2023, Greenland's gross margins were approximately 26.9% and 27.7%, respectively. The decrease in gross profit in the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 was primarily due to a decrease in our sales volume.

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#### Operating Expenses

Greenland's operating expenses consist of selling expenses, general and administrative expenses and research and development expenses.

#### Selling Expenses

Selling expenses mainly comprise of operating expenses such as sales staff payroll, traveling expenses, and transportation expenses. Our selling expenses were approximately \$1.41 million for the nine months ended September 30, 2024, representing a decrease of approximately \$0.16 million, or 10.0%, as compared to approximately \$1.57 million for the nine months ended September 30, 2023. The decrease was mainly due to a decrease in advertising and marketing expenses and shipping expenses for the nine months ended September 30, 2024.

#### General and Administrative Expenses

General and administrative expenses comprise of management and staff salaries, employee benefits, depreciation for office facility and office furniture and equipment, travel and entertainment expenses, legal and accounting fees, financial consulting fees, and other office expenses. General and administrative expenses were approximately \$4.59 million for the nine months ended September 30, 2024, representing a decrease of approximately \$0.18 million, or 3.9%, as compared to that of approximately \$4.77 million for the nine months ended September 30, 2023. The decrease in general and administrative expenses was mainly due to a decrease in professional fees for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023.

#### Research and Development (R&D) Expenses

R&D expenses consist of R&D personnel compensation, costs of materials used in R&D projects, and depreciation costs for research-related equipment. R&D expenses were approximately \$2.55 million for the nine months ended September 30, 2024, representing a decrease of approximately \$1.24 million, or 32.8%, as compared to that of approximately \$3.79 million for the nine months ended September 30, 2023. Such decrease was primarily attributable to a significant decrease in the Company's R&D activities during the nine months ended September 30, 2024.

#### Income from Operations

Income from operations for the nine months ended September 30, 2024 was approximately \$8.84 million, representing an increase of approximately \$0.25 million, as compared to that of approximately \$8.59 million for the nine months ended September 30, 2023.

#### Interest Income and Interest Expenses

Greenland's interest income was approximately \$0.62 million for the nine months ended September 30, 2024, representing an increase of approximately \$0.54 million, or 684.5%, as compared to that of approximately \$0.08 million for the nine months ended September 30, 2023. The increase in interest income was because more cash was deposited in banks during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

Greenland's interest expenses were approximately \$0.09 million for the nine months ended September 30, 2024, representing a decrease of approximately \$0.13 million, or 59.2%, as compared to that of approximately \$0.22 million for the nine months ended September 30, 2023. The decrease was primarily due to a decrease of our short-term loans for the nine months ended September 30, 2024, compared to those for the nine months ended September 30, 2023.

#### Other Income

Greenland's other income was approximately \$1.02 million for the nine months ended September 30, 2024, representing an increase of approximately \$2.39 million, or 174.4%, as compared to approximately \$1.37 million in other loss for the nine months ended September 30, 2023. The increase was primarily due to a decrease in investment loss for the nine months ended September 30, 2024, compared to that for the nine months ended September 30, 2023.

#### Income Taxes

Greenland's income tax was approximately \$0.84 million for the nine months ended September 30, 2024, as compared to that of approximately \$1.48 million for the nine months ended September 30, 2023.

#### Net Income

Our net income was approximately \$9.80 million for the nine months ended September 30, 2024, representing an increase of approximately \$4.21 million, as compared to that of approximately \$5.59 million for the nine months ended September 30, 2023.

#### **Liquidity and Capital Resources**

Greenland is a holding company incorporated in the British Virgin Islands. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of their respective registered capital. Our PRC subsidiaries may also allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends.

We have funded working capital and other capital requirements primarily by equity contributions, cash flow from operations, short-term bank loans and bank acceptance notes, and long-term bank loans. Cash is required primarily to purchase raw materials, repay debts and pay salaries, office expenses, income taxes and other operating expenses.

For the nine months ended September 30, 2024, our PRC subsidiary, Zhejiang Zhongchai, paid off approximately \$8.56 million in bank loan, approximately \$0.69 million in loan to third parties, and maintained \$17.63 million cash on hand. We plan to maintain the current debt structure and rely on governmentally supported loans with lower costs, if necessary.

Government subsidies mainly consist of an incentive granted by the Chinese government to encourage transformation of fixed assets in China and other miscellaneous subsidies from the Chinese government. Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and all conditions be completed. Total government subsidies recorded under long-term liabilities were \$1.37 million and \$1.53 million as of September 30, 2024 and December 31, 2023, respectively.

The Company currently plans to fund its operations mainly through cash flow from its operations, renewal of bank borrowings, additional equity financing, and continuation of financial support from its shareholders and affiliates controlled by its principal shareholders, if necessary. The Company might implement a stricter policy on sales to less creditworthy customers and plans to continue to improve its collection efforts on accounts with outstanding balances. The Company is actively working with customers and suppliers and expects to fully collect the remaining balance.



We believe that the Company has sufficient cash, even with uncertainty in the Company's manufacturing and sale of electric industrial heavy equipment in the future and decline on sale of transmission products. However, our capital contribution from existing funding sources, to operate for the next 12 months will be sufficient. We remain confident and expect to continue to generate positive cash flow from our operations.

We may need additional cash resources in the future, if the Company experiences failure in collecting account receivables, changes in business condition, changes in financial condition, or other developments. We may also need additional cash resources, if the Company wishes to pursue opportunities for investment, acquisition, strategic cooperation, or other similar actions. If the Company's management and its board of directors determine that the cash required for specific corporate activities exceed Greenland's cash and cash equivalents on hand, the Company may issue debt or equity securities to raise cash.

Historically, we have expended considerable resources on building a new factory and paid off a considerable amount of debt, resulting in less available cash. However, we anticipate that our cash flow will continue to improve for the remainder of fiscal year 2024. More specifically, Zhejiang Zhongchai has completed the construction of a new factory, and our PRC subsidiaries have received COVID-19 related government subsidies. Furthermore, Zhejiang Zhongchai pledged the deed of its new factory as a collateral to banks in order to obtain additional loans, refinance expiring loans, restructure short-term loans, and fund other working capital needs upon acceptable terms to Greenland.

#### **Cash and Cash Equivalents**

Cash equivalents refers to all highly liquid investments purchased with original maturity of three months or less. As of September 30, 2024, Greenland had approximately \$17.63 million of cash and cash equivalents, representing a decrease of approximately \$5.35 million, or 23.27%, as compared to approximately \$22.98 million as of December 31, 2023. The decrease of cash and cash equivalents was mainly due to a decrease in short-term bank loans and notes payable, as compared to that as of December 31, 2023.

#### **Restricted Cash**

Restricted cash represents the amount held by a bank as security for bank acceptance notes and therefore is not available for use until the bank acceptance notes are fulfilled or expired, which typically takes less than twelve months. As of September 30, 2024, Greenland had approximately \$3.09 million of restricted cash, representing a decrease of approximately \$2.12 million, or 40.64%, as compared to that of approximately \$5.21 million as of December 31, 2023. The decrease of restricted cash was due to a decrease of notes payable.

#### **Accounts Receivable**

As of September 30, 2024, Greenland had approximately \$20.27 million of accounts receivables, an increase of approximately \$3.79 million, or 22.97%, as compared to approximately \$16.48 million as of December 31, 2023. The increase in accounts receivables was due to the increase in our sales volume and our slowed-down efforts in receivables collections.

Greenland recorded approximately \$1.46 million and \$0.87 million of allowance for expected credit losses as of September 30, 2024 and December 31, 2023, respectively. Greenland conducted an aging analysis of each customer's delinquent payments to determine whether allowance for expected credit losses is adequate. In establishing the allowance for expected credit losses, Greenland considers historical experience, economic environment, and expected collectability of past due receivables. An estimate of expected credit losses is recorded when collection of the full amount is no longer probable. When bad debts are identified, such debts are written off against the allowance for expected credit losses. Greenland will continuously assess its expected credit losses based on the credit history of and relationships with its customers on a regular basis to determine whether its allowance for expected credit losses on its accounts receivables is adequate. Greenland believes that its collection policies are generally in line with the transmissions industry's standard in the PRC.

#### **Due from Related Party**

Due from related party was \$0.23 million and \$0.23 million as of September 30, 2024 and December 31, 2023, respectively. Other receivable from Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership) was \$0.23 million and \$0.23 million as of September 30, 2024 and December 31, 2023, respectively, representing a loan with an annual interest rate of 4.785%.

#### **Notes Receivable**

As of September 30, 2024, Greenland had approximately \$27.68 million of notes receivables, which Greenland expects to collect within the next twelve months. The increase was approximately \$0.56 million, or 2.01%, as compared to approximately \$27.14 million as of December 31, 2023.

#### **Working Capital**

Our working capital was approximately \$40.49 million as of September 30, 2024, as compared to \$27.27 million as of December 31, 2023. The increase in working capital of \$13.22 million was primarily contributed to a decrease in fixed deposit and notes payable.

#### **Cash Flow**

	<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
Net cash provided by operating activities	\$ 8,983,496	\$ 441,455
Net cash (used in) provided by investing activities	\$ (2,111,014)	\$ 1,223,348
Net cash (used in) provided by financing activities	\$ (14,388,504)	\$ 1,386,827
Net decrease (increase) in cash and cash equivalents and restricted cash	\$ (7,516,022)	\$ 3,051,630
Effect of exchange rate changes on cash and cash equivalents	\$ 52,116	\$ 1,567,033
Cash and cash equivalents and restricted cash at beginning of year	\$ 28,189,387	\$ 19,729,056
Cash and cash equivalents and restricted cash at end of year	\$ 20,725,481	\$ 24,347,719

### *Operating Activities*

Greenland's net cash provided by operating activities were approximately \$8.98 million and \$0.44 million for the nine months ended September 30, 2024 and 2023, respectively.

For the nine months ended September 30, 2024, the main sources of cash inflow from operating activities were net income, inventories, and other current and noncurrent assets, with each amounted to approximately \$9.80 million, \$3.07 million and \$1.65 million, respectively. The main causes of cash outflow were changes in accounts receivable and other current and noncurrent assets, with each amounted to approximately \$4.10 million and \$1.80 million, respectively.

For the nine months ended September 30, 2023, the main sources of cash inflow from operating activities were net income, accounts payable, and depreciation and amortization, with each amounted to approximately \$2.59 million, \$2.34 million and \$2.68 million, respectively. The main causes of cash outflow were changes in accounts receivables and notes receivable, with each amounted to approximately \$7.93 million and \$5.42 million, respectively.

### *Investing Activities*

Net cash used in investing activities resulted in cash outflow of approximately \$2.11 million for the nine months ended September 30, 2024. Cash used in investing activities for the nine months ended September 30, 2024 was mainly due to approximately \$1.42 million used for purchases of long-term assets and approximately \$0.69 million in loans to third parties.

Net cash provided by investing activities resulted in cash inflow of approximately \$1.22 million for the nine months ended September 30, 2023. Cash provided by investing activities for the nine months ended September 30, 2023 was mainly due to approximately \$0.44 million in proceeds from sale of short-term investment and approximately \$1.85 million in repayment of loans lent to third parties, offset by approximately \$0.60 million used for purchases of long-term assets and approximately \$0.05 million used for investment in a joint venture.

### *Financing Activities*

Net cash used in financing activities resulted a cash outflow of approximately \$14.39 million for the nine months ended September 30, 2024, which was mainly attributable to approximately \$8.56 million in repayment of short-term bank loans and approximately \$11.39 million in repayment of notes payable. Such amounts were further offset by approximately \$5.56 million in proceeds from short-term bank loans.

Net cash used in financing activities resulted a cash inflow of approximately \$1.39 million for the nine months ended September 30, 2023, which was mainly attributable to approximately \$6.77 million in proceeds from short-term bank loans and approximately \$4.13 million in notes payable. Such amounts were further offset by approximately \$8.81 million in repayment of short-term bank loans and approximately \$0.43 million in repayment of loans to third parties.

### **Credit Risk**

Credit risk is one of the most significant risks for Greenland's business. Accounts receivable are typically unsecured and derived from revenues earned from customers, thereby exposing Greenland to credit risk. Credit risk is controlled by the application of credit approvals, limits, and monitoring procedures. Greenland identifies credit risk collectively based on industry, geography, and customer type. This information is monitored regularly by the Company's management. In measuring the credit risk of sales to customers, Greenland mainly reflects the "probability of default" by the customer on its contractual obligations and considers the current financial position of the customer and the exposures to the customer and its future development.

### **Liquidity Risk**

Greenland is exposed to liquidity risk when it is unable to provide sufficient capital resources and liquidity to meet its commitments and/or business needs. Liquidity risk is managed by the application of financial position analysis to test if Greenland is in danger of liquidity issues and also by application of monitoring procedures to constantly monitor its conditions and movements. When necessary, Greenland resorts to other financial institutions to obtain additional short-term funding to meet the liquidity shortage.

### **Inflation Risk**

Greenland is also exposed to inflation risk. Inflationary factors, such as increases in raw material and overhead costs, could impair Greenland's operating results. Although Greenland does not believe that inflation has had a material impact on its financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on its ability to maintain current levels of gross margin and operating expenses as a percentage of sales revenues if the selling prices of its products do not increase with such increased costs.

### **Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with U.S. GAAP. In applying accounting principles, it is often required to use estimates. These estimates consider the facts, circumstances and information available, and may be based on subjective inputs, assumptions and information known and unknown to us. Material changes in certain of the estimates that we use could potentially affect, by a material amount, our consolidated financial position and results of operations. Although results may vary, we believe our estimates are reasonable and appropriate. See Note 2 to our consolidated financial statements included in "Item 1 - Financial Statements (Unaudited)" for a summary of our significant accounting policies. The following describes certain of our significant accounting policies that involve more subjective and complex judgments where the effect on our consolidated financial position and operating performance could be material.

### **Revenue Recognition**

In accordance with ASC Topic 606, "Revenue from Contracts with Customers," the Company recognizes revenues when goods or services are transferred to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. In determining when and how revenues are recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customer; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the

transaction price to the performance obligations, and (v) recognition of revenues when (or as) the Company satisfies each performance obligation. The Company derives revenues from the processing, distribution and sale of its products. The Company recognizes its revenues net of value added taxes ("VAT"). The Company is subject to VAT which had been levied at the rate of 17% on the invoiced value of sales until April 30, 2018, after which date the rate was reduced to 16%. VAT rate was further reduced to 13% starting from April 1, 2019. Output VAT is borne by customers in addition to the invoiced value of sales and input VAT is borne by the Company in addition to the invoiced value of purchases to the extent not refunded for export sales.

Revenues are recognized at a point in time once the Company has determined that the customer has obtained control over the product. Control is typically deemed to have been transferred to the customer when the performance obligation is fulfilled, usually at the time of customers' acceptance or consumption, at the net sales price (transaction price) and each of the criteria under ASC 606 have been met. Contract terms may require the Company to deliver the finished goods to the customers' location or the customer may pick up the finished goods at the Company's factory. International sales are recognized when shipment clears customs and leaves the port.

The Company adopted ASC 606 on January 1, 2018, using the transition method of Modified-Retrospective Method ("MRM"). The adoption of ASC 606 had no impact on the Company's beginning balance of retained earnings.

The Company's contracts are all short-term in nature with a contract term of one year or less. Receivables are recorded when the Company has an unconditional right to consideration.

#### **Business Combination**

On October 24, 2019, we consummated our Business Combination with Zhongchai Holding following a special meeting of the shareholders, where the shareholders of Greenland considered and approved, among other matters, a proposal to adopt and entered into the Share Exchange Agreement, dated as of July 12, 2019, among (i) Greenland, (ii) Zhongchai Holding, (iii) the Sponsor in the capacity as the Purchaser Representative, and (iv) Cenntro Holding Limited, the sole member of Zhongchai Holding.

Pursuant to the Share Exchange Agreement, Greenland acquired from Cenntro Holding Limited all of the issued and outstanding equity interests of Zhongchai Holding in exchange for 7,500,000 newly issued ordinary shares, no par value of Greenland, to Cenntro Holding Limited. As a result, Cenntro Holding Limited became the then controlling shareholder of Greenland, and Zhongchai Holding became a directly and wholly owned subsidiary of Greenland. The Business Combination was accounted for as a reverse merger effected by a share exchange, wherein Zhongchai Holding is considered the acquirer for accounting and financial reporting purposes.

Pursuant to that certain finder agreement with Hanyi Zhou dated May 29, 2019 (the "Finder Agreement"), 50,000 newly issued ordinary shares issued to Hanyi Zhou as a finder fee for the Business Combination.

#### **Inventories**

Inventories are stated at the lower of cost or net realizable value, which is based on estimated selling prices less any further costs expected to be incurred for completion and disposal. Cost of raw materials is calculated using the weighted average method and is based on purchase cost. Work-in-progress and finished goods costs are determined using the weighted average method and comprise direct materials, direct labor and an appropriate proportion of overhead.

#### **Income Taxes**

The Company accounts for income taxes following the liability method pursuant to FASB ASC 740 "Income Taxes". Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in income in the period that includes the enactment date.

The Company also follows FASB ASC 740, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of September 30, 2024, the Company did not have any liability for unrecognized tax benefits. It is the Company's policy to include penalties and interest expense related to income taxes as a component of other expense and interest expense, respectively, as necessary. The Company's historical tax years will remain open for examination by the local authorities until the statute of limitations has passed.

#### **Off Balance Sheet Arrangements**

None.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

The Company is not required to provide the information required by this item as it is a smaller reporting company.

#### **ITEM 4. CONTROLS AND PROCEDURES.**

Disclosure controls, as defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act, are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized, and reported within the time specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

## Evaluation of Disclosure Controls and Procedures

As of September 30, 2024, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based upon such evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were ineffective. Such conclusion is based on the presence of the following material weakness in internal control over financial reporting as of September 30, 2024:

**Accounting and Financial Reporting Personnel Material Weakness** - As noted in Item 9A of our annual report on Form 10-K for the preceding fiscal year, management concluded that in light of a lack of sufficient and competent financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to prepare consolidated financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements, we did not maintain effective controls and did not implement adequate and proper supervisory review to ensure that significant internal control deficiencies can be detected or prevented.

As a result, the Company has developed a remedial plan to strengthen its accounting and financial reporting functions. To strengthen the Company's internal control over financial reporting, the Company is currently implementing the following remedial actions:

- developing and formalizing of key accounting and financial reporting policies and procedures;
- recruiting more financial reporting and accounting personnel who have adequate U.S. GAAP knowledge;
- training key position staff by U.S. accountant with U.S. corporate accounting experiences, and gaining additional knowledge and professional skills about SEC regulations and U.S. GAAP;
- planning to acquire additional resources to strengthen the financial reporting function and set up a financial and system control framework; and
- establishing effective oversight and clarifying reporting requirements for non-recurring and complex transactions to ensure consolidated financial statements and related disclosures are accurate, complete and in compliance with U.S. GAAP and SEC reporting requirements.

## Inherent limitation on the effectiveness of internal control

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, 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. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Notwithstanding the material weakness in our internal control over financial reporting, the consolidated unaudited financial statements included in this Quarter Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

## Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

Management is not aware of any legal proceedings contemplated by any governmental authority or any other party involving us or our properties. As of the date of this Quarterly Report, no director, officer or affiliate is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to us in any legal proceedings. Management is not aware of any other legal proceedings pending or that have been threatened against us or our properties.

### ITEM 1A. RISK FACTORS.

#### Summary of Risk Factors

An investment in our ordinary shares is subject to a number of risks, including risks related to our business and industry, risks related to our corporate structure, risks related to doing business in China and risks related to our ordinary shares. You should carefully consider all of the information in this Report before making an investment in the ordinary shares. The following list summarizes some, but not all, of these risks. Please read the information in this section for a more thorough description of these and other risks.

#### Risks Related to Our Business and Industry

For more detailed discussions of the following risks, see "Risk Factors—Risks Related to our Business and Industry" on pages 19 through 25.

- Our subsidiaries' business operations are cash intensive, and our subsidiaries' business could be adversely affected if we fail to maintain sufficient levels of liquidity and working capital;
- We grant relatively long payment terms for accounts receivable which can adversely affect our cash flow;
- Our subsidiaries face short lead-times for delivery of products to customers. Failure to meet delivery deadlines could result in the loss of customers and damage to our reputation and goodwill;
- Our subsidiaries face intense competition, and if we are unable to compete effectively, we may not be able to maintain profitability;
- Our revenues are highly dependent on a limited number of customers and the loss of any one of our subsidiaries' major customers could materially and adversely affect our growth and revenues;

- As our subsidiaries expand their operations, they may need to establish a more diverse supplier network for raw materials. The failure to secure a more diverse supplier network could have an adverse effect on our financial condition;
- To remain competitive, our subsidiaries are introducing new lines of business, including the production and sale of electric industrial heavy equipment. If these efforts are not successful, our results of operations may be materially and adversely affected;
- New lines of business, including the production and sale of electric industrial heavy equipment, may subject us and our subsidiaries to additional risks;
- Volatile steel prices can cause significant fluctuations in our operating results. Our revenues and operating income could decrease if steel prices increase or if our subsidiaries are unable to pass price increases on to their customers; and
- We are subject to various risks and uncertainties that may affect our subsidiaries' ability to procure raw materials.

### ***Risks Related to Doing Business in China***

For more detailed discussions of the following risks, see "Risk Factors—Risks Related to Doing Business in China" on pages 26 through 35.

- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations;
- Uncertainties arising from the legal system in China, including uncertainties regarding the interpretation and enforcement of PRC laws and the possibility that regulations and rules can change quickly with little advance notice, could hinder our ability to offer or continue to offer our securities, result in a material adverse change to our business operations, and damage our reputation, which could materially and adversely affect our financial condition and results of operations and cause our securities to significantly decline in value or become worthless. See "Risk Factors—Risks Related to Doing Business in China—The PRC government exerts substantial influence over the manner in which we must conduct our business activities. If the Chinese government significantly regulates the business operations of our PRC subsidiaries in the future and our PRC subsidiaries are not able to substantially comply with such regulations, our business operations may be materially adversely affected and the value of our ordinary shares may significantly decrease" and "Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us and our PRC subsidiaries";
- The Chinese government may intervene or influence our operations at any time or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless. See "Risk Factors—Risks Related to Doing Business in China—The PRC government exerts substantial influence over the manner in which we must conduct our business activities. If the Chinese government significantly regulates the business operations of our PRC subsidiaries in the future and our PRC subsidiaries are not able to substantially comply with such regulations, our business operations may be materially adversely affected and the value of our ordinary shares may significantly decrease";
- Our future offerings will need to be filed with the CSRC, along with compliance with any other applicable PRC rules, policies and regulations, in connection with any future offering of our securities. Any failure to filing, or delay in filing, or failure to complying with any other applicable PRC requirements for an offering, may subject us to sanctions imposed by the relevant PRC regulatory authority. In addition, if applicable laws, regulations, or interpretations change such that we are required to obtain approval in the future and we fail to obtain such approvals, we may be subject to an investigation by competent regulators, fines or penalties, or an order prohibiting us from conducting an offering, and these risks could result in a material adverse change in our operations and the value of our ordinary shares, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless. See "Risk Factors—Risks Related to Doing Business in China—We are required under PRC laws to submit filings to CSRC for our future offerings. However, we believe that we are not currently required to obtain the approval and/or comply with other requirements of the CSRC, the CAC, or other PRC governmental authorities under PRC rules, regulations or policies in connection with our continued listing on Nasdaq. In the event that any such approval is required or that there are other requirements we are obligated to comply with, we cannot predict whether or how soon we will be able to obtain such approvals and/or comply with such requirements." and "Risk Factors—Risks Related to Doing Business in China—We may be liable for improper use or appropriation of personal information provided by our customers and any failure to comply with PRC laws and regulations over data security could result in materially adverse impact on our business, results of operations, and our continued listing on Nasdaq";

- Our subsidiaries may be liable for improper use or appropriation of personal information provided by their customers and any failure to comply with PRC laws and regulations over data security could result in materially adverse impact on our business, results of operations, and our continued listing on Nasdaq;
- You may have difficulty enforcing judgments against us;
- Under the PRC Enterprise Income Tax Law, we may be classified as a "Resident Enterprise" of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC shareholders;
- PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from using proceeds from our future financing activities to make loans or additional capital contributions to our PRC subsidiaries;
- We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct business;
- Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment;
- U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China; and

- Our securities may be delisted and prohibited from being traded under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect our auditor in the future. Any future delisting and cessation of trading of our securities, or the threat of their being delisted and prohibited from being traded, may materially and adversely affect the value of your investment. Additionally, any inability of the PCAOB to conduct inspections of our auditor in the future would deprive our investors of the benefits of such inspections. See "Risk Factors—Risks Related to Doing Business in China—Our ordinary shares may be delisted and prohibited from being traded under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect our auditors. The delisting and the cessation of trading of our ordinary shares, or the treat of their being delisted and prohibited from being traded, may materially and adversely affect the value of your investment. Additionally, any inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections."

#### **Risks Related to Our Ordinary Shares**

For more detailed discussions of the following risks, see "Risk Factors—Risks Related to Our Ordinary Shares" on pages 36 through 37.

- Future sales of our ordinary shares, whether by us or our shareholders, could cause the price of our ordinary shares to decline;
- Because we do not expect to pay dividends in the foreseeable future, you must rely on the price appreciation of our ordinary shares for return on your investment; and
- Techniques employed by short sellers may drive down the market price of our ordinary shares.

#### **Risks Related to our Business and Industry**

***Our subsidiaries' business operations are cash intensive, and our subsidiaries' business could be adversely affected if we fail to maintain sufficient levels of liquidity and working capital.***

As of September 30, 2024, we had approximately \$17.63 million of cash and cash equivalents. Historically, we have spent a significant amount of cash on our operational activities, principally to procure raw materials for our subsidiaries' products. Our short-term loans are from Chinese banks and are generally secured by a portion of our fixed assets, land use rights and/or guarantees by related parties. Certain of these loans are secured against a portion of the shares of our PRC subsidiaries. The term of a majority of such loans is one year. Historically, we rolled over such loans on an annual basis. However, we may not have sufficient funds available to pay all of our borrowings upon maturity in the future. Failure to roll over our short-term borrowings at maturity or to service our debt could result in a transfer of the ownership of a portion of the shares of our PRC subsidiaries to secured lenders, the imposition of penalties, including increases in interest rates, legal actions against us by our creditors, and even insolvency.

Although we have been able to maintain adequate working capital primarily through cash from operations and short-term and long-term borrowings, any failure by our customers to settle outstanding accounts receivable, or our inability to borrow sufficient capital from local banks in the future could materially and adversely affect our cash flow, financial condition and results of operations.

***We grant relatively long payment terms for accounts receivable which can adversely affect our cash flow.***

As is customary in China, for competitive reasons, we grant relatively long payment terms to most of our subsidiaries' customers. The allowances we establish for our receivables may not be adequate. We are subject to the risk that we may be unable to collect accounts receivable in a timely manner. If the accounts receivable cannot be collected in time, or at all, a significant amount of expected credit losses will occur, and our business, financial condition and results of operation will likely be materially and adversely affected.

***Our subsidiaries face short lead-times for delivery of products to customers. Failure to meet delivery deadlines could result in the loss of customers and damage to our reputation and goodwill.***

Most of our subsidiaries' customers are large manufacturers, who generally place large orders for our subsidiaries' products and require prompt delivery. Our subsidiaries' product sale agreements typically contain short lead-times for the delivery of products and tight production and manufacturer supply schedules that can reduce our profit margins on the products procured from our subsidiaries' suppliers. Our subsidiaries' suppliers may lack sufficient capacity at any given time to meet all of the demands from our subsidiaries' customers if orders exceed their production capacity. Our subsidiaries strive for rapid response to customer demands, which can lead to reduced purchasing efficiency, increased procurement costs and low profit margins. If our subsidiaries are unable to meet the customer demands, they may lose customers. Moreover, failure to meet customer demands may damage our reputation and goodwill.

***Our subsidiaries face intense competition, and, if our subsidiaries are unable to compete effectively, we may not be able to maintain profitability.***

Our subsidiaries compete with many other companies located in the PRC and internationally that manufacture similar products. Many of our subsidiaries' competitors are larger companies with greater financial resources. Intense competition in a challenging economic environment in the PRC has, in the past, put pressure on our margins and may adversely affect our future financial performance. Moreover, intense competition may result in potential or actual litigation between our subsidiaries and their competitors relating to such activities as competitive sales practices, relationships with key suppliers and customers or other matters.

It is likely that our subsidiaries' competitors will seek to develop similar competing products in the near future. Some of our subsidiaries' competitors may have more resources than our subsidiaries do, operate in greater scale, be more capitalized than our subsidiaries are, have access to cheaper raw materials than our subsidiaries do, or offer products at a more competitive price. There can be no assurance that our initial competitive advantage will be retained and that one or more competitors will not develop products that are equal or superior in quality and are better priced than our subsidiaries' products. If our subsidiaries are unable to compete effectively, our results of operations and financial position may be materially and adversely affected.

***Our revenues are highly dependent on a limited number of customers and the loss of any one of our subsidiaries' major customers could materially and adversely affect our growth and revenues.***

During the nine months ended September 30, 2024 and 2023, our subsidiaries' five largest customers contributed 41.01% and 47.73% of our revenues,



respectively. For the nine months ended September 30, 2024 and 2023, Greenland's single largest customer, Hangcha Group, accounted for 13.81% and 16.14%, respectively, of Greenland's total revenue, and Greenland's second largest customer, Longgong Forklift Truck, accounted for 12.55% and 11.39%, respectively, of Greenland's total revenue. As a result of our subsidiaries' reliance on a limited number of customers, our subsidiaries may face pricing and other competitive pressures, which may have a material adverse effect on our profits and our revenues. The volume of products sold for specific customers varies from year to year, especially since our subsidiaries are not the exclusive provider for any customers. In addition, there are a number of factors that could cause the loss of a customer or a substantial reduction in the products that our subsidiaries provide to any customer that may not be predictable. For example, our subsidiaries' customers may decide to reduce spending on our subsidiaries' products or a customer may no longer need our subsidiaries' products following the completion of a project. The loss of any one of our subsidiaries' major customers, a decrease in the volume of sales to our subsidiaries' customers or a decrease in the price at which our subsidiaries sell their products to customers could materially adversely affect our profits and revenues.

In addition, this customer concentration may subject our subsidiaries to perceived or actual leverage that our subsidiaries' customers may have in negotiations, given their relative size and importance to our subsidiaries. If our subsidiaries' customers seek to negotiate their agreements on terms less favorable to our subsidiaries and our subsidiaries accept such terms, such unfavorable terms may have a material adverse effect on our subsidiaries' business and our financial condition and results of operations. Accordingly, unless and until our subsidiaries diversify and expand their customer base, our future success will significantly depend upon the timing and volume of business from our subsidiaries' largest customers and the financial and operational success of these customers.

***As our subsidiaries expand their operations, they may need to establish a more diverse supplier network for raw materials. The failure to secure a more diverse supplier network could have an adverse effect on our financial condition.***

In the event that our subsidiaries need to diversify their supplier network, our subsidiaries may not be able to procure a sufficient supply of raw materials at a competitive price, which could have an adverse effect on our results of operations, financial condition and cash flows. Furthermore, despite our subsidiaries' efforts to control their supply of raw materials and maintain good relationships with their existing suppliers, our subsidiaries could lose one or more of their existing suppliers at any time. The loss of one or more key suppliers could increase our subsidiaries' reliance on higher cost or lower quality supplies, which could negatively affect our profitability. Any interruptions to, or decline in, the amount or quality of our subsidiaries' raw materials supply could materially disrupt our subsidiaries' production and adversely affect our subsidiaries' business and our financial condition and financial prospects.

***To remain competitive, our subsidiaries have introduced new lines of business, including the production and sale of electric industrial heavy equipment. If these efforts are not successful, our results of operations may be materially and adversely affected.***

Prior to December 2020, through Zhongchai Holding and its PRC subsidiaries, our products mainly included transmission systems and integrated powertrains for material handling machineries, particularly for electric forklift trucks. In December 2020, through HEVI, we launched a new division to focus on the production and sale of electric industrial heavy equipment—a division that Greenland intends to develop to diversify its product offerings. HEVI's electric industrial heavy equipment products currently include GEF-series electric forklifts, a series of lithium powered forklifts with three models ranging in size from 1.8 tons to 3.5 tons, GEL-1800, a 1.8 ton rated load lithium powered electric wheeled front loader, GEX-8000, an all-electric 8.0 ton rated load lithium powered wheeled excavator, and GEL-5000, an all-electric 5.0 ton rated load lithium wheeled front loader. HEVI also introduced mobile DC battery chargers to support a growing market of EV applications requiring DC charging capabilities in the North America market. These products are available for purchase in the U.S. market. In August 2022, HEVI launched a 54,000 square foot industrial electric vehicle assembly site in Baltimore, Maryland to support local services, assembly and distribution of its electric industrial heavy equipment product line. In July 2024, HEVI announced a partnership with Lonking Holdings Limited to develop and distribute heavy electric machinery and related technology specialized for the U.S. market. In August 2024, HEVI launched its H55L all-electric wheeled front-end loader, which can lift up to six tons in indoor and outdoor applications without the mess and emissions of diesel, and the H65L all-electric wheeled front-end loader, the largest lithium battery powered electric wheel loader commercially available in North America.

There are risks in connection with this new line of business. HEVI may experience difficulties in the development and launch of electric industrial heavy equipment, and HEVI's products may not be well-accepted by the market. As we have limited experience in the electric industrial heavy equipment business, our efforts in developing such business may not succeed and we may not be able to generate sufficient revenue to cover our investment and become profitable. During such process, our results of operations and financial conditions may not be improved in a timely manner, or at all. We cannot assure you that we will successfully transition our business focus and it is possible that we remain in such transition period for an extended period of time. During such period, our revenue may be very limited and we may continue to experience material and adverse effects to our results of operations, financial condition and business prospects.

***New lines of business, including the production and sale of electric industrial heavy equipment, may subject us and our subsidiaries to additional risks.***

From time to time, we may implement new lines of business or offer new products within our subsidiaries' existing lines of business. Currently, we plan to offer additional models of electric industrial heavy equipment through HEVI. As such, we face significant challenges, uncertainties and risks, including, among others, with respect to our subsidiaries' ability to:

- build a well-recognized and respected brand;
- establish and expand our customer base;
- improve and maintain our operational efficiency for new lines of business;
- maintain a reliable, secure, high-performance and scalable technology infrastructure for our new lines of business;
- anticipate and adapt to changing market conditions, including technological development and changes in competitive landscape;
- navigate an evolving and complex regulatory environment, such as licensing and compliance requirements; and
- manage the resources and attention of management between our current core business and new lines of business.

Moreover, there can be no assurance that the introduction and development of new lines of business or new products and services would not encounter significant difficulties or delay or would achieve the profitability as we expect. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our subsidiaries' business and our results of operations and prospects. For example, HEVI may experience difficulties in developing and launching additional models of electric industrial heavy equipment, or may not be able to develop them at reasonable costs. Due to HEVI's limited experience with electric industrial heavy equipment, HEVI also face challenges and uncertainties relating to the possibility of success of this new business.

As our subsidiaries enter into new business sectors, our subsidiaries are also subject to competition from such industries. There can be no assurance that our subsidiaries will be able to compete effectively with respect to their new businesses. If our subsidiaries fail to establish their strengths or maintain their competitiveness in those industries, our business prospects, results of operations and financial condition may be materially and adversely affected.

***Volatile steel prices can cause significant fluctuations in our operating results. Our revenues and operating income could decrease if steel prices increase or if our subsidiaries are unable to pass price increases on to their customers.***

Our subsidiaries' principal raw materials are processed metal parts and components which are made of carburizing steel. The steel industry as a whole is cyclical and, at times, pricing and availability of steel can be volatile due to numerous factors beyond our subsidiaries' control, including general domestic and international economic conditions, labor costs, sales levels, competition, levels of inventory, consolidation of steel producers, higher raw material costs for steel producers, import duties and tariffs and currency exchange rates. This volatility can significantly affect the availability and cost of raw materials.

Our subsidiaries' suppliers, like many other processed metal parts and components manufacturers, maintain substantial inventories of steel to accommodate the short lead times and just-in-time delivery requirements of customers. Accordingly, our subsidiaries' suppliers purchase steel in an effort to maintain their inventory at levels that they believe to be appropriate to satisfy the anticipated needs of customers based upon historic buying practices, supply agreements with customers and market conditions. When steel prices increase, competitive conditions will influence how much of the price increase suppliers would pass on to our subsidiaries and how much our subsidiaries can pass on to their customers. To the extent our subsidiaries are unable to pass on future price increases in raw materials to their customers, the revenues and profitability of our business could be adversely affected.

***We are subject to various risks and uncertainties that might affect our subsidiaries' ability to procure raw materials .***

Our performance depends upon our subsidiaries' ability to procure low cost, high quality raw materials on a timely basis from their suppliers. Our subsidiaries' suppliers are subject to certain risks, including the availability of raw materials, labor disputes, inclement weather, natural disasters, and general economic and political conditions, which might limit the ability of our subsidiaries' suppliers to provide low cost, high quality merchandise on a timely basis. Furthermore, for these or other reasons, one or more of our subsidiaries' suppliers might not adhere to our subsidiaries' quality control standards, and our subsidiaries might not identify the deficiency. Any failure by our subsidiaries' suppliers to supply quality materials at a reasonable cost on a timely basis could reduce our net sales or profits, damage our reputation and have an adverse effect on our financial condition.

***Our subsidiaries may lose their competitive advantage, and their operations may suffer, if we fail to prevent the loss or misappropriation of, or disputes over, their intellectual property.***

Our subsidiaries rely on a combination of patents, trademarks, trade secrets and confidentiality agreements to protect their intellectual property rights. While our subsidiaries are not currently aware of any infringement on their intellectual property rights, our subsidiaries' ability to compete successfully and to achieve future revenue growth will depend, in significant part, on their ability to protect their proprietary technology. Despite many laws and regulations promulgated, as well as other efforts made, by China over the past several years in an attempt to protect intellectual property rights, intellectual property rights are not as certain in China as they would be in many Western countries, including the United States. Furthermore, enforcement of such laws and regulations in China has not been fully developed. Neither the administrative agencies nor the court systems in China are as equipped as their counterparts in developed countries to deal with violations or handle the nuances and complexities between compliant technological innovation and non-compliant infringement.

Our subsidiaries' transmission technology is protected through a combination of patents, trade secrets, confidentiality agreements and other methods. However, our subsidiaries' competitors may independently develop similar proprietary methodologies or duplicate our products, or develop alternatives, which could have a material adverse effect on our subsidiaries' business and our results of operations and financial condition. The misappropriation or duplication of our subsidiaries' intellectual property could disrupt their ongoing business, distract our management and employees, reduce our revenues and increase our expenses. Our subsidiaries may need to litigate to enforce their intellectual property rights. Any such litigation could be time consuming and costly and the outcome of any such litigation cannot be guaranteed.

***Our PRC subsidiaries have limited insurance coverage for their operations in China and may incur losses resulting from product liability claims, business interruption or natural disasters.***

HEVI, an operating subsidiary of ours in the U.S., maintains commercial general liability insurance for its business operations. However, our PRC subsidiaries have limited insurance coverage for their operations in China, and our PRC subsidiaries are therefore exposed to risks associated with product liability claims against our PRC subsidiaries or otherwise against their operations in the PRC in the event that the use of our PRC subsidiaries' products results in property damage or personal injury. Since our subsidiaries' transmission products are ultimately incorporated into forklifts, it is possible that users of forklifts or people installing these products could be injured or killed, whether as a result of defects, improper installation or other causes. We are unable to predict whether product liability claims will be brought against our PRC subsidiaries in the future or to predict the impact of any resulting adverse publicity on our PRC subsidiaries' business. The successful assertion of product liability claims against our PRC subsidiaries could result in potentially significant monetary damages and require us to make significant payments. Our subsidiaries do not carry product liability insurance and may not have adequate resources to satisfy a judgment in the event of a successful claim against us. In addition, our subsidiaries do not currently, and may not in the future, maintain business interruption insurance coverage. As such, our subsidiaries may suffer losses that result from interruptions in their operations as a result of inability to operate or failures of equipment and infrastructure at our subsidiaries' facilities. Our subsidiaries also do not currently maintain catastrophe insurance. As such, any natural disaster or man-made disaster could result in substantial losses and diversion of our subsidiaries' resources to address the effects of such an occurrence, which could materially and adversely affect our subsidiaries' business and our financial condition and results of operations.

***Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.***

Our PRC subsidiaries are required under PRC laws to participate in various government sponsored employee benefit plans, including social security insurance, housing funds and other welfare-oriented payments, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where our PRC subsidiaries operate their businesses. Our PRC subsidiaries have not made adequate employee benefit payments to the social security insurance and the housing fund. As a result, they may be required to make up the contributions for these plans within a stipulated period of time. In addition, our PRC subsidiaries may be required to pay late fees equal to 0.05% of the shortage of the contributions to the social security fund for each day our PRC subsidiaries fail to make up the contributions and may be imposed fines up to three times of such shortage if our PRC subsidiaries fail to make up the

difference within the time frame prescribed by relevant government authorities. The maximum amount of such penalties that we anticipate could be imposed on our PRC subsidiaries with respect such employee benefits payments is approximately US\$200,000. If our PRC subsidiaries are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected. As of the date of this Report, our PRC subsidiaries have not been ordered to pay outstanding contributions or related penalties.

***If labor costs in the PRC increase substantially, our PRC subsidiaries' business and our costs of operations may be adversely affected.***

In recent years, the Chinese economy has experienced inflation and labor cost increases. Average wages are projected to continue to increase. Further, under PRC law an employer is required to pay various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of its employees. The relevant government agencies may examine whether an employer has made adequate payments to the statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. We expect that our labor costs, including wages and employee benefits, will continue to increase based on the past trends. If we are unable to control our labor costs or pass such increased labor costs on to our subsidiaries' customers, our financial condition and results of operations may be adversely affected.

***We may not be able to effectively protect our intellectual property from unauthorized use by others.***

Through its subsidiaries, we hold patents, trademarks and other intellectual properties that are critical to our business in the PRC. Any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. We cannot assure you that (i) all of the intellectual property rights we owned will be adequately protected, or (ii) our intellectual property rights will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Moreover, there can be no assurance that we will obtain such trademarks and any other trademarks that are crucial to our business in the future. Thus, third parties may also take the position that we are infringing their rights, and we may not be successful in defending these claims. Additionally, we may not be able to enforce and defend its proprietary rights or prevent infringement or misappropriation, without incurring substantial expenses to us and a significant diversion of management time and attention from our business strategy.

To protect our parents, trademarks and other proprietary rights, we rely on and expect to continue to rely on a combination of physical and electronic security measures and trademark, patent and trade secret protection laws. If the measures we have taken to protect our proprietary rights are inadequate to prevent the use or misappropriation by third parties or such rights are diminished due to successful challenges, the value of our brand and other intangible assets may be diminished and our ability to attract and retain customers may be adversely affected.

***Competition for our and our subsidiaries' employees is intense, and we and our subsidiaries may not be able to attract and retain the highly skilled employees needed to support our subsidiaries' business.***

As we continue to experience growth, our future success depends on our and our subsidiaries' ability to attract, develop, motivate and retain highly qualified and skilled employees, including engineers, financial personnel and marketing professionals. Competition for highly skilled engineering, sales, technical and financial personnel is extremely intense. We and our subsidiaries may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Many of the companies with which we and our subsidiaries compete for experienced employees have greater resources than we and our subsidiaries have and may be able to offer more attractive terms of employment.

In addition, we and our subsidiaries invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we and our subsidiaries fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and the quality of our products could decrease, resulting in a material adverse effect on our subsidiaries' business.

***Our business depends on the continued efforts of our senior management. If one or more of our key executives were unable or unwilling to continue in their present positions, our business may be severely disrupted.***

Our business operations depend on the continuing services of our senior management. While we have provided different incentives to our management, we cannot assure you that we can continue to retain their services. If one or more of our key executives were unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, our future growth may be constrained, business may be severely disrupted and our financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain qualified personnel. In addition, although we have entered into a non-competition agreement with Mr. Peter Zuguang Wang, the chairman of our board of directors, there is no assurance that Mr. Wang will not join our competitors or form a competing business. If any dispute arises between us and Mr. Wang, we may incur substantial costs and expenses in order to enforce the non-competition agreement in China, and we may be unable to enforce it at all.

***We do not maintain "key person" insurance, and as a result, we may incur losses if any of our directors, executive officers, senior manager or other key employees chooses to terminate his or her services with us.***

We do not maintain "key person" insurance for our directors, executive officers, senior management or other key employees. If any of our key employees terminate his or her services or otherwise becomes unable to provide continuous services to us, our business, financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain qualified personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, operational know-how and key professionals and staff members.

***We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing invasion of Ukraine by Russia and conflicts between Israel and Hamas.***

U.S. and global markets are experiencing volatility and disruption as a result of the outbreak or escalation of wars including Russia's launch of a full-scale military invasion of Ukraine, conflicts between Israel and Hamas. Although the length and impact of these ongoing conflicts are highly unpredictable, these conflicts have led to market disruptions, including significant volatility in commodity prices, credit, and capital markets. In addition, as a result of the ongoing conflicts around the world, we may experience other risks, difficulties and challenges in the way we conduct our business and operations generally. For example, the conflict could adversely affect supply chains and impact our ability to control raw material costs. A protracted conflict between Ukraine and Russia or between Israel and Hamas, any escalation of either conflict, and the wider global economy and market conditions could, in turn, have a material adverse impact on our business, financial condition, cash flows and results of operations and could cause the market value

of our ordinary shares to decline.

***High inflation rates may adversely affect us by increasing costs beyond what we can recover through price increases and limit our ability to enter into future traditional debt financing.***

Inflation can adversely affect us by increasing costs of critical materials, equipment, labor, and other services. In addition, inflation is often accompanied by higher interest rates. Continued inflationary pressures could impact our profitability. Inflation may also affect our ability to enter into future traditional debt financing, as high inflation may result in an increase in cost.

***The outcome of litigation, inquiries, investigations, examinations, or other legal proceedings in which we are involved, in which we may become involved, or in which our clients or competitors are involved could distract management, increase our expenses, or subject us to significant monetary damages or restrictions on our ability to do business.***

From time to time, we are subject to litigations or legal proceedings in connection with our business operations. The scope and outcome of these proceedings is often difficult to assess or quantify. Plaintiffs in lawsuits may seek recovery of large amounts, and the cost to defend such litigation may be significant.

For example, on April 26, 2024, all of the Company's current directors, the Company's chief executive officer, and the Company's controlling shareholder, Cenntro Holding Limited, were named as defendants (collectively, the "Defendants"), and the Company was named as a nominal defendant in a shareholder derivative action filed in the United States District Court for the District of New Jersey. The complaint alleges, inter alia, that Defendants breached their fiduciary duties owed to the Company, committed waste and violated Section 16(a) of the Securities and Exchange Act of 1934, as amended. The complainant seeks: (i) on behalf of the Company, monetary damages of no less than \$38,060,365; (ii) to restrict Mr. Peter Wang, the chairman of the Company's board of directors from selling ordinary shares of the Company until Cenntro Holding Limited has paid off its amount due to the Company and setting up a trust over any future funds from sales of the Company's ordinary shares by Mr. Peter Wang or Cenntro Holding Limited; (iii) that the Defendants disgorge profits obtained as a result of their wrongful conduct; (iv) to enjoin of the Company's proposed spin-off transaction; (v) attorney fees and costs; and (vi) any other relief the court may deem just and proper.

On June 28, 2024, the Company's board of directors held a board meeting, during which the directors of the Company unanimously approved a decision to terminate its previously announced plan of spinning off its drivetrain systems segment. After due diligence review, the Company's board of directors has identified that the spin-off would likely not generate significant value to its shareholders due to changing market conditions. On July 8, 2024, the Defendants filed a motion to dismiss the shareholder derivative action.

Any negative outcomes from above material litigation or any other regulatory actions or litigation or claims, including monetary penalties or damages or injunctive provisions regulating or restricting how we conduct our business could have a material adverse effect on our business, financial condition, results of operations and reputation. Regardless of whether any current or future claims in which we are involved have merit, or whether we are ultimately held liable or subject to payment of penalties, such investigations and claims have been and may continue to be expensive to defend, may divert management's time away from our operations and may result in changes to our business practices that adversely affect our results of operations.

## **Risks Related to Doing Business in China**

***Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.***

A substantial majority of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally. The PRC economy differs from the economies of most developed countries in many respects, including with regard to the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies.

The PRC government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing since 2012. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our subsidiaries' products and adversely affect our subsidiaries' competitive position. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us and our subsidiaries. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the PRC government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and operating results.

***Uncertainties with respect to the PRC legal system could adversely affect us and our PRC subsidiaries.***

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and the enforcement of these laws, regulations and rules involves uncertainties.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may affect our and/or our PRC subsidiaries' judgment on the relevance of legal requirements and our/our PRC subsidiaries' ability to enforce our/their contractual rights or tort claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us and our PRC subsidiaries.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effect. As a result, we and/or our PRC subsidiaries may not be aware of our/their violation of any of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

In addition, we and our PRC subsidiaries are subject to risks and uncertainties of the interpretations and applications of PRC laws and regulations, including, but not limited to, limitations on foreign ownership in the industry our PRC subsidiaries operate. We and our PRC subsidiaries are also subject to the risks and uncertainties about any future actions of the PRC government. If any future actions of the PRC government result in a material change in our operations, and the value of our ordinary shares may depreciate significantly or become worthless.

***The PRC government exerts substantial influence over the manner in which our PRC subsidiaries must conduct their business activities. If the Chinese government significantly regulates the business operations of our PRC subsidiaries in the future and our PRC subsidiaries are not able to substantially comply with such regulations, the business operations of our PRC subsidiaries may be materially and adversely affected and the value of our ordinary shares may significantly decrease.***

The PRC government has exercised, and continues to exercise, substantial control over virtually every sector of the Chinese economy through regulation and state ownership, including steel sector where our PRC subsidiaries have been doing their business. Any government decisions or actions to change the way steel production is regulated, or any decisions the government might make to cut spending, could adversely impact our PRC subsidiaries' business and our results of operations. In addition, the ability of our PRC subsidiaries to operate in China may be harmed by changes in PRC laws and regulations, including those relating to taxation, environmental conditions, land use rights, property and other matters. The central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties.

We believe that our PRC subsidiaries' operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of the jurisdictions in which our PRC subsidiaries operate may impose new, stricter regulations or interpretations of existing regulations with little advance notice that would require additional expenditures and efforts on their part to ensure our subsidiaries' compliance with such regulations or interpretations.

Our PRC subsidiaries may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. In the event that our PRC subsidiaries are not able to substantially comply with any existing or newly adopted laws and regulations, our business operations may be materially adversely affected and the value of our ordinary shares may significantly decrease.

Furthermore, the PRC government authorities may strengthen oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers like us. Such actions taken by the PRC government authorities may intervene or influence the operations of our PRC subsidiaries at any time, which may be beyond our control. Therefore, any such action may adversely affect the operations of our PRC subsidiaries and substantially limit or hinder our ability to offer or continue to offer securities to you and significantly reduce the value of such securities or cause the value of such securities to be completely worthless.

***We are required under PRC laws to submit filings to CSRC for our future offerings. However, we believe that we and our PRC subsidiaries are not currently required to obtain the approval and/or comply with other requirements of the CSRC, the CAC, or other PRC governmental authorities under PRC rules, regulations or policies in connection with our continued listing on Nasdaq. In the event that any such approval is required or that there are other requirements we and/or our PRC subsidiaries are obligated to comply with, we cannot predict whether or how soon we and/or our PRC subsidiaries will be able to obtain such approvals and/or comply with such requirements.***

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of those regulations remain unclear.

In addition, the PRC government authorities may strengthen future oversight over offerings that are conducted overseas. For instance, on July 6, 2021, the relevant PRC governmental authorities promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities, which emphasized the need to strengthen the PRC government's supervision over overseas listings by PRC companies. Pursuant to the Opinions, effective measures, such as promoting the construction of relevant regulatory systems, are to be taken to deal with the risks of China-based overseas-listed companies, cybersecurity and data privacy protection requirements and similar matters. The Cybersecurity Review Measures (Decree No. 8 of the Cybersecurity Administration of the PRC), or the revised Cybersecurity Review Measures, enacted on December 28, 2021 and came into effect on February 15, 2022, also require online platform operators holding over one million users' personal information to apply for a cybersecurity review before any public offering on a foreign stock exchange. These statements and regulations are recently issued, and there remain substantial uncertainties about their interpretation and implementation. See also "—Our PRC subsidiaries may be liable for improper use or appropriation of personal information provided by their customers and any failure to comply with PRC laws and regulations over data security could result in materially adverse impact on our business, results of operations, and our continued listing on Nasdaq."

On February 17, 2023, the CSRC published the Regulations of Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Measures") and its accompanying guidelines and instructions, which came into effect on March 31, 2023, and will apply if a domestic enterprise issues shares, depositary receipts, corporate bonds convertible into shares, or other securities of an equity nature outside of the PRC, or lists its securities for trading outside of the PRC. According to such regulations, a domestic enterprise that issues and lists its securities outside of the PRC shall comply with the filing procedures and report the relevant information to the CSRC. A domestic enterprise shall not be listed on an overseas stock exchange if any of the following circumstances exists: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under

investigation according to law, and no conclusion has yet been made thereof; (v) where there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. The Trial Measures changes the management of licensing to record management, strengthen the supervision in the aftermath, create a more transparent and predictable institutional environment, and support the standardized development of enterprises using the overseas capital market.

According to the Notice on Filing Management Arrangements for Overseas Listings of Domestic Enterprises issued and implemented by the CSRC on February 17, 2023, since the date of effectiveness of the Trial Measures, the domestic enterprises falling within the scope of filing that have been listed overseas or met the following circumstances are existing enterprises: Before the effectiveness of the Trial Measures, the application for indirect overseas issuance and listing has been agreed by the overseas regulators or overseas stock exchanges (such as having passed the hearing on the Hong Kong market or registration become effective as agreed on the U.S. market, etc.), and it is not required to perform issuance and listing supervision procedures of the overseas regulators or overseas stock exchanges (such as rehearing on the Hong Kong market, etc.), and the overseas issuance and listing will be completed by September 30, 2023. According to the above regulations, the Company is an existing enterprise, which do not be required to file immediately, and filing should be made as required if they involve refinancing and other filing matters.

As of the date of this Report, we believe we and our PRC subsidiaries are not required to obtain any permission from PRC authorities (including the CSRC and the CAC) to operate our PRC subsidiaries' business as presently conducted or listing on Nasdaq. Therefore, as of the date of this Report, we and our PRC subsidiaries have not applied for any permission or approval from any PRC governmental authority in connection with our offshore listing or offering and, as such, no such permission or approval has been granted or denied. However, if it fails to comply with the Trial Measures during future issuance of securities or listing on other stock exchanges outside of China, we may be subjected sanctions imposed by the PRC regulatory authorities, and our reputation, financial condition, and results of operations may be materially and adversely affected.

***To the extent cash in the business is in the PRC/Hong Kong or a PRC/Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC/Hong Kong due to interventions in or the imposition of restrictions and limitations on the ability of our Company or our subsidiaries by the PRC government to transfer cash.***

Relevant mainland PRC laws and regulations permit the companies in mainland China to pay dividends only out of their respective retained earnings, if any, as determined in accordance with mainland China accounting standards and regulations. Additionally, each of the companies in mainland China are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Furthermore, in order for us to pay dividends to our shareholders, we may rely on payments made from our mainland PRC subsidiaries to their respective shareholders and then to our Company. If our these entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us.

Our cash dividends, if any, will be paid in U.S. dollars. If we are considered a tax resident enterprise of mainland China for tax purposes, any dividends we pay to our overseas shareholders may be regarded as mainland China-sourced income and as a result may be subject to mainland PRC withholding tax. See "— Risks Related to Doing Business in China — Under the PRC Enterprise Income Tax Law, we may be classified as a 'Resident Enterprise' of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC shareholders." The PRC government also imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of mainland China. Shortages in foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange as long as certain procedural requirements are met. Approval from appropriate government authorities is required if Renminbi is converted into foreign currency and remitted out of mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our shareholders.

As of the date of this Report, there are no restrictions or limitations imposed by the Hong Kong government on the transfer of capital within, into, and out of Hong Kong (including funds from Hong Kong to mainland China), except for the transfer of funds involving money laundering and criminal activities. However, there is no guarantee that the Hong Kong government will not promulgate new laws or regulations that may impose such restrictions in the future. If there is a significant change to current political arrangements between mainland China and Hong Kong, or the applicable laws, regulations, or interpretations change, our Hong Kong subsidiary may become subject to PRC laws or authorities. As a result, our Hong Kong subsidiary could be subject to similar government controls on the convertibility of foreign currency and the remittance of currency out of Hong Kong as described above.

As a result of the above, to the extent cash in the business is in the PRC/Hong Kong or a PRC/Hong Kong entity, such funds or assets may not be available to fund operations or for other use outside of the PRC/Hong Kong, due to interventions in or the imposition of restrictions and limitations on the ability of us or our subsidiaries by the competent government to the transfer of cash.

***Our PRC subsidiaries may be liable for improper use or appropriation of personal information provided by their customers and any failure to comply with PRC laws and regulations over data security could result in materially adverse impact on our business, results of operations, and our continued listing on Nasdaq.***

Our PRC subsidiaries' business involves collecting and retaining certain internal and customer data. Our PRC subsidiaries also maintain information about various aspects of their operations. The integrity and protection of customer and company data is critical to our business. Our subsidiaries' customers expect that our subsidiaries will adequately protect their personal information. Our PRC subsidiaries are required by applicable laws to keep strictly confidential the personal information that they collect, and to take adequate security measures to safeguard such information.

The PRC Criminal Law, as amended by its Amendment 7 (effective on February 28, 2009) and Amendment 9 (effective on November 1, 2015), prohibits institutions, companies and their employees from selling or otherwise illegally disclosing a citizen's personal information obtained in performing duties or providing services or obtaining such information through theft or other illegal ways. On November 7, 2016, the Standing Committee of the PRC National People's Congress issued the Cyber Security Law of the PRC, or Cyber Security Law, which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators must not, without users' consent, collect their personal information, and may only collect users' personal information necessary to provide their services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations.

The Civil Code of the PRC (issued by the PRC National People's Congress on May 28, 2020 and effective from January 1, 2021) provides the legal basis for privacy and personal information infringement claims under the Chinese civil laws. PRC regulators, including the CAC, the Ministry of Industry and Information Technology, and the Ministry of Public Security, have been increasingly focused on regulation in data security and data protection.

The PRC regulatory requirements regarding cybersecurity are evolving. For instance, various regulatory bodies in China, including the CAC, the Ministry of Public Security and the State Administration for Market Regulation, have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. In April 2020, the Chinese government promulgated Cybersecurity Review Measures, which came into effect on June 1, 2020. According to the Cybersecurity Review Measures, operators of critical information infrastructure must pass a cybersecurity review when

purchasing network products and services which do or may affect national security.

In December 2021, the CAC and other related authorities promulgated the revised Cybersecurity Review Measures, which came into effect on February 15, 2022. The revised Cybersecurity Review Measures propose the following key changes:

- online platform operators who are engaged in data processing are also subject to the regulatory scope;
- the CSRC is included as one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review working mechanism;
- the online platform operators holding more than one million users' individual information and seeking a listing outside China shall file for cybersecurity review with the Cybersecurity Review Office; and
- the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or transmitted to overseas parties and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously shall be collectively taken into consideration during the cybersecurity review process.

Certain internet platforms in China have reportedly become subject to heightened regulatory scrutiny in relation to cybersecurity matters. As of the date of this Report, we have not been included within the definition of "operator of critical information infrastructure" by a competent authority, nor have we been informed by any PRC governmental authority of any requirement that we file for a cybersecurity review. However, if we are deemed to be a critical information infrastructure operator or an online platform operator that is engaged in data processing and holds personal information of more than one million users, we could be subject to PRC cybersecurity review in the future.

As there remains significant uncertainty in the interpretation and enforcement of relevant PRC cybersecurity laws and regulations, we could be subject to cybersecurity review. In addition, we could become subject to enhanced cybersecurity review or investigations launched by PRC regulators in the future. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with the related laws and regulations may result in fines or other penalties, including suspension of business, website closure and revocation of prerequisite licenses, as well as reputational damage or legal proceedings or actions against us and/or our PRC subsidiaries, which may have material adverse effect on our business, financial condition or results of operations. As of the date of this Report, we and our PRC subsidiaries have not been involved in any investigations on cybersecurity review initiated by the CAC or related governmental regulatory authorities, and we and our PRC subsidiaries have not received any inquiry, notice, warning, or sanction in such respect.

On June 10, 2021, the Standing Committee of the National People's Congress of China, or the SCNPC, promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data information.

As of the date of this Report, we do not expect that the current PRC laws on cybersecurity or data security would have a material adverse impact on our business operations. However, as the scope of the PRC Data Security Law is broad and includes the collection, storage, use, processing, transmission, availability and disclosure of data, among others, and uncertainties remain regarding the interpretation and implementation of these laws and regulations, we cannot assure you that we and our PRC subsidiaries will comply with such regulations in all respects and we and/or our PRC subsidiaries may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. Any directly liable person within our Company for violations or alleged violations of the PRC Data Security Law may become subject to fines. We and/or our PRC subsidiaries may also become subject to fines and/or other sanctions that may have material adverse effect on our business, operations and financial condition.

On September 24, 2024, the CAC released the Administrative Regulations on the Network Data Security, or the Data Security Regulations, which will become effective on January 1, 2025. The Data Security Regulations may apply to the use of networks to carry out data processing activities and the supervision and administration of network data security in mainland China and apply to activities outside mainland China to process personal information of any natural persons in mainland China under any of the following circumstances: (i) for the purpose of providing products or services to natural persons in mainland China; (ii) analyze and evaluate the behavior of natural persons in mainland China; and (iii) other circumstances stipulated by laws and administrative regulations. The Data Security Regulations further stipulate that where it is indeed necessary to transfer "important data" collected and generated by a network data processor during its operation within the territory of mainland China to overseas parties, it shall pass the security assessment for cross-border data transfer organized by the CAC. Network data processors should identify and declare "important data" in accordance with the relevant provisions, but they are not required to conduct security assessment for outbound data transfer for data that has not been notified or published as "important data" by relevant departments or regions. In addition, the Data Security Regulations provides that data processors that process "important data" must conduct an annual data security assessment with regard to the data processing activities, and submit the assessment report to relevant competent authorities at or above the provincial level. Since the Data Security Regulations is newly promulgated, there remains uncertainty as to how it will be implemented and interpreted by the competent authorities and whether the PRC regulatory agencies, including the CAC, will adopt new laws, regulations, rules, or detailed implementation and interpretation related to security assessment. We cannot predict the impact of the Data Security Regulations on us, if any, at this stage, and we will closely monitor and assess any development in the implementation and interpretation of the Data Security Regulations. Even though we do not believe our business activities fall under the scope of Data Security Regulations, in the event that a competent PRC governmental authority concludes otherwise, we face uncertainties as to whether such clearance can be timely obtained, or at all.

***A severe or prolonged downturn in the PRC or global economy could materially and adversely affect our business and our financial condition.***

The global macroeconomic environment is facing challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa and over the conflicts involving Ukraine, Syria, Russia and North Korea. There have also been concerns on the relationship among China and other Asian countries, which may result in, or intensify potential conflicts in relation to, territorial disputes, and the trade disputes between China and other countries. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

Economic conditions in China are sensitive to global economic conditions, changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. While the economy in China has grown significantly over the past decades, growth has been uneven,



both geographically and among various sectors of the economy, and the rate of growth has been slowing in recent years. Although growth of China's economy remained relatively stable, there is a possibility that China's economic growth may materially decline in the near future. Any severe or prolonged slowdown in the global or PRC economy may materially and adversely affect our business, results of operations and financial condition.

***You may have difficulty enforcing judgments against us.***

A significant portion of our assets are located, and a substantial amount of our subsidiaries' operations are conducted, in the PRC. In addition, some of our directors and officers are nationals or residents of the PRC, including our chief financial officer, Mr. Jing Jin, and independent director, Mr. Ming Zhao, and a substantial majority of their assets are located outside the United States. As a result, it may be difficult to effect service of process within the United States upon these persons. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts because China does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates basic principles of PRC law or national sovereignty, security, or the public interest.

***Under the PRC Enterprise Income Tax Law, we may be classified as a "Resident Enterprise" of China. Any classification as such will likely result in unfavorable tax consequences to us and our non-PRC shareholders.***

Under the PRC EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be subject to an enterprise income tax, or EIT, rate of 25.0% on its global income. In April 2009, the SAT promulgated a circular, known as Circular 82, and partially amended by Circular 9 promulgated in January 2014, to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises or PRC enterprise groups. Under Circular 82, a foreign enterprise is considered a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are located mainly within China; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, the SAT issued a bulletin, known as Bulletin 45, effective in September 2011 and amended on June 1, 2015 and October 1, 2016, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese controlled offshore incorporated resident enterprises." Bulletin 45 provides for, among other matters, procedures for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect the SAT's criteria for determining the tax residence of foreign enterprises in general.

If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, under the PRC EIT Law, dividends paid to us from our PRC subsidiaries would be deemed as "qualified investment income between resident enterprises" and therefore qualify as "tax-exempt income" pursuant to the clause 26 of the PRC EIT Law. Finally, it is possible that future guidance issued with respect to the new "resident enterprise" classification could result in a situation in which the dividends we pay with respect to our ordinary shares, or the gain our non-PRC shareholders may realize from the transfer of our ordinary shares, may be treated as PRC-sourced income and may therefore be subject to a 10% PRC withholding tax. The PRC EIT Law is, however, relatively new and ambiguities exist with respect to the interpretation and identification of PRC-sourced income, and the application and assessment of withholding taxes. If we are required under the PRC EIT Law to withhold PRC income tax on dividends payable to our non-PRC shareholders, should there be a determination in the future to pay dividends, or if non-PRC shareholders are required to pay PRC income tax on gains on the transfer of their ordinary shares, our business could be negatively impacted and the value of your investment may be materially reduced. Further, if we were treated as a "resident enterprise" by PRC tax authorities, we would be subject to taxation in both China and such countries in which we have taxable income, and our PRC tax may not be creditable against such other taxes.

***PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from using proceeds from our future financing activities to make loans or additional capital contributions to our PRC subsidiaries.***

As an offshore holding company with PRC subsidiaries, we may transfer funds to our PRC subsidiaries or finance our PRC entities by means of loans or capital contributions. Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, are subject to PRC regulations. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, cannot exceed statutory limits based on the difference between the amount of our investments and registered capital in such subsidiaries, and shall be registered with State Administration of Foreign Exchange, or SAFE, or its local counterparts. Furthermore, any capital increase contributions we make to our PRC subsidiaries, which are foreign-invested enterprises, are subject to the requirement of making necessary reports in Foreign Investment Comprehensive Management Information System, and registration with other government authorities in China. We may not be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to obtain such approvals or make such registration, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments. As a result, our liquidity and our ability to fund and expand our business may be negatively affected.

***We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct business.***

As a holding company, we conduct a substantial amount of our business through our subsidiaries in China. We may rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. In accordance with the Article 210, 214 of the Company Law of the PRC (Revised in 2023), each of our PRC subsidiaries is required to allocate 10% of their profits to their statutory common reserve when they distribute their after-tax profits for the current year. A company shall no longer be required to make allocations to their statutory common reserve once the aggregate amount of such reserve exceeds 50% of their registered capital. The statutory common reserve fund of a company may only be used to cover the losses of the company, expand the business and production of the company or be converted into additional capital. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict such subsidiary's ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

***You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our ordinary shares.***

Under the PRC EIT Law, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10.0% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10.0% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the PRC and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

There is a risk that we will be treated by the PRC tax authorities as a PRC tax resident enterprise. In that case, any dividends we pay to our shareholders may be regarded as income derived from sources within China and we may be required to withhold a 10.0% PRC withholding tax for the dividends we pay to our investors who are non-PRC corporate shareholders, or a 20.0% withholding tax for the dividends we pay to our investors who are non-PRC individual shareholders, including the holders of our Shares. In addition, our non-PRC shareholders may be subject to PRC tax on gains realized on the sale or other disposition of our ordinary shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their tax residence and China in the event that we are considered as a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our ordinary shares or on dividends paid to our non-resident investors, should there be a determination in the future to pay dividends, the value of your investment in our ordinary shares may be materially and adversely affected. Furthermore, our shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

***We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations and certain other PRC regulations.***

On August 8, 2006, six PRC regulatory authorities, including Ministry of Commerce, the State Assets Supervision and Administration Commission, the SAT, the Administration for Industry and Commerce, the CSRC and SAFE, jointly issued the M&A Rules, which became effective on September 8, 2006 and were amended in June 2009. The M&A Rules, governing the approval process by which a PRC company may participate in an acquisition of assets or equity interests by foreign investors, requires the PRC parties to make a series of applications and supplemental applications to the government agencies, depending on the structure of the transaction. In some instances, the application process may require presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Accordingly, due to the M&A Rules, our ability to engage in business combination transactions has become significantly more complicated, time-consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our shareholders or sufficiently protective of their interests in a transaction.

The M&A Rules allow PRC government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to Ministry of Commerce and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The M&A Rules also prohibit a transaction at an acquisition price obviously lower than the appraised value of the business or assets in China and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. In addition, the M&A Rules also limit our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Therefore, such regulations may impede our ability to negotiate and complete a business combination transaction on legal and/or financial terms that satisfy our investors and protect our shareholders' economic interests.

***Fluctuations in exchange rates could have a material adverse impact on our results of operations and the value of your investment.***

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

Significant fluctuation of the Renminbi may have a material adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. As of the date of this Report, we have not entered into any material hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

***Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.***

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a significant portion of our revenues in Renminbi. Under our current corporate structure, our British Virgin Islands holding company may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE, by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our Company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than

Renminbi. If such approval is withheld or the PRC government imposes other restrictions on the convertibility of Renminbi into foreign currencies, we may not be able to utilize our revenues effectively, and as a result, our business and results of operations may be materially adversely affected, and the value of our ordinary shares may decrease.

***U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China.***

The SEC, the U.S. Department of Justice and other U.S. authorities may also have difficulties in bringing and enforcing actions against us or our directors or executive officers in the PRC. The SEC has stated that there are significant legal and other obstacles to obtaining information needed for investigations or litigation in China. China has recently adopted a revised securities law that became effective on March 1, 2020, Article 177 of which provides, among other things, that no overseas securities regulator is allowed to directly conduct an investigation or evidence collection activities within the territory of the PRC. Accordingly, without governmental approval in China, no entity or individual in China may provide documents and information relating to securities business activities to overseas regulators when it is under direct investigation or evidence discovery conducted by overseas regulators, which could present significant legal and other obstacles to obtaining information needed for investigations and litigation conducted outside of China.

***Our ordinary shares may be delisted and prohibited from being traded under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect our auditors. The delisting and the cessation of trading of our ordinary shares, or the treat of their being delisted and prohibited from being traded, may materially and adversely affect the value of your investment. Additionally, any inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections.***

Pursuant to the Holding Foreign Companies Accountable Act, as amended by the Consolidated Appropriations Act 2023, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our Ordinary Shares from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

Our auditor, Enrome LLP, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards and was not identified in PCAOB's determination report as a firm subject to the PCAOB's determination. Our current auditor, Enrome LLP, is headquartered in the Republic of Singapore and subject to inspect by the PCAOB.

If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the Holding Foreign Companies Accountable Act, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. A prohibition of being able to trade in the United States would substantially impair or completely hinder your ability to sell or purchase our Ordinary Shares when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our Ordinary Shares or render them worthless. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

Additionally, we cannot assure you whether the national securities exchange we are listed on or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach, or experience as it relates to our audit.

**Risks Related to Our Ordinary Shares**

***Future sales of our ordinary shares, whether by us or our shareholders, could cause the price of our ordinary shares to decline.***

If our existing shareholders sell, or indicate an intent to sell, substantial amounts of our ordinary shares in the public market, the trading price of our ordinary shares could decline significantly. Similarly, the perception in the public market that our shareholders might sell our ordinary shares could also depress the market price of our shares. A decline in the price of our ordinary shares might impede our ability to raise capital through the issuance of additional ordinary shares or other equity securities. In addition, the issuance and sale by us of additional ordinary shares, or securities convertible into or exercisable for our ordinary shares, or the perception that we will issue such securities, could reduce the trading price for our ordinary shares as well as make future sales of equity securities by us less attractive or not feasible. The sale of ordinary shares issued upon the exercise of our outstanding warrants could further dilute the holdings of our then existing shareholders.

***We do not know whether a market for the ordinary shares will be sustained or what the trading price of the ordinary shares will be and as a result it may be difficult for you to sell your ordinary shares.***

Although our ordinary shares trade on Nasdaq, an active trading market for the ordinary shares may not be sustained. It may be difficult for you to sell your ordinary shares without depressing the market price for the ordinary shares. As a result of these and other factors, you may not be able to sell your ordinary shares. Further, an inactive market may also impair our ability to raise capital by selling ordinary shares, or may impair our ability to enter into strategic partnerships or acquire companies or products by using our ordinary shares as consideration.

***Securities analysts may not cover our ordinary shares and this may have a negative impact on the market price of our ordinary shares.***

The trading market for our ordinary shares will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over independent analysts (provided that we have engaged various non-independent analysts). We do not currently have and may never obtain research coverage by independent securities and industry analysts. If no independent securities or industry analysts commence coverage of us, the trading price for our ordinary shares would be negatively impacted. If we obtain independent securities or industry analyst coverage and if one or more of the analysts who covers us downgrades our ordinary shares, changes their opinion of our shares or publishes inaccurate or unfavorable research about our business, the price of our ordinary shares would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our ordinary shares could decrease and we could lose visibility in the financial markets, which could cause the price and trading volume of our ordinary shares to decline.

***Because we do not expect to pay dividends in the foreseeable future, you must rely on the price appreciation of our ordinary shares for a***

### ***return on your investment.***

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ordinary shares as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of British Virgin Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Under British Virgin Islands law, a British Virgin Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions, and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ordinary shares will likely depend entirely upon any future price appreciation of our ordinary shares. There is no guarantee that our ordinary shares will appreciate in value or even maintain the price at which you purchased the ordinary shares. You may not realize a return on your investment in our ordinary shares and you may even lose your entire investment in our ordinary shares.

### ***Techniques employed by short sellers may drive down the market price of our ordinary shares.***

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Other public companies listed in the United States that have substantial operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

We may in the future be the subject of unfavorable allegations made by short sellers. Any such allegations may be followed by periods of instability in the market price of our ordinary shares and negative publicity. If and when we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could be required to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable federal or state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and shareholder's equity, and the value of any investment in our ordinary shares could be greatly reduced or rendered worthless.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

There were no unregistered sales of the Company's equity securities during the nine months ended September 30, 2024 that were not previously disclosed in reports filed with the SEC.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

No senior securities were issued and outstanding during the nine-month period ended September 30, 2024.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

### **ITEM 5. OTHER INFORMATION.**

None.

### **ITEM 6. EXHIBITS**

(a) Exhibits

<b>Exhibit</b>	<b>Exhibit Description</b>
3.1 <sup>(2)</sup>	<a href="#">Memorandum and Articles of Association.</a>
3.2 <sup>(2)</sup>	<a href="#">Amended and Restated Articles of Association.</a>
3.3 <sup>(1)</sup>	<a href="#">Second Amended and Restated Articles of Association.</a>
3.4 <sup>(3)</sup>	<a href="#">Amended and Restated Memorandum and Articles of Association, effective on October 24, 2019.</a>
10.1 <sup>(4)</sup>	<a href="#">2020 Equity Incentive Plan</a>
10.2 <sup>(5)</sup>	<a href="#">2021 Equity Incentive Plan</a>
31.1*	<a href="#">Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>

32.2**	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

- (1) Incorporated by reference to the Company's Form 8-K, filed with the SEC on July 30, 2018.
- (2) Incorporated by reference to the Company's Form S-1/A, filed with the SEC on July 16, 2018.
- (3) Incorporated by reference to the Company's Form 8-K, filed with the SEC on October 30, 2019.
- (4) Incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A, filed with the SEC on December 1, 2020.
- (5) Incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A, filed with the SEC on December 1, 2021.

\* Filed herewith.

\*\* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibits 32.1 and 32.2 herewith are deemed to accompany this Form 10-Q and will not be deemed filed for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act.

### SIGNATURES

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

**Greenland Technologies Holding Corp.**

Date: November 14, 2024

/s/ Raymond Z. Wang  
Raymond Z. Wang  
Chief Executive Officer and President

**Certification by the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Raymond Z. Wang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greenland Technologies Holding Corporation;
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 company as of, and for, the periods presented in this report;
4. The company'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 company 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 company, 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 company'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 company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: November 14, 2024

/s/ Raymond Z. Wang

Name: Raymond Z. Wang

Title: Chief Executive Officer  
(Principal Executive Officer)

**Certification by the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jing Jin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greenland Technologies Holding Corporation;
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 company as of, and for, the periods presented in this report;
4. The company'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 company 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 company, 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 company'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 company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: November 14, 2024

/s/ Jing Jin

Name: Jing Jin

Title: Chief Financial Officer  
(Principal Financial Officer)



**Certification by the Principal Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Raymond Z. Wang, Chief Executive Officer of Greenland Technologies Holding Corporation (the "Company"), hereby certify to my knowledge that:

The quarterly report on Form 10-Q for the quarter ended September 30, 2024 of the Company fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2024

/s/ Raymond Z. Wang  
Raymond Z. Wang  
Chief Executive Officer  
(Principal Executive Officer)

**Certification by the Principal Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Jing Jin, Chief Financial Officer of Greenland Technologies Holding Corporation (the "Company"), hereby certify to my knowledge that:

The quarterly report on Form 10-Q for the quarter ended September 30, 2024 of the Company fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2024

/s/ Jing Jin

Jing Jin  
Chief Financial Officer  
(Principal Financial Officer)