

REFINITIV

DELTA REPORT

10-Q

CREG - SMART POWERR CORP.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	664
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 CHANGES	154
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 DELETIONS	326
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 ADDITIONS	184
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2023 March 31, 2024

or

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

For the transition period from _____ to _____

Commission file number: 000-12536

SMART POWERR CORP.

(Exact name of registrant as specified in its charter)

Nevada

90-0093373

(State or other jurisdiction of
incorporation or organization)

(IRS Employer

Identification No.)

4/F, Tower C

Rong Cheng Yun Gu Building Keji 3rd Road, Yanta District

Xi An City, Shaan Xi Province

China 710075

(Address of principal executive offices)

(011) 86-29-8765-1098

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	CREG	Nasdaq Capital Market

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☒

Emerging Growth Company ☐

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

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

As of November 13, 2023 May 14, 2024, there were 7,963,444 8,387,592 shares of the registrant's common stock outstanding.

SMART POWERR CORP.
FORM 10-Q
TABLE OF CONTENTS

	PAGE
<u>PART I - FINANCIAL INFORMATION</u>	<u>1</u>
Item 1. <u>Consolidated Financial Statements</u>	1
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	2422
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	3331
Item 4. <u>Controls and Procedures</u>	3331
<u>PART II - OTHER INFORMATION</u>	<u>32</u>
Item 1. <u>Legal Proceedings</u>	3432
Item 1A. <u>Risk Factors</u>	3532
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	3532
Item 3. <u>Defaults Upon Senior Securities</u>	3532
Item 4. <u>Mine Safety Disclosures</u>	3533
Item 5. <u>Other Information</u>	3533
Item 6. <u>Exhibits</u>	3633
<u>SIGNATURES</u>	<u>4138</u>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SMART POWERR CORP. CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2023 (UNAUDITED)	DECEMBER 31, 2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 67,950,506	\$ 138,813,673
VAT receivable	168,386	173,589
Advance to supplier	66,537,792	31,923
Right-of-use assets, net	15,266	62,177
Other receivables	50,229	49,690
Total current assets	134,722,179	139,131,052
NON-CURRENT ASSET		
Fixed assets, net	4,514	4,653
Total non-current asset	4,514	4,653
TOTAL ASSETS	\$ 134,726,693	\$ 139,135,705
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 69,134	\$ 71,271
Taxes payable	3,683,369	3,681,352
Accrued interest on notes	58,190	261,035
Notes payable, net of unamortized OID of \$0 and \$31,250, respectively	5,309,812	5,697,727
Accrued liabilities and other payables	2,666,492	2,776,414
Lease liabilities	-	62,178
Payable for purchase of 10% equity interest of Zhonghong	417,839	430,750
Interest payable on entrusted loans	336,841	347,249
Entrusted loan payable	10,724,533	11,055,911
Total current liabilities	23,266,210	24,383,887
NONCURRENT LIABILITY		
Income tax payable	3,958,625	3,958,625
Total noncurrent liability	3,958,625	3,958,625

Total liabilities	27,224,835	28,342,512
CONTINGENCIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value; 100,000,000 shares authorized, 7,963,444 and 7,391,996 shares issued and outstanding	7,963	7,392
Additional paid in capital	164,614,149	163,663,305
Statutory reserve	15,191,337	15,168,003
Accumulated other comprehensive loss	(12,043,245)	(8,318,564)
Accumulated deficit	(60,268,346)	(59,726,943)
Total Company stockholders' equity	107,501,858	110,793,193
TOTAL LIABILITIES AND EQUITY	<u>\$ 134,726,693</u>	<u>\$ 139,135,705</u>

SMART POWERR CORP
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2024 (UNAUDITED)	DECEMBER 31, 2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 68,577,267	\$ 32,370
VAT receivable	170,398	170,694
Advance to supplier	67,326,017	67,440,761
Short term loan receivables	-	68,773,208
Other receivables	53,569	48,519
Total current assets	136,127,251	136,465,552
NON-CURRENT ASSETS		
Operating lease right-of-use assets, net	168,156	-
Plant and equipment, net	3,987	3,994
Total non-current assets	172,143	3,994
TOTAL ASSETS	<u>\$ 136,299,394</u>	<u>\$ 136,469,546</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 69,961	\$ 70,083

Taxes payable	4,291,295	4,277,091
Accrued interest on notes	3,305	2,290
Notes payable	5,025,767	5,222,743
Accrued liabilities and other payables	2,620,828	2,664,461
Operating lease liability	30,898	-
Payable for purchase of 10% equity interest of Zhonghong	422,833	423,567
Interest payable on entrusted loans	340,868	341,459
Entrusted loan payable	<u>10,852,713</u>	<u>10,871,560</u>
Total current liabilities	23,658,468	23,873,254
NONCURRENT LIABILITIES		
Income tax payable	3,350,625	3,350,625
Operating lease liability	<u>121,809</u>	<u>-</u>
Total noncurrent liabilities	<u>3,472,434</u>	<u>3,350,625</u>
Total liabilities	27,130,902	27,223,879
CONTINGENCIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value; 100,000,000 shares authorized, 8,128,525 and 7,963,444 shares issued and outstanding	8,128	7,963
Additional paid in capital	165,191,103	164,870,025
Statutory reserve	15,191,676	15,191,645
Accumulated other comprehensive loss	(10,445,216)	(10,326,595)
Accumulated deficit	<u>(60,777,199)</u>	<u>(60,497,371)</u>
Total Company stockholders' equity	<u>109,168,492</u>	<u>109,245,667</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 136,299,394</u>	<u>\$ 136,469,546</u>

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

SMART POWERR CORP
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2024	2023
Revenue		
Contingent rental income	\$ -	\$ -
Interest income on sales-type leases	-	-
Total operating income	-	-
Operating expenses		
General and administrative	208,430	84,828
Total operating expenses	208,430	84,828
Loss from operations	(208,430)	(84,828)
Non-operating income (expenses)		
(Loss) gain on note conversion	(21,243)	10,482
Interest income	39,984	88,195
Interest expense	(104,080)	(111,104)
Other income	28,152	12,285
Total non-operating expenses, net	(57,187)	(142)
Loss before income tax	(265,617)	(84,970)
Income tax expense	14,180	4,534
Net loss	(279,797)	(89,504)
Other comprehensive items		
Foreign currency translation (loss) gain	(118,621)	1,681,720
Comprehensive (loss) income	\$ (398,418)	\$ 1,592,216
Weighted average shares used for computing basic and diluted loss per share	8,115,826	7,565,183
Basic and diluted net loss per share	\$ (0.03)	\$ (0.01)

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

SMART POWERR CORP. CORP
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS)/INCOME STOCKHOLDERS'
EQUITY
(UNAUDITED) THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	2023	2022	2023	2022
Revenue				
Contingent rental income	\$ -	\$ -	\$ -	\$ -
Interest income on sales-type leases	-	-	-	-
Total operating income	-	-	-	-
Operating expenses				
General and administrative	606,105	552,264	146,870	168,758
Total operating expenses	606,105	552,264	146,870	168,758
Loss from operations	(606,105)	(552,264)	(146,870)	(168,758)
Non-operating income (expenses)				
Loss on note conversion	(1,415)	(121,121)	(7,017)	-
Interest income	218,242	329,576	47,801	105,661
Interest expense	(328,200)	(571,050)	(107,920)	(340,732)
Other income (expenses), net	296,549	(162,536)	67,931	(30,854)
Total non-operating income (expenses), net	185,176	(525,131)	795	(265,925)
Loss before income tax	(420,929)	(1,077,395)	(146,075)	(434,683)
Income tax expense	97,140	36,511	34,648	12,954
Net loss	(518,069)	(1,113,906)	(180,723)	(447,637)
Other comprehensive items				
Foreign currency translation gain (loss)	(3,724,681)	(14,129,752)	767,367	(7,199,437)
Comprehensive income (loss)	\$ (4,242,750)	\$ (15,243,658)	\$ 586,644	\$ (7,647,074)
Weighted average shares used for computing basic and diluted loss per share	7,724,688	7,320,355	7,969,912	7,358,052

Basic and diluted net loss per share	\$	(0.07)	\$	(0.15)	\$	(0.02)	\$	(0.06)
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	Common Stock		Paid in	Statutory	Other	Accumulated	
	Shares	Amount	Capital	Reserves	Comprehensive Loss	Deficit	Total
Balance as of December 31, 2023	7,963,444	\$ 7,963	\$ 164,870,025	\$ 15,191,645	\$ (10,326,595)	\$ (60,497,371)	\$ 109,245,667
Net loss for the period	-	-	-	-	-	(279,797)	(279,797)
Conversion of long-term notes into common shares	165,081	165	321,078	-	-	-	321,243
Transfer to statutory reserves	-	-	-	31	-	(31)	-
Foreign currency translation loss	-	-	-	-	(118,621)	-	(118,621)
Balance as of March 31, 2024	8,128,525	\$ 8,128	\$ 165,191,103	\$ 15,191,676	\$ (10,445,216)	\$ (60,777,199)	\$ 109,168,492

	Common Stock		Paid in	Statutory	Other	Accumulated	
	Shares	Amount	Capital	Reserves	Comprehensive Loss	Deficit	Total
Balance as of December 31, 2022	7,391,996	7,392	163,663,305	15,168,003	(8,318,564)	(59,726,943)	110,793,193
Net loss for the period	-	-	-	-	-	(89,504)	(89,504)
Conversion of long-term notes into common shares	241,537	242	489,276	-	-	-	489,518
Transfer to statutory reserves	-	-	-	2,590	-	(2,590)	-

Foreign currency translation gain	-	-	-	-	1,681,720	-	1,681,720
Balance as of March 31, 2023	<u>7,633,533</u>	<u>\$ 7,634</u>	<u>\$ 164,152,581</u>	<u>\$ 15,170,593</u>	<u>\$ (6,636,844)</u>	<u>\$ (59,819,037)</u>	<u>\$ 112,874,927</u>

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

SMART POWERR CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(UNAUDITED)

	Common Stock		Paid in	Statutory	Other	Accumulated	
	Shares	Amount	Capital	Reserves	Comprehensive	Deficit	Total
					Loss		
Balance at December 31, 2022	7,391,996	\$ 7,392	\$ 163,663,305	\$ 15,168,003	\$ (8,318,564)	\$ (59,726,943)	\$ 110,793,193
Net loss for the period	-	-	-	-	-	(89,504)	(89,504)
Conversion of long-term notes into common shares	241,537	242	489,276	-	-	-	489,518
Transfer to statutory reserves	-	-	-	2,590	-	(2,590)	-
Foreign currency translation gain	-	-	-	-	1,681,720	-	1,681,720
Balance at March 31, 2023	7,633,533	7,634	164,152,581	15,170,593	(6,636,844)	(59,819,037)	112,874,927
Net loss for the period	-	-	-	-	-	(247,842)	(247,842)
Conversion of long-term notes into common shares	154,473	154	254,727	-	-	-	254,881
Transfer to statutory reserves	-	-	-	15,296	-	(15,296)	-
Foreign currency translation loss	-	-	-	-	(6,173,768)	-	(6,173,768)
Balance at June 30, 2023	7,788,006	7,788	164,407,308	15,185,889	(12,810,612)	(60,082,175)	106,708,198

Net loss for the period	-	-	-	-	-	(180,723)	(180,723)
Conversion of long-term notes into common shares	175,438	175	206,841	-	-	-	207,016
Transfer to statutory reserves	-	-	-	5,448	-	(5,448)	-
Foreign currency translation loss	-	-	-	-	767,367	-	767,367
Balance at September 30, 2023	<u>7,963,444</u>	<u>\$ 7,963</u>	<u>\$ 164,614,149</u>	<u>\$ 15,191,337</u>	<u>\$ (12,043,245)</u>	<u>\$ (60,268,346)</u>	<u>\$ 107,501,858</u>
	Common Stock		Paid in Capital	Statutory Reserves	Other Comprehensive (Loss) / Income	Accumulated Deficit	Total
	Shares	Amount					
Balance at December 31, 2021	7,044,408	\$ 7,044	\$ 161,531,565	\$ 15,180,067	\$ 3,321,189.0	\$ (55,281,680)	\$ 124,758,185
Net loss for the period	-	-	-	-	-	(441,459)	(441,459)
Conversion of long-term notes into common shares	313,644	314	2,017,793	-	-	-	2,018,107
Transfer to statutory reserves	-	-	-	(22,277)	-	22,277	-
Foreign currency translation gain	-	-	-	-	600,181	-	600,181
Balance at March 31, 2022	7,358,052	7,358	163,549,358	15,157,790	3,921,370	(55,700,862)	126,935,014
Net loss for the period	-	-	-	-	-	(224,810)	(224,810)
Transfer to statutory reserves	-	-	-	4,443	-	(4,443)	-

Foreign currency translation loss	-	-	-	-	(7,530,496)	-	(7,530,496)
Balance at June 30, 2022	7,358,052	7,358	163,549,358	15,162,233	(3,609,126)	(55,930,115)	119,179,708
Net loss for the period	-	-	-	-	-	(447,637)	(447,637)
Transfer to statutory reserves	-	-	-	4,351	-	(4,351)	-
Foreign currency translation loss	-	-	-	-	(7,199,437)	-	(7,199,437)
Balance at September 30, 2022	<u>7,358,052</u>	<u>\$ 7,358</u>	<u>\$ 163,549,358</u>	<u>\$ 15,166,584</u>	<u>\$ (10,808,563)</u>	<u>\$ (56,382,103)</u>	<u>\$ 111,532,634</u>

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

CORP

SMART POWERR CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (279,797)	\$ (89,504)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of OID and debt issuing costs of notes	-	31,250
Operating lease expenses	15,432	16,007
Loss (gain) on note conversion	21,243	(10,482)
Changes in assets and liabilities:		
Advance to supplier	(1,824)	(4,082)
Other receivables	13,149	(2,225)
Taxes payable	14,224	(7,629)
Payment of lease liability	(30,864)	(32,014)
Accrued liabilities and other payables	64,918	28,396
Net cash used in operating activities	(183,519)	(70,283)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short term loan receivable	68,564,217	(141,070,591)
Net cash provided by (used in) investing activities	68,564,217	(141,070,591)
EFFECT OF EXCHANGE RATE CHANGE ON CASH	164,199	2,366,607
NET INCREASE (DECREASE) IN CASH	68,544,897	(138,774,267)
CASH, BEGINNING OF PERIOD	32,370	138,813,673
CASH, END OF PERIOD	\$ 68,577,267	\$ 39,406
Supplemental cash flow data:		
Income tax paid	\$ -	\$ 12,163
Interest paid	\$ -	\$ -
Supplemental disclosure of non-cash financing activities		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 183,250	\$ -
Conversion of notes into common shares	\$ 300,000	\$ 500,000
	NINE MONTHS ENDED SEPTEMBER 30,	
	2023	2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (518,069)	\$ (1,113,906)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of OID and debt issuing costs of notes	31,250	163,105
Operating lease expenses	46,876	49,771
Loss on note conversion	1,415	121,121
Interest expense	-	229,015
Changes in assets and liabilities:		
Advance to supplier	(68,063,624)	(5,215)
Other receivables	(293)	2,376
Taxes payable	3,069	(19,901)
Payment of lease liabilities	(62,502)	(66,362)
Accrued liabilities and other payables	297,135	330,871
Net cash used in operating activities	(68,264,743)	(309,125)
EFFECT OF EXCHANGE RATE CHANGE ON CASH	(2,598,424)	(15,486,470)
NET DECREASE IN CASH	(70,863,167)	(15,795,595)
CASH, BEGINNING OF PERIOD	138,813,673	152,011,887
CASH, END OF PERIOD	\$ 67,950,506	\$ 136,216,292
Supplemental cash flow data:		
Income tax paid	\$ 94,126	\$ 56,495
Interest paid	\$ -	\$ -
Supplemental disclosure of non-cash financing activities		
Conversion of notes into common shares	\$ 950,000	\$ 1,896,986

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

SMART POWERR CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 MARCH 31, 2024 (UNAUDITED) AND DECEMBER 31, 20222023

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Smart Powerr Corp. (the “Company” or “SPC”) was incorporated in Nevada, and was formerly known as China Recycling Entergy Corporation. The Company, through its subsidiaries, provides energy saving solutions and services, including selling and leasing energy saving systems and equipment to customers, and project investment in the Peoples Republic of China (“PRC”).

The Company’s organizational chart as of September 30, 2023 March 31, 2024 is as follows:

Erdos TCH – Joint Venture

On April 14, 2009, the Company formed a joint venture (the “JV”) with Erdos Metallurgy Co., Ltd. (“Erdos”) to recycle waste heat from Erdos’ metal refining plants to generate power and steam to be sold back to Erdos. The name of the JV was Inner Mongolia Erdos TCH Energy Saving Development Co., Ltd. (“Erdos TCH”) with a term of 20 years. Erdos contributed 7% of the total investment of the project, and Xi’an TCH Energy Technology Co., Ltd. (“Xi’an TCH”) contributed 93%. On June 15, 2013, Xi’an TCH and Erdos entered into a share transfer agreement, pursuant to which Erdos sold its 7% ownership interest in the JV to Xi’an TCH for \$1.29 million (RMB 8 million), plus certain accumulated profits. Xi’an TCH paid the \$1.29 million in July 2013 and, as a result, became the sole stockholder of the JV. Erdos TCH currently has two power generation systems in Phase I with a total 18 MW power capacity, and three power generation systems in Phase II with a total 27 MW power capacity. On April 28, 2016, Erdos TCH and Erdos entered into a supplemental agreement, effective May 1, 2016, whereby Erdos TCH cancelled monthly minimum lease payments from Erdos, and started to charge Erdos based on actual electricity sold at RMB 0.30 / KWH. The selling price of each KWH is determined annually based on prevailing market conditions. In May 2019, Erdos TCH ceased operations due to renovations and furnace safety upgrades of Erdos, and the Company initially expected the resumption of operations in July 2020, but the resumption of operations was further delayed due to the government’s mandate for Erdos to significantly lower its energy consumption per unit of GDP by implementing a comprehensive technical upgrade of its ferrosilicon production line to meet the City’s energy-saving targets. Erdos is currently researching the technical rectification scheme. Once the scheme is determined, Erdos TCH will carry out technical transformation for its waste heat power station project. During this period, Erdos will compensate Erdos TCH RMB 1 million (\$145,524) per month, until operations resume. The Company has not recognized any income due to the uncertainty of collection. In addition, Erdos TCH has 30% ownership in DaTangShiDai (BinZhou) Energy Savings Technology Co., Ltd. (“BinZhou Energy Savings”), 30% ownership in DaTangShiDai DaTong Recycling Energy Technology Co., Ltd. (“DaTong Recycling Energy”), and 40% ownership in DaTang ShiDai TianYu XuZhou Recycling Energy Technology Co, Ltd. (“TianYu XuZhou Recycling Energy”). These companies were incorporated in 2012 but had no operations since then nor has any registered capital contribution been made.

Formation of Zhongxun

On March 24, 2014, Xi'an TCH incorporated a subsidiary, Zhongxun Energy Investment (Beijing) Co., Ltd. ("Zhongxun") with registered capital of \$5,695,502 (RMB 35,000,000), which must be contributed before October 1, 2028. Zhongxun is 100% owned by Xi'an TCH and will be mainly engaged in project investment, investment management, economic information consulting, and technical services. Zhongxun has not commenced operations nor has any capital contribution been made as of the date of this report.

Formation of Yinghua

On February 11, 2015, the Company incorporated a subsidiary, Shanghai Yinghua Financial Leasing Co., Ltd. ("Yinghua") with registered capital of \$30,000,000, to be paid within 10 years from the date the business license is issued. Yinghua is 100% owned by the Company and will be mainly engaged in financial leasing, purchase of financial leasing assets, disposal and repair of financial leasing assets, consulting and ensuring of financial leasing transactions, and related factoring business. Yinghua has not commenced operations nor has any capital contribution been made as of the date of this report.

Other Events

On March 3, 2022, the Company filed with the Secretary of State of the State of Nevada a Certificate of Amendment to the Company's Amended and Restated Certificate of Incorporation to change our corporate name from China Recycling Energy Corporation to Smart Power Corp, effective March 3, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial information as of and for the nine and three months ended September 30, 2023 and 2022 was statements (“CFS”) are prepared in accordance conformity with accounting principles generally accepted in the U.S. Generally Accepted Accounting Principles (“US GAAP”) for interim financial information and with the instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, such financial information includes all adjustments (consisting only of normal recurring adjustments, unless otherwise indicated) considered necessary for a fair presentation of our financial position at such date and the operating results and cash flows for such periods. Operating results for the nine months ended September 30, 2023 are not necessarily indicative. The functional currency of the results that may be expected for the entire year or for any other subsequent interim period. Company’s operating entities is Chinese Renminbi (“RMB”). The interim accompanying consolidated financial information should be read statements are translated from RMB and presented in conjunction with the Financial Statements and the notes thereto, included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, previously filed with the Securities Exchange Commission U.S. dollars (“SEC” USD”) on May 8, 2023.

Principle of Consolidation

The Consolidated Financial Statements (“CFS”) CFS include the accounts of SPC and its subsidiaries, Shanghai Yinghua Financial Leasing Co., Ltd. (“Yinghua”) and Sifang Holdings; Sifang Holdings’ wholly owned subsidiaries, Huahong New Energy Technology Co., Ltd. (“Huahong”) and Shanghai TCH Energy Tech Co., Ltd. (“Shanghai TCH”); Shanghai TCH’s wholly-owned subsidiary, Xi’an TCH Energy Tech Co., Ltd. (“Xi’an TCH”); and Xi’an TCH’s subsidiaries, 1) Erdos TCH Energy Saving Development Co., Ltd (“Erdos TCH”), 100% owned by Xi’an TCH, 2) Zhonghong, 90% owned by Xi’an TCH and 10% owned by Shanghai TCH, and 3) Zhongxun, 100% owned by Xi’an TCH. Substantially all the Company’s revenues are derived from the operations of Shanghai TCH and its subsidiaries, which represent substantially all the Company’s consolidated assets and liabilities as of September 30, 2023 March 31, 2024. However, there was no revenue for the Company for the nine and three months ended September 30, 2023 March 31, 2024 or 2022, 2023. All significant inter-company accounts and transactions were eliminated in consolidation.

Uses and Sources of Liquidity

For the ~~nine~~three months ended ~~September 30, 2023~~March 31, 2024 and ~~2022~~2023, the Company had a net loss of ~~\$518,069~~\$279,797 and \$1,113,906, respectively. For the three months ended September 30, 2023 and 2022, the Company had a net loss of \$180,723 and ~~\$447,637~~\$89,504, respectively. The Company had an accumulated deficit of ~~\$60.27~~\$60.78 million as of ~~September 30, 2023~~March 31, 2024. The Company disposed all of its systems and currently holds five power generating systems through Erdos TCH, the five power generating systems are currently not producing any electricity. The Company is in the process of transforming and expanding into an energy storage integrated solution provider business. The Company plans to pursue disciplined and targeted expansion strategies for market areas the Company currently does not serve. The Company actively seeks and explores opportunities to apply energy storage technologies to new industries or segments with high growth potential, including industrial and commercial complexes, large scale photovoltaic (PV) and wind power stations, remote islands without electricity, and smart energy cities with multi-energy supplies. The Company's cash flow forecast indicates it will have sufficient cash to fund its operations for the next 12 months from the date of issuance of these CFS.

Use of Estimates

In preparing these CFS in accordance with US GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets as well as revenues and expenses during the period reported. Actual results may differ from these estimates. On an on-going basis, management evaluates its estimates, including those allowances for bad debt, impairment loss on fixed assets and construction in progress, income taxes, and contingencies and litigation. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other resources.

Revenue Recognition

A) Sales-type Leasing and Related Revenue Recognition

The Company follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 842. The Company’s sales type lease contracts for revenue recognition fall under ASC 842. During the **nine and** three months ended **September 30, 2023**, **March 31, 2024** and **2022, 2023**, the Company did not sell any new power generating projects.

The Company constructs and leases waste energy recycling power generating projects to its customers. The Company typically transfers legal ownership of the waste energy recycling power generating projects to its customers at the end of the lease.

The Company finances construction of waste energy recycling power generating projects. The sales and cost of sales are recognized at the inception of the lease, which is when control is transferred to the lessee. The Company accounts for the transfer of control as a sales type lease in accordance with ASC 842-10-25-2. The underlying asset is derecognized, and revenue is recorded when collection of payments is probable. This is in accordance with the revenue recognition principle in ASC 606 - Revenue from contracts with customers. The investment in sales-type leases consists of the sum of the minimum lease payments receivable less unearned interest income and estimated executory cost. Minimum lease payments are part of the lease agreement between the Company (as the lessor) and the customer (as the lessee). The discount rate implicit in the lease is used to calculate the present value of minimum lease payments. The minimum lease payments consist of the gross lease payments net of executory costs and contingent rentals, if any. Unearned interest is amortized to income over the lease term to produce a constant periodic rate of return on net investment in the lease. While revenue is recognized at the inception of the lease, the cash flow from the sales-type lease occurs over the course of the lease, which results in interest income and reduction of receivables. Revenue is recognized net of value-added tax.

B) Contingent Rental Income

The Company records income from actual electricity generated of each project in the period the income is earned, which is when the electricity is generated. Contingent rent is not part of minimum lease payments.

Operating Leases

The Company determines if an arrangement is a lease or contains a lease at inception. Operating lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the discount rate for the lease at the commencement date. As the rate implicit in the lease is not readily determinable for an operating lease, the Company generally uses an incremental borrowing rate based on information available at the commencement date to determine the present value of future lease payments. Operating lease right-of-use (“ROU assets”) assets represent the Company’s right to control the use of an identified asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets are generally recognized based on the amount of the initial measurement of the lease liability. Lease expense is recognized on a straight-line basis over the lease term.

ROU assets are reviewed for impairment when indicators of impairment are present. ROU assets from operating and finance leases are subject to the impairment guidance in ASC 360, **Property, Plant, and Equipment**, as ROU assets are long-lived nonfinancial assets.

ROU assets are tested for impairment individually or as part of an asset group if the cash flows related to the ROU asset are not independent from the cash flows of other assets and liabilities. An asset group is the unit of accounting for long-lived assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The Company recognized no impairment of ROU assets as of **September 30, 2023 or December 31, 2022** **March 31, 2024 and December 31, 2023**.

Operating leases are included in operating lease ROU and operating lease liabilities (current and non-current), on the consolidated balance sheets.

Cash

Cash includes cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date.

Accounts Receivable

The Company's policy is to maintain an allowance for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, the Company had no accounts receivable.

Value added tax ("VAT")

The Company is subject to VAT and related surcharges on revenue generated from sales and services. The Company records revenue net of VAT. This VAT may be offset by qualified input VAT paid by the Company to suppliers. Net VAT balance between input VAT and output VAT is recorded in the line item of VAT receivable on the unaudited consolidated balance sheets.

The VAT rate is 13% for taxpayers selling consumer products and 6% for providing technology services. Entities that are VAT general taxpayers are allowed to offset qualified input VAT, paid to suppliers against their output VAT liabilities. As of March 31, 2024 and December 31, 2023, the Company had \$170,398 and \$170,694 VAT receivable, respectively.

Advance to suppliers

Advance to suppliers consist of balances paid to suppliers for materials that have not been received. The Company reviews its advances to suppliers on a periodic basis and makes general and specific allowances when there is doubt as to the ability of a supplier to provide supplies to the Company or refund an advance.

Short term loan receivables

The Company provided loans to certain third parties for the purpose of making use of its cash.

The Company monitors all loans receivable for delinquency and provides for estimated losses for specific receivables that are not likely to be collected. Management periodically assesses the collectability of these loans receivable. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. As of September 30, 2023 and 2022, March 31, 2024, the Company did not have any outstanding short term loan receivables; at December 31, 2023, the Company had \$68.77 million short term loan receivables and did not accrue allowance against short term loan receivables.

Concentration of Credit Risk

Cash includes cash on hand and demand deposits in accounts maintained within China. Balances at financial institutions and state-owned banks within the PRC are covered by insurance up to RMB 500,000 (\$71,792) per bank. Any balance over RMB 500,000 (\$71,792) per bank in PRC is not covered. The Company has not experienced any losses in such accounts.

Certain other financial instruments, which subject the Company to concentration of credit risk, consist of accounts and other receivables. The Company does not require collateral or other security to support these receivables. The Company conducts periodic reviews of its customers’ financial condition and customer payment practices to minimize collection risk on accounts receivable.

The operations of the Company are in the PRC. Accordingly, the Company’s business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC.

Property Plant and Equipment

Property Plant and equipment are stated at cost, net of accumulated depreciation. Expenditures for maintenance and repairs are expensed as incurred; additions, renewals and betterments are capitalized. When property plant and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property plant and equipment is provided using the straight-line method over the estimated lives as follows:

Vehicles	2 – 5 years
Office and Other Equipment	2 – 5 years

Impairment of Long-lived Assets

In accordance with FASB ASC Topic 360, “Property, Plant, and Equipment,” the Company reviews its long-lived assets, including property plant and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If the total expected undiscounted future net cash flows are less than the carrying amount of the asset, a loss is recognized for the difference between the fair value (“FV”) and carrying amount of the asset. The Company did not record any impairment for the nine and three months ended September 30, 2023 March 31, 2024 and 2022, 2023.

Accounts and other payables

Accounts and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Accounts and other payables are initially recognized as fair value, and subsequently carried at amortized cost using the effective interest method.

Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the financial year end date, in which case they are presented as non-current liabilities.

Borrowings are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using an effective interest method.

Borrowing costs are recognized in profit or loss using the effective interest method.

Cost of Sales

Cost of sales consists primarily of the direct material of the power generating system and expenses incurred directly for project construction for sales-type leasing and sales tax and additions for contingent rental income.

Income Taxes

Income taxes are accounted for using an asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company follows FASB ASC Topic 740, which prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Under FASB ASC Topic 740, when tax returns are filed, it is likely that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the CFS in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest associated with unrecognized tax benefits is classified as interest expense and penalties are classified in selling, general and administrative expenses in the statement of income. At September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, the Company did not take any uncertain positions that would necessitate recording a tax related liability.

Statement of Cash Flows

In accordance with FASB ASC Topic 230, “*Statement of Cash Flows*,” cash flows from the Company’s operations are calculated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows may not necessarily agree with changes in the corresponding balances on the balance sheet.

Fair Value of Financial Instruments

For certain of the Company’s financial instruments, including cash and equivalents, restricted cash, accounts receivable, other receivables, accounts payable, accrued liabilities and short-term debts, the carrying amounts approximate their FVs due to their short maturities. Receivables on sales-type leases are based on interest rates implicit in the lease.

FASB ASC Topic 820, “*Fair Value Measurements and Disclosures*,” requires disclosure of the FV of financial instruments held by the Company. FASB ASC Topic 825, “*Financial Instruments*,” defines FV, and establishes a three-level valuation hierarchy for disclosures of FV measurement that enhances disclosure requirements for FV measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their FV because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to FV measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under FASB ASC 480, “*Distinguishing Liabilities from Equity*,” and ASC 815, “*Derivatives and Hedging*.”

As of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, the Company did not have any long-term debt; and the Company did not identify any assets or liabilities that are required to be presented on the balance sheet at FV.

Stock-Based Compensation

The Company accounts for share-based compensation awards to employees in accordance with FASB ASC Topic 718, “Compensation – Stock Compensation”, which requires that share-based payment transactions with employees be measured based on the grant-date FV of the equity instrument issued and recognized as compensation expense over the requisite service period.

The Company accounts for share-based compensation awards to non-employees in accordance with FASB ASC Topic 718 and FASB ASC Subtopic 505-50, “Equity-Based Payments to Non-employees”. Share-based compensation associated with the issuance of equity instruments to non-employees is measured at the FV of the equity instrument issued or committed to be issued, as this is more reliable than the FV of the services received. The FV is measured at the date that the commitment for performance by the counterparty has been reached or the counterparty’s performance is complete.

The Company follows ASU 2018-07, “Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting,” which expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. An entity should apply the requirements of ASC 718 to non-employee awards except for specific guidance on inputs to an option pricing model and the attribution of cost. ASC 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards.

Basic and Diluted Earnings per Share

The Company presents net income (loss) per share (“EPS”) in accordance with FASB ASC Topic 260, “*Earning Per Share*.” Accordingly, basic income (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted average number of shares outstanding, without consideration for common stock equivalents. Diluted EPS is computed by dividing the net income by the weighted-average number of common shares outstanding as well as common share equivalents outstanding for the period determined using the treasury-stock method for stock options and warrants and the if-converted method for convertible notes. The Company made an accounting policy election to use the if-converted method for convertible securities that are eligible to receive common stock dividends, if declared. Diluted EPS reflect the potential dilution that could occur based on the exercise of stock options or warrants or conversion of convertible securities using the if-converted method.

For the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, the basic and diluted income (loss) per share were the same due to the anti-dilutive features of the warrants and options. For the three months ended **September 30, 2023** **March 31, 2024** and **2022**, the basic and diluted income (loss) per share were the same due to the anti-dilutive features of the warrants and options. For the nine months ended September 30, 2023 and 2022, **2023**, 30,911 shares purchasable under warrants and options were excluded from the EPS calculation as these were not dilutive due to the exercise price was more than the stock market price. For the three months ended September 30, 2023 and 2022, 30,911 shares purchasable under warrants and options were excluded from the EPS calculation as these were not dilutive due to the exercise price was more than the stock market price.

Foreign Currency Translation and Comprehensive Income (Loss)

The Company's functional currency is the Renminbi ("RMB"). For financial reporting purposes, RMB were translated into U.S. Dollars ("USD" or "\$") as the reporting currency. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate of exchange prevailing during the reporting period. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity as "Accumulated other comprehensive income." Gains and losses resulting from foreign currency transactions are included in income.

The Company follows FASB ASC Topic 220, "*Comprehensive Income*." Comprehensive income is comprised of net income and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders.

Segment Reporting

FASB ASC Topic 280, "*Segment Reporting*," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. FASB ASC Topic 280 has no effect on the Company's CFS as substantially all of the Company's operations are conducted in one industry segment. All of the Company's assets are located in the PRC.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 replaces the probable, incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost basis. An entity should apply ASU 2016-13 on a modified-retrospective transition approach that would require a cumulative-effect adjustment to the opening retained earnings in the balance sheets as of the date of adoption. In March 2022, the FASB issued ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures, which eliminates the accounting guidance for trouble debt restructurings by creditors and enhances the disclosure requirements for modifications of loans to borrowers experiencing financial difficulty. Additionally, ASU 2022-02 requires disclosure of gross write-offs by year of origination for receivables within the scope of Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost, which should be applied prospectively. Both ASU 2016-13 and ASU 2022-02 are effective for smaller reporting companies for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted ASU 2016-13 and ASU 2022-02 on January 1, 2023. The adoption of ASU 2016-13 and ASU 2022-02 did not have any impact on the Company's CFS.

In January 2017, November 2023, the FASB issued ASU No. 2017-04, Simplifying 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”). The amendments in ASU 2023-07 improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker (CODM). In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for Goodwill Impairment. The guidance removes Step 2 of the goodwill impairment test, which requires entities with a hypothetical purchase price allocation. A goodwill impairment single reportable segment, and contain other disclosure requirements. ASU 2023-07 will now be the amount by which a reporting unit’s carrying value exceeds its FV, not to exceed the carrying amount of goodwill. The guidance should be adopted on a prospective basis. As a smaller reporting company, the standard was effective for the Company for interim and annual reporting periods beginning after December 15, 2022 December 15, 2023, with early and interim periods within annual reporting periods beginning after December 15, 2024. Early adoption is permitted. The Company adopted ASU 2017-04 for its interim and annual goodwill impairment tests on January 1, 2023. The adoption of ASU 2017-04 2023-01 did not have any impact on the Company’s CFS.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the SEC did not or are not believed by management to have a material impact on the Company’s present consolidated financial statement presentation or future CFS. disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”), which requires disclosures of incremental income tax information within the rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. This ASU will be effective for annual reporting periods beginning after December 15, 2024. Early adoption is permitted. ASU 2023-09 will be applied on a prospective basis with the option to apply the standard retrospectively. The Company’s management does not believe that the adoption of ASU 2023-09 will have a material impact on the Company’s consolidated financial statement presentation or disclosures.

The Company’s management does not believe that any other recently issued, but not yet effective, authoritative guidance, if currently adopted, will have a material impact on the Company’s financial statement presentation or disclosures.

3. OTHER RECEIVABLES

As of September 30, 2023, other receivables mainly consisted of (i) advance to third parties of \$6,964, bearing no interest, payable upon demand, and ii) others of \$43,265.

As of December 31, 2022, other receivables mainly consisted of (i) advance to third parties of \$7,179, bearing no interest, payable upon demand, ii) advance to suppliers of \$2,583 and (iii) others of \$19,579.

4. SHORT-TERM LOAN RECEIVABLE

As of March 31, 2023 March 31, 2024 and December 31, 2023, the Company had \$140,576,568 \$0 and \$68,773,208 (RMB 966.0 486.1 million) short term loan to Jinan Youkai Engineering Consulting Co., Ltd (“Youkai”), respectively, an unrelated party of the Company. The short-term loan was for five days with a capital utilization fee of \$43,657 (RMB 300,000) per day for total of \$218,287 (RMB 1.5 million). To ensure the safety of the funds, before money was transferred to Youkai, Youkai handed over the official seal, financial seal and bank account UK to the Company for custody and management until repayment of the loan. The Company received the repayment of \$140.6 million in full plus capital utilization fee on April 3, 2023.

As of June 30, 2023, the Company had \$67,120,596 (RMB 485.0 million) short term loan to Jinan Youkai Engineering Consulting Co., Ltd (“Youkai”), an unrelated party of the Company. The short-term loan was for five days with a capital utilization fee of \$13,839 \$14,119 (RMB 100,000) per day for total of \$69,196 \$70,595 (RMB 500,000). To ensure the safety of the funds, before money was transferred to Youkai, Youkai handed over the official seal, financial seal and bank account UK to the Company for custody and management until repayment of the loan. The Company received the repayment of \$67.2 \$68.7 million in full plus capital utilization fee on July 3, 2023.in January 2024.

5.4. ADVANCE TO SUPPLIERS

On June 19, 2023, the Company entered a purchase agreement with Hubei Bangyu New Energy Technology Co., Ltd. (“Bangyu”). The total contract amount was \$82.3 million (RMB 595.0 million) for purchasing the energy storage battery systems. As of September 30, 2023, March 31, 2024 and December 31, 2023, the Company made a prepayment to Bangyu of \$66.3, \$67.3 million (RMB 476.0 million) and \$67.4 million (RMB 476.0 million). The Company is in the process of transforming and expanding into energy storage integrated solution provider business. The Company actively seeks and explores opportunities to apply energy storage technologies to new industries or segments with high growth potential, including industrial and commercial complexes, large scale photovoltaic (PV) and wind power stations, remote islands without electricity, and smart energy cities with multi-energy supplies.

On August 2, 2021, the Company entered a Research and Development (“R&D”) Cooperation Agreement with a software development company to design, establish, upgrade and maintenance of Smart Energy Management Cloud Platform for energy storage and remote-site monitoring; upon completion, the Company will provide such platform to its customers at a fee. Total contracted R&D cost is \$1,000,000, as of December 31, 2022, the Company paid \$200,000 as R&D expense, and was committed to pay remaining \$800,000 after trial operation. During the year ended December 31, 2022, the Company expensed \$200,000 in R&D.

On August 23, 2021, the Company entered a Market Research and Project Development Service Agreement with a consulting company in Xi'an for a service period of 12 months. The consulting company will perform market research for new energy industry including photovoltaic and energy storage, develop potential new customers and due diligence check, assisting the Company for business cooperation negotiation and relevant agreements preparation. Total contract amount is \$1,150,000, and the Company paid \$650,000 at commencement of the service and recorded as R&D expense during the year ended December 31, 2022; the Company prepaid \$200,000 during the second quarter year 2023 and as of 2023, March 31, 2024 and December 31, 2023, the Company will pay the remaining of \$300,000 upon completion all the services.

6.5. ACCRUED LIABILITIES AND OTHER PAYABLES

Accrued liabilities and other payables consisted of the following as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	2023	2022	2024	2023
Education and union fund and social insurance payable	\$ 229,527	\$ 270,116	\$ 87,187	\$ 181,394
Accrued payroll and welfare	233,570	251,021	252,038	263,472
Accrued litigation	2,095,361	2,203,149	2,120,405	2,124,087
Other	108,034	52,128	161,198	95,508
Total	\$ 2,666,492	\$ 2,776,414	\$ 2,620,828	\$ 2,664,461

Accrued litigation was mainly for court enforcement fee, fee to lawyer, penalty and other fees (see Note 15) 14).

7.6. TAXES PAYABLE

Taxes payable consisted of the following as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	2023	2022	2024	2023
Income tax	\$ 7,641,800	\$ 7,639,832	\$ 7,641,690	\$ 7,627,529
Other	194	145	230	187
Total	7,641,994	7,639,977	7,641,920	7,627,716
Current	3,683,369	3,681,352	4,291,295	4,277,091
Noncurrent	\$ 3,958,625	\$ 3,958,625	\$ 3,350,625	\$ 3,350,625

As of September 30, 2023 March 31, 2024, income tax payable included \$7.61 million from recording the estimated one-time transition tax on post-1986 foreign unremitted earnings under the Tax Cut and Jobs Act signed on December 22, 2017 (\$3.65 4.28 million included in current tax payable and \$3.96 \$3.35 million noncurrent). An election was available for the U.S. shareholders of a foreign company to pay the tax liability in installments over a period of eight years (until year 2026) with 8% of net tax liability in each of the first five years, 15% in the sixth year, 20% in the seventh year, and 25% in the eighth year. The Company made such an election.

8.7. DEFERRED TAX, NET

Deferred tax assets resulted from asset impairment loss which was temporarily non-tax deductible for tax purposes but expensed in accordance with US GAAP; interest income in sales-type leases which was recognized as income for tax purposes but not for book purpose as it did not meet revenue recognition in accordance with US GAAP; accrued employee social insurance that can be deducted for tax purposes in the future, and the difference between tax and accounting basis of cost of fixed assets which was capitalized for tax purposes and expensed as part of cost of systems in accordance with US GAAP. Deferred tax liability arose from the difference between tax and accounting basis of net investment in sales-type leases.

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, deferred tax assets consisted of the following:

	2023	2022	2024	2023
Accrued expenses	\$ 50,017	\$ 57,611	\$ 614,269	\$ 615,336
Write-off Erdos TCH net investment in sales-type leases *	4,298,533	4,579,725	4,056,219	4,063,263
Impairment loss of Xi'an TCH's investment into the HYREF fund	2,611,493	2,692,186	2,642,706	2,647,296
US NOL	1,041,094	730,855	1,086,706	1,086,706
PRC NOL	9,173,051	9,118,123	290,493	8,355,472
Total deferred tax assets	17,174,188	17,178,500	8,690,393	16,768,073
Less: valuation allowance for deferred tax assets	(17,174,188)	(17,178,500)	(8,690,393)	(16,768,073)
Deferred tax assets, net	\$ -	\$ -	\$ -	\$ -

* This represents the tax basis of Erdos TCH investment in sales type leases, which was written off under US GAAP upon modification of lease terms, which made the lease payments contingent upon generation of electricity.

9.8. ENTRUSTED LOAN PAYABLE

Entrusted Loan Payable (HYREF Loan)

The HYREF Fund was established in July 2013 with a total fund of RMB 460 million (\$77 million) invested in Xi'an Zhonghong for Zhonghong's three new CDQ WHPG projects. The HYREF Fund invested RMB 3 million (\$0.5 million) as an equity investment and RMB 457 million (\$74.5 million) as a debt investment in Xi'an Zhonghong; in return for such investments, the HYREF Fund was to receive interest from Zhonghong for the HYREF Fund's debt investment. The loan was collateralized by the accounts receivable and the fixed assets of Shenqiu Phase I and II power generation systems; the accounts receivable and fixed assets of Zhonghong's three CDQ WHPG systems; and a 27 million RMB (\$4.39 million) capital contribution made by Xi'an TCH in Zhonghong. Repayment of the loan (principal and interest) was also jointly and severally guaranteed by Xi'an TCH and the Chairman and CEO of the Company. In the fourth quarter of 2015, three power stations of Erdos TCH were pledged to Industrial Bank as an additional guarantee for the loan to Zhonghong's three CDQ WHPG systems. In 2016, two additional power stations of Erdos TCH and Pucheng Phase I and II systems were pledged to Industrial Bank as an additional guarantee along with Xi'an TCH's equity in Zhonghong.

The term of this loan was for 60 months from July 31, 2013 to July 30, 2018, with interest of 12.5%. The Company paid RMB 50 million (\$7.54 million) of the RMB 280 million (\$42.22 million), and on August 5, 2016, the Company entered into a supplemental agreement with the lender to extend the due date of the remaining RMB 230 million (\$34.68 million) of the original RMB 280 million (\$45.54 million) to August 6, 2017. During the year ended December 31, 2017, the Company negotiated with the lender again to further extend the remaining loan balance of RMB 230 million (\$34.68 million), RMB 100 million (\$16.27 million), and RMB 77 million (\$12.08 million). The lender had tentatively agreed to extend the remaining loan balance until August 2019 with interest of 9%, subject to the final approval from its headquarters. The headquarters did not approve the extension proposal with interest of 9%; however, on December 29, 2018, the Company and the lender agreed to an alternative repayment proposal as described below.

Repayment of HYREF loan

1. Transfer of Chengli project as partial repayment

On December 29, 2018, Xi'an Zhonghong, Xi'an TCH, HYREF, Guohua Ku, and Chonggong Bai entered into a CDQ WHPG Station Fixed Assets Transfer Agreement, pursuant to which Xi'an Zhonghong transferred Chengli CDQ WHPG station as the repayment for the loan of RMB 188,639,400 (\$27.54 million) to HYREF, the transfer of which was completed on January 22, 2019.

Xi'an TCH is a secondary limited partner of HYREF. The FV of the CDQ WHPG station applied in the transfer was determined by the parties based upon the appraisal report issued by Zhonglian Assets Appraisal Group (Shaanxi) Co., Ltd. as of August 15, 2018. However, per the discussion below, Xi'an Zhonghong, Xi'an TCH, Guohua Ku and Chonggong Bai (the "Buyers") entered into a Buy Back Agreement, also agreed to buy back the Station when conditions under the Buy Back Agreement are met. Due to the Buy Back agreement, the loan was not deemed repaid, and therefore the Company recognized Chengli project as assets subject to buyback and kept the loan payable remained recognized under ASC 405-20-40-1 as of December 31, 2020. The Buy Back agreement was terminated in April 2021 (see 2 below for detail).2021.

2. Buy Back Agreement

On December 29, 2018, Xi'an TCH, Xi'an Zhonghong, HYREF, Guohua Ku, Chonggong Bai and Xi'an Hanneng Enterprises Management Consulting Co. Ltd. ("Xi'an Hanneng") entered into a Buy Back Agreement.

Pursuant to the Buy Back Agreement, the Buyers jointly and severally agreed to buy back all outstanding capital equity of Xi'an Hanneng which was transferred to HYREF by Chonggong Bai (see 3 below), and a CDQ WHPG station in Boxing County which was transferred to HYREF by Xi'an Zhonghong. The buy-back price for the Xi'an Hanneng's equity was based on the higher of (i) the market price of the equity shares at the time of buy-back; or (ii) the original transfer price of the equity shares plus bank interest. The buy-back price for the Station was based on the higher of (i) the FV of the Station on the date transferred; or (ii) the loan balance at the date of the transfer plus interest accrued through that date. HYREF could request that the Buyers buy back the equity shares of Xi'an Hanneng and/or the CDQ WHPG station if one of the following conditions is met: (i) HYREF holds the equity shares of Xi'an Hanneng until December 31, 2021; (ii) Xi'an Huaxin New Energy Co., Ltd., is delisted from The National Equities Exchange And Quotations Co., Ltd., a Chinese over-the-counter trading system (the "NEEQ"); (iii) Xi'an Huaxin New Energy, or any of the Buyers or its affiliates has a credit problem, including not being able to issue an auditor report or standard auditor report or any control person or executive of the Buyers is involved in crimes and is under prosecution or has other material credit problems, to HYREF's reasonable belief; (iv) if Xi'an Zhonghong fails to timely make repayment on principal or interest of the loan agreement, its supplemental agreement or extension agreement; (v) the Buyers or any party to the Debt Repayment Agreement materially breaches the Debt Repayment Agreement or its related transaction documents, including but not limited to the Share Transfer Agreement, the Pledged Assets Transfer Agreement, the Entrusted Loan Agreement and their guarantee agreements and supplemental agreements. Due to halted trading of Huaxin stock by NEEQ for not filing its 2018 annual report, on December 19, 2019, Xi'an TCH, Xi'an Zhonghong, Guohua Ku and Chonggong Bai jointly and severally agreed to buy back all outstanding capital equity of Xi'an Hanneng which was transferred to HYREF by Chonggong Bai earlier. The total buy back price was RMB 261,727,506 (\$37.52 million) including accrued interest of RMB 14,661,506 (\$2.10 million), and was paid in full by Xi'an TCH on December 20, 2019.

On April 9, 2021, Xi'an TCH, Xi'an Zhonghong, Guohua Ku, Chonggong Bai and HYREF entered a Termination of Fulfillment Agreement (termination agreement). Under the termination agreement, the original buyback agreement entered on December 19, 2019 was terminated upon signing of the termination agreement. HYREF will not execute the buy-back option and will not ask for any additional payment from the buyers other than keeping the CDQ WHPG station from Chengli project. The Company recorded a gain of approximately \$3.1 million from transferring the CDP WHPG station to HYREF as partial repayment of the entrusted loan and accrued interest of RMB 188,639,400 (\$27.54 million) to HYREF resulting from the termination of the buy-back agreement.

3. Transfer of Xuzhou Huayu Project and Shenqiu Phase I & II project to Mr. Bai for partial repayment of HYREF loan

On January 4, 2019, Xi'an Zhonghong, Xi'an TCH, and Mr. Chonggong Bai entered into a Projects Transfer Agreement, pursuant to which Xi'an Zhonghong transferred a CDQ WHPG station (under construction) located in Xuzhou City for Xuzhou Huayu Coking Co., Ltd. ("Xuzhou Huayu Project") to Mr. Bai for RMB 120,000,000 (\$17.52 million) and Xi'an TCH transferred two Biomass Power Generation Projects in Shenqiu ("Shenqiu Phase I and II Projects") to Mr. Bai for RMB 127,066,000 (\$18.55 million). Mr. Bai agreed to transfer all the equity shares of his wholly owned company, Xi'an Hanneng, to HYREF as repayment for the RMB 247,066,000 (\$36.07 million) loan made by Xi'an Zhonghong to HYREF as consideration for the transfer of the Xuzhou Huayu Project and Shenqiu Phase I and II Projects.

On February 15, 2019, Xi'an Zhonghong completed the transfer of the Xuzhou Huayu Project and Xi'an TCH completed the transfer of Shenqiu Phase I and II Projects to Mr. Bai, and on January 10, 2019, Mr. Bai transferred all the equity shares of his wholly owned company, Xi'an Hanneng, to HYREF as repayment of Xi'an Zhonghong's loan to HYREF as consideration for the transfer of the Xuzhou Huayu Project and Shenqiu Phase I and II Projects.

Xi'an Hanneng is a holding company and was supposed to own 47,150,000 shares of Xi'an Huaxin New Energy Co., Ltd. ("Huaxin"), so that HYREF will indirectly receive and own such shares of Xi'an Huaxin as the repayment for the loan of Zhonghong. Xi'an Hanneng already owned 29,948,000 shares of Huaxin; however, Xi'an Hanneng was not able to obtain the remaining 17,202,000 shares due to halted trading of Huaxin stock by NEEQ for not filing its 2018 annual report.

On December 19, 2019, Xi'an TCH, Xi'an Zhonghong, Guohua Ku and Chonggong Bai jointly and severally agreed to buy back all outstanding capital equity of Xi'an Hanneng which was transferred to HYREF by Chonggong Bai earlier. The total buy back price was RMB 261,727,506 (\$37.52 million) including accrued interest of RMB 14,661,506 (\$2.10 million), and was paid in full by Xi'an TCH on December 20, 2019. On December 20, 2019, Mr. Bai, Xi'an TCH and Xi'an Zhonghong agreed to have Mr. Bai repay the Company in cash for the transfer price of Xuzhou Huayu and Shenqiu in five installment payments. The 1st payment of RMB 50 million (\$7.17 million) was due January 5, 2020, the 2nd payment of RMB 50 million (\$7.17 million) was due February 5, 2020, the 3rd payment of RMB 50 million (\$7.17 million) was due April 5, 2020, the 4th payment of RMB 50 million (\$7.17 million) was due on June 30, 2020, and the final payment of RMB 47,066,000 (\$6.75 million) was due September 30, 2020. As of December 31, 2020, the Company received the full payment of RMB 247 million (\$36.28 million) from Mr. Bai.

4. The lender agreed to extend the repayment of RMB 77.00 million (\$11.06 million) to July 8, 2023. However, per court's judgement on June 28, 2021, the Company should repay principal \$11.06 million and accrued interest of RMB 2,418,229 (\$0.35 million) within 10 days from the judgment date to Beijing Beijing Hongyuan Recycling Energy Investment Center (Limited Partnership). In the end of 2022, Beijing No.4 Intermediate People's Court of Beijing entered into the judgment enforcement procedure, which, in addition to the loan principal with interest amount, Xi'an Zhonghong Technology Co., Ltd. was to pay judgment enforcement fee, late fee and other fees of RMB 80,288,184 (\$11.53 million) in total, the Company recorded these additional fees in 2022. The Company has not paid it yet as of this report date.

Xi'an TCH had investment RMB 75.00 million (\$11.63 million) into the HYREF fund as a secondary limited partner, and the Company recorded an impairment loss of \$11.63 million for such investment during the year ended December 31, 2021 due to uncertainty of the collection of the investment. This was impaired as Hongyuan does not have the ability to pay back (see Note 15.14 – Litigation).

10.9. NOTE PAYABLE, NET

Promissory Notes in December 2020

On December 4, 2020, the Company entered into a Note Purchase Agreement with an institutional investor, pursuant to which the Company issued the Purchaser a Promissory Note of \$3,150,000. The Purchaser purchased the Note with an original issue discount ("OID") of \$150,000, which was recognized as debt discount is amortized using the interest method over the life of the note. The Note bears interest at 8% and has a term of 24 months. All outstanding principal and accrued interest on the Note was due and payable December 3, 2022. The Company's obligations under the Note may be prepaid at any time, provided that in such circumstance the Company would pay 125% of any amounts outstanding under the Note and being prepaid. Beginning on the date that is six months from the issue date of the Note, Purchaser shall have the right to redeem any amount of this Note up to \$500,000 per calendar month by providing written notice to the Company. Upon receipt of the redemption notice from the lender, the Company shall pay the applicable redemption amount in cash to lender within three trading days of receipt of such redemption notice; if the Company fails to pay, then the outstanding balance will automatically be increased by 25%. During the year ended December 31, 2022, the Company amortized OID of \$69,355 and recorded \$835 interest expense on this Note.

During the year ended December 31, 2021, the Company entered into several Exchange Agreements with the lender, pursuant to the Agreements, the Company and Lender partitioned new Promissory Notes of \$3,850,000 from the original Promissory Note, including adjustment of \$818,914 to increase the principal of the notes during the second quarter of 2021 as a result of the Company's failure to pay the redemption amount in cash to lender within three trading days from receipt of the redemption notice, the Company recorded \$818,914 principal adjustment as interest expense. The Company and Lender exchanged these Partitioned Notes for the delivery of 576,108 shares of the Company's common stock. The Company recorded \$151,275 loss on conversion of these notes in 2021. On January 10, 2022, the Company and Lender exchanged a Partitioned Notes of \$346,986 for the delivery of 58,258 shares of the Company's common stock. The Company recorded \$26,193 loss on conversion of this note in 2022. This Promissory Notes was paid in full on January 10, 2022.

Promissory Notes in April 2021

On April 2, 2021, the Company entered into a Note Purchase Agreement with an institutional investor, pursuant to which the Company issued to the Purchaser a Promissory Note of \$5,250,000. The Purchaser purchased the Note with an OID of \$250,000, which was recognized as a debt discount is amortized using the interest method over the life of the note. The Note bears interest at 8% and has a term of 24 months. All outstanding principal and accrued interest on the Note was due and payable on April 1, 2023. However, as of this report date, the Company did not repay the loan, and no any further action from the lender. The Company's obligations under the Note may be prepaid at any time, provided that in such circumstance the Company would pay 125% of any amounts outstanding under the Note and being prepaid. Beginning on the date that is six months from the issue date of the Note, Purchaser shall have the right to redeem any amount of this Note up to \$825,000 per calendar month by providing written notice to the Company. Upon receipt of the redemption notice from the lender, the Company shall pay the applicable redemption amount in cash to lender within three trading days of receipt of such redemption notice; if the Company fails to pay, then the outstanding balance will automatically be increased by 25%. On October 28, 2021, the lender made an adjustment of \$1,370,897 to increase the outstanding principal of the notes as a result of the Company's failure to pay the redemption amount in cash to lender on time, the Company recorded \$1,370,897 principal adjustment as interest expense in 2021. The lender made an adjustment of \$229,015 to increase the outstanding principal of the notes based on a forbearance agreement entered on September 14, 2022 resulting from the Company's default event of being delinquent on SEC filings, the Company recorded the \$229,015 principal adjustment as interest expense. During the ~~nine~~ three months ended ~~September 30, 2023~~ March 31, 2024, the Company amortized OID of ~~\$31,250~~ \$0 and recorded ~~\$327,990~~ \$104,039 interest expense on this Note; and the Company and Lender exchanged these Partitioned Notes of ~~\$950,000~~ \$300,000 in total for the delivery of ~~571,448~~ 259,067 shares of the Company's common ~~stock~~. stock which was issued in April 2024. The Company recorded \$21,243 loss on conversion of these notes in 2024. During the three months ended ~~September 30, 2023~~ March 31, 2023, the Company amortized OID of \$31,250 and recorded ~~\$109,918~~ \$111,064 interest expense on this Note; and the Company and Lender exchanged these Partitioned Notes of ~~\$200,000~~ \$500,000 for the delivery of ~~175,438~~ 241,537 shares of the Company's common stock. The Company recorded ~~\$1,415 loss~~ \$10,482 gain on conversion of these notes in 2023. As of ~~September 30, 2023~~ March 31, 2024, the outstanding principal balance of this note was ~~\$5,309,812~~ \$5,025,767 with accrued interest of ~~\$58,190~~ \$3,305. The Note was classified as a current liability in accordance with ASC 470-10-45 Other Presentation Matters – General Due on Demand Loan Arrangements.

11.10. STOCKHOLDERS' EQUITY

Warrants

Following is a summary of the activities of warrants that were issued from equity financing for the nine three months ended September 30, 2023 March 31, 2024:

	Number of Warrants	Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Number of Warrants	Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding at January 1, 2023	30,411	\$ 14.0	1.21			
Exercisable at January 1, 2023	30,411	\$ 14.0	1.21			
Outstanding as of January 1, 2024				16,515	\$ 10.0	0.54
Exercisable as of January 1, 2024				16,515	\$ 10.0	0.54
Granted	-	-	-	-	-	-
Exchanged	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding at September 30, 2023	30,411	\$ 14.0	0.46			
Exercisable at September 30, 2023	30,411	\$ 14.0	0.46			
Outstanding as of March 31, 2024				16,515	\$ 10.0	0.29
Exercisable as of March 31, 2024				16,515	\$ 10.0	0.29

12.11. STOCK-BASED COMPENSATION PLAN

Options to Employees and Directors

On June 19, 2015, the stockholders of the Company approved the China Recycling Energy Corporation Omnibus Equity Plan (the “Plan”) at its annual meeting. The total shares of Common Stock authorized for issuance during the term of the Plan is 124,626. The Plan was effective immediately upon its adoption by the Board of Directors on April 24, 2015, subject to stockholder approval, and will terminate on the earliest to occur of (i) the 10th anniversary of the Plan’s effective date, or (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully-vested shares. The stockholders approved the Plan at their annual meeting on June 19, 2015.

The following table summarizes option activity with respect to employees and independent directors for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Number of Shares	Average Exercise Price per Share	Weighted Average Remaining Contractual Term in Years
Outstanding at January 1, 2023	500	\$ 16.1	4.32
Exercisable at January 1, 2023	500	\$ 16.1	4.32
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at September 30, 2023	500	\$ 16.1	3.57
Exercisable at September 30, 2023	500	\$ 16.1	3.57

	Number of Shares	Average Exercise Price per Share	Weighted Average Remaining Contractual Term in Years
Outstanding as of January 1, 2024	500	\$ 16.1	3.32
Exercisable as of January 1, 2024	500	\$ 16.1	3.32
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding as of March 31, 2024	500	\$ 16.1	3.07
Exercisable as of March 31, 2024	500	\$ 16.1	3.07

13.12. INCOME TAX

The Company’s Chinese subsidiaries are governed by the Income Tax Law of the PRC concerning privately-run enterprises, which are generally subject to tax at 25% on income reported in the statutory financial statements after appropriate tax adjustments. Under Chinese tax law, the tax treatment of finance and sales-type leases is similar to US GAAP. However, the local tax bureau continues to treat the Company’s sales-type leases as operating leases. Accordingly, the Company recorded deferred income taxes.

The Company's subsidiaries generate all of their income from their PRC operations. All of the Company's Chinese subsidiaries' effective income tax rate for 2023 and 2022 was 25%. Yinghua, Shanghai TCH, Xi'an TCH, Huahong, Zhonghong and Erdos TCH file separate income tax returns.

There is no income tax for companies domiciled in the Cayman Islands. Accordingly, the Company's CFS do not present any income tax provisions related to Cayman Islands tax jurisdiction, where Sifang Holding is domiciled.

The US parent company, SPC is taxed in the US and, as of September 30, 2023 March 31, 2024, had net operating loss ("NOL") carry forwards for income taxes of \$4.96 \$5.43 million; for federal income tax purposes, the NOL arising in tax years beginning after 2017 may only reduce 80% of a taxpayer's taxable income, and may be carried forward indefinitely. However, the coronavirus Aid, Relief and Economic Security Act ("the CARES Act") issued in March 2020, provides tax relief to both corporate and noncorporate taxpayers by adding a five-year carryback period and temporarily repealing the 80% limitation for NOLs arising in 2018, 2019 and 2020. Management believes the realization of benefits from these losses uncertain due to the US parent company's continuing operating losses. Accordingly, a 100% deferred tax asset valuation allowance was provided.

As of September 30, 2023 March 31, 2024, the Company's PRC subsidiaries had \$36.69 \$1.16 million NOL that can be carried forward to offset future taxable income for five years from the year the loss is incurred. The NOL was mostly from Erdos TCH and Zhonghong. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all the information available, management believes that significant uncertainty exists with respect to future realization of the deferred tax assets due to the recurring losses from operations of these entities, accordingly, the Company recorded a 100% deferred tax valuation allowance for the PRC NOL.

The following table reconciles the U.S. statutory rates to the Company's effective tax rate for the nine months ended September 30, 2023 and 2022:

	2023	2022
U.S. statutory rates expense (benefit)	(21.0)%	(21.0)%
Tax rate difference – current provision	3.5 %	0.5 %
Permanent differences	1.6 %	10.0 %
Change in valuation allowance	38.9 %	13.9 %
Tax expense (benefit) per financial statements	23.1 %	3.4 %

The following table reconciles the U.S. statutory rates to the Company's effective tax rate for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively:2023:

	2023	2022	2024	2023
U.S. statutory rates expense (benefit)	(21.0)%	(21.0)%		
U.S. statutory rates benefit			(21.0)%	(21.0)%
Tax rate difference – current provision	2.4 %	0.5 %	0.2 %	3.4 %
Permanent differences	1.0 %	12.6 %	1.7 %	5.1 %
Change in valuation allowance	41.3 %	10.9 %	24.4 %	17.8 %
Tax expense (benefit) per financial statements	23.7 %	3.0 %		
Tax expense per financial statements			5.3 %	5.3 %

The provision for income tax expense (benefit) for the nine months ended September 30, 2023 and 2022 consisted of the following:

	2023	2022
Income tax expense (benefit) – current	\$ 97,140	\$ 36,511
Total income tax expense (benefit)	\$ 97,140	\$ 36,511

The provision for income tax expense (benefit) for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 consisted of the following:

	2023	2022
Income tax expense (benefit) – current	\$ 34,648	\$ 12,954
Total income tax expense (benefit)	\$ 34,648	\$ 12,954

	2024	2023
Income tax expense – current	\$ 14,180	\$ 4,534
Total income tax expense	\$ 14,180	\$ 4,534

14.13. STATUTORY RESERVES

Pursuant to the corporate law of the PRC effective January 1, 2006, the Company is only required to maintain one statutory reserve by appropriating from its after-tax profit before declaration or payment of dividends. The statutory reserve represents restricted retained earnings.

Surplus Reserve Fund

The Company's Chinese subsidiaries are required to transfer 10% of their net income, as determined under PRC accounting rules and regulations, to a statutory surplus reserve fund until such reserve balance reaches 50% of the Company's registered capital.

The surplus reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholding or by increasing the par value of the shares currently held by them, provided that the remaining reserve balance after such issue is not less than 25% of the registered capital.

The maximum statutory reserve amount has not been reached for any subsidiary. The table below discloses the statutory reserve amount in the currency type registered for each Chinese subsidiary as of **September 30, 2023**, **March 31, 2024** and **December 31, 2022**, **December 31, 2023**:

Name of Chinese Subsidiaries	Registered Capital	Maximum Statutory Reserve Amount	Statutory reserve at March 31, 2024	Statutory reserve at December 31, 2023
Shanghai TCH	\$ 29,800,000	\$ 14,900,000	¥ 6,564,303 (\$1,003,859)	¥ 6,564,303 (\$1,003,859)
Xi'an TCH	¥ 202,000,000	¥ 101,000,000	¥ 73,947,819 (\$11,272,948)	¥ 73,947,603 (\$11,272,917)
Erdos TCH	¥ 120,000,000	¥ 60,000,000	¥ 19,035,814 (\$2,914,869)	¥ 19,035,814 (\$2,914,869)
Xi'an Zhonghong	¥ 30,000,000	¥ 15,000,000	Did not accrue yet due to accumulated deficit	Did not accrue yet due to accumulated deficit
Shaanxi Huahong	\$ 2,500,300	\$ 1,250,150	Did not accrue yet due to accumulated deficit	Did not accrue yet due to accumulated deficit
Zhongxun	¥ 35,000,000	¥ 17,500,000	Did not accrue yet due to accumulated deficit	Did not accrue yet due to accumulated deficit
Name of Chinese Subsidiaries	Registered Capital	Maximum Statutory Reserve Amount	Statutory reserve at September 30, 2023	Statutory reserve at December 31, 2022
Shanghai TCH	\$ 29,800,000	\$ 14,900,000	¥ 6,564,303 (\$1,003,859)	¥ 6,564,303 (\$1,003,859)
Xi'an TCH	¥ 202,000,000	¥ 101,000,000	¥ 73,944,689 (\$11,272,609)	¥ 73,781,005 (\$11,249,275)
Erdos TCH	¥ 120,000,000	¥ 60,000,000	¥ 19,035,814 (\$2,914,869)	¥ 19,035,814 (\$2,914,869)
Xi'an Zhonghong	¥ 30,000,000	¥ 15,000,000	Did not accrue yet due to accumulated deficit	Did not accrue yet due to accumulated deficit
Shaanxi Huahong	\$ 2,500,300	\$ 1,250,150	Did not accrue yet due to accumulated deficit	Did not accrue yet due to accumulated deficit
Zhongxun	¥ 35,000,000	¥ 17,500,000	Did not accrue yet due to accumulated deficit	Did not accrue yet due to accumulated deficit

Common Welfare Fund

The common welfare fund is a voluntary fund to which the Company can transfer 5% to 10% of its net income. This fund can only be utilized for capital items for the collective benefit of the Company's employees, such as construction of dormitories, cafeteria

facilities, and other staff welfare facilities. This fund is non-distributable other than upon liquidation. The Company does not participate in this fund.

15.14. CONTINGENCIES

China maintains a “closed” capital account, meaning companies, banks, and individuals cannot move money in or out of the country except in accordance with strict rules. The People’s Bank of China (PBOC) and State Administration of Foreign Exchange (SAFE) regulate the flow of foreign exchange in and out of the country. For inward or outward foreign currency transactions, the Company needs to make a timely declaration to the bank with sufficient supporting documents to declare the nature of the business transaction. The Company’s sales, purchases and expense transactions are denominated in RMB and all of the Company’s assets and liabilities are also denominated in RMB. The RMB is not freely convertible into foreign currencies under the current law. Remittances in currencies other than RMB may require certain supporting documentation in order to make the remittance.

The Company’s operations in the PRC are subject to specific 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 environments and foreign currency exchange. The Company’s results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Litigation

1) In November 2019, Beijing Hongyuan Recycling Energy Investment Center (“BIPC”), or Hongyuan, filed a lawsuit with the Beijing Intermediate People’s Court against Xi’an TCH to compel Xi’an TCH to repurchase certain stock pursuant to a stock repurchase option agreement. On April 9, 2021, the court rendered a judgment in favor of Hongyuan. Xi’an TCH filed a motion for retrial to High People’s Court of Beijing on April 13, 2022, because Xi’an TCH paid RMB 261 million (\$37.58 million) principal and interest to Hongyuan as an out-of-court settlement. On April 11, 2022, Xi’an Zhonghong New Energy Technology Co. Ltd., filed an application for retrial and provided relevant evidence to the Beijing High People’s Court on the Civil Judgment No. 264, awaiting trial. On August 10, 2022, Beijing No. 1 Intermediate People’s Court of Beijing issued a Certificate of Active Performance, proving that Xi’an Zhonghong New Energy Technology Co., Ltd. had fulfilled its buyback obligations as disclosed in Note 9 that, on April 9, 2021, Xi’an TCH, Xi’an Zhonghong, Guohua Ku, Chonggong Bai and HYREF entered a Termination of Fulfillment Agreement (termination agreement). Under the termination agreement, the original buyback agreement entered on December 19, 2019 was terminated upon signing of the termination agreement. HYREF will not execute the buy-back option and will not ask for any additional payment from the buyers other than keeping the CDQ WHPG station.

As of this report date, Xi’an Zhonghong is waiting for Court’s decision on retrial petition that was submitted in April 2022. During this waiting period, BIPC entered the execution procedure, and there is a balance of RMB 14,204,317 (\$2.20 million) between the amount executed by the court and the liability recognized by Xi ‘an TCH, which was mainly the enforcement fee, legal and penalty fee for the original judgement, and was automatically generated by the toll collection system of the People’s court. The Company accrued \$2.10 million litigation expense as of **September 30, 2023** **March 31, 2024**.

2) On June 28, 2021, Beijing No.4 Intermediate People’s Court of Beijing entered into a judgement that Xi’an Zhonghong Technology Co., Ltd. should pay the loan principal of RMB 77 million (\$11.06 million) with loan interest of RMB **2,418,229** **2,418,449** (\$0.35 million) to **Beijiang Beijing** Hongyuan Recycling Energy Investment Center (Limited Partnership). In the end of 2022, Beijing No.4 Intermediate People’s Court of Beijing entered into the judgment enforcement procedure, which, in addition to the loan principal with interest amount, Xi’an Zhonghong Technology Co., Ltd. was to pay judgment enforcement fee, late fee and other fees of RMB 80,288,184 (\$11.53 million) in total, the Company recorded these additional fees in 2022. There was no update for this case as of this report date.

16.15. COMMITMENTS

Lease Commitment

On November 20, 2017, Xi’an TCH entered into a lease for its office from December 1, 2017 through November 30, 2020. The monthly rent was RMB 36,536 (\$5,600) with quarterly payment in advance. This lease expired in November 2020. The Company entered a new lease for the same location from January 1, 2021 through December 31, 2023 with monthly rent of RMB 36,536 (\$5,600), to be paid every half year in advance. **Upon expiration of the lease, the Company entered a new lease agreement for the same location from January 1, 2024 through December 31, 2026 with monthly rent of RMB 36,536 (\$5,600), to be paid every half year in advance.**

The components of lease costs, lease term and discount rate with respect of the office lease with an initial term of more than 12 months are as follows:

	Nine Months Ended September 30, 2023	Three Months Ended March 31, 2024
Operating lease cost – amortization of ROU	<u>\$ 46,107</u>	
Operating lease cost – amortization of operating lease right-of-use asset		<u>\$ 15,072</u>
Operating lease cost – interest expense on lease liability	<u>\$ 769</u>	<u>\$ 360</u>
Weighted Average Remaining Lease Term - Operating leases	0.25 years	2.75
Weighted Average Discount Rate - Operating leases	5%	5%

	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2023
Operating lease cost– amortization of ROU	\$ 46,593	
Operating lease cost – amortization of operating lease right-of-use asset		\$ 15,618
Operating lease cost – interest expense on lease liability	\$ 3,178	\$ 389
		Three Months Ended September 30, 2023
Operating lease cost – amortization of ROU		\$ 15,244
Operating lease cost – interest expense on lease liability		\$ -

The following is a schedule, by years, of maturities of the office lease liabilities as of March 31, 2024:

	Three Months Ended September 30, 2022
Operating lease cost – amortization of ROU	\$ 15,194
Operating lease cost – interest expense on lease liability	\$ 765
For the year ended March 31, 2025,	\$ 61,795
For the year ended March 31, 2026	61,795
For the year ended March 31, 2027	30,898
Total undiscounted cash flows	154,488
Less: imputed interest	(1,781)
Present value of lease liabilities	\$ 152,707

Employment Agreement

On May 8, 2020, the Company entered an employment agreement with Yongjiang Shi, the Company's CFO for 24 months. The monthly salary was RMB 16,000 (\$2,200). The Company will grant the CFO no less than 5,000 shares of the Company's common stock annually; however, as of this report date, the Board of Directors and Compensation Committee have not approved the number of shares to be given to the CFO, nor any stock reward agreement has been signed.

On May 6, 2022, the Company entered another employment agreement with Mr. Shi for 24 months with monthly salary of RMB 18,000 (\$2,500). The Company will grant the CFO no less than 5,000 shares of the Company's common stock annually; however, as of this report date, the Board of Directors and Compensation Committee have not approved the number of shares to be given to the CFO, nor any stock reward agreement has been signed.

17.16. SUBSEQUENT EVENTS

The Company follows the guidance in FASB ASC 855-10 for the disclosure of subsequent events. The Company evaluated subsequent events through the date the unaudited financial statements were issued and determined the Company had no major

subsequent event need to be disclosed.

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

This **quarterly** report on Form 10-Q and other reports filed by the Company from time to time with the SEC (collectively the "Filings") contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words "may", "will", "should", "would", "anticipate", "believe", "estimate", "expect", "future", "intend", "plan", or the negative of these terms and similar expressions as they relate to Company or Company's management identify forward-looking statements. Such statements reflect the current view of Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors (including the statements in the section "results of operations" below), and any businesses that Company may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes the expectations reflected in the forward-looking statements are based on reasonable assumptions, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of annual report, which attempts to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations, and prospects.

Our financial statements are prepared in US Dollars and in accordance with accounting principles generally accepted in the United States. See "Foreign Currency Translation and Comprehensive Income (Loss)" below for information concerning the exchange rates at which Renminbi ("RMB") were translated into US Dollars ("USD") at various pertinent dates and for pertinent periods.

OVERVIEW

The Company was incorporated on May 8, 1980 as Boulder Brewing Company under the laws of the State of Colorado. On September 6, 2001, the Company changed its state of incorporation to the State of Nevada. In 2004, the Company changed its name from Boulder Brewing Company to China Digital Wireless, Inc. and on March 8, 2007, again changed its name from China Digital Wireless, Inc. to its current name, China Recycling Energy Corporation. On March 3, 2022, the Company changed its name to Smart Power Corp. The Company, through its subsidiaries, provides energy saving solutions and services, including selling and leasing energy saving systems and equipment to customers, project investment, investment management, economic information consulting, technical services, financial leasing, purchase of financial leasing assets, disposal and repair of financial leasing assets, consulting and ensuring of financial leasing transactions in the Peoples Republic of China ("PRC").

The Company is in the process of transforming and expanding into an energy storage integrated solution provider business. We plan to pursue disciplined and targeted expansion strategies for market areas we currently do not serve. We actively seek and explore opportunities to apply energy storage technologies to new industries or segments with high growth potential, including industrial and commercial complexes, large scale photovoltaic ("PV") and wind power stations, remote islands without electricity, and cities with multi-energy supplies.

In December 2019, a novel strain of coronavirus (COVID-19) was reported, and the World Health Organization declared the outbreak to constitute a “Public Health Emergency of International Concern.” This contagious disease outbreak, which continues to spread to additional countries, and disrupts supply chains and affecting production and sales across a range of industries as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. The COVID-19 outbreak impacted the Company’s operations for the first quarter of 2020. However, as a result of PRC government’s effort on disease control, most cities in China were reopened in April 2020, the outbreak in China is under the control. From April 2020 to the end of 2021, there were some new COVID-19 cases discovered in a few provinces of China, however, the number of new cases is not significant due to PRC government’s strict control. In 2022, COVID-19 cases fluctuated and increased again in many cities of China including Xi’an Province where 2023, the Company had a net loss of \$279,797 and \$89,504, respectively. The Company had an accumulated deficit of \$60.78 million as of March 31, 2024. The Company disposed all of its systems and currently holds five power generating systems through Erdos TCH, the five power generating systems are currently not producing any electricity. The Company is located. As a result in the process of such increases, there have been periodic short-term lockdowns transforming and restrictions on travel in Xi’an Province and other areas of China, the Company’s operations have been adversely impacted by the travel and work restrictions imposed on a temporary basis in China to limit the spread of COVID-19. From January 2023, China has dropped all COVID restrictions, and the Company actively resumed its business transformation task to transform and expand expanding into an energy storage integrated solution provider sector. For the nine months ended September 30, 2023 business. The Company plans to pursue disciplined and 2022, targeted expansion strategies for market areas the Company had net loss of \$518,069 and \$1,113,906, respectively. For the three months ended September 30, 2023 and 2022, the Company had net loss of \$180,723 and \$447,637, respectively. currently does not serve. The Company has an accumulated deficit of \$60.27 million as of September 30, 2023. On September 30, 2023, actively seeks and explores opportunities to apply energy storage technologies to new industries or segments with high growth potential, including industrial and commercial complexes, large scale photovoltaic (PV) and wind power stations, remote islands without electricity, and smart energy cities with multi-energy supplies. The Company’s cash flow forecast indicates it will have sufficient cash to fund its operations for the Company had \$67,950,506 cash on hand, this satisfies the Company’s estimated liquidity needs for next 12 months from the date of issuance of the financial statements. The Company believes the business transformation and expansion discussed above are probable of occurring and the occurrence, as well as the cash flow discussed, mitigate the substantial doubt raised by the Company’s historical operating results. these CFS.

Management also intends to raise additional funds by way of a private or public offering, or by obtaining loans from banks or others. While the Company believes in the viability of its strategy to generate sufficient revenue and in its ability to raise additional funds on reasonable terms and conditions, there can be no assurances to that effect. The ability of the Company to continue as a going concern depends upon the Company’s ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds by way of a public or private offering, or debt financing including bank loans.

Our Subsidiaries and Projects

Our business is primarily conducted through our wholly-owned subsidiaries, Yinghua and Sifang, Sifang’s wholly-owned subsidiaries, Huahong and Shanghai TCH, Shanghai TCH’s wholly-owned subsidiaries, Xi’an TCH, Xi’an TCH’s wholly-owned subsidiary Erdos TCH and Xi’an TCH’s 90% owned and Shanghai TCH’s 10% owned subsidiary Xi’an Zhonghong New Energy Technology Co., Ltd., and Zhongxun. Shanghai TCH was established as a foreign investment enterprise in Shanghai under the laws of the PRC on May 25, 2004, and currently has registered capital of \$29.80 million. Xi’an TCH was incorporated in Xi’an, Shaanxi Province under the laws of the PRC in November 2007. Erdos TCH was incorporated in April 2009. Huahong was incorporated in February 2009. Xi’an Zhonghong New Energy Technology Co., Ltd. was incorporated in July 2013. Xi’an TCH owns 90% and Shanghai TCH owns 10% of Zhonghong. Zhonghong provides energy saving solutions and services, including constructing, selling and leasing energy saving systems and equipment to customers.

Zhongxun was incorporated in March 2014 and is a wholly owned subsidiary of Xi’an TCH. Zhongxun will be mainly engaged in project investment, investment management, economic information consulting, and technical services. Zhongxun has not yet commenced operations nor has any capital contribution been made as of the date of this report.

Yinghua was incorporated on February 11, 2015 by the U.S. parent company. Yinghua will be mainly engaged in financial leasing, purchase of financial leasing assets, disposal and repair of financial leasing assets, consulting and ensuring of financial leasing transactions, and related factoring business. Yinghua has not yet commenced operations nor has any capital contribution been made as of the date of this report.

The Company’s organizational chart as of March 31, 2024 is as follows:



The Company's organizational chart as of September 30, 2023 is as follows:

Erdos TCH – Joint Venture

On April 14, 2009, the Company formed a joint venture (the “JV”) with Erdos Metallurgy Co., Ltd. (“Erdos”) to recycle waste heat from Erdos’ metal refining plants to generate power and steam to be sold back to Erdos. The name of the JV was Inner Mongolia Erdos TCH Energy Saving Development Co., Ltd. (“Erdos TCH”) with a term of 20 years. Erdos contributed 7% of the total investment of the project, and Xi’an TCH Energy Technology Co., Ltd. (“Xi’an TCH”) contributed 93%. On June 15, 2013, Xi’an TCH and Erdos entered into a share transfer agreement, pursuant to which Erdos sold its 7% ownership interest in the JV to Xi’an TCH for \$1.29 million (RMB 8 million), plus certain accumulated profits. Xi’an TCH paid the \$1.29 million in July 2013 and, as a result, became the sole stockholder of the JV. Erdos TCH currently has two power generation systems in Phase I with a total of 18 MW power capacity, and three power generation systems in Phase II with a total of 27 MW power capacity. On April 28, 2016, Erdos TCH and Erdos entered into a supplemental agreement, effective May 1, 2016, whereby Erdos TCH cancelled monthly minimum lease payments from Erdos, and started to charge Erdos based on actual electricity sold at RMB 0.30 / KWH. The selling price of each KWH is determined annually based on prevailing market conditions. In May 2019, Erdos TCH ceased its operations due to renovations and furnace safety upgrades of Erdos, and the Company initially expected the resumption of operations in July 2020, but the resumption of operations was further delayed due to government’s mandate for Erdos to significantly lower its energy consumption per unit of GDP by implementing a comprehensive technical upgrade of its ferrosilicon production line to meet the City’s energy-saving targets. Erdos is currently researching the technical rectification scheme. Once the scheme is determined, Erdos TCH will carry out supporting technical transformation for its waste heat power station project. During this period, Erdos will compensate Erdos TCH RMB 1 million (\$145,460) per month, until operations resume. The Company has not recognized any income due to the uncertainty of collection.

In addition, Erdos TCH has 30% ownership in DaTangShiDai (BinZhou) Energy Savings Technology Co., Ltd. (“BinZhou Energy Savings”), 30% ownership in DaTangShiDai DaTong Recycling Energy Technology Co., Ltd. (“DaTong Recycling Energy”), and 40% ownership in DaTang ShiDai TianYu XuZhou Recycling Energy Technology Co, Ltd. (“TianYu XuZhou Recycling Energy”). These companies were incorporated in 2012 but have not had any operations since then nor has any registered capital contribution been made.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our management’s discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements (“CFS”), which were prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The preparation of these CFS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported net sales and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our CFS, we believe the following accounting policies are the most critical to assist you in fully understanding and evaluating this management discussion and analysis.

Basis of Presentation

These accompanying CFS were prepared in accordance with US GAAP and pursuant to the rules and regulations of the SEC for financial statements.

Principle of Consolidation

The CFS include the accounts of CREG and, its subsidiary, Sifang Holdings and Yinghua; Sifang Holdings' wholly-owned subsidiaries, Huahong and Shanghai TCH; Shanghai TCH's wholly-owned subsidiary Xi'an TCH; and Xi'an TCH's subsidiaries, Erdos TCH, Zhonghong, and Zhongxun. Substantially all of the Company's revenues are derived from the operations of Shanghai TCH and its subsidiaries, which represent substantially all of the Company's consolidated assets and liabilities as of September 30, 2023 March 31, 2024. All significant inter-company accounts and transactions were eliminated in consolidation.

Use of Estimates

In preparing the CFS, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets as well as revenues and expenses during the year reported. Actual results may differ from these estimates.

Concentration of Credit Risk

Cash includes cash on hand and demand deposits in accounts maintained within China. Balances at financial institutions within China are not covered by insurance. The Company has not experienced any losses in such accounts.

Certain other financial instruments, which subject the Company to concentration of credit risk, consist of accounts and other receivables. The Company does not require collateral or other security to support these receivables. The Company conducts periodic reviews of its customers' financial condition and customer payment practices to minimize collection risk on accounts receivable.

The operations of the Company are located in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC.

Revenue Recognition

Revenue Recognition

Sales-type Leasing and Related Revenue Recognition

The Company follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 842 (See Operating lease below as relates to the Company as a lessee). The Company’s sales type lease contracts for revenue recognition fall under ASC 842.

The Company constructs and leases waste energy recycling power generating projects to its customers. The Company typically transfers ownership of the waste energy recycling power generating projects to its customers at the end of the lease.

The Company finances construction of waste energy recycling power generating projects. The sales and cost of sales are recognized at the inception of the lease, which is when the control is transferred to the lessee. The Company accounts for the transfer of control as a sales type lease in accordance with ASC 842-10-25-2. The underlying asset is derecognized, and revenue is recorded when collection of payments is probable. This is in accordance with the revenue recognition principle in ASC 606 -Revenue from contracts with customers. The investment in sales-type leases consists of the sum of the minimum lease payments receivable less unearned interest income and estimated executory cost. Minimum lease payments are part of the lease agreement between the Company (as the lessor) and the customer (as the lessee). The discount rate implicit in the lease is used to calculate the present value of minimum lease payments. The minimum lease payments consist of the gross lease payments net of executory costs and contingent rentals, if any. Unearned interest is amortized to income over the lease term to produce a constant periodic rate of return on net investment in the lease. While revenue is recognized at the inception of the lease, the cash flow from the sales-type lease occurs over the course of the lease, which results in interest income and reduction of receivables. Revenue is recognized net of value-added tax.

Contingent Rental Income

The Company records income from actual electricity generated of each project in the period the income is earned, which is when the electricity is generated. Contingent rent is not part of minimum lease payments.

Foreign Currency Translation and Comprehensive Income (Loss)

The Company's functional currency is RMB. For financial reporting purposes, RMB figures were translated into USD as the reporting currency. Assets and liabilities are translated at the exchange rate in effect on the balance sheet date. Revenues and expenses are translated at the average rate of exchange prevailing during the reporting period. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity as "Accumulated other comprehensive income." Gains and losses from foreign currency transactions are included in income. There has been no significant fluctuation in exchange rate for the conversion of RMB to USD after the balance sheet date.

The Company uses "Reporting Comprehensive Income" (codified in FASB ASC Topic 220). Comprehensive income is comprised of net income and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders.

RESULTS OF OPERATIONS

Comparison of Results of Operations for the nine three months ended September 30, 2023 March 31, 2024 and 20222023

The following table sets forth the results of our operations for the periods indicated as a percentage of net sales. Certain columns may not add due to rounding.

	2023	% of Sales	2022	% of Sales	2024	% of Sales	2023	% of Sales
Sales	\$ -	- %	\$ -	- %	\$ -	- %	\$ -	- %
Cost of sales	-	- %	-	- %	-	- %	-	- %
Gross profit	-	- %	-	- %	-	- %	-	- %
Interest income on sales-type leases	-	- %	-	- %	-	- %	-	- %
Total operating expenses	606,105	- %	552,264	- %	208,430	- %	84,828	- %
Loss from operations	(606,105)	- %	(552,264)	- %	(208,430)	- %	(84,828)	- %
Total non-operating expenses, net	185,176	- %	(525,131)	- %				
Total non-operating income (expenses), net					(57,187)	- %	(142)	- %
Loss before income tax	(420,929)	- %	(1,077,395)	- %	(265,617)	- %	(84,970)	- %
Income tax expense	97,140	- %	36,511	- %	14,180	- %	4,534	- %
Net loss	\$ (518,069)	- %	\$ (1,113,906)	- %	\$ (279,797)	- %	\$ (89,504)	- %

SALES. Total sales for the three months ended March 31, 2024 and 2023 were \$0.

COST OF SALES. Cost of sales ("COS") for the three months ended March 31, 2024 and 2023 were \$0.

GROSS PROFIT. Gross profit for the three months ended March 31, 2024 and 2023 were \$0 with gross margin of 0%.

SALES. Total sales for the nine months ended September 30, 2023 and 2022 were \$0.

COST OF SALES. Cost of sales (“COS”) for the nine months ended September 30, 2023 and 2022 were \$0.

GROSS PROFIT. Gross profit for the nine months ended September 30, 2023 and 2022 were \$0 with gross margin of 0%.

OPERATING EXPENSES. Operating expenses consisted of general and administrative expenses (“G&A”) totaling \$606,105 \$208,430 for the nine three months ended September 30, 2023 March 31, 2024, compared to \$552,264 \$84,828 for the nine three months ended September 30, 2022 March 31, 2023, an increase of \$53,841 \$123,602 or 9.7% 145.7%. The increase in operating expenses was mainly due to increased audit expense by approximately \$44,500, increased professional fee by \$26,600 approximately \$15,700 and increased professional service expenses legal expense by \$50,200, which was partly offset by decreased other G&A expenses by \$22,960. approximately \$22,000.

NET NON-OPERATING INCOME (EXPENSES). Net non-operating expenses consisted of gain or loss on note conversion, interest income, interest expenses, and miscellaneous expenses. For the nine three months ended September 30, 2023 March 31, 2024, net non-operating income expense was \$185,176 \$57,187 compared to non-operating expenses of \$525,131 \$142 for the nine three months ended September 30, 2022 March 31, 2023. For the nine three months ended September 30, 2023 March 31, 2024, we had \$218,242 \$39,984 interest income, and other income of \$296,549, \$28,152, which was partly offset by \$328,200 \$104,080 interest expense on note payable and loss on note conversion of \$1,415. \$21,243. For the nine three months ended September 30, 2022 March 31, 2023, we had \$329,576 \$88,195 interest income, gain on note conversion of \$10,482 and other income of \$12,285, which was partly offset by \$570,984 \$111,104 interest expense on note payable, loss on note conversion of \$121,121, and other expenses of \$162,536. payable.

INCOME TAX EXPENSE. Income tax expense was \$97,140 for the nine months ended September 30, 2023, compared with \$36,511 for the nine months ended September 30, 2022. The consolidated effective income tax rate for the nine months ended September 30, 2023 and 2022 were 23.1% and 3.4%, respectively.

NET LOSS. Net loss for the nine months ended September 30, 2023 was \$518,069 compared to \$1,113,906 for the nine months ended September 30, 2022, a decrease of net loss of \$595,837. This decrease in net loss was mainly due to decreased other expenses by \$459,085, decreased interest expense by \$242,850 and decreased loss on note conversion by \$119,706, which was partly offset by increased G&A expenses by \$53,841, increased income tax expense by \$60,629 and decreased interest income by \$111,334 as described above.

Comparison of Results of Operations \$14,180 for the three months ended September 30, 2023 and 2022

The following table sets forth the results of our operations for the periods indicated as a percentage of net sales. Certain columns may not add due to rounding.

	2023	% of Sales	2022	% of Sales
Sales	\$ -	- %	\$ -	- %
Cost of sales	-	- %	-	- %
Gross profit	-	- %	-	- %
Interest income on sales-type leases	-	- %	-	- %
Total operating expenses	146,870	- %	168,758	- %
Loss from operations	(146,870)	- %	(168,758)	- %
Total non-operating income (expenses), net	795	- %	(265,925)	- %
Income (loss) before income tax	(146,075)	- %	(434,683)	- %
Income tax expense	34,648	- %	12,954	- %
Net loss	\$ (180,723)	- %	\$ (447,637)	- %

SALES. Total sales March 31, 2024, compared with \$4,534 for the three months ended September 30, 2023 and 2022 were \$0.

COST OF SALES. Cost of sales (“COS”) for the three months ended September 30, 2023 and 2022 were \$0.

GROSS PROFIT. Gross income for the three months ended September 30, 2023 and 2022 were \$0 with gross margin of 0%.

OPERATING EXPENSES. Operating expenses consisted of general and administrative expenses totaling \$146,870 for the three months ended September 30, 2023, compared to \$168,758 for the three months ended September 30, 2022, a decrease of \$21,888 or 13%. The decrease in operating expenses was mainly due to a decreased professional fee by \$19,320, and decreased other G&A expenses by \$2,570.

NET NON-OPERATING INCOME (EXPENSES). Net non-operating income (expenses) consisted of loss on note conversion, interest income, interest expenses, and miscellaneous expenses. For the three months ended September 30, 2023, net non-operating income was \$795 compared to non-operating expenses of \$265,925 for the three months ended September 30, 2022. For the three months ended September 30, 2023, we had \$47,801 interest income and other income of \$67,931, but the amount was offset by \$107,920 interest expense on note payable and loss on note conversion by \$7,017. For the three months ended September 30, 2022, we had \$105,661 interest income which was offset by \$340,732 interest expense on note payable, and other expenses of \$30,854.

INCOME TAX EXPENSE. Income tax expense was \$34,648 for the three months ended September 30, 2023, compared with \$12,954 for the three months ended September 30, 2022 March 31, 2023. The consolidated effective income tax rate for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 were 23.7% 5.3% and 3.0% 5.3%, respectively.

NET LOSS. Net loss for the three months ended September 30, 2023 March 31, 2024 was \$180,723 \$279,797 compared to \$447,637 \$89,504 for the three months ended September 30, 2022 March 31, 2023, a decrease an increase of net loss of \$266,914. \$190,293. This decrease increase in net loss was mainly due to decreased G&A increased operating expenses by \$21,888, decreased interest expense by \$232,812 and decreased other expenses by \$98,785, which was partly offset by increased income tax expense by \$21,694, \$123,602, increased loss on note conversion by \$7,017 \$31,725 and decreased interest income by \$57,860, \$48,211, which was partly offset by decreased interest expense by \$7,024 and increased other income by \$15,867 as described above.

LIQUIDITY AND CAPITAL RESOURCES

Comparison of Nine Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

As of September 30, 2023 March 31, 2024, the Company had cash and equivalents of \$67.95 million \$68.58 million, other current assets (excluding cash and equivalents) of \$66.77 million \$67.55 million, current liabilities of \$23.27 million \$23.66 million, working capital of \$111.46 million \$112.49 million, a current ratio of 5.79: 5.75:1 and a liability-to-equity ratio of 0.25:1. The following is a summary of cash provided by or used in each of the indicated types of activities during the nine three months ended September 30, 2023 March 31, 2024 and 2022:2023:

	2023	2022	2024	2023
Cash provided by (used in):				
Operating Activities	\$ (68,264,743)	\$ (309,125)	\$ (183,519)	\$ (70,283)
Investing activities			68,564,217	(141,070,591)
Net cash used in operating activities was	\$68,264,743	\$183,519		
during the nine three months ended September 30, 2023 March 31, 2024, compared to \$309,125 \$70,283 for the nine three months ended September 30, 2022 March 31, 2023. The increase in net cash outflow for the nine three months ended September 30, 2023 March 31, 2024 was mainly due to increased net loss by \$190,293, which partly offset by decreased cash outflow on advance to suppliers by \$68.06 million, which was partly offset \$2,258, decreased cash outflow on other receivable by \$15,374, decreased net loss cash outflow on taxes payable by \$21,853, decreased payment of lease liability by \$1,150, and noncash adjustment to net loss totaling \$112,366.increased cash inflow on accrued liabilities and other payables by \$36,522.				

On June 19, 2023, the Company entered a purchase agreement with Hubei Bangyu New Energy Technology Co., Ltd. (“Bangyu”). The total contract amount was \$82.3 million (RMB 595.0 million) for purchasing the energy storage battery systems. As of June 30, 2023, the Company made a prepayment to Bangyu of \$65.9 million (\$67.1 million) (RMB 476.0 million). The Company is in the process of transforming and expanding into energy storage integrated solution provider business. The Company actively seeks and explores opportunities to apply energy storage technologies to new industries or segments with high growth potential, including industrial and commercial complexes, large scale photovoltaic (PV) and wind power stations, remote islands without electricity, and smart energy cities with multi-energy supplies.

There was no net cash provided by or used in investing activities was \$68,564,217 for the three months ended March 31, 2024, compare with net cash used in investing activities during of \$141,070,591 for the nine three months ended September 30, 2023 and 2022. March 31, 2023, respectively. For the three months ended March 31, 2024, investing activities mainly consisted of repayment of short-term loan receivable of \$68,564,217. For the three months ended March 31, 2023, investing activities mainly consisted of issuance of short-term loan receivable of \$141,070,591.

On March 31, 2023, the Company had \$140,576,568 (RMB 966.0 million) short term loan to Jinan Youkai Engineering Consulting Co., Ltd (“Youkai”), an unrelated party of the Company. The short-term loan was for five days with a capital utilization fee of \$43,657 (RMB 300,000) per day for total of \$218,287 (RMB 1.5 million). To ensure the safety of the funds, before money was transferred to Youkai, Youkai handed over the official seal, financial seal and bank account UK to the Company for custody and management until repayment of the loan. The Company received the repayment of \$140.6 million in full plus capital utilization fee on April 3, 2023.

On June 30, 2023, the Company loaned \$67,120,596 (RMB 485.0 million) to Youkai again, an unrelated party of the Company. The short-term loan was for five days with a capital utilization fee of \$13,839 (RMB 100,000) per day for total of \$69,196 (RMB 500,000). To ensure the safety of the funds, before money was transferred to Youkai, Youkai handed over the official seal, financial seal and bank account UK to the Company for custody and management until repayment of the loan. The Company received the repayment of \$67.2 million in full plus capital utilization fee on July 3, 2023.

As of December 31, 2023, the Company had \$68,730,851 (RMB 486.1 million) short term loan to Jinan Youkai Engineering Consulting Co., Ltd (“Youkai”), an unrelated party of the Company. The short-term loan was for five days with a capital utilization fee of \$14,119 (RMB 100,000) per day for total of \$70,595 (RMB 500,000). To ensure the safety of the funds, before money was transferred to Youkai, Youkai handed over the official seal, financial seal and bank account UK to the Company for custody and management until repayment of the loan. The Company received the repayment of \$68.7 million in full plus capital utilization fee in January 2024.

There was no cash provided by or used in financing activities during the nine three months ended September 30, 2023, March 31, 2024 and 2022, 2023.

We do not believe inflation has had or will have a significant negative impact on our results of operations in 2023.

Transfers of Cash to and from Our Subsidiaries

The PRC has currency and capital transfer regulations that require us to comply with certain requirements for the movement of capital. The Company is able to transfer cash (USD) to its PRC subsidiaries through: (i) an investment (by increasing the Company’s registered capital in a PRC subsidiary), or (ii) a stockholder loan. The Company’s subsidiaries in the PRC have not transferred any earnings or cash to the Company to date. The Company’s business is primarily conducted through its subsidiaries. The Company is a holding company and its material assets consist solely of the ownership interests held in its PRC subsidiaries. The Company relies on dividends paid by its subsidiaries for its working capital and cash needs, including the funds necessary: (i) to pay dividends or cash distributions to its stockholders, (ii) to service any debt obligations and (iii) to pay operating expenses. As a result of PRC laws and regulations (noted below) that require annual appropriations of 10% of after-tax income to be set aside in a general reserve fund prior to payment of dividends, the Company’s PRC subsidiaries are restricted in that respect, as well as in others respects noted below, in their ability to transfer a portion of their net assets to the Company as a dividend.

With respect to transferring cash from the Company to its subsidiaries, increasing the Company's registered capital in a PRC subsidiary requires the filing of the local commerce department, while a stockholder loan requires a filing with the state administration of foreign exchange or its local bureau.

With respect to the payment of dividends, we note the following:

1. PRC regulations currently permit the payment of dividends only out of accumulated profits, as determined in accordance with accounting standards and PRC regulations (an in-depth description of the PRC regulations is set forth below);

2. Our PRC subsidiaries are required to set aside, at a minimum, 10% of their net income after taxes, based on PRC accounting standards, each year as statutory surplus reserves until the cumulative amount of such reserves reaches 50% of their registered capital;
3. Such reserves may not be distributed as cash dividends;
4. Our PRC subsidiaries may also allocate a portion of their after-tax profits to fund their staff welfare and bonus funds; except in the event of a liquidation, these funds may also not be distributed to stockholders; the Company does not participate in a Common Welfare Fund;
5. The incurrence of debt, specifically the instruments governing such debt, may restrict a subsidiary's ability to pay stockholder dividends or make other cash distributions; and
6. The Company is subject to covenants and consent requirements.

If, for the reasons noted above, our subsidiaries are unable to pay stockholder dividends and/or make other cash payments to the Company when needed, the Company's ability to conduct operations, make investments, engage in acquisitions, or undertake other activities requiring working capital may be materially and adversely affected. However, our operations and business, including investment and/or acquisitions by our subsidiaries within China, will not be affected as long as the capital is not transferred in or out of the PRC.

PRC Regulations

In accordance with PRC regulations on Enterprises with Foreign Investment and their articles of association, a foreign-invested enterprise ("FIE") established in the PRC is required to provide statutory reserves, which are appropriated from net profit, as reported in the FIE's PRC statutory accounts. A FIE is required to allocate at least 10% of its annual after-tax profit to the surplus reserve until such reserve has reached 50% of its respective registered capital (based on the FIE's PRC statutory accounts). The aforementioned reserves may only be used for specific purposes and may not be distributed as cash dividends. Until such contribution of capital is satisfied, the FIE is not allowed to repatriate profits to its stockholders, unless approved by the State Administration of Foreign Exchange. After satisfaction of this requirement, the remaining funds may be appropriated at the discretion of the FIE's board of directors. Our subsidiary, Shanghai TCH, qualifies as a FIE and is therefore subject to the above-mandated regulations on distributable profits.

Additionally, in accordance with PRC corporate law, a domestic enterprise is required to maintain a surplus reserve of at least 10% of its annual after-tax profit until such reserve has reached 50% of its respective registered capital based on the enterprise’s PRC statutory accounts. The aforementioned reserves can only be used for specific purposes and may not be distributed as cash dividends. Xi’an TCH, Huahong, Zhonghong and Erdos TCH were established as domestic enterprises; therefore, each is subject to the above-mentioned restrictions on distributable profits.

As a result of PRC laws and regulations that require annual appropriations of 10% of after-tax income to be set aside, prior to payment of dividends, in a general reserve fund, the Company’s PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company as a dividend or otherwise.

Chart of the Company’s Statutory Reserve

Pursuant to PRC corporate law, effective January 1, 2006, the Company is required to maintain a statutory reserve by appropriating from its after-tax profit before declaration or payment of dividends. The statutory reserve is restricted retained earnings. Our restricted and unrestricted retained earnings under US GAAP are set forth below:

	As of		As of	
	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Unrestricted accumulated deficit	\$ (60,268,346)	\$ (59,726,943)	\$ (60,777,199)	\$ (60,497,371)
Restricted retained earnings (surplus reserve fund)	15,191,337	15,168,003	15,191,676	15,191,645
Total accumulated deficit	\$ (45,077,009)	\$ (44,558,940)	\$ (45,585,523)	\$ (45,305,726)

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholders' equity or that are not reflected in our CFS. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as of September 30, 2023 March 31, 2024 are as follows:

Contractual Obligation	1 year or less	More than 1 year	See Note (for details)	1 year or less	More than 1 year	See Note (for details)
Notes payable including accrued interest of \$58,190	\$ 5,368,002	\$ -	10			
Entrusted loan including interest payable of \$336,841	\$ 11,061,374	\$ -	9			
Notes payable including accrued interest of \$3,305				\$ 5,029,072	\$ -	9
Entrusted loan including interest payable of \$340,868				\$ 11,193,581	\$ -	8
Total	\$ 16,429,376	\$ -		\$ 16,222,653	\$ -	

The Company believes it has sufficient cash as of September 30, 2023 March 31, 2024, and a sufficient channel to commercial institutions to obtain any loans that may be necessary to meet its working capital needs. Historically, we have been able to obtain loans or otherwise achieve our financing objectives due to the Chinese government's support for energy-saving businesses with stable cash inflows, good credit ratings and history.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Exchange Rate Risk

Our operations are conducted mainly in the PRC. As such, our earnings are subject to movements in foreign currency exchange rates when transactions are denominated in RMB, which is our functional currency. Accordingly, our operating results are affected by changes in the exchange rate between the U.S. dollar and those currencies.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures which are designed to provide reasonable assurance that information required to be disclosed in the Company's periodic SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rules 13a - 15(e) and 15d - 15(e) of the Securities Exchange Act of 1934 ("Exchange Act") at the end of the period covered by the report. Based upon that evaluation, our CEO and CFO concluded that, as of **September 30, 2023** **March 31, 2024**, the Company's disclosure controls and procedures were **not** effective.

Changes in Internal Control Over Financial Reporting

With the participation of the Company's management, including its CEO and CFO, the Company also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the Company's fiscal quarter ended as of **September 30, 2023** **March 31, 2024**, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on such evaluation, management concluded that, as of the end of the period covered by this report, there have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We are not currently a party to any material legal proceedings, and to our knowledge none is threatened. There can be no assurance that future legal proceedings arising in the ordinary course of business or otherwise will not have a material adverse effect on our financial position, results of operations or cash flows.

In November 2019, Beijing Hongyuan Recycling Energy Investment Center (“BIPC”), or Hongyuan, filed a lawsuit with the Beijing Intermediate People’s Court against Xi’an TCH to compel Xi’an TCH to repurchase certain **stocks stock** pursuant to a stock repurchase option agreement. On April 9, 2021, the court rendered a judgment in favor of Hongyuan. **Xi ‘an Xi’an** TCH filed a motion for retrial to High People’s Court of Beijing on April 13, 2022, **on the basis that because** Xi’an TCH **has already paid RMB 267 million 261 million (\$37.58 million) principal and interest** to Hongyuan as an out-of-court settlement. On **April 11, 2022, Xi’an Zhonghong New Energy Technology Co. Ltd., filed an application for retrial and provided relevant evidence to the Beijing High People’s Court on the Civil Judgment No. 264, awaiting trial. On August 10, 2022, Beijing No.1 No. 1 Intermediate People’s Court of Beijing issued a Certificate of Active Performance, proving that Xi’an Zhonghong New Energy Technology Co., Ltd. Had had fulfilled its buyback obligations.**

On obligations as disclosed in Note 9 that, on April 9, 2021, Xi’an TCH, Xi’an Zhonghong, Guohua Ku, Chonggong Bai and HYREF entered a Termination of Fulfillment Agreement (termination agreement). Under the termination agreement, the original buyback agreement entered on December 19, 2019 was terminated upon signing of the termination agreement. HYREF will not execute the buy-back option and will not ask for any additional payment from the buyers other than keeping the CDQ WHPG station.

As **of the date** of this report, **date,** Xi’an Zhonghong is waiting for Court’s decision on retrial petition that was submitted in April 2022. During this waiting period, BIPC entered the execution procedure, and there is a balance of RMB 14,204,317 (\$2.20 million) between the amount executed by the court and the liability recognized by Xi ‘an TCH, which was mainly the enforcement fee, legal and penalty fee for the original judgement, and was automatically generated by the toll collection system of the People’s court. The Company accrued \$2.10 million litigation expense as of **September 30, 2023 March 31, 2024.**

In February 2016, Xuzhou Intermediate People’s Court of Jiangsu Province, or the Xuzhou Court, accepted an execution proceeding request from Zhongrong International Trust Co. Ltd., or Zhongrong, against Mr. Guohua Ku, Xi’an TCH, Xuzhou Taifate Steel Co., Ltd., or Xuzhou Taifate, to satisfy the obligation arising out of a loan agreement and guarantee agreement among the parties. On March 21, 2018 and March 20, 2019, the Xuzhou Court ordered a deduction from the bank accounts of Mr. Ku of RMB 371,470 and RMB 254,824, respectively. On August 21, 2020, the Xuzhou Court reopened the case in response to Zhongrong’s request against Xuzhou Taifa for the resolution of an additional loan in the amount of RMB 145,356,100, which was paid in full in settlement. The Xuzhou Court concluded and closed the case on December 21, 2020.

On June 28, 2021, Beijing No.4 Intermediate People's Court of Beijing entered into a judgement that Xi'an Zhonghong Technology Co., Ltd. should pay the loan principal of RMB 77 million (\$11.06 million) with loan interest of RMB 2,418,229 2,418,449 (\$0.35 million) to Beijiing Beijing Hongyuan Recycling Energy Investment Center (Limited Partnership). In the end of 2022, Beijing No.4 Intermediate People's Court of Beijing entered into the judgment enforcement procedure, which, in addition to the loan principal with interest amount, Xi'an Zhonghong Technology Co., Ltd. was to pay judgment enforcement fee, late fee and other fees of RMB 80,288,184 (\$11.53 million) in total, the Company recorded these additional fees in 2022. There was no update for this case as of the date of this report date.report.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Annual Report on Form 10-K as of and for the year ended December 31, 2022 December 31, 2023. An investment in our common stock involves various risks. When considering an investment in our company, you should consider carefully all of the risk factors described in our most recent Form 10-K and the registration statement as referenced above. If any of those risks, incorporated by reference in this Form 10-Q, occur, the market price of our shares of common stock could decline and investors could lose all or part of their investment. These risks and uncertainties are not the only ones facing us and there may be additional matters that we are unaware of or that we currently consider immaterial. All of these could adversely affect our business, financial condition, results of operations and cash flows and, thus, the value of an investment in our company.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information

None.

Item 4. Mine Safety Disclosures.**Not Applicable.****Item 5. Other Information****None.****ITEM 6. EXHIBITS**

Exhibit No.	Description
3.1	Articles of Incorporation (filed as Exhibit 3.05 to the Company's Form 10-KSB for the fiscal year ended December 31, 2001).
3.2	Fifth Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated March 9, 2022).
3.3	Certificate of Change (filed as Exhibit 3.6 to the Company's Current Report on Form 8-K dated May 24, 2016).
3.4	Certificate of Amendment (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 9, 2022).
4.1	Common Stock Specimen (filed as Exhibit 4.1 to the Company's Registration Statement on Form SB-2 dated November 12, 2004; 1934 Act File No. 333-120431).
10.1	Supplementary Agreement by and between Inner Mongolia Erdos TCH Energy Saving Development Co., Ltd. and Inner Mongolia Erdos Metallurgy Co., Ltd., dated December 1, 2009 (filed as Exhibit 10.27 to the Company's Form 10-K for the year ended December 31, 2009).
10.2	Joint Operation Agreement by and between Xi'an TCH Energy Technology Co., Ltd., a wholly owned subsidiary of the Company, and Inner Mongolia Erdos Metallurgy Co., Ltd., dated January 20, 2009 (filed as Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended June 30, 2009).
10.3	Form of Independent Director Agreement. (filed as Exhibit 10.28 on the Company's Registration Statement on Form 10, filed on February 5, 2010).
10.4	English Translation of Employment Agreement between the Company and Guohua Ku, dated December 10, 2020 (filed as Exhibit 10.4 to the Company's Current Report on Form 10-K dated December 31, 2021).
10.5	English Translation of Employment Agreement between the Company and Yongjiang Shi, dated December 16, 2021 (filed as Exhibit 10.5 to the Company's Current Report on Form 10-K dated December 31, 2021).
10.6	Biomass Power Generation Asset Transfer Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 16, 2013).
10.7	Biomass Power Generation Project Lease Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated September 16, 2013).
10.8	Partnership Agreement of Beijing Hongyuan Recycling Energy Investment Center, LLP, dated July 18, 2013 (filed as Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended September 30, 2013).
10.9	EPC Contract for Boxing CDQ Waste Heat Power Generation Project, dated July 22, 2013, by and between Xi'an Zhonghong New Energy Technology Co., Ltd and Xi'an Huaxin New Energy Co., Ltd (filed as Exhibit 10.3 to the Company's Form 10-Q for the quarterly period ended September 30, 2013).

10.10	<u>EPC Contract for CDQ Power Generation Project of Xuzhou Tianyu Group, dated July 22, 2013, by and between Xi'an Zhonghong New Energy Technology Co., Ltd and Xi'an H201uaxin New Energy Co., Ltd. (filed as Exhibit 10.4 to the Company's Form 10-Q for the quarterly period ended September 30, 2013).</u>
10.11	<u>Cooperation Agreement, dated July 22, 2013, by and between Xi'an Zhonghong New Energy Technology Co., Ltd. and Jiangsu Tianyu Energy and Chemical Group Co., Ltd (filed as Exhibit 10.5 to the Company's Form 10-Q for the quarterly period ended September 30, 2013).</u>
10.12	<u>Waste Heat Power Generation Energy Management Cooperative Agreement with Zhongtai (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 6, 2013).</u>
10.13	<u>CDQ Power Generation Energy Management Cooperative Agreement with Rongfeng (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 17, 2013).</u>
10.14	<u>China Recycling Energy Corporation Omnibus Equity Plan (Incorporated by reference from Appendix A to the Company's Definitive Schedule 14A filed on April 30, 2015).</u>
10.15	<u>Transfer Agreement of CDQ & Waste Heat Power Generation, dated November 16, 2015, by and between Xi'an TCH Energy Technology Co., Ltd and Tangshan Rongfeng Iron & Steel Co., Ltd. and Xi'an Huaxin New Energy Co., Ltd. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 20, 2015).</u>
10.16	<u>Xuzhou Zhongtai CDQ and Waste Heat Power Generation System Transfer Agreement, dated March 14, 2016, by Xi'an TCH Energy Technology Co., Ltd, Xuzhou Zhongtai Energy Technology Co., Ltd. and Xi'an Huaxin New Energy Co., Ltd. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 18, 2016).</u>
10.17	<u>Repurchase Agreement for Coking Coal Gas Power Generation Project, dated June 22, 2016, by and between Xi'an TCH Energy Technology Co., Ltd., and Qitaihe City Boli Yida Coal Selection Co., Ltd. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated August 15, 2016).</u>
10.18	<u>Securities Purchase Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P., dated July 11, 2018 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 17, 2018).</u>
10.19	<u>Convertible Promissory Note, issued by China Recycling Energy Corporation to Iliad Research and Trading, L.P., dated July 11, 2018 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated July 17, 2018).</u>
10.20	<u>Equity Purchase Agreement by and between Shanghai TCH Energy Technology Co., Ltd. and Jinhua Wang, dated September 30, 2018 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 30, 2018).</u>
10.21	<u>Agreement of Supplementary and Amendment by and between Shanghai TCH Energy Technology Co., Ltd. and Jinhua Wang, dated November 21, 2018 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 26, 2018).</u>
10.22	<u>CDQ WHPG Station Fixed Assets Transfer Agreement, dated December 29, 2018, by and among Xi'an Zhonghong, Xi'an TCH, the HYREF, Guohua Ku and Chonggong Bai (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on March 16, 2019 April 16, 2019).</u>
10.23	<u>Buy-Back Agreement, dated December 29, 2018, by and among HYREF, Xi'an Zhonghong, Xi'an TCH, Guohua Ku, Chonggong Bai and Xi'an Hanneng (filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on March 16, 2019 April 16, 2019).</u>

10.24	<u>Equity Transfer Agreement, dated December 29, 2018, by and between Xi'an TCH and Hongyuan Huifu. (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on March 16, 2019). April 16, 2019)</u>
10.25	<u>Equity Transfer Agreement, dated December 29, 2018, by and between Shanghai TCH and HYREF. (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on March 16, 2019). April 16, 2019)</u>
10.26	<u>Supplementary Agreement of Equity Transfer Agreement, dated December 29, 2018, by and among Xi'an TCH, Hongyuan Huifu, and the Fund Management Company. (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on March 16, 2019). April 16, 2019)</u>
10.27	<u>Projects Transfer Agreement by and among Xi'an Zhonghong, Xi'an TCH, and Mr. Chonggong Bai, dated January 4, 2019 (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on March 16, 2019) April 16, 2019).</u>
10.28	<u>Securities Purchase Agreement by and between China Recycling Energy Corporation and Great Essential Investment, Ltd, dated February 13, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 19, 2019).</u>
10.29	<u>Termination of Equity Purchase Agreement and Supplementary Amendment Agreement by and between Shanghai TCH and Mr. Jihua Wang, dated March 29, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 29, 2019).</u>
10.30	<u>Forebearance Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated September 11, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 11, 2019).</u>
10.31	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated September 19, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 19, 2019).</u>
10.32	<u>Termination Agreement of Lease Agreement of Biomass Power Generation Project by and between Xi'an TCH Energy Technology Co., Ltd. and Pucheng Xin Heng Yuan Biomass Power Generation Co., Ltd. dated September 29, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 29, 2019).</u>
10.33	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated October 16, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 16, 2019).</u>
10.34	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated October 16, 2019 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 16, 2019).</u>
10.35	<u>Amendment to Forebearance Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated December 16, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 16, 2019).</u>
10.36	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated January 3, 2020 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 3, 2020).</u>
10.37	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated January 13, 2020 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 13, 2020).</u>
10.38	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated May 4, 2020 (filed as Exhibit 10.30 to the Company's Current Report on Form 8-K, dated May 4, 2020).</u>

10.39	<u>Employment Agreement by and between China Recycling Energy Corporation and Yongjiang (Jackie) Shi, dated May 8, 2020 (as Exhibit 10.38 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2020 filed on April 15, 2021).</u>
10.40	<u>Exchange Agreement dated as of May 15, 2020 by and between China Recycling Energy Corporation and Lliad Research and Trading, L.P. (filed as Exhibit 10.39 to the Company's Current Report on Form 8-K, dated May 21, 2020).</u>
10.41	<u>Forbearance Agreement dated as of May 15, 2020 by and between China Recycling Energy Corporation and Lliad Research and Trading, L.P. (filed as Exhibit 10.40 to the Company's Current Report on Form 8-K, dated May 21, 2020).</u>
10.42	<u>Exchange Agreement dated as of May 29, 2020 by and between China Recycling Energy Corporation and Lliad Research and Trading, L.P. (filed as Exhibit 10.41 to the Company's Current Report on Form 8-K, dated June 4, 2020).</u>
10.43	<u>Equity Acquisition Agreement dated as of December 22, 2020 by and between China Recycling Energy Corporation and Shanghai TCH Energy Technology Co., Ltd., Zheng Feng, Yinhua Zhang, Weidong Xu and Xi'an Taiying Energy Saving Technology Co., Ltd. (filed as Exhibit 10.43 to the Company's Current Report on Form 8-K, dated December 29, 2020).</u>
10.44	<u>Promissory Note dated as of December 4, 2020 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.43 to the Company's Form S-1/A dated October 6, 2021)</u>
10.45	<u>Exchange Agreements dated as of August 24, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.44 to the Company's Form S-1/A dated October 6, 2021)</u>
10.46	<u>Exchange Agreements dated as of August 31, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.45 to the Company's Form S-1/A dated October 6, 2021)</u>
10.47	<u>Exchange Agreements dated as of September 1, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q dated November 12, 2021)</u>
10.48	<u>Exchange Agreements dated as of October 8, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q dated November 12, 2021)</u>
10.49	<u>Exchange Agreements dated as of October 21, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.3 to the Company's quarterly report on Form 10-Q dated November 12, 2021)</u>

10.50	<u>Exchange Agreements dated as of October 25, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q dated November 12, 2021).</u>
10.51	<u>Exchange Agreements dated as of November 9, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.5 to the Company's quarterly report on Form 10-Q dated November 12, 2021).</u>
10.52	<u>Exchange Agreements dated as of November 30, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit to the Company's Amendment to Registration Statement on Form S1/A dated December 3, 2021).</u>
10.53	<u>Exchange Agreements dated as of November 7, 2022 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.53 to the Company's Form 10-K for the year ended December 31, 2022).</u>

10.54	Exchange Agreements dated as of January 6, 2023 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.54 to the Company's Form 10-K for the year ended December 31, 2022).
10.55	Exchange Agreements dated as of January 18, 2023 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.55 to the Company's Form 10-K for the year ended December 31, 2022).
10.56	Exchange Agreements dated as of February 13, 2023 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.56 to the Company's Form 10-K for the year ended December 31, 2022).
10.57	Exchange Agreements dated as of May 11, 2023 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.57 to the Company's quarterly report on Form 10-Q dated June 21, 2023).
10.58* 10.58	Exchange Agreements dated as of August 11, 2023 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.58 to the Company's quarterly report on Form 10-Q dated November 13, 2023).
10.59	Exchange Agreements dated as of December 29, 2023 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.57 to the Company's Form 10-K for the year ended December 31, 2023).
14.1	Code of Ethics (filed as Exhibit 14.1 to the Company's Current Report on Form 8-K dated December 2, 2009).
19.1	Insider Trading Policy, dated November 25, 2009. (filed as Exhibit 19.1 to the Company's annual report on Form 10-K dated May, 8, 2023).
21.1	Subsidiaries (filed as Exhibit 21.1 to the Company's Annual Report on Form 10-K dated May 14, 2020).
31.1*	Rule 13a-14(a)/15d-14(a) certification of the Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) certification of the Chief Financial Officer.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
97	Compensation Recovery Policy (filed as Exhibit 97 to the Company's Form 10-K for the year ended December 31, 2023).
101.INS*	Inline XBRL Instance Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.

101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Labels 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).
*	Filed herewith

SIGNATURES

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

Date: November 13, 2023 May 14, 2024

Date: November 13, 2023 May 14, 2024

SMART POWERR CORP.

By: /s/ Guohua Ku

Guohua Ku
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Yongjiang Shi

Yongjiang Shi
Chief Financial Officer
(Principal Financial and Accounting Officer)

4138

Exhibit 10.58

THE EXCHANGE CONTEMPLATED HEREIN IS INTENDED TO COMPORT WITH THE REQUIREMENTS OF SECTION 3(a)(9) OF THE SECURITIES ACT OF 1933, AS AMENDED.

EXCHANGE AGREEMENT

This Exchange Agreement (this “**Agreement**”) is entered into as of August 11, 2023 by and between Bucktown Capital, LLC, a Utah limited liability company (“**Lender**”), and Smart Power Corp. (f/k/a China Recycling Energy Corporation), a Nevada corporation (“**Borrower**”). Capitalized terms used in this Agreement without definition shall have the meanings given to them in the Original Note (defined below).

A. Borrower previously sold and issued to Lender that certain Promissory Note dated April 2, 2021 in the original principal amount of \$5,250,000.00 (the “**Original Note**”) pursuant to that certain Securities Purchase Agreement dated April 2, 2021 by and between Lender and Borrower (the “**Purchase Agreement**,” and together with the Original Note and all other documents entered into in conjunction therewith, the “**Transaction Documents**”).

B. Subject to the terms of this Agreement, Borrower and Lender desire to partition a new Promissory Note in the original principal amount of \$200,000.00 (the “**Partitioned Note**”) from the Original Note and then cause the outstanding balance of the Original Note to be reduced by an amount equal to the initial outstanding balance of the Partitioned Note.

C. Borrower and Lender further desire to exchange (such exchange is referred to as the “**Note Exchange**”) the Partitioned Note for the delivery of 175,438 shares of the Company’s Common Stock, par value \$0.001 (the “**Common Stock**,” and such 175,438 shares of Common Stock, the “**Exchange Shares**”), according to the terms and conditions of this Agreement.

D. The Note Exchange will consist of Lender surrendering the Partitioned Note in exchange for the Exchange Shares, which will be issued free of any restrictive securities legend pursuant to Rule 144. Other than the surrender of the Partitioned Note, no consideration of any kind whatsoever shall be given by Lender to Borrower in connection with this Agreement.

E. Lender and Borrower now desire to exchange the Partitioned Note for the Exchange Shares on the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Recitals and Definitions.** Each of the parties hereto acknowledges and agrees that the recitals set forth above in this Agreement are true and accurate, are contractual in nature, and are hereby incorporated into and made a part of this Agreement.

2. **Partition.** Effective as of the date hereof, Borrower and Lender agree that the Partitioned Note is hereby partitioned from the Original Note. Following such partition of the Original Note, Borrower and Lender agree that the Original Note shall remain in full force and effect, provided that the outstanding balance of the Original Note shall be reduced by an amount equal to the initial outstanding balance of the Partitioned Note.

3. Issuance of Shares. Pursuant to the terms and conditions of this Agreement, the Exchange Shares shall be delivered to Lender on or before August 16, 2023 and the Note Exchange shall occur with Lender surrendering the Partitioned Note to Borrower on the Free Trading Date (as defined below). On the Free Trading Date, the Partitioned Note shall be cancelled and all obligations of Borrower under the Partitioned Note shall be deemed fulfilled. All Exchange Shares delivered hereunder shall be delivered via DWAC to Lender's designated brokerage account. Subject to the securities laws and regulations, Borrower agrees to provide all necessary cooperation or assistance that may be required to cause all Exchange Shares delivered hereunder to become Free Trading (the first date such occurs, the "**Free Trading Date**"). For purposes hereof, the term "**Free Trading**" means that (a) the Exchange Shares have been cleared and approved for public resale by the compliance departments of Lender's brokerage firm and the clearing firm servicing such brokerage, and (b) such shares are held in the name of the clearing firm servicing Lender's brokerage firm and have been deposited into such clearing firm's account for the benefit of Lender.

4. Closing. The closing of the transaction contemplated hereby (the "**Closing**") along with the delivery of the Exchange Shares to Lender shall occur on the date that is mutually agreed to by Borrower and Lender by means of the exchange by email of .pdf documents, but shall be deemed to have occurred at the offices of Hansen Black Anderson Ashcraft PLLC in Lehi, Utah.

5. Holding Period, Tacking and Legal Opinion. Lender and Borrower agree that for the purposes of Rule 144 ("**Rule 144**") of the Securities Act of 1933, as amended (the "**Securities Act**"), the holding period of the Partitioned Note and the Exchange Shares will include Lender's holding period of the Original Note from April 2, 2021, which date is the date that the Original Note was originally issued. Borrower agrees not to take a position contrary to this Section 5 in any document, statement, setting, or situation. Borrower agrees to take all action necessary to issue the Exchange Shares without restriction, and not containing any restrictive legend without the need for any action by Lender; provided that the applicable holding period has been met. In furtherance thereof, prior to the Closing, counsel to Lender may, in its sole discretion, provide an opinion that: (a) the Exchange Shares may be resold pursuant to Rule 144 without volume or manner-of-sale restrictions or current public information requirements; and (b) the transactions contemplated hereby and all other documents associated with this transaction comport with the requirements of Section 3(a)(9) of the Securities Act. Borrower represents that it is in full compliance with the tests and standards set forth in Rule 144(i)(2) as of the date of this Agreement. The Exchange Shares are being issued in substitution of and exchange for and not in satisfaction of the Partitioned Note. The Exchange Shares shall not constitute a novation or satisfaction and accord of the Partitioned Note. Borrower acknowledges and understands that the representations and agreements of Borrower in this Section 5 are a material inducement to Lender's decision to consummate the transactions contemplated herein.

6. Representations, Warranties and Agreements of Borrower. In order to induce Lender to enter into this Agreement, Borrower, for itself, and for its affiliates, successors and assigns, hereby acknowledges, represents, warrants and agrees as follows: (a) Borrower has full power and authority to enter into this Agreement and to incur and perform all obligations and covenants contained herein, all of which have been duly authorized by all proper and necessary action, (b) no consent, approval, filing or registration with or notice to any governmental authority is required as a condition to the validity of this Agreement or the performance of any of the obligations of Borrower hereunder, (c) except as specifically set forth herein, nothing herein shall in any manner release, lessen, modify or otherwise affect Borrower's obligations under the Original Note, (d) the issuance of the Exchange Shares is duly authorized by all necessary corporate action and the Exchange Shares are validly issued, fully paid and non-assessable, free and clear of all taxes, liens, claims, pledges, mortgages, restrictions, obligations, security interests and encumbrances of any kind, nature and description, (e) Borrower has not received any consideration in any form whatsoever for entering into this Agreement, other than the surrender of the Partitioned Note, and (f) Borrower has taken no action which would give rise to any claim by any person for a brokerage commission, placement agent or finder's fee or other similar payment by Borrower related to this Agreement.

7. Representations, Warranties and Agreements of Lender. In order to induce Borrower to enter into this Agreement, Lender, for itself, and for its affiliates, successors and assigns, hereby acknowledges, represents, warrants and agrees as follows: (a) Lender has full power and authority to enter into this Agreement and to incur and perform all obligations and covenants contained herein, all of which have been duly authorized by all proper and necessary action, and (b) no consent, approval, filing or registration with or notice to any governmental authority is required as a condition to the validity of this Agreement or the performance of any of the obligations of Lender hereunder.

8. Arbitration. By its execution of this Agreement, each party agrees to be bound by the Arbitration Provisions (as defined in the Purchase Agreement) set forth as an exhibit to the Purchase Agreement and the parties agree to submit all Claims (as defined in the Purchase Agreement) arising under this Agreement or any Transaction Document or other agreement between the parties and their affiliates to binding arbitration pursuant to the Arbitration Provisions.

9. Governing Law; Venue. This Agreement shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Agreement shall be governed by, the internal laws of

the State of Utah, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Utah or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Utah. The provisions set forth in the Purchase Agreement to determine the proper venue for any disputes are incorporated herein by this reference. BORROWER HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

10. Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile transmission or other electronic transmission (including email) shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile transmission or other electronic transmission (including email) shall be deemed to be their original signatures for all purposes.

11. Attorneys' Fees. In the event of any arbitration or action at law or in equity to enforce or interpret the terms of this Agreement, the prevailing party shall therefore be entitled to an additional award of the full amount of the attorneys' fees and expenses paid by such prevailing party in connection with the arbitration, litigation and/or dispute without reduction or apportionment based upon the individual claims or defenses giving rise to the fees and expenses. Nothing herein shall restrict or impair an arbitrator's or a court's power to award fees and expenses for frivolous or bad faith pleading.

12. No Reliance. Each party acknowledges and agrees that neither the other party nor any of such other party's officers, directors, members, managers, equity holders, representatives or agents has made any representations or warranties to the party or any of its agents, representatives, officers, directors, or employees except as expressly set forth in this Agreement and the Transaction Documents and, in making its decision to enter into the transactions contemplated by this Agreement, the party is not relying on any representation, warranty, covenant or promise of the other party or such other party's officers, directors, members, managers, equity holders, agents or representatives other than as set forth in this Agreement.

13. Severability. If any part of this Agreement is construed to be in violation of any law, such part shall be modified to achieve the objective of the parties to the fullest extent permitted and the balance of this Agreement shall remain in full force and effect.

14. Entire Agreement. This Agreement, together with the Transaction Documents, and all other documents referred to herein, supersedes all other prior oral or written agreements between Borrower, Lender, its affiliates and persons acting on its behalf with respect to the matters discussed herein, and this Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither Lender nor Borrower makes any representation, warranty, covenant or undertaking with respect to such matters.

15. Amendments. This Agreement may be amended, modified, or supplemented only by written agreement of the parties. No provision of this Agreement may be waived except in writing signed by the party against whom such waiver is sought to be enforced.

16. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. This Agreement or any of the severable rights and obligations inuring to the benefit of or to be performed by Lender hereunder may be assigned by Lender to a third party, including its financing sources, in whole or in part. Neither party shall assign this Agreement or any of its obligations herein without the prior written consent of the other party.

17. Continuing Enforceability; Conflict Between Documents. Except as otherwise modified by this Agreement, the Original Note and each of the other Transaction Documents shall remain in full force and effect, enforceable in accordance with all of its original terms and provisions. This Agreement shall not be effective or binding unless and until it is fully executed and delivered by Lender and Borrower. If there is any conflict between the terms of this Agreement, on the one hand, and the Original Note or any other Transaction Document, on the other hand, the terms of this Agreement shall prevail.

18. Time of Essence. Time is of the essence with respect to each and every provision of this Agreement.

19. Notices. Unless otherwise specifically provided for herein, all notices, demands or requests required or permitted under this Agreement to be given to Borrower or Lender shall be given as set forth in the "Notices" section of the Purchase Agreement.

20. Further Assurances. Each party shall do and perform or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

COMPANY:

SMART POWERR CORP.

By: /s/ Guohua Ku

Name: Guohua Ku

Title: CEO

LENDER:

BUCKTOWN CAPITAL, LLC

By: /s/ John M. Fife, President

Name: John M. Fife

Title: President

[Signature Page to Exchange Agreement]

Exhibit 31.1

Certification by the Principal Executive Officer

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

I, Guohua Ku, Chief Executive Officer of Smart Powerr Corp. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;
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 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 Rule 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 period covered by the quarterly 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 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 13, 2023 May 14, 2024

By: /s/ Guohua Ku
Name: Guohua Ku
Title: Chief Executive Officer

Exhibit 31.2

Certification by the Principal Financial Officer

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

I, Yongjiang Shi, Chief Financial Officer of Smart Powerr Corp. (the "Company"), certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of the Company;
- 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 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 Rule 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 period covered by the quarterly 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 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 13, 2023 May 14, 2024

By: /s/ Yongjiang Shi

Name: Yongjiang Shi

Title: Chief Financial Officer

Exhibit 32.1

Certification by the Principal Executive Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Guohua Ku, Chief Executive Officer of Smart Power Corp. (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- a. the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein

Date: November 13, 2023 May 14, 2024

By: /s/ Guohua Ku

Name: Guohua Ku

Title: Chief Executive Officer

Certification by the Principal Financial Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Yongjiang Shi, Chief Financial Officer of Smart Power Corp. (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- a. the Company’s quarterly report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein

Date: November 13, 2023 May 14, 2024

By: /s/ Yongjiang Shi

Name: Yongjiang Shi

Title: Chief Financial Officer

DISCLAIMER

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