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## DELTA REPORT

### 10-Q

ITP - IT TECH PACKAGING, INC.

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

The following comparison report has been automatically generated

TOTAL DELTAS 1382

■ CHANGES	481
■ DELETIONS	479
■ ADDITIONS	422

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**UNITED STATES**  
**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
 Washington, D.C. 20549  
**FORM 10-Q**  
 (Mark One)  
**☒ QUARTERLY REPORT UNDER 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 UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
 For the transition period from  to

Commission file number: 001-34577

IT TECH PACKAGING, INC.

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**20-4158835**

(IRS Employer identification No.)

**Science Park, Juli Rd, Xushui District, Baoding City**

**Hebei Province, The People's Republic of China 072550**

(Address of principal executive offices and Zip Code)

**011 - (86) 312-8698215**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.001	ITP	NYSE American
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
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 <input checked="" type="checkbox"/> No <input type="checkbox"/>		
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.		
Large accelerated filer	<input type="checkbox"/>	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. <input type="checkbox"/>		
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		
As of <b>November 9, 2023</b> <b>May 10, 2024</b> , there were 10,065,920 shares of the registrant's common stock, par value \$0.001, outstanding.		

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**IT TECH PACKAGING, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS OF SEPTEMBER 30, 2023 MARCH 31, 2024 AND DECEMBER 31, 2022 2023**  
(unaudited)

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
Current Assets		
Cash and bank balances	\$ 9,437,941	\$ 9,524,868
Restricted cash	-	-
Accounts receivable (net of allowance for doubtful accounts of \$56,674 and \$881,878 as of September 30, 2023 and December 31, 2022, respectively)	2,794,437	-
Inventories	5,364,777	2,872,622
Prepayments and other current assets	20,049,101	27,207,127
Due from related parties	3,414,815	7,561,858
<b>Total current assets</b>	<b>41,061,071</b>	<b>47,166,475</b>
Prepayment on property, plant and equipment	877,462	1,031,502
Operating lease right-of-use assets, net	562,612	672,722
Finance lease right-of-use assets, net	-	1,939,970
Property, plant, and equipment, net	144,603,052	151,569,898
Value-added tax recoverable	1,893,510	2,066,666
Deferred tax asset non-current	-	-
<b>Total Assets</b>	<b>\$ 188,997,707</b>	<b>\$ 204,447,233</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Short-term bank loans	\$ 835,678	\$ 5,598,311
Current portion of long-term loans	4,707,652	4,835,884
Lease liability	96,746	224,497
Accounts payable	104,146	5,025
Advance from customers	18,751	-
Due to related parties	1,103,317	727,462
Accrued payroll and employee benefits	299,908	165,986
Other payables and accrued liabilities	4,858,444	5,665,558
Income taxes payable	-	417,906
<b>Total current liabilities</b>	<b>12,024,642</b>	<b>17,640,629</b>
Long-term loans	6,562,401	4,204,118
Deferred gain on sale-leaseback	-	52,314
Lease liability - non-current	465,866	579,997
Derivative liability	263	646,283
Total liabilities (including amounts of the consolidated VIE without recourse to the Company of \$12,010,014 and \$16,784,878 as of September 30, 2023 and December 31, 2022, respectively)	<b>19,053,172</b>	<b>23,123,341</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Common stock, 50,000,000 shares authorized, \$0.001 par value per share, 10,065,920 shares issued and outstanding as of September 30, 2023 and December 31, 2022.	10,066	10,066
Additional paid-in capital	89,172,771	89,172,771
Statutory earnings reserve	6,080,574	6,080,574
Accumulated other comprehensive loss	(12,931,871)	(7,514,540)
Retained earnings	87,612,995	93,575,021
<b>Total stockholders' equity</b>	<b>169,944,535</b>	<b>181,323,892</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 188,997,707</b>	<b>\$ 204,447,233</b>
<b>ASSETS</b>		
Current Assets		

Cash and bank balances	\$ 4,514,020	\$ 3,918,938
Restricted cash	903,540	472,983
Accounts receivable (net of allowance for doubtful accounts of \$48,697 and \$11,745 as of March 31, 2024 and December 31, 2023, respectively)	2,386,177	575,526
Inventories	3,492,364	3,555,235
Prepayments and other current assets	17,677,417	18,981,290
Due from related parties	1,041,314	853,929
<b>Total current assets</b>	<b>30,014,832</b>	<b>28,357,901</b>
Prepayment on property, plant and equipment	-	-
Operating lease right-of-use assets, net	503,221	528,648
Property, plant, and equipment, net	160,205,120	163,974,022
Value-added tax recoverable	1,872,931	1,883,078
Deferred tax asset non-current	-	-
<b>Total Assets</b>	<b>\$ 192,596,104</b>	<b>\$ 194,743,649</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Short-term bank loans	\$ 845,666	\$ 423,567
Current portion of long-term loans	8,116,984	6,874,497
Lease liability	102,154	100,484
Accounts payable	241,779	4,991
Advance from customers	110,787	136,167
Notes payable	246,501	-
Due to related parties	730,095	728,869
Accrued payroll and employee benefits	310,687	237,842
Other payables and accrued liabilities	13,869,095	12,912,517
<b>Total current liabilities</b>	<b>24,573,748</b>	<b>21,418,934</b>
Long-term loans	3,241,720	4,503,932
Lease liability - non-current	491,908	483,866
Derivative liability	20	54
Total liabilities (including amounts of the consolidated VIE without recourse to the Company of \$21,648,803 and \$20,084,995 as of March 31, 2024 and December 31, 2023, respectively)	<b>28,307,396</b>	<b>26,406,786</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Common stock, 50,000,000 shares authorized, \$0.001 par value per share, 10,065,920 shares issued and outstanding as of March 31, 2024 and December, 31, 2023.	10,066	10,066
Additional paid-in capital	89,172,771	89,172,771
Statutory earnings reserve	6,080,574	6,080,574
Accumulated other comprehensive loss	(10,857,153)	(10,555,534)
Retained earnings	79,882,450	83,628,986
<b>Total stockholders' equity</b>	<b>164,288,708</b>	<b>168,336,863</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 192,596,104</b>	<b>\$ 194,743,649</b>

See accompanying notes to condensed consolidated financial statements.

**IT TECH PACKAGING, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023**  
**(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Revenues	\$ 6,863,841	\$ 19,790,877
Cost of sales	(6,464,728)	(20,067,876)
<b>Gross Profit (Loss)</b>	<u>399,113</u>	<u>(276,999)</u>
Selling, general and administrative expenses	(3,900,783)	(2,495,362)
<b>Loss from Operations</b>	<u>(3,501,670)</u>	<u>(2,772,361)</u>
<b>Other Income (Expense):</b>		
Interest income	2,183	136,268
Interest expense	(210,290)	(249,169)
Gain (Loss) on derivative liability	34	152,097
<b>Loss before Income Taxes</b>	<u>(3,709,743)</u>	<u>(2,733,165)</u>
<b>Provision for Income Taxes</b>	<u>(36,793)</u>	<u>-</u>
<b>Net Loss</b>	<u>(3,746,536)</u>	<u>(2,733,165)</u>
<b>Other Comprehensive (Loss) Income</b>		
Foreign currency translation adjustment	(301,619)	2,502,756
<b>Total Comprehensive Loss</b>	<u>\$ (4,048,155)</u>	<u>\$ (230,409)</u>
<b>Losses Per Share:</b>		
<b>Basic and Diluted Losses per Share</b>	\$ (0.37)	\$ (0.27)
Outstanding – Basic and Diluted	<u>10,065,920</u>	<u>10,065,920</u>

See accompanying notes to condensed consolidated financial statements.

**IT TECH PACKAGING, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues	\$ 15,771,560	\$ 31,709,214	\$ 65,582,351	\$ 78,979,716
Cost of sales	<u>(15,924,783)</u>	<u>(28,925,626)</u>	<u>(64,832,715)</u>	<u>(75,251,646)</u>
<b>Gross (Loss) Profit</b>	<u>(153,223)</u>	2,783,588	749,636	3,728,070
Selling, general and administrative expenses	<u>(2,334,746)</u>	<u>(3,370,541)</u>	<u>(6,153,513)</u>	<u>(8,541,224)</u>
Loss on impairment of assets	<u>3,456</u>	<u>-</u>	<u>(371,680)</u>	<u>-</u>
<b>Loss from Operations</b>	<u>(2,484,513)</u>	<u>(586,953)</u>	<u>(5,775,557)</u>	<u>(4,813,154)</u>
<b>Other Income (Expense):</b>				
Interest income	93,298	7,729	283,203	16,108
Interest expense	<u>(247,818)</u>	<u>(256,678)</u>	<u>(767,668)</u>	<u>(786,597)</u>
Gain on acquisition	-	<u>(1,759)</u>	-	30,404
Gain (Loss) on derivative liability	<u>660,429</u>	<u>(617,370)</u>	<u>646,020</u>	<u>729,263</u>
<b>Loss before Income Taxes</b>	<u>(1,978,604)</u>	<u>(1,455,031)</u>	<u>(5,614,002)</u>	<u>(4,823,976)</u>
<b>Provision for Income Taxes</b>	<u>3,236</u>	<u>(432,287)</u>	<u>(348,024)</u>	<u>160,531</u>
<b>Net Loss</b>	<u>(1,975,368)</u>	<u>(1,887,318)</u>	<u>(5,962,026)</u>	<u>(4,663,445)</u>
<b>Other Comprehensive Income (Loss)</b>				
Foreign currency translation adjustment	<u>1,143,608</u>	<u>(11,171,156)</u>	<u>(5,417,331)</u>	<u>(21,769,765)</u>
<b>Total Comprehensive Loss</b>	<u>\$ (831,760)</u>	<u>\$ (13,058,474)</u>	<u>\$ (11,379,357)</u>	<u>\$ (26,433,210)</u>
<b>Losses Per Share:</b>				
<b>Basic and Diluted Losses per Share</b>	<u>\$ (0.20)</u>	<u>\$ (0.19)</u>	<u>\$ (0.59)</u>	<u>\$ (0.47)</u>
<b>Outstanding – Basic and Diluted</b>	<u>10,065,920</u>	<u>9,991,744</u>	<u>10,065,920</u>	<u>9,941,288</u>

See accompanying notes to condensed consolidated financial statements.

**IT TECH PACKAGING, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND MARCH 31, 2024 AND 2023 AND 2022**  
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ (5,962,026)	\$ (4,663,445)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,573,288	11,218,254
(Gain) Loss on derivative liability	(646,020)	(729,263)
(Gain) Loss from disposal and impairment of property, plant and equipment	956,406	-
Allowance for bad debts	(815,317)	(791)
Share-based compensation and expenses	-	1,560,000
Gain on acquisition	-	(30,404)
Deferred tax	-	(1,197,630)
Changes in operating assets and liabilities:		
Accounts receivable	(2,037,003)	146,250
Prepayments and other current assets	7,968,553	(422,092)
Inventories	(2,631,661)	863,170
Accounts payable	101,328	144,331
Advance from customers	19,140	-
Related parties	120,298	(149,827)
Accrued payroll and employee benefits	141,773	(42,738)
Other payables and accrued liabilities	119,132	1,000,945
Income taxes payable	(413,777)	(265,493)
<b>Net Cash Provided by Operating Activities</b>	<b>7,494,114</b>	<b>7,431,267</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property, plant and equipment	(9,211,711)	(1,681,979)
Acquisition of land	-	(6,507,431)
<b>Net Cash Used in Investing Activities</b>	<b>(9,211,711)</b>	<b>(8,189,410)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short term bank loans	852,988	602,319
Proceeds from long term loans	2,558,963	60,232
Repayment of bank loans	(5,549,150)	(307,182)
Payment of capital lease obligation	(130,470)	(154,212)
Loan to a related party (net)	4,264,938	6,638,923
<b>Net Cash Provided by Financing Activities</b>	<b>1,997,269</b>	<b>6,840,080</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(366,599)</b>	<b>(1,266,146)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(86,927)</b>	<b>4,815,791</b>
<b>Cash, Cash Equivalents and Restricted Cash - Beginning of Period</b>	<b>9,524,868</b>	<b>11,201,612</b>
<b>Cash, Cash Equivalents and Restricted Cash - End of Period</b>	<b>\$ 9,437,941</b>	<b>\$ 16,017,403</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest, net of capitalized interest cost	\$ 1,118,672	\$ 248,275
Cash paid for income taxes	\$ 761,801	\$ 1,287,530
Cash and bank balances	9,437,941	16,017,403
Restricted cash	-	-
<b>Total cash, cash equivalents and restricted cash shown in the statement of cash flows</b>	<b>9,437,941</b>	<b>16,017,403</b>
<b>Three Months Ended March 31,</b>		
<b>2024</b>		
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ (3,746,536)	\$ (2,733,165)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,481,788	3,686,243
(Gain) Loss on derivative liability	(34)	(152,097)
(Gain) Loss from disposal and impairment of property, plant and equipment	-	12,926
(Recovery from) Allowance for bad debts	36,942	(246,386)
Allowances for inventories, net	(2,951)	

<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(1,847,112)	(1,988,921)
Prepayments and other current assets	1,276,805	9,461,336
Inventories	59,612	(3,062,782)
Accounts payable	236,603	(5,101)
Advance from customers	(25,123)	-
Notes payable	246,299	-
Related parties	(187,484)	(128,625)
Accrued payroll and employee benefits	73,213	126,986
Other payables and accrued liabilities	1,022,398	263,712
Income taxes payable	-	(424,198)
<b>Net Cash Provided by Operating Activities</b>	<b>624,420</b>	<b>4,809,928</b>
 <b>Cash Flows from Investing Activities:</b>		
Purchases of property, plant and equipment	(9,027)	(295,018)
<b>Net Cash Used in Investing Activities</b>	<b>(9,027)</b>	<b>(295,018)</b>
 <b>Cash Flows from Financing Activities:</b>		
Proceeds from short term bank loans	422,488	-
Proceeds from long term loans	-	2,623,410
Repayment of bank loans	-	(2,915)
Payment of capital lease obligation	-	(55,849)
 <b>Net Cash Provided by Financing Activities</b>	<b>422,488</b>	<b>2,564,646</b>
 <b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>		
	(12,242)	146,516
 <b>Net Increase in Cash and Cash Equivalents</b>		
<b>Cash, Cash Equivalents and Restricted Cash - Beginning of Period</b>	<b>1,025,639</b>	<b>7,226,072</b>
<b>Cash, Cash Equivalents and Restricted Cash - End of Period</b>	<b>4,391,921</b>	<b>9,524,868</b>
	<b>\$ 5,417,560</b>	<b>\$ 16,750,940</b>
 <b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest, net of capitalized interest cost	\$ 137,340	\$ 84,040
Cash paid for income taxes	\$ 36,793	\$ 424,198
 Cash and bank balances	4,514,020	16,750,940
Restricted cash	903,540	-
<b>Total cash, cash equivalents and restricted cash shown in the statement of cash flows</b>	<b>5,417,560</b>	<b>16,750,940</b>

See accompanying notes to condensed consolidated financial statements.

**IT TECH PACKAGING, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE NINE THREE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022**  
(Uaudited)

	Accumulated											
	Common Stock	Additional	Statutory	Other	Comprehensive	Retained						
	Shares	Paid-in Capital	Earnings Reserve	Income (loss)		Earnings	Total					
Balance at December 31, 2021	9,915,920	\$ 9,916	\$ 89,016,921	\$ 6,080,574	\$ 10,496,168	\$ 110,146,329	\$ 215,749,908	10,065,920	\$ 10,066	\$ 89,172,771	\$ 6,080,574	\$ (7,514,540) \$ 9
Issuance of shares to officer and directors	150,000	150	155,850				156,000					
Foreign currency translation adjustment				(21,769,765)		(21,769,765)						2,502,756
Net loss					(4,663,445)	(4,663,445)						(0)
Balance at Sep 30, 2022	10,065,920	\$ 10,066	\$ 89,172,771	\$ 6,080,574	\$ (11,273,597)	\$ 105,482,884	\$ 189,472,698	10,065,920	\$ 10,066	\$ 89,172,771	\$ 6,080,574	\$ (5,011,784) \$ 9
Balance at March 31, 2022								10,065,920	\$ 10,066	\$ 89,172,771	\$ 6,080,574	\$ (5,011,784) \$ 9
Balance at December 31, 2022	10,065,920	\$ 10,066	\$ 89,172,771	\$ 6,080,574	\$ (7,514,540)	\$ 93,575,021	\$ 181,323,892					
Issuance of shares to officer and directors	-	-	-				-					
Balance at December 31, 2023	10,065,920	\$ 10,066	\$ 89,172,771	\$ 6,080,574	\$ (5,417,331)	\$ (5,417,331)		10,065,920	\$ 10,066	\$ 89,172,771	\$ 6,080,574	\$ (10,555,534) \$ 8
Foreign currency translation adjustment												(301,619)
Net loss					(5,962,026)	(5,962,026)						(0)
Balance at September 30, 2023	10,065,920	\$ 10,066	\$ 89,172,771	\$ 6,080,574	\$ (12,931,871)	\$ 87,612,995	\$ 169,944,535	10,065,920	\$ 10,066	\$ 89,172,771	\$ 6,080,574	\$ (10,857,153) \$ 7
Balance at March 31, 2024								10,065,920	\$ 10,066	\$ 89,172,771	\$ 6,080,574	\$ (10,857,153) \$ 7

See accompanying notes to condensed consolidated financial statements.

**IT TECH PACKAGING, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**(1) Organization and Business Background**

IT Tech Packaging, Inc. (the "Company") was incorporated in the State of Nevada on December 9, 2005, under the name "Carlateral, Inc." Through the steps described immediately below, we became the holding company for Hebei Baoding Dongfang Paper Milling Company Limited ("Dongfang Paper"), a producer and distributor of paper products in China, on October 29, 2007.

**On Effective** on August 1, 2018, we changed our corporate name to IT Tech Packaging, Inc.. The name change was effected through a parent/subsidiary short-form merger of IT Tech Packaging, Inc., our wholly-owned Nevada subsidiary formed solely for the purpose of the name change, with and into us. We were the surviving entity. In connection with the name change, our common stock began being traded under a new NYSE symbol, "ITP", and a new CUSIP number, 46527C100, at such time.

On June 9, 2022, the Board of Directors of the Company approved a reverse stock split of the Company's issued and outstanding shares of common stock, par value \$0.001 per share (the "Common Stock"), at a ratio of 1-for-10 (the "Reverse Stock Split"). The Reverse Stock Split became effective on July 7, 2022 (the "Effective Date"), and the shares began trading on the split-adjusted basis on the NYSE American under the Company's existing trading symbol "ITP" at market open on July 8, 2022. The new CUSIP number following the Reverse Stock Split is 46527C209. All references made to share or per share amounts in the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the effects of the Reverse Stock Split. On October 29, 2007, pursuant to an agreement and plan of merger (the "Merger Agreement"), the Company acquired DongfangZhiye Holding Limited ("Dongfang Holding"), a corporation formed on November 13, 2006 under the laws of the British Virgin Islands, and issued the shareholders of Dongfang Holding an aggregate of 7,450,497 (as adjusted for a four-for-one reverse stock split effected in November 2009) shares of our common stock, which shares were distributed pro-rata to the shareholders of Dongfang Holding in accordance with their respective ownership interests in Dongfang Holding. At the time of the Merger Agreement, Dongfang Holding owned all of the issued and outstanding stock and ownership of Dongfang Paper and such shares of Dongfang Paper were held in trust with Zhenyong Liu, Xiaodong Liu and Shuangxi Zhao, for Mr. Liu, Mr. Liu and Mr. Zhao (the original shareholders of Dongfang Paper) to exercise control over the disposition of Dongfang Holding's shares in Dongfang Paper on Dongfang Holding's behalf until Dongfang Holding successfully completed the change in registration of Dongfang Paper's capital with the relevant PRC Administration of Industry and Commerce as the 100% owner of Dongfang Paper's shares. As a result of the merger transaction, Dongfang Holding became a wholly owned subsidiary of the Company, and Dongfang Holding's wholly owned subsidiary, Dongfang Paper, became an indirectly owned subsidiary of the Company.

Dongfang Holding, as the 100% owner of Dongfang Paper, was unable to complete the registration of Dongfang Paper's capital under its name within the proper time limits set forth under PRC law. In connection with the consummation of the restructuring transactions described below, Dongfang Holding directed the trustees to return the shares of Dongfang Paper to their original shareholders, and the original Dongfang Paper shareholders entered into certain agreements with Baoding Shengde Paper Co., Ltd. ("Baoding Shengde") to transfer the control of Dongfang Paper over to Baoding Shengde.

On June 24, 2009, the Company consummated a number of restructuring transactions pursuant to which it acquired all of the issued and outstanding shares of Shengde Holdings Inc., a Nevada corporation. Shengde Holdings Inc. was incorporated in the State of Nevada on February 25, 2009. On June 1, 2009, Shengde Holdings Inc. incorporated Baoding Shengde, a limited liability company organized under the laws of the PRC. Because Baoding Shengde is a wholly-owned subsidiary of Shengde Holdings Inc., it is regarded as a wholly foreign-owned entity under PRC law.

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To ensure proper compliance of the Company's control over the ownership and operations of Dongfang Paper with certain PRC regulations, on June 24, 2009, the Company entered into a series of contractual agreements (the "Contractual Agreements") with Dongfang Paper and Dongfang Paper Equity Owners via the Company's wholly owned subsidiary Shengde Holdings Inc. ("Shengde Holdings") a Nevada corporation and Baoding Shengde Paper Co., Ltd. ("Baoding Shengde"), a wholly foreign-owned enterprise in the PRC with an original registered capital of \$10,000,000 (subsequently increased to \$60,000,000 in June 2010). Baoding Shengde is mainly engaged in production and distribution of digital photo paper and single-use face masks and is 100% owned by Shengde Holdings. Prior to February 10, 2010, the Contractual Agreements included (i) Exclusive Technical Service and Business Consulting Agreement, which generally provides that Baoding Shengde shall provide exclusive technical, business and management consulting services to Dongfang Paper, in exchange for service fees including a fee equivalent to 80% of Dongfang Paper's total annual net profits; (ii) Loan Agreement, which provides that Baoding Shengde will make a loan in the aggregate principal amount of \$10,000,000 to Dongfang Paper Equity Owners in exchange for each such shareholder agreeing to contribute all of its proceeds from the loan to the registered capital of Dongfang Paper; (iii) Call Option Agreement, which generally provides, among other things, that Dongfang Paper Equity Owners irrevocably grant to Baoding Shengde an option to purchase all or part of each owner's equity interest in Dongfang Paper. The exercise price for the options shall be RMB1 which Baoding Shengde should pay to each of Dongfang Paper Equity Owner for all their equity interests in Dongfang Paper; (iv) Share Pledge Agreement, which provides that Dongfang Paper Equity Owners will pledge all of their equity interests in Dongfang Paper to Baoding Shengde as security for their obligations under the other agreements described in this section. Specifically, Baoding Shengde is entitled to dispose of the pledged equity interests in the event that Dongfang Paper Equity Owners breach their obligations under the Loan Agreement or Dongfang Paper fails to pay the service fees to Baoding Shengde pursuant to the Exclusive Technical Service and Business Consulting Agreement; and (v) Proxy Agreement, which provides that Dongfang Paper Equity Owners shall irrevocably entrust a designee of Baoding Shengde with such shareholder's voting rights and the right to represent such shareholder to exercise such owner's rights at any equity owners' meeting of Dongfang Paper or with respect to any equity owner action to be taken in accordance with the laws and Dongfang Paper's Articles of Association. The terms of the agreement are binding on the parties for as long as Dongfang Paper Equity Owners continue to hold any equity interest in Dongfang Paper. A Dongfang Paper Equity Owner will cease to be a party to the agreement once it transfers its equity interests with the prior approval of Baoding Shengde. As the Company had controlled Dongfang Paper since July 16, 2007 through Dongfang Holding and the trust until June 24, 2009 and continued to control Dongfang Paper through Baoding Shengde and the Contractual Agreements, the execution of the Contractual Agreements is considered as a business combination under common control.

On February 10, 2010, Baoding Shengde and the Dongfang Paper Equity Owners entered into a Termination of Loan Agreement to terminate the above-mentioned \$10,000,000 Loan Agreement. Because of the Company's decision to fund future business expansions through Baoding Shengde instead of Dongfang Paper, the \$10,000,000 loan contemplated was never made prior to the point of termination. The parties believe the termination of the Loan Agreement does not in itself compromise the effective control of the Company over Dongfang Paper and its businesses in the PRC.

An agreement was also entered into among Baoding Shengde, Dongfang Paper and the Dongfang Paper Equity Owners on December 31, 2010, reiterating that Baoding Shengde is entitled to 100% of the distributable profit of Dongfang Paper, pursuant to the above-mentioned Contractual Agreements. In addition, Dongfang Paper and the Dongfang Paper Equity Owners shall not declare any of Dongfang Paper's unappropriated earnings as dividend, including the unappropriated earnings of Dongfang Paper from its establishment to 2010 and thereafter.

On June 25, 2019, Dongfang Paper entered into an acquisition agreement with the shareholder of Tengsheng Paper Co., Ltd. ("Tengsheng Paper"), a limited liability company organized under the laws of the PRC, pursuant to which Dongfang Paper would acquire Tengsheng Paper. Full payment of the consideration in the amount of RMB320 million (approximately \$45 million) was made on February 23, 2022.

QianrongQianhui Hebei Technology Co., Ltd, a wholly owned subsidiary of Shengde holding, was incorporated on July 15, 2021. It is a service provider of high quality material solutions for textile, cosmetics and paper production.

The Company has no direct equity interest in Dongfang Paper. However, through the Contractual Agreements described above, the Company is found to be the primary beneficiary (the "Primary Beneficiary") of Dongfang Paper and is deemed to have the effective control over Dongfang Paper's activities that most significantly affect its economic performance, resulting in Dongfang Paper and its subsidiary, being treated as a controlled variable interest entity of the Company in accordance with Topic 810 - Consolidation of the Accounting Standards Codification (the "ASC") issued by the Financial Accounting Standard Board (the "FASB"). The revenue generated from Dongfang Paper and Tengsheng Paper for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was accounted for 99.66% 100% and 99.83% of the Company's total revenue, respectively. The revenue generated from Dongfang Paper and Tengsheng Paper for the nine months ended September 30, 2023 and 2022 was accounted for 99.86% and 99.75% 99.82% of the Company's total revenue, respectively. Dongfang Paper and Tengsheng Paper also accounted for 90.71% 95.18% and 88.54% 94.93% of the total assets of the Company as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

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As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, details of the Company's subsidiaries and variable interest entities are as follows:

Name	Date of Incorporation Or or Establishment	Place of Incorporation or Establishment	Percentage of Ownership	Principal Activity	
<i>Subsidiary:</i>					
Dongfang Holding	November 13, 2006	BVI	100%	Inactive investment holding	
Shengde Holdings	February 25, 2009	State of Nevada	100%	Investment holding	
Baoding Shengde	June 1, 2009	PRC	100%	Paper production and distribution	
Qianrong	July 15, 2021	PRC	100%	New material technology service	
<i>Variable interest entity(* entity ("VIE"):</i>					
Dongfang Paper	March 10, 1996	PRC	Control*	Control*	Paper production and distribution
Tengsheng Paper	April 07, 2011	PRC	Control**	Control**	Paper production and distribution

\* Dongfang Paper is treated as a 100% controlled variable interest entity of the Company.

\*\* Tengsheng Paper is 100% subsidiary of Dongfang Paper.

However, uncertainties in the PRC legal system could cause the Company's current ownership structure to be found to be in violation of any existing and/or future PRC laws or regulations and could limit the Company's ability, through its subsidiary, to enforce its rights under these contractual arrangements. Furthermore, shareholders of the VIE may have interests that are different than those of the Company, which could potentially increase the risk that they would seek to act contrary to the terms of the aforementioned agreements.

In addition, if the current structure or any of the contractual arrangements were found to be in violation of any existing or future PRC law, the Company may be subject to penalties, which may include, but not be limited to, the cancellation or revocation of the Company's business and operating licenses, being required to restructure the Company's operations or being required to discontinue the Company's operating activities. The imposition of any of these or other penalties may result in a material and adverse effect on the Company's ability to conduct its operations. In such case, the Company may not be able to operate or control the VIE, which may result in deconsolidation of the VIE. The Company believes the possibility that it will no longer be able to control and consolidate its VIE will occur as a result of the aforementioned risks and uncertainties is remote.

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The Company has aggregated the financial information of Dongfang Paper in the table below. The aggregate carrying value of Dongfang Paper's assets and liabilities (after elimination of intercompany transactions and balances) in the Company's condensed consolidated balance sheets as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** are as follows:

The Company and its consolidated subsidiaries are not required to provide financial support to the VIE, and no creditor (or beneficial interest holders) of the VIE have recourse to the assets of Company unless the Company separately agrees to be subject to such claims. There are no terms in any agreements or arrangements, implicit or explicit, which require the Company or its subsidiaries to provide financial support to the VIE. However, if the VIE does require financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to the VIE.

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>ASSETS</b>				
Current Assets				
Cash and bank balances	\$ 3,382,230	\$ 3,427,717	\$ 3,876,391	\$ 2,807,608
Restricted cash	-	-	903,539	472,983
Accounts receivable	2,794,437	-	2,386,176	575,526
Inventories	5,210,261	2,852,553	3,492,364	3,555,235
Prepayments and other current assets	17,000,896	20,134,386	17,207,523	18,617,351
Due from related parties	3,275,535	7,418,274	288,672	289,173
<b>Total current assets</b>	<b>31,663,359</b>	<b>33,832,930</b>	<b>28,154,665</b>	<b>26,317,876</b>
Prepayment on property, plant and equipment	877,462	1,031,502	-	-
Operating lease right-of-use assets, net	562,612	672,722	503,221	528,648
Finance lease right-of-use assets, net	-	1,939,970	-	-
Property, plant, and equipment, net	138,342,091	143,534,690	154,660,801	158,027,099
Deferred tax asset non-current	-	-	-	-
<b>Total Assets</b>	<b>\$ 171,445,524</b>	<b>\$ 181,011,814</b>	<b>\$ 183,318,687</b>	<b>\$ 184,873,623</b>
<b>LIABILITIES</b>				
Current Liabilities				
Short-term bank loans	\$ 417,839	\$ 5,598,311	\$ 422,833	\$ -
Current portion of long-term loans	2,479,178	4,835,885	4,029,598	2,780,014
Lease liability	96,746	224,497	102,154	100,484
Accounts payable	104,146	5,025	241,779	4,991
Advance from customers	18,751	-	110,787	136,167
Due to related parties	-	-	-	-
Accrued payroll and employee benefits	253,833	143,156	277,891	231,568
Other payables and accrued liabilities	3,421,890	4,887,584	12,730,133	11,843,973
Income taxes payable	-	417,906	-	-
<b>Total current liabilities</b>	<b>6,792,383</b>	<b>16,112,364</b>	<b>17,915,175</b>	<b>15,097,197</b>
Long-term loans	4,751,765	40,203	3,241,720	4,503,932
Deferred gain on sale-leaseback	-	52,314	-	-
Lease liability - non-current	465,866	579,997	491,908	483,866
<b>Total liabilities</b>	<b>\$ 12,010,014</b>	<b>\$ 16,784,878</b>	<b>\$ 21,648,803</b>	<b>\$ 20,084,995</b>

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**(2) Basis of Presentation and Significant Accounting Policies**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for reporting on Form 10-Q. Accordingly, certain information and notes required by the United States of America generally accepted accounting principles ("GAAP") for annual financial statements are not included herein. These interim statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended **December 31, 2022** December 31, 2023 of the Company, and its subsidiaries and variable interest entity (which we sometimes refer to collectively as "the Company", "we", "us" or "our").

*Principles of Consolidation*

Our unaudited condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of our financial position and results of operations. Such adjustments are of a normal recurring nature, unless otherwise noted. The balance sheet as of **September 30, 2023** March 31, 2024 and the results of operations for the **nine** three months ended **September 30, 2023** March 31, 2024 are not necessarily indicative of the results to be expected for any future period.

Our unaudited condensed consolidated financial statements are prepared in accordance with GAAP. These accounting principles require us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We believe that the estimates, judgments and assumptions are reasonable, based on information available at the time they are made. Actual results could differ materially from those estimates.

*Reverse stock split*

On June 9, 2022, the Board of Directors of the Company approved the Reverse Stock Split, at a ratio of 1-for-10, pursuant to Section 78.207 of the Nevada Revised Statutes ("NRS"). The Reverse Stock Split was effected by the Company filing of a Certificate of Change Pursuant to NRS 78.209 with the Secretary of State of the State of Nevada on July 7, 2022. The par value per share of our stock remains unchanged at \$0.001 per share after the Reverse Stock Split. All references made to share or per share amounts in the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the effects of the Reverse Stock Split.

*Valuation of long-lived asset*

The Company reviews the carrying value of long-lived assets to be held and used when events and circumstances warrants such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset and intangible assets. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets and intangible assets to be disposed are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

*Fair Value Measurements*

The Company has adopted ASC Topic 820, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. It does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. It establishes a three-level valuation hierarchy of valuation techniques based on observable and unobservable inputs, which may be used to measure fair value and include the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The Company estimates the fair value of financial instruments using the available market information and valuation methods. Considerable judgment is required in estimating fair value. Accordingly, the estimates of fair value may not be indicative of the amounts that the Company could realize in a current market exchange. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** December 31, 2023, the carrying value of the Company's short term financial instruments, such as cash and cash equivalents, accounts receivable, accounts and notes payable, short-term bank loans, balance due to a related party and obligation under capital lease, approximate at their fair values because of the short maturity of these instruments; while loans from credit union and loans from a related party approximate at their fair value as the interest rates thereon are close to the market rates of interest published by the People's Bank of China.

Management determined that liabilities created by beneficial conversion features associated with the issuance of certain warrants (see "*Derivative liabilities*" under Note **(10)(12)**), meet the criteria of derivatives and are required to be measured at fair value. The fair value of these derivative liabilities was determined based on management's estimate of the expected future cash flows required to settle the liabilities. This valuation technique involves management's estimates and judgment based on unobservable inputs and is classified in level 3.

*Non-Recurring Fair Value Measurements*

The Company reviews long-lived assets for impairment annually or more frequently if events or changes in circumstances indicate the possibility of impairment. For the continuing operations, long-lived assets are measured at fair value on a nonrecurring basis when there is an indicator of impairment, and they are recorded at fair value only when impairment is recognized. For discontinued operations, long-lived assets are measured at the lower of carrying amount or fair value less cost to sell. The fair value of these assets were determined using models with significant unobservable inputs which were classified as Level 3 inputs, primarily the discounted future cash flow.

*Share-Based Compensation*

The Company uses the fair value recognition provision of ASC Topic 718, *Compensation-Stock Compensation*, which requires the Company to expense the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of such instruments over the vesting period.

The Company also applies the provisions of ASC Topic 505-50, *Equity Based Payments to Non-Employees* to account for stock-based compensation awards issued to non-employees for services. Such awards for services are recorded at either the fair value of the consideration received or the fair value of the instruments issued in exchange for such services, whichever is more reliably measurable.

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**(3) (3) Restricted Cash**

Out of the restricted cash, \$431,376 as of March 31, 2024 was presented for the cash deposited at the Bank of Cangzhou for purpose of securing the bank acceptance notes from this bank (see Note (10)). The restriction will be lifted upon the maturity of the notes payable on July 16, 2024. Restricted cash of 472,163 and \$472,983 as of March 31, 2024 and December 31, 2023 was presented for the cash deposited at the Industrial and Commercial Bank of China of Tengsheng Paper. The deposit was restricted due to the personal legal proceeding of Mr. Ping, the Legal Representative of Tengsheng Paper.

**(4) Inventories**

Raw materials inventory includes mainly recycled paper board and recycled white scrap paper. Finished goods include mainly products of corrugating medium paper, offset printing paper and tissue paper products. Inventories consisted of the following as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Raw Materials				
Recycled paper board	\$ 3,580,255	\$ 1,258,161	\$ 1,031,201	\$ 198,744
Recycled white scrap paper	10,503	10,809	10,629	10,647
Gas	107,652	42,237	33,083	21,428
Base paper and other raw materials	302,584	160,229	187,511	142,149
	<u>4,000,994</u>	<u>1,471,436</u>	<u>1,262,424</u>	<u>372,968</u>
Semi-finished Goods				
Finished Goods	634,615	132,810	299,686	300,207
	<u>729,168</u>	<u>1,268,376</u>	<u>1,930,254</u>	<u>2,885,019</u>
Total inventory, gross	<u>5,364,777</u>	<u>2,872,622</u>	<u>3,492,364</u>	<u>3,558,194</u>
Inventory reserve	-	-	-	(2,959)
<b>Total inventory, net</b>	<b>\$ 5,364,777</b>	<b>\$ 2,872,622</b>	<b>\$ 3,492,364</b>	<b>\$ 3,555,235</b>

**(4)**

**(5) Prepayments and other current assets**

Prepayments and other current assets consisted of the following as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	2023	2022	2024	2023
Prepaid land lease	\$ 174,100	\$ 172,300	\$ -	\$ -
Prepayment for purchase of materials	5,231,142	12,941,951	4,175,436	5,446,823
Value-added tax recoverable	13,728,351	13,640,868	13,327,542	13,409,459
Prepaid gas	95,757	27,462	164,655	116,372
Others	819,751	424,546	9,784	8,636
	<u>\$ 20,049,101</u>	<u>\$ 27,207,127</u>	<u>\$ 17,677,417</u>	<u>\$ 18,981,290</u>

**(5)**

**(6) Property, plant and equipment, net**

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, property, plant and equipment consisted of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	2023	2022	2024	2023
Property, Plant, and Equipment:				
Land use rights	\$ 59,027,166	\$ 57,686,220	\$ 81,363,310	\$ 81,504,608
Building and improvements	66,713,144	68,300,987	67,821,279	67,939,059
Machinery and equipment	157,605,810	158,498,316	158,354,855	158,629,858
Vehicles	661,187	681,617	347,605	348,209
Construction in progress	1,515,537	1,239,698		
<b>Totals</b>	<b>285,522,844</b>	<b>286,406,838</b>	<b>307,887,049</b>	<b>308,421,734</b>
Less: accumulated depreciation and amortization	(140,919,792)	(134,836,940)	(147,681,929)	(144,447,712)
Property, Plant and Equipment, net	<b>\$ 144,603,052</b>	<b>\$ 151,569,898</b>	<b>\$ 160,205,120</b>	<b>\$ 163,974,022</b>

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, land use rights represented twenty three parcels of state-owned lands located in Xushui District and Wei County of Hebei Province in China, with lease terms of 50 years expiring in 2061 and 2068, respectively.

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As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, certain property, plant and equipment of Dongfang Paper with net values of \$29,713 and \$280,466, respectively, \$nil, have been pledged pursuant to a long-term loan from credit union of Dongfang Paper. Land use right of Tengsheng Paper with net value of \$4,872,178 \$4,872,632 and \$5,111,014, \$4,910,034, respectively, as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** was pledged for a long-term loan from credit union of Baoding Shengde. In addition, land use right of Tengsheng Paper with net value of \$3,755,317 \$3,749,419 and \$3,948,953, \$3,781,366, respectively, as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** was pledged for another long-term loan from credit union of Baoding Shengde. Land use right of Dongfang Paper with net value of \$5,098,721 \$ 5,092,797 and \$5,135,132, respectively, as of **September 30, 2023** **March 31, 2024** and **December 31, 2023** was pledged for a long-term loan from credit union of Tengsheng Paper. Certain property, plant and equipment of Dongfang Paper with net values of \$ 306,528 was pledged for a short-term loan from Bank of Cangzhou. See "Short-term" "Short-term bank loans" loans" under Note **(7)(8)**, Loans Payable, for details of the transaction and asset collaterals.

Depreciation and amortization of property, plant and equipment was \$3,423,231 \$3,481,788 and \$3,609,985 \$3,686,243 for the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**, respectively. Depreciation and amortization of property, plant and equipment was \$10,573,288 and \$11,168,328 for the nine months ended **September 30, 2023** and **2022**, respectively.

**(6) (7) Leases**

*Financing with Sale-Leaseback*

The Company entered into a sale-leaseback arrangement (the "Lease Financing Agreement") with TAC Leasing Co., Ltd. ("TLCL") on August 6, 2020, for a total financing proceeds in the amount of RMB 16 million (approximately US\$2.5 2.3 million). Under the sale-leaseback arrangement, Tengsheng Paper sold the Leased Equipment to TLCL for 16 million (approximately US\$2.5 2.3 million). Concurrent with the sale of equipment, Tengsheng Paper leases back the equipment sold to TLCL for a lease term of three years. At the end of the lease term, Tengsheng Paper may pay a nominal purchase price of RMB 100 (approximately \$16 \$14) to TLCL and buy back the Leased Equipment. The Leased Equipment in amount of \$2,349,452 was recorded as right of use assets and the net present value of the minimum lease payments was recorded as lease liability and calculated with TLCL's implicit interest rate of 15.6% per annum and stated at \$567,099 at the inception of the lease on August 17, 2020.

Tengsheng Paper made payments due according to the schedule. On July 17, 2023, the Company made a final payment on outstanding obligations and bought back the Lease Equipment at nominal price according to the agreement. The lease assets were reclassified as own assets and balance of Leased Equipment net of amortization were \$nil as of **March 31, 2024** and **December 31, 2023**. Amortization of the Leased Equipment was \$nil and \$1,939,970 as of **September 30, 2023** \$38,865 for the three months ended **March 31, 2024** and **December 31, 2022**, respectively. Total interest expenses for the sale-leaseback arrangement was \$nil and \$4,490 for the three months ended **March 31, 2024** and **2023**.

*Operating lease lessor*

The Company has a non-cancellable agreement to lease plant to tenant under operating lease for 1 year from November 2023 to November 2024. The lease does not contain contingent payments. The rental income of the year was paid in advance by the tenant in December 2023.

*Operating lease as lessee*

The Company leases space under non-cancelable operating leases for office plant and manufacturing locations. These leases do production equipment. The lease does not have significant rent escalation holidays, concessions, leasehold improvement incentives, or other build-out clauses. Further, the leases do lease does not contain contingent rent provisions.

The leases lease include option to renew in condition that it is agreed by the landlord before expiry. Therefore, the majority of renewals to extend the lease terms are not included in its right-of-use assets and lease liabilities as they are not reasonably certain of exercise. The Company regularly evaluate the renewal options and when they are reasonably certain of exercise, the Company includes the renewal period in its lease term.

As the Company's leases do not provide an implicit rate, it uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments.

As the Company's leases do not provide an implicit rate, it uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments.

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The components of the Company's lease expense are as follows:

	<b>Nine Three Months Ended</b> <b>September 30, March 31,</b> <b>20232024</b> <b>RMB</b>
Operating lease cost	104,46035,236
Short-term lease cost	-
Lease cost	104,46035,236

Supplemental cash flow information related to its operating leases was as follows for the period ended **September 30, 2023** **March 31, 2024**:

Cash paid for amounts included in the measurement of lease liabilities:

	<b>Nine Three Months Ended</b> <b>September 30, March 31,</b> <b>20232024</b> <b>RMB</b>
Cash paid for amounts included in the measurement of lease liabilities:	139,280-

Operating cash outflow from operating leases

Maturities of its lease liabilities for all operating leases are as follows as of **September 30, 2023** **March 31, 2024**:

	<b>Amount</b>
<b>September 30,</b>	
2024	139,280
<b>March 31,</b>	
2025	139,280
2026	139,280
2027	139,280
2028	139,280
<b>2029</b>	140,944
Thereafter	-
Total operating lease payments	\$ 696,400
Less: Interest	(133,788)
Present value of lease liabilities	562,612
Less: current portion, record in current liabilities	(96,746)
Present value of lease liabilities	465,866
	<b>Amount</b>
	\$ 704,722
	(110,660)
	594,062
	(102,154)
	491,908

The weighted average remaining lease terms and discount rates for all of its operating leases were as follows as of **September 30, 2023** **March 31, 2024**:

	<b>September 30, March 31,</b> <b>20232024</b> <b>RMB</b>
Remaining lease term and discount rate:	

Weighted average remaining lease term (years)

Weighted average discount rate

**(7)(8) Loans Payable**

*Short-term bank loans*

	<b>September 30,</b> <b>2023</b>	<b>December</b> <b>31,</b> <b>2022</b>	<b>March</b> <b>31,</b> <b>2024</b>	<b>December</b> <b>31,</b> <b>2023</b>
Bank of Cangzhou 1				\$ 140,944
Bank of Cangzhou 2				-
Industrial and Commercial Bank of China ("ICBC") Loan 1	\$ -	\$ 5,023,978	2,819	2,824
ICBC Loan 2	-	287,167	70,472	70,594
ICBC Loan 3	-	143,583	349,542	350,149
ICBC Loan 4	417,839	-		
China Construction Bank Loan	-	143,583		
ICBC Loan 5	417,839	-		
<b>Total short-term bank loans</b>	<b>\$ 835,678</b>	<b>\$ 5,598,311</b>	<b>\$ 845,666</b>	<b>\$ 423,567</b>

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On November 10, 2022 December 31, 2023, the Company entered into a working capital loan agreement with the ICBC. The loan was secured by the land use right Bank of Dongfang Paper as collateral for the benefit of the bank and guaranteed by Mr. Liu. The loan bore Cangzhou, to borrow \$140,944 at a fixed interest rate of 4.785% 5.5% per annum. The Company repaid \$71,743 in May 2023 and paid off the remaining balance loan is secured by certain of the loan in August 2023. The balance Company's manufacturing equipment with net book value of the loan was \$nil and \$5,023,978 \$306,528 as of September 30, 2023 and December 31, 2022 March 31, 2024. The loan will be due by December 30, 2024.

On December 31, 2023, respectively, the Company entered into a working capital loan agreement with the Bank of Cangzhou, to borrow \$281,889 at a fixed interest rate of 5.5% per annum. The loan will be due by December 30, 2024.

On November 30, 2022 September 15, 2023, the Company entered into a working capital loan agreement with the ICBC, with a balance of \$nil \$2,819 and \$287,167 \$2,824 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The loan bore an bears a fixed interest rate of 4.25% 3.45% per annum. The loan was fully repaid in May 2023 will be due by September 14, 2024.

On November 30, 2022 September 22, 2023, the Company entered into a working capital loan agreement with the ICBC, with a balance of \$nil \$70,472 and \$143,583 \$70,594 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The loan bore an bears a fixed interest rate of 4.25% 3.45% per annum. The loan was fully repaid in May 2023 will be due by September 21, 2024.

On May 29, 2023 September 22, 2023, the Company entered into a working capital loan agreement with the ICBC, with a balance of \$417,839 \$349,542 and \$350,149 as of September 30, 2023 March 31, 2024 and December 31, 2023, respectively. The loan bears a fixed interest rate of 4.25% 3.45% per annum. The loan will be due by November 25, 2023 September 21, 2024.

On July 29, 2022, the Company entered into a working capital loan agreement with the China Construction Bank, with a balance of \$nil and \$143,583 as of September 30, 2023 and December 31, 2022, respectively. The loan bore a fixed interest rate of 3.95% per annum. The loan was fully repaid in July 2023.

On June 29, 2023, the Company entered into a working capital loan agreement with the ICBC, with a balance of \$417,839 as of September 30, 2023. The loan bears a fixed interest rate of 3.55% per annum. The loan will be due by June 28, 2024.

As of September 30, 2023 March 31, 2024, there were guaranteed short-term borrowings of \$nil and unsecured bank loans of \$968,751 \$704,722. As of December 31, 2022 December 31, 2023, there were guaranteed short-term borrowings of \$5,023,978 \$nil and unsecured bank loans of \$574,333 \$423,567.

The average short-term borrowing rates for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 were approximately 4.52% 4.48% and 4.28% 4.72%. The average short-term borrowing rates for the nine months ended September 30, 2023 and 2022 were approximately 4.66% and 4.6%.

**Long-term loans**

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, long-term loans were \$11,270,053 \$11,358,704 and \$9,040,002 \$11,378,429, respectively.

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Rural Credit Union of Xushui District Loan 1	\$ 1,197,805	\$ 1,234,816	\$ 3,522,200	\$ 3,528,315
Rural Credit Union of Xushui District Loan 2	3,481,536	3,589,582	2,255,109	2,259,026
Rural Credit Union of Xushui District Loan 3	2,228,474	2,297,332	1,832,276	1,835,458
Rural Credit Union of Xushui District Loan 4	1,810,635	1,866,582	2,536,998	2,541,404
Rural Credit Union of Xushui District Loan 5	2,507,034	-	1,212,121	1,214,226
<b>Yujiangna</b>	<b>44,569</b>	<b>51,690</b>		
<b>Total</b>	<b>11,270,053</b>	<b>9,040,002</b>	<b>11,358,704</b>	<b>11,378,429</b>
Less: Current portion of long-term loans	(4,707,652)	(4,835,884)	(8,116,984)	(6,874,497)
<b>Long-term loans</b>	<b>\$ 6,562,401</b>	<b>\$ 4,204,118</b>	<b>\$ 3,241,720</b>	<b>\$ 4,503,932</b>

As of September 30, 2023 March 31, 2024, the Company's long-term debt repayments for the next coming years were as follows:

<b>Fiscal year</b>	<b>Amount</b>
Remainder of 2023	\$ 4,707,652
2024	3,061,367
2025 & after	3,501,034
<b>Total</b>	<b>11,270,053</b>

On April 16, 2014, the Company entered into a loan agreement with the Rural Credit Union of Xushui District for a term of 5 years, which was originally due in various installments from June 21, 2014 to November 18, 2018. The loan is guaranteed by an independent third party. Interest payment is due quarterly and bore a rate of 7.68% per annum. Effective from November 15, 2022, the interest rate was reduced to 7% per annum. On November 6, 2018, the loan was renewed for additional 5 years and will be due and payable in various installments from December 21, 2018 to November 5, 2023. As of September 30, 2023 and December 31, 2022, total outstanding loan balance was \$1,197,805 and \$1,234,816, respectively, which are presented as current liabilities in the consolidated balance sheet.

<u>Fiscal year</u>	<u>Amount</u>
Remainder of 2024	\$ 8,116,984
2025	2,114,165
2026 & after	1,127,555
Total	<u>11,358,704</u>

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On July 15, 2013, the Company entered into a loan agreement with the Rural Credit Union of Xushui District for a term of 5 years, which was originally due and payable in various installments from December 21, 2013 to July 26, 2018. On June 21, 2018, the loan was extended for additional 5 years and was due and payable in various installments from December 21, 2018 to June 20, 2023. On **June 19, 2023** **August 24, 2023**, the loan was extended for another **5** years and will be due and payable on **June 20, 2028** **August 24, 2026**. The loan is secured by certain of the Company's manufacturing equipment with net book value of \$29,713 and \$280,466 \$nil as of **September 30, 2023** **March 31, 2024** and **December 31, 2022**, respectively. December 31, 2023. Interest payment is due **quarterly** **monthly** and bore a rate of 7.68% per annum. Effective from November 15, 2022, the interest rate was reduced to 7% per annum. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the total outstanding loan balance was **\$3,481,536** **\$3,522,200** and **\$3,589,582**, **\$3,528,315**. Out of the total outstanding loan balance, current portion amounted was \$1,267,090 and \$1,269,290, which **are** is presented as **non-current** **current** liabilities in the consolidated balance sheet and **current** the remaining balance of \$2,255,110 and \$2,259,025 is presented as **non-current** liabilities in the consolidated balance sheet as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

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On April 17, 2019, the Company entered into a loan agreement with the Rural Credit Union of Xushui District for a term of 2 years, which was due and payable in various installments from August 21, 2019 to April 16, 2021. The loan was renewed on March 22, 2021 and December 24, 2021 and extended for additional 3 years in total, which will be due on April 16, 2024 according to the new schedule. The loan is secured by Tengsheng Paper with its land use right as collateral for the benefit of the credit union. Interest payment is due quarterly and bore a rate of 7.68% per annum. Effective from November 15, 2022, the interest rate was reduced to 7% per annum. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the total outstanding loan balance was **\$2,228,474** **\$2,255,109** and **\$2,297,332** **\$2,259,026**, respectively, which are presented as current liabilities and non-current liabilities in the consolidated balance sheet as of **September 30, 2023** **March 31, 2024** and **December 31, 2022**, respectively. **December 31, 2023**.

On December 12, 2019, the Company entered into a loan agreement with the Rural Credit Union of Xushui District for a term of 2 years, which is due and payable in various installments from June 21, 2020 to December 11, 2021. The loan was renewed on March 22, 2021 and December 24, 2021 and extended for additional 3 years in total, which will be due on December 11, 2024 according to the new schedule. The loan is secured by Tengsheng Paper with its land use right as collateral for the benefit of the credit union. Interest payment is due monthly and bore a rate of 7.56% per annum. Effective from November 15, 2022, the interest rate was reduced to 7% per annum. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the total outstanding loan balance was **\$1,810,635** **\$1,832,276** and **\$1,866,582** **\$1,835,458**, respectively, which are presented as non-current current liabilities in the consolidated balance sheet as of **September 30, 2023** **March 31, 2024** and **December 31, 2022**, respectively. **December 31, 2023**.

On February 26, 2023, the Company entered into a loan agreement with the Rural Credit Union of Xushui District for a term of 2 years, which is due and payable in various installments from August 21, 2023 to February 24, 2025. The loan is secured by Dongfang Paper with its land use right as collateral for the benefit of the credit union. Interest payment is due monthly and bore a rate of 7% per annum. As of **September 30, 2023** **March 31, 2024** and **December 31, 2023**, the total outstanding loan balance was **\$2,507,034** **\$2,536,998** and **\$2,541,404**. Out of the total outstanding loan balance, current portion amounted was **\$1,267,445** **\$2,536,998** and **\$1,284,820**, which is presented as current liabilities in the consolidated balance sheet and the remaining balance of **\$1,239,589** nil and **\$1,256,584** is presented as non-current liabilities in the consolidated balance sheet as of **September 30, 2023** **March 31, 2024** and **December 31, 2023**, respectively.

On **July 1, 2022** **December 5, 2023**, the Company entered into a loan agreement with Jiangna Yu, a customer of the Rural Credit Union of the Company, pursuant to which the Company borrowed RMB 400,000 from Jiangna Yu Xushui District for a term of **five years**, 3 years, which was due in various installments from June 21, 2024 to December 5, 2026. The loan is payable in was guaranteed by an independent third party. Interest payment was due monthly installment and bore a rate of RMB10,667 from **July 2022** to **July 2027**, 7% per annum. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the total outstanding loan balance was **\$44,569** **\$1,212,121** and **\$51,690**, **\$1,214,226**, respectively. Out of the total outstanding loan balance, current portion amounted **\$11,072** **\$225,511** and **\$13,928**, respectively, **\$225,903**, which are is presented as current liabilities and the remaining balance of **\$30,641** **\$986,610** and **\$40,204** are **\$988,323** is presented as non-current liabilities in the consolidated balance sheet as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

Total interest expenses for the short-term bank loans and long-term loans for the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** were **\$247,628** **\$209,586** and **\$248,239** **\$244,679**, respectively. Total interest expenses for the short-term bank loans and long-term loans for the nine months ended September 30, 2023 and 2022 were **\$760,807** and **\$753,789**, respectively.

**(8)(9) Related Party Transactions**

Mr. Zhenyong Liu, the Company's CEO has loaned money to Dongfang Paper for working capital purposes over a period of time. On January 1, 2013, **Dongfang**, Dongfang Paper and Mr. Zhenyong Liu renewed the three-year term loan previously entered on January 1, 2010, and extended the maturity date further to December 31, 2015. On December 31, 2015, the Company paid off the loan of \$2,249,279, together with interest of \$391,374 for the period from 2013 to 2015. Approximately **\$354,748** **\$361,289** and **\$357,021** **\$361,915** of interest were outstanding to Mr. Zhenyong Liu, which were recorded in other payables and accrued liabilities as part of the current liabilities in the consolidated balance sheet as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

On December 10, 2014, Mr. Zhenyong Liu provided a loan to the Company, amounted to \$8,742,278 to Dongfang Paper for working capital purpose with an interest rate of 4.35% per annum, which was based on the primary lending rate of People's Bank of China. The unsecured loan was provided on December 10, 2014, and would be originally due on December 10, 2017. During the year of 2016, the Company repaid \$6,012,416 to Mr. Zhenyong Liu, together with interest of \$288,596. In February 2018, the company Company paid off the remaining balance, together with interest of \$20,400. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, approximately **\$41,784** **\$42,283** and **\$43,075** **\$42,357** of interest, respectively respectively, were outstanding to Mr. Zhenyong Liu, which was recorded in other payables and accrued liabilities as part of the current liabilities in the consolidated balance sheet.

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On March 1, 2015, the Company entered an agreement with Mr. Zhenyong Liu which allows Dongfang Paper to borrow from the CEO an amount up to \$17,201,342 (RMB120,000,000) for working capital purposes. The advances or funding under the agreement are due three years from the date each amount is funded. The loan is unsecured and carries an annual interest rate set on the basis of the primary lending rate of the People's Bank of China at the time of the borrowing. On July 13, 2015, an unsecured amount of \$4,324,636 was drawn from the facility. On October 14, 2016 an unsecured amount of \$2,883,091 was drawn from the facility. In February 2018, the **company** Company repaid \$1,507,432 to Mr. Zhenyong Liu. The loan would be originally due on July 12, 2018. Mr. Zhenyong Liu agreed to extend the loan for additional 3 years and the remaining balance **was will** be due on July 12, 2021. On November 23, 2018, the **Company** company repaid \$3,768,579 to Mr. Zhenyong Liu, together with interest of \$158,651. In December 2019, the **Company** company paid off the remaining balance, together with interest of 94,636. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** December 31, 2023, the outstanding interest was **\$191,422** \$193,710 and **\$197,338** \$194,047, respectively, which was recorded in other payables and accrued liabilities as part of the current liabilities in the consolidated balance sheet.

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** December 31, 2023, total amount of loans due to Mr. Zhenyong Liu were \$nil. The interest expense incurred for such related party loans were \$nil for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**. The accrued interest owing to Mr. Zhenyong Liu was approximately **\$590,227** \$597,282 and **\$608,465** \$598,319, as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** December 31, 2023, respectively, which was recorded in other payables and accrued liabilities.

On December 8, 2021, the Company entered into an agreement with Mr. Zhenyong Liu, which allows Mr. Zhenyong Liu to borrow from the Company an amount of \$6,507,431 (RMB44,089,085).

The loan is unsecured and carries a fixed interest rate of 3% per annum. The loan was repaid by Mr. Zhenyong Liu in February 2022.

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In October 2022 and November 2022, the Company entered into two agreements with Mr. Zhenyong Liu, which allowed Mr. Zhenyong Liu to borrow from the Company an amount of **\$6,963,982** **\$7,059,455** (RMB50,000,000) in total. The loans were unsecured and carried a fixed interest rate of 4.35% per annum. **\$4,264,938** **\$4,235,673** (RMB30,000,000) was repaid by Mr. Zhenyong Liu in August 2023. The 2023 and the remaining balance is expected to be repaid by the end of November in December 2023. Interest income of the loan for the **nine** **three** months ended September 30, 2023 was **\$263,342**, March 31, 2024 and, 2023 were **\$nil** and **\$131,553**.

As of **September 30, 2023** March 31, 2024 and **December 31, 2022** December 31, 2023, amount due to **shareholders** shareholder was **\$727,433**, which represents funds from shareholders to pay for various expenses incurred in the U.S. The amount is due on demand with interest free.

**(10) Notes payable**

As of March 31, 2024, the Company had bank acceptance notes of \$246,501 from the Cangzhou to third parties for settling purchases of raw materials. The acceptance notes are used to essentially extend the payment of accounts payable and are issued under the banking facilities obtained from bank. The bank acceptance notes from the bank bore interest rate at **(9) nil%** **per annum** and **0.05%** **of notes amount as handling charge. The acceptance notes will become due and payable on July 16, 2024.**

**(11) Other payables and accrued liabilities**

Other payables and accrued liabilities consist of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Accrued electricity	\$ 114,579	\$ 3,036	\$ 160,199	\$ 3,054
Accrued rental	20,129	56,646		
Value-added tax payable	686	69,053	77,633	696
Accrued interest to a related party	590,227	608,465	597,282	598,319
Payable for purchase of equipment	2,442,169	3,294,940		
Payable for purchase of property, plant and equipment			11,147,449	11,175,858
Accrued commission to salesmen	14,553	19,524	9,966	47,040
Accrued bank loan interest	1,203,655	1,595,354	1,141,860	1,070,708
Others	472,446	18,540	734,706	16,842
<b>Totals</b>	<b>\$ 4,858,444</b>	<b>\$ 5,665,558</b>	<b>\$ 13,869,095</b>	<b>\$ 12,912,517</b>

**(10)**

**(12) Derivative Liabilities**

The Company analyzed the warrant for derivative accounting consideration under ASC 815, "Derivatives and Hedging, and hedging," and determined that the instrument should be classified as a liability since the warrant becomes effective at issuance resulting in there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options.

ASC 815 requires we assess the fair market value of derivative liability at the end of each reporting period and recognize any change in the fair market value as other income or expense item.

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The Company determined its derivative liabilities to be a Level 3 fair value measurement and used the Black-Scholes pricing model to calculate the fair value as of **September 30, 2023** **March 31, 2024**. The Black-Scholes model requires six basic data inputs: the exercise or strike price, time to expiration, the risk-free interest rate, the current stock price, the estimated volatility of the stock price in the future, and the dividend rate. Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of each warrant is estimated using the Black-Scholes valuation model. The following weighted-average assumptions were used in the **September 30, 2023** **March 31, 2024**:

	<b>Nine Three months ended</b>	<b>September 30, March 31, 2023 2024</b>
Expected term	1.05 0.8 - 2.75	73%
Expected average volatility	82% - 102%	102%
Expected dividend yield	-	-
Risk-free interest rate	0.19% - 4.8 4.4%	%
The following table summarizes the changes in the derivative liabilities during the <b>nine three</b> months ended <b>September 30, 2023</b> <b>March 31, 2024</b> : Fair Value Measurements Using Significant Observable Inputs (Level 3)		
Balance at December 31, 2022	\$ 646,283	
Addition of new derivatives recognized as warrant	-	
Addition of new derivatives recognized as loss on derivatives	-	
Exercise of warrants	-	
Change in fair value of derivative liability	(646,020)	
Balance at September, 2023	\$ 263	
Balance at December 31, 2023	\$ 54	
Change in fair value of derivative liability	(34)	
Balance at March 31, 2024	<b>\$ 20</b>	
<b>(11)</b>		

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**(13) Common Stock**

*Issuance of common stock to investors*

On January 20, 2021, the Company offered and sold to certain institutional investors an aggregate of 2,618,182 shares of common stock and 2,618,182 warrants to purchase up to 2,618,182 shares of common stock in a best-efforts public offering for gross proceeds of approximately \$14.4 million. The purchase price for each share of common stock and the corresponding warrant was \$5.5. The exercise price of the warrant was \$5.5 per share.

On March 1, 2021, the Company offered and sold to the public investors an aggregate of 2,927,786 shares of common stock and 1,463,893 warrants to purchase up to 1,463,893 shares of common stock in a firm commitment underwritten public offering for gross proceeds of approximately \$21.9 million. The purchase price for each share of common stock and accompanying warrant was \$7.5. The exercise price of the warrant was \$7.5 per share.

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**Reverse stock split**

On June 9, 2022, the Board of Directors of the Company approved the Reverse Stock Split, at a ratio of 1-for-10, pursuant to Section 78.207 of the Nevada Revised Statutes ("NRS"). The Reverse Stock Split was effected by the Company filing of a Certificate of Change Pursuant to NRS 78.209 with the Secretary of State of the State of Nevada on July 7, 2022. The par value per share of our stock remains unchanged at \$0.001 per share after the Reverse Stock Split. All references made to share or per share amounts in the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the effects of the Reverse Stock Split.

**Issuance of common stock pursuant to the 2021 Incentive Stock Plan**

On August 15, 2022, the Company granted an aggregate of 150,000 shares of common stock under its compensatory incentive plans to fifteen employees, as awards under the 2021 Incentive Stock Plan. Please see Note (15) (17), Stock Incentive Plans for more details. Total fair value of the stock was calculated at \$156,000 as of the date of grant.

**(12) (14) Warrants**

On April 29, 2020, the Company and certain institutional investors entered into a securities purchase agreement, as amended on May 4, 2020 (the "2020 Purchase Agreement"), pursuant to which the Company agreed to sell to such investors an aggregate of 440,000 shares of common stock and warrants to purchase up to 440,000 shares of common stock in a concurrent private placement (the "May 2020 Warrants"). The exercise price of the May 2020 Warrant is \$7.425 per share. These warrants become exercisable on July 23, 2020 and have a term of exercise equal to five years and six months from the date of issuance till July 23, 2025. 88,000 May 2020 Warrants were exercised in February 2021 at the exercise price of \$7.425 per share and 352,000 May 2020 Warrants were outstanding as of **September 30, 2023** **March 31, 2024**.

On January 20, 2021, the Company offered and sold to certain institutional investors an aggregate of 2,618,182 shares of common stock and 2,618,182 warrants to purchase up to 2,618,182 shares of common stock (the "January 2021 Warrants"). The January 2021 Warrants became exercisable on January 20, 2021 at an exercise price of \$5.5 and will expire on January 20, 2026. 1,410,690 January 2021 Warrants were exercised in January and February of 2021 at the exercise price of \$5.5 per share. 1,207,492 January 2021 Warrants were outstanding as of **September 30, 2023** **March 31, 2024**.

On March 1, 2021, the Company offered and sold to the public investors an aggregate of 2,927,786 shares of common stock and 1,463,893 warrants to purchase up to 1,463,893 shares of common stock (the "March 2021 Warrants"). The March 2021 Warrants became exercisable on March 1, 2021 at an exercise price of \$7.5 and will expire on March 1, 2026. 6,750 March 2021 Warrants were exercised in January and March 2021 at the exercise price of \$7.5 per share and 1,457,143 March 2021 Warrants were outstanding as of **September 30, 2023** **March 31, 2024**.

The Company classified warrants as liabilities and accounted for the issuance of the warrants as a derivative.

A summary of stock warrant activities is as below:

	<b>Nine months Ended</b> <b>September 30,</b> <b>2023</b>	
	<b>Number</b>	<b>Weight average exercise price</b>
Outstanding and exercisable at beginning of the period	3,016,635	\$ 6.6907
Issued during the period	-	-
Exercised during the period	-	-
Outstanding and exercisable at end of the period	<b>3,016,635</b>	<b>\$ 6.6907</b>

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A summary of stock warrant activities is as below:

	Three months ended March 31, 2024	
	Number	Weight average exercise price
	3,016,635	\$ 6.6907
Outstanding and exercisable at beginning of the period		
Issued during the period		
Exercised during the period		
Cancelled or expired during the period		
Outstanding and exercisable at end of the period	3,016,635	\$ 6.6907

The following table summarizes information relating to outstanding and exercisable warrants as of **September 30, 2023** March 31, 2024.

Warrants Outstanding	Warrants Outstanding			Warrants Exercisable			Warrants Outstanding	Warrants Exercisable	
Number of Shares	Number of Shares	Weighted Average Remaining Contractual life (in years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual life (in years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
3,016,635	2.34	\$ 6.6907	3,016,635	\$ 6.6907	1.84	\$ 6.6907	3,016,635	\$ 6.6907	

Aggregate intrinsic value is the sum of the amounts by which the quoted market price of the Company's stock exceeded the exercise price of the warrants at **September 30, 2023** March 31, 2024 for those warrants for which the quoted market price was in excess of the exercise price ("in-the-money" warrants). The intrinsic value of the warrants as of **September 30, 2023** March 31, 2024 and **December 31, 2022** December 31, 2023 are nil.

**(13) (15) Earnings Per Share**

For the three months ended **September 30, 2023** March 31, 2024 and **2022, 2023**, basic and diluted net income per share are calculated as follows:

	Three Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
	\$ (1,975,368)	\$ (1,887,318)	\$ (3,746,536)	\$ (2,733,165)
<b>Basic loss per share</b>				
Net loss for the period - numerator	\$ 10,065,920	9,991,744	10,065,920	10,065,920
Weighted average common stock outstanding - denominator				
Net loss per share	\$ (0.20)	\$ (0.19)	\$ (0.37)	\$ (0.27)
<b>Diluted income per share</b>				
Net income for the period- numerator	\$ 10,065,920	9,991,744	10,065,920	10,065,920
Weighted average common stock outstanding - denominator				
Effect of dilution	-	-	-	-
Weighted average common stock outstanding - denominator	10,065,920	9,991,744	10,065,920	10,065,920
Diluted loss per share	\$ (0.20)	\$ (0.19)	\$ (0.37)	\$ (0.27)
Nine Months Ended September 30,				
		2023	2022	
<b>Basic loss per share</b>				
Net loss for the period - numerator	\$ 10,065,920	9,941,288	\$ 10,065,920	9,941,288
Weighted average common stock outstanding - denominator				
Net loss per share	\$ (0.59)	\$ (0.47)	\$ (0.37)	\$ (0.27)
<b>Diluted loss per share</b>				
Net loss for the period- numerator	\$ 10,065,920	9,941,288	\$ 10,065,920	9,941,288
Weighted average common stock outstanding - denominator				
Effect of dilution	-	-	-	-
Weighted average common stock outstanding - denominator	10,065,920	9,941,288	10,065,920	9,941,288

Diluted loss per share	\$ <u>(0.59)</u>	\$ <u>(0.47)</u>
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For the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** there were no securities with dilutive effect issued and outstanding.

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**(14)(16) Income Taxes**

*United States*

The Company may be subject to the United States of America Tax laws at a tax rate of 21%. No provision for the US federal income taxes has been made as the Company had no US taxable income for the **nine months first quarter ended September 30, 2023** **March 31, 2024** and **2022, 2023**, and management believes that its earnings are permanently invested in the PRC.

*PRC*

Dongfang Paper and Baoding Shengde are PRC operating companies and are subject to PRC Enterprise Income Tax. Pursuant to the PRC New Enterprise Income Tax Law, Enterprise Income Tax is generally imposed at a statutory rate of 25%.

The provisions for income taxes for three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023** were as follows:

	Three Months Ended		Three Months Ended	
	September 30,		March 31,	
	2023	2022	2024	2023
<b>Provision for Income Taxes</b>				
Current Tax Provision U.S.	\$ -	\$ 15,062	\$ 36,793	\$ -
Current Tax Provision PRC	(3,236)	793,630	-	-
Deferred Tax Provision PRC	-	(376,405)	-	-
<b>Total Provision for (Deferred tax benefit)/ Income Taxes</b>	<b>\$ (3,236)</b>	<b>\$ 432,287</b>	<b>\$ 36,793</b>	<b>\$ -</b>

The provisions for income taxes for nine months ended September 30, 2023 and 2022 were as follows:

	Nine Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
<b>Provision for Income Taxes</b>				
Current Tax Provision U.S.	\$ -	\$ 15,062	\$ -	\$ -
Current Tax Provision PRC	348,024	1,022,037	-	-
Deferred Tax Provision PRC	-	(1,197,630)	-	-
<b>Total Provision for (Deferred tax benefit)/ Income Taxes</b>	<b>\$ 348,024</b>	<b>\$ (160,531)</b>	<b>\$ -</b>	<b>\$ -</b>

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In addition to the reversible future PRC income tax benefits stemming from the timing differences of items such as recognition of asset disposal gain or loss and asset depreciation, the Company was incorporated in the United States and incurred net operating losses of approximately **\$530,581** **\$62,499** and **\$761,881** **\$530,581** for U.S. income tax purposes for the years ended **December 31, 2022** **December 31, 2023** and **2021, 2022**, respectively. The net operating loss carried forward may be available to reduce future years' taxable income. These carry forwards would expire, if not utilized, during the period of 2030 through 2035. As of **September 30, 2023** **March 31, 2024**, management believed that the realization of all the U.S. income tax benefits from these losses, which generally would generate a deferred tax asset if it can be expected to be utilized in the future, appears not more than likely due to the Company's limited operating history and continuing losses for United States income tax purposes. Accordingly, As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company provided a 100% valuation allowance on the U.S. deferred tax asset benefit to reduce the total deferred tax asset to the amount realizable for the PRC income tax purposes. Management reviews this valuation allowance periodically and will make adjustments as warranted. A summary of the otherwise deductible (or taxable) deferred tax items is as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Deferred tax assets (liabilities)</b>				
Depreciation and amortization of property, plant and equipment	\$ 15,938,215	\$ 15,474,485	\$ 17,378,268	\$ 16,922,756
Impairment of property, plant and equipment	948,175	796,559	584,365	585,380
Miscellaneous	124,058	615,436	642,735	135,714
Net operating loss carryover of PRC company	<u>235,109</u>	<u>213,620</u>	<u>151,335</u>	<u>274,525</u>
(Gain) Loss on asset disposal			(63,954)	(64,065)
Total deferred tax assets	17,245,557	17,100,100	18,692,749	17,854,310
Less: Valuation allowance	<u>(17,245,557)</u>	<u>(17,100,100)</u>	<u>(18,692,749)</u>	<u>(17,854,310)</u>
Total deferred tax assets, net	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
<b>Three Months Ended September 30,</b>				
<b>PRC Statutory rate</b>			<b>2023</b>	<b>2022</b>
Effect of tax and book difference			25.0%	25.0%
Change in valuation allowance			(2.6)%	(54.7)%
Effective income tax rate			(22.2)%	-
			0.2%	(29.7)%
<b>Nine Months Ended September 30,</b>				
<b>PRC Statutory rate</b>			<b>2023</b>	<b>2022</b>
Effect of tax and book difference			25.0%	25.0%
Change in valuation allowance			(28.6)%	(21.7)%
Effective income tax rate			(2.6)%	-
			(6.2)%	3.3%
<b>Three Months Ended March 31,</b>				
<b>PRC Statutory rate</b>			<b>2024</b>	<b>2023</b>
Effect of tax and book difference			25.0%	25.0%
Change in valuation allowance			(3.4)%	(16.7)%
Effective income tax rate			(22.6)%	(8.3)%
			(1.0)%	-

During the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the effective income tax rate was estimated by the Company to be **0.2%**-**1.0%** and **-29.7%****0%**, respectively,respectively

	<b>2024</b>	<b>2023</b>
<b>PRC Statutory rate</b>		
Effect of tax and book difference	25.0%	25.0%
Change in valuation allowance	(3.4)%	(16.7)%
Effective income tax rate	(22.6)%	(8.3)%
	(1.0)%	-

During the nine months ended **September 30, 2023** and **2022**, the effective income tax rate was estimated by the Company to be **-6.2%** and **3.3%**, respectively.

As of **September 30, 2023** **March 31, 2024**, except for the one-time transition tax under the 2017 TCJA which imposes a U.S. tax liability on all unrepatriated foreign E&Ps, the Company does not believe that its future dividend policy and the available U.S. tax deductions and net operating losses will cause the Company to recognize any other substantial current U.S. federal or state corporate income tax liability in the near future. Nor does it believe that the amount of the repatriation of the VIE's earnings and profits for purposes of paying dividends will change the Company's position that its PRC subsidiary Baoding Shengde and the VIE, Dongfang Paper are considered or are expected to be indefinitely reinvested offshore to support our future capacity expansion. If these earnings are repatriated to the U.S. resulting in U.S. taxable income in the future, or if it is determined that such earnings are to be remitted in the foreseeable future, additional tax provisions would be required.

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The Company has adopted ASC Topic 740-10-05, Income Taxes. To date, the adoption of this interpretation has not impacted the Company's financial position, results of operations, or cash flows. The Company performed self-assessment and the Company's liability for income taxes includes the liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by taxing authorities. Audit periods remain open for review until the statute of limitations has passed, which in the PRC is usually 5 years. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company's liability for income taxes. Any such adjustment could be material to the Company's results of operations for any given quarterly or annual period based, in part, upon the results of operations for the given period. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, management considered that the Company had no uncertain tax positions affecting its consolidated financial position and results of operations or cash flows, and will continue to evaluate for any uncertain position in future. There are no estimated interest costs and penalties provided in the Company's consolidated financial statements for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022**, **December 31, 2023**, respectively. The Company's tax positions related to open tax years are subject to examination by the relevant tax authorities and the major one is the China Tax Authority.

**(15) (17) Stock Incentive Plans**

*2021 Incentive Stock Plan*

On November 12, 2021, the Company's Annual General Meeting adopted and approved the 2021 Omnibus Equity Incentive Plan of IT Tech Packaging, Inc.(the"2021 Plan"). Under the 2021 ISP, the Company has reserved a total of 150,000 shares of common stock for issuance as or under awards to be made to the directors, officers, employees and/or consultants of the Company and its subsidiaries. On August 15, 2022, the Company granted an aggregate of 150,000 shares of common stock under its compensatory incentive plans to fifteen employees. Total fair value of the stock was calculated at \$156,000 as of the date of grant.

*2023 Incentive Stock Plan*

On October 31, 2023, the Company's Annual General Meeting adopted and approved the 2023 Omnibus Equity Incentive Plan of IT Tech Packaging, Inc.(the"2023 Plan"). Under the 2023 ISP, the Company has reserved a total of 1,500,000 shares of common stock for issuance as or under awards to be made to the directors, officers, employees and/or consultants of the Company and its subsidiaries.

All shares of common stock under the 2023 ISP, including shares originally authorized by equity holders and shares remaining for future issuance as of March 31, 2024, have been reserved.

**(16) (18) Commitments and Contingencies**

*Xushui Land Lease*

The Company leases 32.95 acres of land from a local government in Xushui District, Baoding City, Hebei, China through a real estate lease with a **30-year** **30- year** term, which expires on December 31, 2031. The lease requires an annual rental payment of approximately **\$17,060** **\$16,900** (RMB120,000). This lease is renewable at the end of the 30-year term.

<b>March 31,</b>	<b>Amount</b>
2025	16,913
2026	16,913
2027	16,913
2028	16,913
2029	16,913
Thereafter	<u>46,512</u>
Total operating lease payments	<u>131,077</u>

*Sale of Headquarters Compound Real Properties*

On August 7, 2013, the Company's Audit Committee and the Board of Directors approved the sale of the land use right of the Headquarters Compound (the "LUR"), the office building and essentially all industrial-use buildings in the Headquarters Compound (the "Industrial Buildings"), and three employee dormitory buildings located within the Headquarters Compound (the "Dormitories") to Hebei Fangsheng for cash prices of approximately **\$2.77 million**.

**\$2.77 million**, \$1.15 million, and \$4.31 million respectively. Sales of the LUR and the Industrial Buildings were completed in year 2013.

In connection with the sale of the Industrial Buildings, Hebei Fangsheng agreed to lease the Industrial Buildings back to the Company for its original use with an annual rental payment of approximately **\$142,165** **\$140,829** (RMB1,000,000). The lease was recorded in lease assets and liabilities in the consolidated balance sheet as of **September 30, 2023** **March 31, 2024**. See 'Operating lease' under note (6).

Future minimum lease payments of the land lease is as follows:

<b>September 30,</b>	<b>Amount</b>
2024	16,714
2025	16,714
2026	16,714
2027	16,714
2028	16,714
Thereafter	<u>54,319</u>
Total operating lease payments	<u>137,889</u>

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*Capital commitment*

As of **September 30, 2023** **March 31, 2024**, the Company has entered into several contracts for the purchase of paper machine of a new tissue paper production line PM10 and the improvement of Industrial Buildings. Total outstanding commitments under these contracts were **\$3,815,502** **\$3,481,325** and **\$4,329,279** **\$3,499,936** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. The Company expected to pay off all the balances within 1-3 years.

*Guarantees and Indemnities*

The Company agreed with Baoding Huanrun Trading Co., a major supplier of raw materials, to guarantee certain obligations of this third party, and as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company guaranteed its long-term loan from financial institutions amounting to **\$4,317,669** **\$4,369,274** (RMB31,000,000), that matured will mature at various times in 2028. If Huanrun Trading Co., were to become insolvent, the Company could be materially adversely affected.

**(17) (19) Segment Reporting**

Since March 10, 2010, Baoding Shengde started its operations and thereafter the Company manages its operations through three business operating segments: Dongfang Paper and Tengsheng Paper, which produces offset printing paper, corrugating medium paper and tissue paper, and Baoding Shengde, which produces face masks and digital photo paper. They are managed separately because each business requires different technology and marketing strategies.

The Company evaluates performance of its operating segments based on net income. Administrative functions such as finance, treasury, and information systems are centralized. However, where applicable, portions of the administrative function expenses are allocated among the operating segments based on gross revenue generated. The operating segments do share facilities in Xushui County, Baoding City, Hebei Province, China. All sales were sold to customers located in the PRC.

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Summarized financial information for the three reportable segments is as follows:

	<b>Three Months Ended March 31, 2024</b>									
	Dongfang Paper	Tengsheng Paper	Baoding Shengde	Not Attributable to Segments	Elimination of Inter-segment	Enterprise-wide, consolidated				
Revenues	\$ 6,826,799	\$ 37,042	\$ -	\$ -	\$ -	\$ 6,863,841				
Gross profit	362,335	36,778	-	-	-	399,113				
Depreciation and amortization	989,272	2,100,541	391,975	-	-	3,481,788				
Interest income	1,462	536	173	12	-	2,183				
Interest expense	89,507	44,854	72,245	3,684	-	210,290				
Income tax expense(benefit)	-	-	-	36,793	-	36,793				
Net loss	(1,134,241)	(2,122,757)	(54,512)	(435,026)	-	(3,746,536)				
<b>Three Months Ended September 30, 2023</b>										
	Dongfang Paper	Tengsheng Paper	Baoding Shengde	Not Attributable to Segments	Elimination of Inter-segment	Enterprise-wide, consolidated				
							<b>Three Months Ended March 31, 2023</b>			
Revenues	\$ 15,492,300	\$ 264,063	\$ 15,197	\$ -	\$ 15,771,560	\$ 19,528,196	\$ 227,044	\$ 35,637	\$ -	\$ -
Gross profit	583,651	(734,481)	(2,393)	-	-	(153,223)	439,080	(713,240)	(2,839)	-
Gross profit (loss)										
Depreciation and amortization	960,898	2,071,901	390,432	-	-	3,423,231	1,140,466	2,137,928	407,849	-
Loss on impairment of assets	-	-	(3,456)	-	-	(3,456)				
Interest income	90,449	561	2,250	38	-	93,298	133,183	693	1,235	1,157
Interest expense	119,795	52,199	72,291	3,533	-	247,818	146,702	28,574	73,893	-
Income tax expense(benefit)	(3,236)	-	-	-	-	(3,236)	-	-	-	-
Net income (loss)	(398,386)	(2,114,896)	(84,850)	622,764	-	(1,975,368)	(569,464)	(1,920,120)	(99,285)	(144,296)
Net loss										
<b>As of March 31, 2024</b>										
	Dongfang Paper	Tengsheng Paper	Baoding Shengde	Not Attributable to Segments	Elimination of Inter-segment	Enterprise-wide, consolidated				
Total assets	\$ 57,882,403	125,436,285	7,761,164	1,516,252	-	192,596,104				
<b>As of December 31, 2023</b>										
	Dongfang Paper	Tengsheng Paper	Baoding Shengde	Not Attributable to Segments	Elimination of Inter-segment	Enterprise-wide, consolidated				
Total assets	\$ 57,139,592	127,734,031	8,184,902	1,651,124	-	194,709,649				

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	<b>Three Months Ended September 30, 2022</b>						<b>Enterprise-wide, consolidated</b>
	<b>Dongfang Paper</b>	<b>Tengsheng Paper</b>	<b>Baoding Shengde</b>	<b>Not Attributable to Segments</b>	<b>Elimination of Inter-segment</b>		
Revenues	\$ 31,359,186	\$ 293,157	\$ 56,871	\$ -	\$ -	\$ 31,709,214	
Gross profit	3,524,435	(757,695)	16,848	-	-	2,783,588	
Depreciation and amortization	1,168,036	2,054,034	403,865	-	-	3,625,935	
Interest income	4,130	416	2,965	217	-	7,728	
Interest expense	160,740	17,230	78,708	-	-	256,678	
Income tax expense(benefit)	740,764	(337,791)	14,252	15,062	-	432,287	
Net income (loss)	2,100,268	(1,871,128)	(12,836)	(2,101,863)	(1,759)	(1,887,318)	
<b>Nine Months Ended September 30, 2023</b>							
	<b>Dongfang Paper</b>	<b>Tengsheng Paper</b>	<b>Baoding Shengde</b>	<b>Not Attributable to Segments</b>	<b>Elimination of Inter-segment</b>	<b>Enterprise-wide, consolidated</b>	
Revenues	\$ 64,651,896	835,375	95,080	-	-	65,582,351	
Gross profit	2,915,818	(2,157,381)	(8,801)	-	-	749,636	
Depreciation and amortization	3,098,303	6,281,495	1,193,490	-	-	10,573,288	
Loss on impairment of assets	-	-	371,680	-	-	371,680	
Interest income	271,395	2,098	7,971	1,739	-	283,203	
Interest expense	410,580	134,764	218,791	3,533	-	767,668	
Income tax expense(benefit)	348,024	-	-	-	-	348,024	
Net income (loss)	(30,517)	(5,522,885)	(627,976)	219,352	-	(5,962,026)	
<b>Nine Months Ended September 30, 2022</b>							
	<b>Dongfang Paper</b>	<b>Tengsheng Paper</b>	<b>Baoding Shengde</b>	<b>Not Attributable to Segments</b>	<b>Elimination of Inter-segment</b>	<b>Enterprise-wide, consolidated</b>	
Revenues	\$ 77,675,737	1,102,933	201,046	-	-	78,979,716	
Gross profit	5,812,160	(2,135,819)	51,729	-	-	3,728,070	
Depreciation and amortization	3,649,174	6,304,944	1,264,136	-	-	11,218,254	
Interest income	7,874	812	7,205	217	-	16,108	
Interest expense	501,360	41,599	243,638	-	-	786,597	
Income tax expense(benefit)	795,347	(1,128,442)	157,502	15,062	-	(160,531)	
Net income (loss)	2,046,362	(5,480,223)	(297,484)	(962,504)	30,404	(4,663,445)	
<b>As of September 30, 2023</b>							
	<b>Dongfang Paper</b>	<b>Tengsheng Paper</b>	<b>Baoding Shengde</b>	<b>Not Attributable to Segments</b>	<b>Elimination of Inter-segment</b>	<b>Enterprise-wide, consolidated</b>	
Total assets	\$ 63,466,149	107,979,374	12,930,971	4,621,212	-	188,997,706	
<b>As of December 31, 2022</b>							
	<b>Dongfang Paper</b>	<b>Tengsheng Paper</b>	<b>Baoding Shengde</b>	<b>Not Attributable to Segments</b>	<b>Elimination of Inter-segment</b>	<b>Enterprise-wide, consolidated</b>	
Total assets	\$ 63,365,986	117,645,828	17,945,969	5,489,450	-	204,447,233	

**IT TECH PACKAGING, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**(18) (20) Concentration and Major Customers and Suppliers**

For the three months ended September 30, 2023, March 31, 2024 and 2023, the Company had no single customer contributed over 10% of total sales.

For the three months ended September 30, 2022 March 31, 2024, the Company had five customers accounted for approximately 12% of total sales.

For the nine months ended September 30, 2023 and 2022, the Company had no single customer contributed over 10% of total sales.

For the three months ended September 30, 2023, the Company had three two major suppliers accounted for 71%, 18% 75% and 7% 15% of total purchases. For the three months ended September 30, 2022 March 31, 2023, the Company had three two major suppliers accounted for 77%, 76% and 14% and 7% of total purchases.

For the nine months ended September 30, 2023, the Company had three major suppliers accounted for 75%, 16% and 6% of total purchases. For the nine months ended September 30, 2022, the Company had three major suppliers accounted for 77%, 15% and 5% of total purchases.

**(19) (21) Concentration of Credit Risk**

Financial instruments for which the Company is potentially subject to concentration of credit risk consist principally of cash. The Company places its cash in reputable financial institutions in the PRC and the United States. Although it is generally understood that the PRC central government stands behind all of the banks in China in the event of bank failure, there is no deposit insurance system in China that is similar to the protection provided by the Federal Deposit Insurance Corporation ("FDIC") of the United States as of as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. On May 1, 2015, the new "Deposit Insurance Regulations" was effective in the PRC that the maximum protection would be up to RMB500,000 (\$9,640) 70,472 per depositor per insured financial institution, including both principal and interest. For the cash placed in financial institutions in the United States, the Company's U.S. bank accounts are all fully covered by the FDIC insurance as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, while for the cash placed in financial institutions in the PRC, the balances exceeding the maximum coverage of RMB500,000 amounted to RMB57,984,303 RMB33,408,380 (\$8,076,033) 4,708,722 as of September 30, 2023 March 31, 2024.

**(20) (22) Risks and Uncertainties**

The Company is subject to substantial risks from, among other things, intense competition associated with the industry in general, other risks associated with financing, liquidity requirements, rapidly changing customer requirements, foreign currency exchange rates, and operating in the PRC under its various laws and restrictions.

**(21) Recent Accounting Pronouncements(23) Subsequent Event**

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The new amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.**None.**

**(22) Subsequent Event**

*2023 Incentive Stock Plan*

On October 31, 2023, the Company's Annual General Meeting adopted and approved the 2023 Omnibus Equity Incentive Plan of IT Tech Packaging, Inc.(the "2023 Plan"). Under the 2023 ISP, the Company has reserved a total of 1,500,000 shares of common stock for issuance as or under awards to be made to the directors, officers, employees and/or consultants of the Company and its subsidiaries.

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

### Cautionary Notice Regarding Forward-Looking Statements

The following discussion of the financial condition and results of operations of the Company for the periods ended **September 30, 2023** **March 31, 2024** and **2022** **2023** should be read in conjunction with the financial statements and the notes to the financial statements that are included elsewhere in this quarterly report.

In this quarterly report, references to "the Company," "we," "our" and "us" refer to IT Tech Packaging, Inc. and its PRC subsidiary and variable interest entity unless the context requires otherwise. We make certain forward-looking statements in this report. Statements concerning our future operations, prospects, strategies, financial condition, future economic performance (including growth and earnings), demand for our products, and other statements of our plans, beliefs, or expectations, including the statements contained under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as captions elsewhere in this document, are forward-looking statements. In some cases these statements are identifiable through the use of words such as "anticipate", "believe", "estimate", "expect", "intend", "plan", "project", "target", "can", "could", "may", "should", "will", "would", and similar expressions. We intend such forward-looking statements to be covered by the safe harbor provisions contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and in Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The forward-looking statements we make are not guarantees of future performance and are subject to various assumptions, risks, and other factors that could cause actual results to differ materially from those suggested by these forward-looking statements. Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. Indeed, it is likely that some of our assumptions may prove to be incorrect. Our actual results and financial position may vary from those projected or implied in the forward-looking statements and the variances may be material. You are cautioned not to place undue reliance on such forward-looking statements. These risks and uncertainties, together with the other risks described from time to time in reports and documents that we file with the Securities and Exchange Commission (the "SEC") should be considered in evaluating forward-looking statements. In evaluating the forward-looking statements contained in this report, you should consider various factors, including, without limitation, the following: (a) those risks and uncertainties related to general economic conditions, (b) whether we are able to manage our planned growth efficiently and operate profitably, (c) whether we are able to generate sufficient revenues or obtain financing to sustain and grow our operations, and (d) whether we are able to successfully fulfill our primary requirements for cash. We assume no obligation to update forward-looking statements, except as otherwise required under federal securities laws.

### Results of Operations

#### Comparison of the Three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**

Revenue for the three months ended **September 30, 2023** **March 31, 2024** was **\$15,771,560**, **\$6,863,841**, representing a decrease of **\$15,937,654**, **\$12,927,036**, or **50.26%** **65.32%**, from **\$31,709,214** **\$19,790,877** for the same period in the previous year. This was mainly due to the **decrease of sales volume** **production suspension** of corrugating medium paper ("CMP") in **January** and a **decrease in average selling prices** **February** of **CMP 2024**, and **production suspension** of tissue paper products.products in the first quarter of 2024.

**Revenue of Offset Printing Paper, Corrugating Medium Paper and Tissue Paper Products**

Revenue from sales of offset printing paper, corrugating medium paper ("CMP") and tissue paper products for the three months ended **September 30, 2023** **March 31, 2024** was **\$15,756,399**, **\$6,826,800**, representing a decrease of **\$15,895,944**, **\$12,924,348**, or **50.22%** **65.44%**, from **\$31,652,343** **\$19,751,148** for the **third** **first** **quarter of 2022** **2023**. Total offset printing paper, CMP and tissue paper products sold during the three months ended **September 30, 2023** **March 31, 2024** amounted to **44,807** **18,670** tonnes, representing a decrease of **27,808** **31,203** tonnes, or **38.30%** **62.56%**, compared to **72,615** **49,873** tonnes sold in the comparable period in the previous year. Production orders of regular CMP were arranged ahead of schedule (in December 2023), in order to mitigate the impact of energy price rise in 2024. Production of CMP was limited suspended in **August 2023** **January and February 2024** due to **unfavorable weather conditions (i.e. continuous rainstorm)** the change of production schedule and Chinese New Year holiday. Production of CMP was resumed in **August 2023**, mid of March 2024. Production of offset printing paper had been and tissue paper products were suspended due to the higher natural gas price and Chinese New Year in year 2022 the first quarter of 2024 and first nine months expected to resume in the third quarter of 2023 except for an intermittent production in May and June 2023. The production of offset print paper was resumed in early October 2023, 2024. The changes in revenue dollar amount and in quantity sold for the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** are summarized as follows:

Sales Revenue	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023		Change in		Percentage Change	
	Quantity (Tonne)	Amount	Quantity (Tonne)	Amount	Quantity (Tonne)	Amount	Quantity	Amount
Regular CMP	15,640	\$ 5,750,601	41,663	\$ 16,467,969	(26,023)	\$ (10,717,368)	-62.46 %	-65.08 %
Light-Weight CMP	3,030	\$ 1,076,199	8,019	\$ 3,060,226	(4,989)	\$ (1,984,027)	-62.21 %	-64.83 %
<b>Total CMP</b>	<b>18,670</b>	<b>\$ 6,826,800</b>	<b>49,682</b>	<b>\$ 19,528,195</b>	<b>(31,012)</b>	<b>\$ (12,701,395)</b>	<b>-62.42 %</b>	<b>-65.04 %</b>
Offset Printing Paper	-	\$ -	-	\$ -	-	\$ -	%	%
Tissue Paper Products	-	\$ -	191	\$ 222,953	(191)	\$ (222,953)	-100.00 %	-100.00 %
<b>Total CMP, Offset Printing Paper and Tissue Paper Revenue</b>	<b>18,670</b>	<b>\$ 6,826,800</b>	<b>49,873</b>	<b>\$ 19,751,148</b>	<b>(31,203)</b>	<b>\$ (12,924,348)</b>	<b>-62.56 %</b>	<b>-65.44 %</b>
Sales Revenue	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022		Change in		Percentage Change	
	Quantity (Tonne)	Amount	Quantity (Tonne)	Amount	Quantity (Tonne)	Amount	Quantity	Amount
Regular CMP	34,186	\$ 11,953,552	59,848	\$ 26,062,736	(25,662)	\$ (14,109,184)	-42.88 %	-54.14 %
Light-Weight CMP	10,210	\$ 3,469,521	12,507	\$ 5,296,450	(2,297)	\$ (1,826,929)	-18.37 %	-34.49 %
<b>Total CMP</b>	<b>44,396</b>	<b>\$ 15,423,073</b>	<b>72,355</b>	<b>\$ 31,359,186</b>	<b>(27,959)</b>	<b>\$ (15,936,113)</b>	<b>-38.64 %</b>	<b>-50.82 %</b>
Offset Printing Paper	170	\$ 69,227	-	\$ -	170	\$ 69,227	- %	- %
Tissue Paper Products	241	\$ 264,099	260	\$ 293,157	(19)	\$ (29,058)	-7.31 %	-9.91 %
<b>Total CMP, Offset Printing Paper and Tissue Paper Revenue</b>	<b>44,807</b>	<b>\$ 15,756,399</b>	<b>72,615</b>	<b>\$ 31,652,343</b>	<b>(27,808)</b>	<b>\$ (15,895,944)</b>	<b>-38.30 %</b>	<b>-50.22 %</b>

Monthly sales revenue for the 24 months ended **September 30, 2023** **March 31, 2024**, are summarized below:

The Average Selling Prices (ASPs) for our main products in the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** are summarized as follows:

	Offset Printing Paper ASP	Regular CMP ASP	Light-Weight CMP ASP	Tissue Paper Products ASP	Offset Printing Paper ASP	Regular CMP ASP	Light-Weight CMP ASP	Tissue Paper Products ASP
Three Months ended September 30, 2023	\$ 407	\$ 350	\$ 340	\$ 1,096				
Three Months ended September 30, 2022	\$ -	\$ 435	\$ 423	\$ 1,128				
Three Months ended March 31, 2024					\$ -	\$ 368	\$ 355	\$ -
Three Months ended March 31, 2023					\$ -	\$ 395	\$ 382	\$ 1,167
Decrease from comparable period in the previous year	\$ 407	\$ 85	\$ 83	\$ 32	\$ -	\$ (27)	\$ (27)	\$ (1,167)
Decrease by percentage	- %	-19.54 %	-19.62 %	-2.84 %	- %	-6.84 %	-7.07 %	- %

The following chart shows the month-by-month ASPs for the 24-month period ended **September 30, 2023** **March 31, 2024**:

**Corrugating Medium Paper**

Revenue from CMP amounted to **\$15,423,073** (97.88% **\$6,826,800** (100.00% of the total offset printing paper, CMP and tissue paper products revenues) for the three months ended **September 30, 2023** **March 31, 2024**, representing a decrease of **\$15,936,113**, **\$12,701,395**, or **50.82%** **65.04%**, from **\$31,359,186** **\$19,528,195** for the comparable period in **2022**, **2023**. Production of CMP was suspended in January and February of 2024 and production of offset printing paper was suspended in the first quarter of 2024.

We sold **44,396** **18,670** tonnes of CMP in the three months ended **September 30, 2023** **March 31, 2024** as compared to **72,355** **49,682** tonnes for the same period in **2022**, **2023**, representing a **38.64%** **62.42%** decrease in quantity sold.

ASP for regular CMP decreased from **\$435** **\$395**/tonne for the three months ended **September 30, 2022** **March 31, 2023** to **\$350** **\$368**/tonne for the three months ended **September 30, 2023** **March 31, 2024**, representing a **19.54%** **6.84%** decrease. ASP in RMB for regular CMP for the **third** first quarter of **2022** **2023** and **2023** **2024** was **RMB2,980** **RMB2,712** and **RMB2,532**, **RMB2,611**, respectively, representing a **15.03%** **3.73%** decrease. The quantity of regular CMP sold decreased by **25,662** **26,023** tonnes, from **59,848** **41,663** tonnes in the **third** first quarter of **2022** **2023** to **34,186** **15,640** tonnes in the **third** first quarter of **2023** **2024**.

ASP for light-weight CMP decreased from **\$423** **\$382**/tonne for the three months ended **September 30, 2022** **March 31, 2023** to **\$340** **\$355**/tonne for the three months ended **September 30, 2023** **March 31, 2024**, representing a **19.62%** **7.07%** decrease. ASP in RMB for light-weight CMP for the **third** first quarter of **2022** **2023** and **2023** **2024** was **RMB2,892** **RMB2,618** and **RMB2,439**, **RMB2,522**, respectively, representing a **15.66%** **3.68%** decrease. The quantity of light-weight CMP sold decreased by **2,297** **4,989** tonnes, from **12,507** **8,019** tonnes in the **third** first quarter of **2022**, **2023**, to **10,210** **3,030** tonnes in the **third** first quarter of **2023** **2024**.

Our PM6 production line, which produces regular CMP, has a designated capacity of 360,000 tonnes /year. The utilization rates for the **third** first quarter of **2024** and **2023** were **15.11%** and **2022** were **38.07%** and **66.82%** **44.49%**, respectively, representing a decrease of **28.75%** **29.38%**.

Quantities sold for regular CMP that was produced by the PM6 production line from **October 2021** **April 2022** to **September 2023** **March 2024** are as follows:

*Offset printing paper*

Revenue from offset printing paper was **\$69,227** (representing 0.44% of the total offset printing paper, CMP and tissue paper products revenues) for the three months ended September 30, 2023, representing an increase of **\$69,227**, or 100.00%, from **\$nil** for the three months ended September 30, 2022, **March 31, 2024** and **2023**. Production of offset printing paper had been **was** suspended in **year 2022** the three months ended **March 31, 2024** and **first nine months of 2023** except for an intermittent production in May and June 2023. The production of offset print paper was resumed in early **October 2023**. We sold 170 tonnes of offset printing paper in the third quarter of 2023.

*Tissue Paper Products*

Revenue from tissue paper products was **\$264,099** (representing 1.68% of the total offset printing paper, CMP **\$nil** and tissue paper products revenues) **\$222,953** for the three months ended **September 30, 2023**, representing a decrease of **\$29,058**, or 9.91%, from **\$293,157** for the three months ended September 30, 2022. We sold 241 tonnes **March 31, 2024** and **2023**, respectively. Production of tissue paper in the third quarter of 2023, as compared to 260 tonnes in the comparable period of 2022, representing a decrease of 19 tonnes, or 7.31%. Except for the production suspension in products **was suspended during the first quarter of 2020**, the production and sales of tissue paper products have been growing up steadily since the launch of PM8 and PM9 in December 2018 and November **2019, 2024**.

ASP for tissue paper products decreased from **\$1,128/tonne** for the three months ended September 30, 2022 to **\$1,096/tonne** for the three months ended September 30, 2023, representing a 2.84% decrease. ASP in RMB for tissue paper products for the third quarter of 2022 and 2023 was RMB7,913 and RMB7,849, respectively, representing a 0.81% decrease.

#### Revenue of Face Mask

Revenue generated from selling face mask were \$15,198 \$nil and \$56,871 \$35,637 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, representing a decrease of \$41,673, or 73.28%. We sold 507 thousand pieces of face masks in the third quarter of 2023, as compared to 1,282 thousand pieces in the comparable period of 2022, a decrease of 775 thousand pieces, or 60.45%, respectively.

#### Cost of Sales

Total cost of sales for CMP, offset printing paper and tissue paper products for the quarter ended September 30, 2023 March 31, 2024 was \$15,907,217, \$6,464,464, a decrease of \$12,978,386, \$13,553,915, or 44.93% 67.71%, from \$28,885,603 \$20,018,379 for the comparable period in 2022 2023. This was mainly due to the decrease in sales quantity and the decrease in the unit material costs of CMP.

Cost of sales for CMP was \$14,844,637 \$6,464,464 for the quarter ended September 30, 2023 March 31, 2024, as compared to \$27,834,752 \$19,089,115 for the comparable period in 2022 2023. The decrease in the cost of sales of \$12,990,115 \$12,624,651 for CMP was mainly due to the decrease decreases in sales volume and average unit cost of sales of CMP. Average cost of sales per tonne for CMP decreased by 13.25% 9.90%, from \$385 \$384 in the third first quarter of 2022 2023 to \$334 \$346 in the third first quarter of 2023 2024. The decrease in average cost of sales was mainly attributable to the lower average unit purchase costs (net of applicable value added tax) of recycled paper board in the third first quarter of 2023 2024 compared to the third first quarter of 2022 2023.

Cost of sales for tissue paper products was \$998,569 \$nil for the quarter ended September 30, 2023 March 31, 2024, as compared to \$1,050,851 for the comparable period in 2022. The decrease in the cost of sales of \$52,282 for tissue paper products was mainly due to the decrease in sales volume of tissue paper products, partially offset by the increase in average cost of sales. Average cost of sales per tonne of tissue paper products increased by 2.50%, from \$4,042 in the three months ended September 30, 2022, to \$4,143 \$929,264 for the comparable period in 2023. This is mainly due to the increase in cost. The production of tissue base paper paper products was suspended in the first quarter of 2024.

Changes in cost of sales and cost per tonne by product for the quarters ended September 30, 2023 March 31, 2024 and 2022 2023 are summarized below:

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023		Change in		Change in percentage		
	Cost of Sales	Cost per Tonne	Cost of Sales	Cost per Tonne	Cost of Sales	Cost per Tonne	Cost of Sales	Cost per Tonne	
Regular CMP	\$ 5,424,012	\$ 347	\$ 16,149,948	\$ 388	\$ (10,725,936)	\$ (41)	-66.41 %	-10.57	
Light-Weight CMP	\$ 1,040,452	\$ 343	\$ 2,939,167	\$ 367	\$ (1,898,715)	\$ (24)	-64.60 %	-6.54	
<b>Total CMP</b>	<b>\$ 6,464,464</b>	<b>\$ 346</b>	<b>\$ 19,089,115</b>	<b>\$ 384</b>	<b>\$ (12,624,651)</b>	<b>\$ (38)</b>	<b>-66.14 %</b>	<b>-9.90</b>	
Offset Printing Paper	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	%	%	
Tissue Paper Products	\$ -	\$ -	929,264	\$ 4,865	\$ (929,264)	\$ (4,865)	-100.00 %	-100.00	
<b>Total CMP, Offset Printing Paper and Tissue Paper</b>	<b>\$ 6,464,464</b>	<b>\$ n/a</b>	<b>\$ 20,018,379</b>	<b>\$ n/a</b>	<b>\$ (13,553,915)</b>	<b>\$ n/a</b>	<b>-67.71 %</b>	<b>n/a</b>	
Three Months Ended September 30, 2023			Three Months Ended September 30, 2022			Change in		Change in percentage	
Cost of Sales			Cost per Tonne			Cost of Sales		Cost per Tonne	
Regular CMP	\$ 11,116,060	\$ 325	\$ 23,218,241	\$ 388	\$ (12,102,181)	\$ (63)	-52.12 %	-16.24 %	
Light-Weight CMP	\$ 3,728,577	\$ 365	\$ 4,616,511	\$ 369	\$ (887,934)	\$ (4)	-19.23 %	-1.08 %	
<b>Total CMP</b>	<b>\$ 14,844,637</b>	<b>\$ 334</b>	<b>\$ 27,834,752</b>	<b>\$ 385</b>	<b>\$ (12,990,115)</b>	<b>\$ (51)</b>	<b>-46.67 %</b>	<b>-13.25 %</b>	
Offset Printing Paper	\$ 64,011	\$ 377	\$ -	\$ -	\$ 64,011	\$ 377	%	%	
Tissue Paper Products	\$ 998,569	\$ 4,143	\$ 1,050,851	\$ 4,042	\$ (52,282)	\$ 101	-4.98 %	2.50 %	
<b>Total CMP, Offset Printing Paper and Tissue Paper</b>	<b>\$ 15,907,217</b>	<b>\$ n/a</b>	<b>\$ 28,885,603</b>	<b>\$ n/a</b>	<b>\$ (12,978,386)</b>	<b>\$ n/a</b>	<b>-44.93 %</b>	<b>n/a</b>	

Our average unit purchase costs (net of applicable value added tax) of recycled paper board in the three months ended September 30, 2023 March 31, 2024 was RMB 1,239/1,276/tonne (approximately \$176/ \$180/tonne), as compared to RMB 1,561/1,502/tonne (approximately \$235/ \$219/tonne) for the three months ended September 30, 2022 March 31, 2023. These changes (in US dollars) represent a year-over-year decrease of 25.11% 17.81% for the recycled paper board. We use domestic recycled paper (sourced mainly from the Beijing-Tianjin metropolitan area) exclusively. Although we do not rely on imported recycled paper, the pricing of which tends to be more volatile than domestic recycled paper, our experience suggests that the pricing of domestic recycled paper bears some correlation to the pricing of imported recycled paper.

The pricing trends of our major raw materials for the 24-month period from **October 2021** **April 2022** to **September 2023** **March 2024** are shown below:

Electricity and gas are our two main energy sources. Electricity and gas accounted for approximately **5%** **4%** and **13.3%** **12.4%** of total sales in the **third** **first** quarter of **2023**, **2024**, respectively, compared to 4% and **11.6%** **14%** of total sales in the **third** **first** quarter of **2022**, **2023**. The monthly energy cost as a percentage of total monthly sales of our main paper products for the 24 months ended **September 30, 2023** **March 31, 2024** are summarized as follows:

**Gross Profit (Loss)**

Gross profit for the three months ended **September 30, 2023** **March 31, 2024** was **\$153,223** **\$399,113** (representing **0.97%** **5.81%** of the total revenue), representing **a decrease** **an increase** of **\$2,936,811**, **\$676,112**, or **105.50%** **244.08%**, from the gross profit/loss of **\$2,783,588** **\$276,999** (representing **8.78%** **1.40%** of the total revenue) for the three months ended **September 30, 2022**, as a result of factors described above. **March 31, 2023**.

#### Offset Printing Paper, CMP and Tissue Paper Products

Gross profit for offset printing paper, CMP and tissue paper products for the three months ended **September 30, 2023** March 31, 2024 was \$150,818, \$362,336, representing a decrease an increase of \$2,917,558, \$629,567, or **105.45%** 235.59%, from the gross profit loss of \$2,766,740 \$267,231 for the three months ended **September 30, 2022** March 31, 2023. The decrease This was mainly due to the result gross loss incurred for tissue paper products in the first quarter of the factors discussed above.2023.

The overall gross profit margin for offset printing paper, CMP and tissue paper products decreased increased by **9.70** 6.66 percentage points, from **8.74%** -1.35% for the three months ended **September 30, 2022** March 31, 2023, to **-0.96%** 5.31% for the three months ended **September 30, 2023** March 31, 2024.

Gross profit margin for regular CMP for the three months ended **September 30, 2023** March 31, 2024 was **7.01%** 5.68%, or **3.90** 3.75 percentage points lower, higher, as compared to gross profit margin of **10.91%** 1.93% for the three months ended **September 30, 2022** March 31, 2023. Such decrease increase was mainly due to the decrease in ASP of regular CMP, partially offset by the decrease in cost of recycled paper board, partially offset by the decrease in ASP of regular CMP in the **third** first quarter of 2023.2024.

Gross profit margin for light-weight CMP for the three months ended **September 30, 2023** March 31, 2024 was **-7.47%** 3.32%, or **20.31** 0.64 percentage points lower, as compared to gross profit margin of **12.84%** 3.96% for the three months ended **September 30, 2022** March 31, 2023. The decrease was mainly due to the decrease of ASP of light-weight CMP, partially offset by the decrease in cost of recycled paper board in the third quarter of 2023.

Gross profit margin for offset printing paper was 7.53% for the three months ended **September 30, 2023**.

Gross profit margin for tissue paper products for the three months ended **September 30, 2023** was -278.10%, or 19.64 percentage points lower, as compared to gross profit margin of -258.46% for the three months ended **September 30, 2022**. The decrease in gross loss was mainly due to the decrease in ASP of tissue paper products and the increase in cost of base paper.

Monthly gross profit margins on the sales of our CMP and offset printing paper for the 24-month period ended **September 30, 2023** March 31, 2024 are as follows:

#### Face Masks

##### Face Masks

Gross profit loss for face masks was a gross loss of \$2,393 and a gross profit of \$16,848, respectively, for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, representing a 2023 were gross margin loss of -15.75% \$nil and 29.62%, \$2,839, respectively.

##### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended **September 30, 2023** **March 31, 2024** were \$2,334,746, a decrease \$3,900,783, an increase of \$1,035,795, \$1,405,421, or 30.73% 56.32% from \$3,370,541 \$2,495,362 for the three months ended **September 30, 2022** **March 31, 2023**. The decrease was mainly due to the shares increase in depreciation of common stock granted and issued under our compensatory incentive plan in August 2022.idle fixed assets during production suspension.

##### Loss from Operations

Operating loss for the quarter ended **September 30, 2023** **March 31, 2024** was \$2,484,513, \$3,501,670, a decrease of \$1,897,560, \$729,309, or 323.29% 26.31%, from \$586,953 \$2,772,361 for the quarter ended **September 30, 2022** **March 31, 2023**. The increase decrease in loss from operations was primarily due to the decrease in gross profit, partially offset by decrease increase in selling, general and administrative expenses, partially offset by the increase in gross profit.

##### Other Income and Expenses

Interest expense for the three months ended **September 30, 2023** **March 31, 2024** decreased by \$8,860 \$38,879, from \$256,678 \$249,169 in the three months ended **September 30, 2022** **March 31, 2023**, to \$247,818 \$210,290. The Company had short-term and long-term interest-bearing loans, related party loans and leasing obligations that aggregated \$12,105,731 \$12,204,370 as of **September 30, 2023** **March 31, 2024**, as compared to \$14,681,595 \$18,212,347 as of **September 30, 2022** **March 31, 2023**.

##### Gain on derivative liability

The Company analyzed the warrant for derivative accounting consideration under ASC 815, "Derivatives and Hedging, and hedging," and determined that the instrument should be classified as a liability. ASC 815 requires we assess the fair market value of derivative liability at the end of each reporting period and recognize any change in the fair market value as other income or expense item. The change in fair value of derivative liability for the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** was a gain of \$660,429 \$34 and a loss of \$617,370, \$152,097, respectively.

##### Net Loss

##### Net Loss

As a result and the factors discussed above, net loss was \$1,975,368 \$3,746,536 for the quarter ended **September 30, 2023** **March 31, 2024**, representing a decrease of \$88,050, \$1,013,371, or 4.67%37.08%, from \$1,887,318 \$2,733,165 in net loss for the quarter ended **September 30, 2022** **March 31, 2023**.

**Accounts Receivable****Comparison of the nine months ended September 30, 2023 and 2022**

Revenue for the nine months ended September 30, 2023 was \$65,582,351, representing a decrease of \$13,397,365, or 16.96%, from \$78,979,716 for the same period in the previous year. This was mainly due to the decrease in ASP of CMP.

**Revenue of Offset Printing Paper, Corrugating Medium Paper and Tissue Paper Products**

Revenue from sales of offset printing paper, CMP and tissue paper products for the nine months ended September 30, 2023 was \$65,483,282, a decrease of \$13,295,389, or 16.88%, from \$78,778,671 for the nine months ended September 30, 2022. This was mainly due to the decrease in ASPs of CMP. Total quantities of offset printing paper, CMP and tissue paper products sold during the nine months ended September 30, 2023 amounted to 173,317 tonnes, an increase of 5,251 tonnes, or 3.12%, compared to 168,066 tonnes sold during the nine months ended September 30, 2022. Total quantities of CMP and offset printing paper sold increased by 5,565 tonnes in the nine months of 2023 as compared to the same period of 2022. We sold 726 tonnes of tissue paper products in the nine months of 2023 as opposed to 1,040 tonnes in the same period of 2022. Production of offset printing paper was resumed in May 2023. The changes in revenue and quantity sold for the nine months ended September 30, 2023 and 2022 are summarized as follows:

Sales Revenue	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022		Change in		Percentage Change	
	Quantity (Tonne)	Amount	Quantity (Tonne)	Amount	Quantity (Tonne)	Amount	Quantity	Amount
Regular CMP	135,912	\$ 50,352,851	139,036	\$ 65,015,400	(3,124)	\$ (14,662,549)	-2.25 %	-22.55 %
Light-Weight CMP	31,106	\$ 11,073,937	27,990	\$ 12,660,338	3,116	\$ (1,586,401)	11.13 %	-12.53 %
<b>Total CMP</b>	<b>167,018</b>	<b>\$ 61,426,788</b>	<b>167,026</b>	<b>\$ 77,675,738</b>	<b>(8)</b>	<b>\$ (16,248,950)</b>	<b>0.00 %</b>	<b>-20.92 %</b>
Offset Printing Paper	5,573	\$ 3,225,109	-	\$ -	5,573	\$ 3,225,109	- %	- %
Tissue Paper Products	726	\$ 831,385	1,040	\$ 1,102,933	(314)	\$ (271,548)	-30.19 %	-24.62 %
<b>Total CMP, Offset Printing Paper and Tissue Paper Revenue</b>	<b>173,317</b>	<b>\$ 65,483,282</b>	<b>168,066</b>	<b>\$ 78,778,671</b>	<b>5,251</b>	<b>\$ (13,295,389)</b>	<b>3.12 %</b>	<b>-16.88 %</b>

ASPs for our main products in the nine-month period ended September 30, 2023 and 2022 are summarized as follows:

	Offset Printing Paper ASP	Regular CMP ASP	Light-Weight CMP ASP	Tissue Paper Products ASP
Nine Months Ended September 30, 2023	\$ 579	\$ 370	\$ 356	\$ 1145
Nine Months Ended September 30, 2022	\$ -	\$ 468	\$ 452	\$ 1061
Increase (Decrease) from comparable period in the previous year	\$ 579	\$ (98)	\$ (96)	\$ 84
Increase (Decrease) by percentage	- %	-20.94 %	-21.24 %	7.92 %

**Revenue of Face Masks**

Revenue generated from selling face masks were \$95,080 and \$201,045 for the nine months ended September 30, 2023 and 2022. We sold 3,023 thousand pieces of face masks for the nine months ended September 30, 2023, as compared to 4,295 thousand pieces in the comparable period of 2022, a decrease of 1,272 thousand pieces, or 29.62%.

**Cost of Sales**

Total cost of sales for CMP, offset printing paper and tissue paper products in the nine months ended September 30, 2023 was \$64,717,786, a decrease of \$10,384,544, or 13.83%, from \$75,102,330 for the nine months ended September 30, 2022. This was mainly due to the decrease of material costs of CMP. Cost of sales for CMP was \$58,592,582 for the nine months ended September 30, 2023, as compared to \$71,863,579 in the same period of 2022. Average cost of sales per tonne for CMP decreased by 18.37%, from \$430 for the nine months ended September 30, 2022, to \$351 in the same period of 2023. This was mainly attributable to the lower average unit purchase costs (net of applicable value added tax) of recycled paper board. Cost of sales for tissue paper products was \$2,981,708 for the nine months ended September 30, 2023, as compared to \$3,238,751 in the same period of 2022.

Changes in cost of sales and cost per tonne by product for the nine months ended September 30, 2023 and 2022 are summarized below:

	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022		Change in		Change in percentage	
	Cost of Sales	Cost per Tonne	Cost of Sales	Cost per tonne	Cost of Sales	Cost per Tonne	Cost of Sales	Cost per Tonne
Regular CMP	\$ 47,704,888	\$ 351	\$ 60,363,632	\$ 434	\$ (12,658,744)	\$ (83)	-20.97%	-19.12%
Light-Weight CMP	\$ 10,887,694	\$ 350	\$ 11,499,947	\$ 411	\$ (612,253)	\$ (61)	-5.32%	-14.84%
<b>Total CMP</b>	<b>\$ 58,592,582</b>	<b>\$ 351</b>	<b>\$ 71,863,579</b>	<b>\$ 430</b>	<b>\$ (13,270,997)</b>	<b>\$ (79)</b>	<b>-18.47%</b>	<b>-18.37%</b>
Offset Printing Paper	\$ 3,143,496	\$ 564	\$ -	\$ -	\$ 3,143,496	\$ 564	-%	0.00%
Tissue Paper Products	\$ 2,981,708	\$ 4,107	\$ 3,238,751	\$ 3,114	\$ (257,043)	\$ 993	-7.94%	31.89%
<b>Total CMP, Offset Printing Paper and Tissue Paper Revenue</b>	<b>\$ 64,717,786</b>	<b>\$ n/a</b>	<b>\$ 75,102,330</b>	<b>\$ n/a</b>	<b>\$ (10,384,544)</b>	<b>\$ n/a</b>	<b>-13.83%</b>	<b>n/a %</b>

#### Gross Profit

Gross profit for the nine months ended September 30, 2023 was \$749,636 (representing 1.14% of the total revenue), representing a decrease of \$2,978,434, or 79.89%, from the gross profit of \$3,728,070 (representing 4.72% of the total revenue) for the nine months ended September 30, 2022. The decrease was mainly due to (i) the decrease in ASP of CMP, and (ii) the increase in material costs of tissue paper products.

#### Offset Printing Paper, CMP and Tissue Paper Products

Gross profit for offset printing paper, CMP and tissue paper products for the nine months ended September 30, 2023 was \$765,496, a decrease of \$2,910,845, or 79.18%, from the gross profit of \$3,676,341 for the nine months ended September 30, 2022. The decrease was mainly the result of the factors discussed above.

The overall gross profit margin for offset printing paper, CMP and tissue paper products decreased by 3.50 percentage points, from 4.67% for the nine months ended September 30, 2022, to 1.17% for the nine months ended September 30, 2023.

Gross profit margin for regular CMP for the nine months ended September 30, 2023 was 5.26%, or 1.89 percentage points lower, as compared to gross profit margin of 7.15% for the nine months ended September 30, 2022. Such decrease was primarily due to the decrease in ASP of regular CMP.

Gross profit margin for light-weight CMP for the nine months ended September 30, 2023 was 1.68%, or 7.49 percentage points lower, as compared to gross profit margin of 9.17% for the nine months ended September 30, 2022. Such decrease was primarily due to the decrease in ASP of light-weight CMP.

Gross profit margin for offset printing paper was 2.53% for the nine months ended September 30, 2023.

Gross profit margin for tissue paper products was -258.64% for the nine months ended September 30, 2023, a decrease of 64.99 percentage points, as compared to -193.65% for the nine months ended September 30, 2022. The decrease was mainly due to the increase in cost of tissue base paper.

#### Face Masks

Gross loss for face mask for the nine months ended September 30, 2023 was \$8,801, representing a gross margin of -9.26% compared with a gross profit of \$51,729, representing a gross margin of 25.73%, for the nine months ended September 30, 2022.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended September 30, 2023 were \$6,153,513, a decrease of \$2,387,711, or 27.96% from \$8,541,224 for the nine months ended September 30, 2022. The decrease was mainly due to the reversal of doubtful debt loss and the decrease in depreciation of idle fixed assets during production suspension.

#### Loss from Operations

Operating loss for the nine months ended September 30, 2023 was \$5,775,557, a decrease of \$962,403, or 20.00%, from \$4,813,154 for the nine months ended September 30, 2022. The decrease was primarily due to the decrease in gross profit and recognition of impairment loss on assets, partially offset by the decrease in selling, general and administrative expenses.

#### Other Income and Expenses

Interest expense for the nine months ended September 30, 2023 decreased by \$18,929, from \$786,597 for the nine months ended September 30, 2022, to \$767,668. The Company had short-term and long-term interest-bearing loans and lease obligation that aggregated \$12,105,731 as of September 30, 2023, as compared to \$14,681,595 as of September 30, 2022.

#### Gain on derivative liability

The Company analyzed the warrant for derivative accounting consideration under ASC 815, "Derivatives and Hedging, and hedging," and determined that the instrument should be classified as a liability. ASC 815 requires we assess the fair market value of derivative liability at the end of each reporting period and recognize any change in the fair market value as other income or expense item.

The change in fair value of derivative liability for the three months ended September 30, 2023 and 2022 was a gain of \$ 646,020 and a gain of \$729,263, respectively.

#### Net Loss

As a result of the above, net loss was \$5,962,026 for the nine months ended September 30, 2023, representing an increase of net loss of \$1,298,581, or 27.85%, from \$4,663,445 for the nine months ended September 30, 2022.

#### Accounts Receivable

Net accounts receivable was \$2,794,437 increased by \$1,810,651, or 314.61%, to \$2,386,177 as of September 30, 2023 March 31, 2024, as compared with \$nil \$575,526 as of December 31, 2022 December 31, 2023. We usually collect accounts receivable within 30 days of delivery and completion of sales.

#### Inventories

Inventories consist of raw materials (accounting for 74.58% 36.15% of total value of inventory as of September 30, 2023 March 31, 2024), semi-finished goods and finished goods. As of September 30, 2023 March 31, 2024, the recorded value of inventory increased decreased by 86.76% 1.77% to \$5,364,777 \$3,492,364 from \$2,872,622 \$3,555,235 as of December 31, 2022 December 31, 2023.

As of September 30, 2023 March 31, 2024, the inventory of recycled paper board, which is the main raw material for the production of CMP, was \$3,580,255 \$1,031,201, approximately \$2,322,094, \$832,457, or 184.56% 418.86%, higher than the balance as of December 31, 2022 December 31, 2023. As a result of better control over stock turnover and volatility of recycled paper board price, inventory was kept in a minimum level as of December 2022, 2023.

A summary of changes in major inventory items is as follows:

	September 30,		December 31,		% Change	March 31,		December 31,	
	2023	2022		\$ Change		2024	2023	\$ Change	% Change
<b>Raw Materials</b>									
Recycled paper board	\$ 3,580,255	\$ 1,258,161	2,322,094	184.56 %	\$ 1,031,201	\$ 198,744	832,457	418.86 %	
Recycled white scrap paper	10,503	10,809	-306	-2.83 %	10,629	10,647	-18	-0.17 %	
Tissue base paper	173,508	60,660	112,848	186.03 %	21,101	21,138	-37	-0.18 %	
Gas	107,652	42,237	65,415	154.88 %	33,083	21,428	11,655	54.39 %	
<b>Mask fabric and other raw materials</b>	<b>129,076</b>	<b>99,569</b>	<b>29,507</b>	<b>29.63 %</b>					
<b>Other raw materials</b>					<b>166,410</b>	<b>121,011</b>	<b>45,399</b>	<b>37.52 %</b>	
<b>Total Raw Materials</b>	<b>4,000,994</b>	<b>1,471,436</b>	<b>2,529,558</b>	<b>171.91 %</b>	<b>1,262,424</b>	<b>372,968</b>	<b>889,456</b>	<b>238.48 %</b>	
Semi-finished Goods	634,615	132,810	501,805	377.84 %	299,686	300,207	-521	-0.17 %	
Finished Goods	729,168	1,268,376	-539,208	-42.51 %	1,930,254	2,885,019	-954,765	-33.09 %	
<b>Total inventory, gross</b>	<b>5,364,777</b>	<b>2,872,622</b>	<b>2,492,155</b>	<b>86.76 %</b>	<b>3,492,364</b>	<b>3,558,194</b>	<b>-65,830</b>	<b>-1.85 %</b>	
Inventory reserve	-	-	-	-	-	(2,959)	5	100 %	
<b>Total inventory, net</b>	<b>\$ 5,364,777</b>	<b>\$ 2,872,622</b>	<b>2,492,155</b>	<b>86.76 %</b>	<b>\$ 3,492,364</b>	<b>\$ 3,555,235</b>	<b>(65,825)</b>	<b>-1.77 %</b>	

Renewal of operating lease

On August 7, 2013, the Company's Audit Committee and the Board of Directors approved the sale of the land use right of the Headquarters Compound (the "LUR"), the office building and essentially all industrial-use buildings in the Headquarters Compound (the "Industrial Buildings"), and three employee dormitory buildings located within the Headquarters Compound (the "Dormitories") to Hebei Fangsheng for cash prices of approximately \$2.77 million, \$1.15 million, and \$4.31 million respectively. In connection with the sale of the Industrial Buildings, Hebei Fangsheng agreed to lease the Industrial Buildings back to the Company for its original use for a term of up to three years, with an annual rental payment of approximately ~~\$142,165~~ \$140,829 (RMB1,000,000). The lease agreement was renewed in August 2022 with a term of six years with the same rental payments as provided for in the original lease agreement.

#### Capital Expenditure Commitment as of September 30, 2023 March 31, 2024

On May 5, 2020, the Company announced it planned the commercial launch of a new tissue paper production line PM10 and the Company signed an agreement to purchase paper machine with paper machine supplier. The Company expected the new tissue paper production line to be launched after the completion of trial run.

As of **September 30, 2023** March 31, 2024, we had approximately **\$3.8 million** **\$3.5 million** in capital expenditure commitments that were mainly related to the purchase of paper machine of PM10. The infrastructure work of PM10 has been completed and the associated ancillary facilities are working in progress. These commitments are expected to be financed by bank loans and cash flows generated from our business operations.

#### Financing with Sale-Leaseback

The Company entered into a sale-leaseback arrangement (the "Lease Financing Agreement") with TAC Leasing Co., Ltd. ("TLCL") on August 6, 2020, for a total financing proceeds in the amount of RMB 16 million (approximately US\$**2.5****2.3** million). Under the sale-leaseback arrangement, Tengsheng Paper sold the Leased Equipment to TLCL for 16 million (approximately US\$**2.5****2.3** million). Concurrent with the sale of equipment, Tengsheng Paper leases back the equipment sold to TLCL for a lease term of three years. At the end of the lease term, Tengsheng Paper may pay a nominal purchase price of RMB 100 (approximately **\$16****\$14**) to TLCL and buy back the Leased Equipment. The Leased Equipment in amount of \$2,349,452 was recorded as right of use assets and the net present value of the minimum lease payments was recorded as lease liability and calculated with TLCL's implicit interest rate of 15.6% per annum and stated at \$567,099 at the inception of the lease on August 17, 2020.

Tengsheng Paper made payments due according to the schedule. On July 17, 2023, the Company made a final payment on outstanding obligations and bought back the Lease Equipment at nominal price according to the agreement. The lease assets were reclassified as own assets and balance of Leased Equipment net of amortization were \$nil and \$1,939,970 as of **September 30, 2023** March 31, 2024 and December 31, 2022, respectively. December 31, 2023.

#### Cash and Cash Equivalents

Our cash, cash equivalents and restricted cash as of **September 30, 2023** March 31, 2024 was **\$9,437,941**, a decrease **\$5,417,560**, an increase of **\$86,927**, **\$1,025,639**, from **\$9,524,868** **\$4,391,921** as of **December 31, 2022** December 31, 2023. The **decrease** **increase** of cash and cash equivalents for the **nine** **three** months ended **September 30, 2023** March 31, 2024 was attributable to a number of factors including:

##### i. Net cash provided by (used in) operating activities

Net cash provided by operating activities was **\$7,494,114** **\$624,420** for the **nine** **three** months ended **September 30, 2023** March 31, 2024. The balance represented **an increase** **a decrease** of cash of **\$62,847**, **\$4,185,507**, or **0.85%** **87.02%**, from **\$7,431,267** **\$4,809,928** provided for the **nine** **three** months ended **September 30, 2022** March 31, 2023. Net loss for the **nine** **three** months ended **September 30, 2023** March 31, 2024 was **\$5,962,026**, **\$3,746,536**, representing a decrease of **\$1,298,581**, **\$1,013,371**, or **27.85%** **37.08%**, from a net loss of **\$4,663,445** **\$2,733,165** for the **nine** **three** months ended **September 30, 2022** March 31, 2023. Changes in various asset and liability account balances throughout the **nine** **three** months ended **September 30, 2023** March 31, 2024 also contributed to the net change in cash from operating activities in **nine** **three** months ended **September 30, 2023** March 31, 2024. Chief among such changes is the increase of accounts receivable in the amount of **\$2,037,003** **\$1,847,112** during the **nine** **three** months of **2023** **2024**. There was also **an increase** **a decrease** of **\$2,631,661** **\$59,612** in the ending inventory balance as of **September 30, 2023** **(a decrease** **March 31, 2024** **an increase** to net cash for the **nine** **three** months ended **September 30, 2023** March 31, 2024 cash flow purposes). In addition, the Company had non-cash expenses relating to depreciation and amortization in the amount of **\$10,573,288**, **\$3,481,788**. The Company also had a net decrease of **\$7,968,553** **\$1,276,805** in prepayment and other current assets (an increase to net cash) and a net increase of **\$381,203** **\$908,127** in other payables and accrued liabilities and related parties (an increase to net cash), as well as a **decrease** in income tax payable of **\$413,777** (**a decrease** to net cash) during the **nine** **three** months ended **September 30, 2023** March 31, 2024.

ii. Net cash used in investing activities

We incurred **\$9,211,711** **\$9,027** in net cash expenditures for investing activities during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, as compared to **\$8,189,410** **\$295,018** for the same period of **2022,2023**.

iii. Net cash provided by financing activities

Net cash provided by financing activities was **\$1,997,269** **\$422,488** for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, as compared to net cash provided by financing activities in the amount of **\$6,840,080** **\$2,564,646** for the **nine** **three** months ended **September 30, 2022** **March 31, 2023**.

Short-term bank loans

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Bank of Cangzhou 1			\$ 140,944	\$ -
Bank of Cangzhou 2			281,889	-
Industrial and Commercial Bank of China ("ICBC") Loan 1	\$ -	\$ 5,023,978	2,819	2,824
ICBC Loan 2	-	287,167	70,472	70,594
ICBC Loan 3	-	143,583	349,542	350,149
ICBC Loan 4	417,839	-		
China Construction Bank Loan	-	143,583		
ICBC Loan 5	417,839	-		
<b>Total short-term bank loans</b>	<b>\$ 835,678</b>	<b>\$ 5,598,311</b>	<b>\$ 845,666</b>	<b>\$ 423,567</b>

On **November 10, 2022** **December 31, 2023**, the Company entered into a working capital loan agreement with the **ICBC**. The loan was secured by the land use right **Bank of Dongfang Paper** as collateral for the benefit of the bank and guaranteed by **Mr. Liu**. The loan bore **Cangzhou**, to borrow **\$140,944** at a fixed interest rate of **4.785%** **5.5%** per annum. The company repaid **\$71,743** in **May 2023** and paid off the remaining balance **loan is secured by certain of the loan in August 2023**. The balance **Company's manufacturing equipment with net book value of the loan was \$nil and \$5,023,978** **\$306,528** as of **September 30, 2023** and **December 31, 2022**, respectively. **March 31, 2024**. The loan will be due by **December 30, 2024**.

On **November 30, 2022** **December 31, 2023**, the Company entered into a working capital loan agreement with the **Bank of Cangzhou**, to borrow **\$281,889** at a fixed interest rate of **5.5%** per annum. The loan will be due by **December 30, 2024**.

On **September 15, 2023**, the Company entered into a working capital loan agreement with the **ICBC**, with a balance of **\$nil** **\$2,819** and **\$287,167** **\$2,824** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. The loan bore **an** **bears** a fixed interest rate of **4.25%** **3.45%** per annum. The loan was repaid in **May 2023**, will be due by **September 14, 2024**.

On **November 30, 2022** **September 22, 2023**, the Company entered into a working capital loan agreement with the **ICBC**, with a balance of **\$nil** **\$70,472** and **\$143,583** **\$70,594** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. The loan **bore** **an** **bears** a fixed interest rate of **4.25%** **3.45%** per annum. The loan was repaid in **May 2023**, will be due by **September 21, 2024**.

On **May 29, 2023** **September 22, 2023**, the Company entered into a working capital loan agreement with the **ICBC**, with a balance of **\$417,839** **\$349,542** and **\$350,149** as of **September 30, 2023** **March 31, 2024** and **December 31, 2023**, respectively. The loan bears a fixed interest rate of **4.25%** **3.45%** per annum. The loan will be due by **November 25, 2023** **September 21, 2024**.

On **July 29, 2022**, the Company entered into a working capital loan agreement with the **China Construction Bank**, with a balance of **\$nil** and **\$143,583** as of **September 30, 2023** and **December 31, 2022**, respectively. The loan bore a fixed interest rate of **3.95%** per annum. The loan was fully repaid in **July 2023**.

On **June 29, 2023**, the Company entered into a working capital loan agreement with the **ICBC**, with a balance of **\$417,839** as of **September 30, 2023**. The loan bears a fixed interest rate of **3.55%** per annum. The loan will be due by **June 28, 2024**.

As of **September 30, 2023** **March 31, 2024**, there were guaranteed short-term borrowings of **\$nil** and unsecured bank loans of **\$968,751** **\$704,722**. As of **December 31, 2022** **December 31, 2023**, there were guaranteed short-term borrowings of **\$5,023,978** **\$nil** and unsecured bank loans of **\$574,333** **\$423,567**.

The average short-term borrowing rates for the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** were approximately **4.52%** **4.48%** and **4.28%** **4.72%**. The average short-term borrowing rates for the nine months ended **September 30, 2023** and **2022** were approximately **4.66%** and **4.6%**.

Long-term loans

Long-term loans

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, long-term loans were **\$11,270,053** **\$11,358,704** and **\$9,040,002** **\$11,378,429**, respectively.

On April 16, 2014, the Company entered into a loan agreement with the Rural Credit Union of Xushui District for a term of 5 years, which was originally due in various installments from June 21, 2014 to November 18, 2018. The loan is guaranteed by an independent third party. Interest payment is due quarterly and bore a rate of 7.68% per annum. Effective from November 15, 2022, the interest rate was reduced to 7% per annum. On November 6, 2018, the loan was renewed for additional 5 years and will be due and payable in various installments from December 21, 2018 to November 5, 2023. As of September 30, 2023 and December 31, 2022, total outstanding loan balance was \$1,197,805 and \$1,234,816, respectively, which are presented as current liabilities in the consolidated balance sheet.

On July 15, 2013, the Company entered into a loan agreement with the Rural Credit Union of Xushui District for a term of 5 years, which was originally due and payable in various installments from December 21, 2013 to July 26, 2018. On June 21, 2018, the loan was extended for additional 5 years and was due and payable in various installments from December 21, 2018 to June 20, 2023. On June 19, 2023 August 24, 2023, the loan was extended for another 5 years and will be due and payable on June 20, 2028 August 24, 2026. The loan is secured by certain of the Company's manufacturing equipment with net book value of \$29,713 and \$280,466 \$nil as of September 30, 2023 March 31, 2024 and December 31, 2022, respectively. December 31, 2023, Interest payment is due quarterly monthly and bore a rate of 7.68% per annum. Effective from November 15, 2022, the interest rate was reduced to 7% per annum. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the total outstanding loan balance was \$3,481,536 \$3,522,200 and \$3,589,582, \$3,528,315. Out of the total outstanding loan balance, current portion amounted was \$1,267,090 and \$1,269,290, which are presented as non-current current liabilities in the consolidated balance sheet and current the remaining balance of \$2,255,110 and \$2,259,025 is presented as non-current liabilities in the consolidated balance sheet as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

On April 17, 2019, the Company entered into a loan agreement with the Rural Credit Union of Xushui District for a term of 2 years, which was due and payable in various installments from August 21, 2019 to April 16, 2021. The loan was renewed on March 22, 2021 and December 24, 2021 and extended for additional 3 years in total, which will be due on April 16, 2024 according to the new schedule. The loan is secured by Tengsheng Paper with its land use right as collateral for the benefit of the credit union. Interest payment is due quarterly and bore a rate of 7.68% per annum. Effective from November 15, 2022, the interest rate was reduced to 7% per annum. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the total outstanding loan balance was \$2,228,474 \$2,255,109 and \$2,297,332, \$2,259,026, respectively, which are presented as current liabilities and non-current liabilities in the consolidated balance sheet as of September 30, 2023 March 31, 2024 and December 31, 2022, respectively. December 31, 2023.

On December 12, 2019, the Company entered into a loan agreement with the Rural Credit Union of Xushui District for a term of 2 years, which is due and payable in various installments from June 21, 2020 to December 11, 2021. The loan was renewed on March 22, 2021 and December 24, 2021 and extended for additional 3 years in total, which will be due on December 11, 2024 according to the new schedule. The loan is secured by Tengsheng Paper with its land use right as collateral for the benefit of the credit union. Interest payment is due monthly and bore a rate of 7.56% per annum. Effective from November 15, 2022, the interest rate was reduced to 7% per annum. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the total outstanding loan balance was \$1,810,635 \$1,832,276 and \$1,866,582, \$1,835,458, respectively, which are presented as non-current current liabilities in the consolidated balance sheet as of September 30, 2023 March 31, 2024 and December 31, 2022, respectively. December 31, 2023.

On February 26, 2023, the Company entered into a loan agreement with the Rural Credit Union of Xushui District for a term of 2 years, which is due and payable in various installments from August 21, 2023 to February 24, 2025. The loan is secured by Dongfang Paper with its land use right as collateral for the benefit of the credit union. Interest payment is due monthly and bore a rate of 7% per annum. As of September 30, 2023 March 31, 2024 and December 31, 2023, the total outstanding loan balance was \$2,507,034 \$2,536,998 and \$2,541,404. Out of the total outstanding loan balance, current portion amounted was \$1,267,445, \$2,536,998 and \$1,284,820, which is presented as current liabilities in the consolidated balance sheet and the remaining balance of \$1,239,589 \$nil and \$1,256,584 is presented as non-current liabilities in the consolidated balance sheet as of September 30, 2023 March 31, 2024 and December 31, 2023, respectively.

On July 1, 2022 December 5, 2023, the Company entered into a loan agreement with Jiangna Yu, a customer the Rural Credit Union of the Company, pursuant to which the Company borrowed RMB 400,000 from Jiangna Yu Xushui District for a term of five years. 3 years, which was due in various installments from June 21, 2024 to December 5, 2026. The loan is payable in was guaranteed by an independent third party. Interest payment was due monthly installment and bore a rate of RMB10,667 from July 2022 to July 2027, 7% per annum. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the total outstanding loan balance was \$44,569 \$1,212,121 and \$51,690, \$1,214,226, respectively. Out of the total outstanding loan balance, current portion amounted \$11,072 \$225,511 and \$13,928, respectively, \$225,903, which are presented as current liabilities and the remaining balance of \$30,641 \$986,610 and \$40,204 are \$988,323 is presented as non-current liabilities in the consolidated balance sheet as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Total interest expenses for the short-term bank loans and long-term loans for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 were \$247,628 \$209,586 and \$248,239, \$244,679, respectively. Total interest expenses for the short-term bank loans and long-term loans for the nine months ended September 30, 2023 and 2022 were \$760,807 and \$753,789, respectively.

#### Shareholder Loans

#### Shareholder Loans

Mr. Zhenyong Liu, the Company's CEO has loaned money to Dongfang Paper for working capital purposes over a period of time. On January 1, 2013, Dongfang Paper and Mr. Zhenyong Liu renewed the three-year term loan previously entered on January 1, 2010, and extended the maturity date further to December 31, 2015. On December 31, 2015, the Company paid off the loan of \$2,249,279, together with interest of \$391,374 for the period from 2013 to 2015. Approximately \$354,748 \$361,289 and \$357,021 \$361,915 of interest were outstanding to Mr. Zhenyong Liu, which were recorded in other payables and accrued liabilities as part of the current liabilities in the consolidated balance sheet as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

On December 10, 2014, Mr. Zhenyong Liu provided a loan to the Company, amounted to \$8,742,278 to Dongfang Paper for working capital purpose with an interest rate of 4.35% per annum, which was based on the primary lending rate of People's Bank of China. The unsecured loan was provided on December 10, 2014, and would be originally due on December 10, 2017. During the year of 2016, the Company repaid \$6,012,416 to Mr. Zhenyong Liu, together with interest of \$288,596. In February 2018, the company paid off the remaining balance, together with interest of \$20,400. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, approximately \$41,784 \$42,283 and \$43,075 \$42,357 of interest, respectively were outstanding to Mr. Zhenyong Liu, which was recorded in other payables and accrued liabilities as part of the current liabilities in the consolidated balance sheet.

On March 1, 2015, the Company entered an agreement with Mr. Zhenyong Liu which allows Dongfang Paper to borrow from the CEO an amount up to \$17,201,342 (RMB120,000,000) for working capital purposes. The advances or funding under the agreement are due three years from the date each amount is funded. The loan is unsecured and carries an annual interest rate set on the basis of the primary lending rate of the People's Bank of China at the time of the borrowing. On July 13, 2015, an unsecured amount of \$4,324,636 was drawn from the facility. On October 14, 2016 an unsecured amount of \$2,883,091 was drawn from the facility. In February 2018, the company repaid \$1,507,432 to Mr. Zhenyong Liu. The loan would be originally due on July 12, 2018. Mr. Zhenyong Liu agreed to extend the loan for additional 3 years and the remaining balance was will be due on July 12, 2021. On November 23, 2018, the Company company repaid \$3,768,579 to Mr. Zhenyong Liu, together with interest of \$158,651. In December 2019, the Company company paid off the remaining balance, together with interest of 94,636. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the outstanding interest was \$191,422 \$193,710 and \$197,338, \$194,047, respectively, which was recorded in other payables and accrued liabilities as part of the current liabilities in the consolidated balance sheet.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, total amount of loans due to Mr. Zhenyong Liu were \$nil. The interest expense incurred for such related party loans were \$nil for the three and nine months ended September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The accrued interest owing to Mr. Zhenyong Liu was approximately \$590,227 \$597,282 and \$608,465, \$598,319, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, which was recorded in other payables and accrued liabilities.

On December 8, 2021, the Company entered into an agreement with Mr. Zhenyong Liu, which allows Mr. Zhenyong Liu to borrow from the Company an amount of \$6,507,431 (RMB44,089,085). The loan is unsecured and carries a fixed interest rate of 3% per annum. The loan was repaid by Mr. Zhenyong Liu in February 2022.

In October 2022 and November 2022, the Company entered into two agreements with Mr. Zhenyong Liu, which allowed Mr. Zhenyong Liu to borrow from the Company an amount of \$6,963,982 (RMB50,000,000) in total. The loans were unsecured and carried a fixed interest rate of 4.35% per annum. \$4,264,938 (RMB30,000,000) was repaid by Mr. Zhenyong Liu in August 2023. The remaining balance will be repaid in November 2023. Interest income of the loan for the nine months ended September 30, 2023 was \$263,342.

As of September 30, 2023 and December 31, 2022, amount due to shareholder was \$727,433, which represents funds from shareholders to pay for various expenses incurred in the U.S. The amount is due on demand with interest free.

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

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made. However, actual results could differ materially from those estimates. The most critical accounting policies are listed below:

##### Revenue Recognition Policy

The Company recognizes revenue when goods are delivered and a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist, and collectability is reasonably assured. Goods are considered delivered when the customer's truck picks up goods at our finished goods inventory warehouse.

##### Long-Lived Assets

##### Long-Lived Assets

The Company evaluates the recoverability of long-lived assets and the related estimated remaining useful lives when events or circumstances lead management to believe that the carrying value of an asset may not be recoverable and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. In such circumstances, those assets are written down to estimated fair value. Our judgments regarding the existence of impairment indicators are based on market conditions, assumptions for operational performance of our businesses, and possible government policy toward operating efficiency of the Chinese paper manufacturing industry. For the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, no events or circumstances occurred for which an evaluation of the recoverability of long-lived assets was required. We are currently not aware of any events or circumstances that may indicate any need to record such impairment in the future.

##### Foreign Currency Translation

The functional currency of Dongfang Paper and Baoding Shengde is the Chinese Yuan Renminbi ("RMB"). Under ASC Topic 830-30, all assets and liabilities are translated into United States dollars using the current exchange rate at the end of each fiscal period. The current exchange rates used by the Company as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** to translate the Chinese RMB to the U.S. Dollars are **7.1798**:**7.0950**:**1** and **6.9646**:**7.0827**:**1**, respectively. Revenues and expenses are translated using the prevailing average exchange rates at **7.0341**:**7.1008**:**1** and **6.6410**:**6.8613**:**1** for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, respectively. Translation adjustments are included in other comprehensive income (loss).

##### Off-Balance Sheet Arrangements

We were the guarantor for Baoding Huanrun Trading Co., for its long-term bank loans in an amount of **\$4,317,669** **\$4,369,274** (RMB31,000,000), which matures at various times in 2028. Baoding Huanrun Trading Co. is one of our major suppliers of raw materials. This helps us to maintain a good relationship with the supplier and negotiate for better terms in payment for materials. If Huanrun Trading Co. were to become insolvent, the Company could be materially adversely affected. Except as aforesaid, we have no material off-balance sheet transactions.

#### **Recent Accounting Pronouncements**

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The new amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

#### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

##### **Foreign Exchange Risk**

While our reporting currency is the US dollar, almost all of our consolidated revenues and consolidated costs and expenses are denominated in RMB. All of our assets are denominated in RMB except for some cash and cash equivalents and accounts receivables. As a result, we are exposed to foreign exchange risks as our revenues and results of operations may be affected by fluctuations in the exchange rate between US dollar and RMB. If the RMB depreciates against the US dollar, the value of our RMB revenues, earnings and assets as expressed in our US dollar financial statements will decline. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk.

##### **Inflation**

Although we are generally able to pass along minor incremental cost inflation to our customers, inflation such as increases in the costs of our products and overhead costs may adversely affect our operating results. We do not believe that inflation in China has had a material impact on our financial position or results of operations to date, however, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling and distribution, general and administrative expenses as a percentage of net revenues if the selling prices of our products do not increase in line with the increased costs.

#### **Item 4. Controls and Procedures.**

As required by Rule 13a-15 of the Securities Exchange Act, as amended (the "Exchange Act"), we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, which were designed to provide reasonable assurance of achieving their objectives. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of **September 30, 2023** **March 31, 2024**, our disclosure controls and procedures were effective at the reasonable assurance level to ensure (1) that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (2) information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

##### **Changes in Internal Control over Financial Reporting**

There were no changes with respect to our internal control over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting in the quarterly period ended **September 30, 2023** **March 31, 2024**.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. We are currently not a party to any legal or administrative proceedings and are not aware of any pending or threatened legal or administrative proceedings against us in all material aspects. We may from time to time become aspects other than the following: In February 17, 2022, FT Global Capital, Inc. ("FTG"), filed a party to various legal or administrative proceedings arising lawsuit against the Company in the ordinary course Commercial Division of New York Supreme Court (the "Court"). FTG has brought a breach of contract action against the Company to recover fees in connection with an agreement that the parties entered into in April 2019 (the "Agreement"). The Company has answered FTG's complaint and has denied the allegations because it is the Company's position that FTG did not fulfill its obligations under the terms of the Agreement. Discovery is continuing. The Court issued a Status Conference Order (the "Order") dated April 15, 2024. According to the Order, the Court ordered that the Company has failed to appear and is in default, and that pursuant to the warning given in the Court's order dated March 22, 2024, the Company's default renders its answer subject to being stricken, and accordingly the answer of the Company is hereby stricken. On April 18, 2024, FT Global filed a notice of motion for default judgment against the Company.

In November 2023, an individual plaintiff involved in a civil loan dispute filed a lawsuit against the defendants including Tengsheng Paper and Jie Ping, who served as the executive director and the legal representative of Tengsheng Paper, at the Lianchi District People's Court of Baoding City, China (the "PRC Court"). On December 1, 2023, the plaintiff sought property preservation measures, requesting the PRC Court to freeze RMB3.35 million worth of bank deposits held by Jie Ping and Tengsheng Paper. Following this request, on the same day, the PRC Court issued a ruling to immediately freeze the RMB3.35 million worth of bank deposits of Jie Ping and Tengsheng Paper.

The ultimate resolution of the proceedings may have a material adverse impact on our business, financial condition, results of operations or cash flows. Failure to settle the proceedings or other unfavorable outcomes in this proceedings could result in significant damages, additional penalties or other remedies imposed against the Company. Litigation of this kind could result in substantial costs and a diversion of our business, management's attention and resources. It could also result in our reputation being harmed and our stock price could decline as a result of allegations made in the course of the proceedings, regardless of the truthfulness of the allegations.

### Item 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds, and Issuer Purchases of Equity Securities.

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

During our fiscal quarter ended September 30, 2023, none of our directors or officers informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as those terms are defined in Item 408(a) of Regulation S-K. None.

**Item 6. Exhibits.**

## (a) Exhibits

31.1	<u>Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.</u>
31.2	<u>Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.</u>
32.1	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Schema Document
101.CAL	Inline XBRL Calculation Linkbase Document
101.DEF	Inline XBRL Definition Linkbase Document

101.LAB	Inline XBRL Label Linkbase Document
101.PRE	Inline XBRL Presentation Linkbase Document
104	Cover Page Interactive Data File The cover page iXBRL tags are embedded within the inline

#### 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.

#### IT TECH PACKAGING, INC.

Date: November 9, 2023 May 10, 2024

/s/ Zhenyong Liu

Name: Zhenyong Liu  
Title: Chief Executive Officer  
(Principal Executive Officer)

Date: November 9, 2023 May 10, 2024

/s/ Jing Hao

Name: Jing Hao  
Title: Chief Financial Officer

(Principal Financial Officer)

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Exhibit 31.1

#### CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO

#### RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Zhenyong Liu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of IT Tech Packaging, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 9, 2023 May 10, 2024

By: /s/ Zhenyong Liu

Zhenyong Liu  
Chief Executive Officer  
(Principal Executive Officer)

Exhibit 31.2

#### CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jing Hao, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of IT Tech Packaging, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: **November 9, 2023** **May 10, 2024**

By: /s/ Jing Hao  
 Jing Hao  
 Chief Financial Officer  
 (Principal Financial Officer)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO  
 18 U.S.C. SECTION 1350,  
 AS ADOPTED PURSUANT TO  
 SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of IT Tech Packaging, Inc. (the "Company") on Form 10-Q for the period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zhenyong Liu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Dated: **November 9, 2023** **May 10, 2024**

By: /s/ Zhenyong Liu  
 Zhenyong Liu  
 Chief Executive Officer  
 (Principal Executive Officer)

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO  
 18 U.S.C. SECTION 1350,  
 AS ADOPTED PURSUANT TO**

## SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of IT Tech Packaging, Inc. (the "Company") on Form 10-Q for the period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jing Hao, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Dated: **November 9, 2023** **May 10, 2024**

By: /s/ Jing Hao  
Jing Hao  
Chief Financial Officer

(Principal Financial Officer)

#### DISCLAIMER

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