

SMART POWERR CORP.

FORM 10-Q (Quarterly Report)

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Industry	Renewable Energy Equipment & Services
Sector	Energy
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

OR

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

For the transition period from _____ to _____

Commission File Number: 000-12536

SMART POWERR CORP.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

90-0093373

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

**4/F, Tower C
Rong Cheng Yun Gu Building Keji 3rd Road
Yanta District, Xi An City
Shaan Xi Province, China**

(Address of principal executive offices)

710075

(Zip Code)

(011) 86-29-8765-1098

(Registrant's telephone number, including area code)

N/A

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

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

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

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 15, 2025, there were 24,938,819 shares of common stock, par value \$0.001 per share, of the registrant issued and outstanding.

SMART POWERR CORP.
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2025

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”), including, without limitation, statements under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes,” “estimates,” “anticipates,” “expects,” “intends,” “plans,” “may,” “will,” “potential,” “projects,” “predicts,” “continue,” or “should,” or, in each case, their negative or other variations or comparable terminology. There can be no assurance that actual results will not materially differ from expectations. These statements are based on management’s current expectations, but actual results may differ materially due to various factors, including, but not limited to those discussed under the heading “Risk Factors” in any of our filings with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act.

The forward-looking statements contained in this Report are based on our current expectations and beliefs concerning future developments and their potential effects on us. Future developments affecting us may not be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) and other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and developments in the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Report. In addition, even if our results or operations, financial condition and liquidity, and developments in the industry in which we operate are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

**SMART POWERR CORP.
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2025 (UNAUDITED) AND DECEMBER 31, 2024**

(IN U.S. DOLLARS, EXCEPT FOR SHARE DATA)

	MARCH 31, 2025	DECEMBER 31, 2024
ASSETS		
CURRENT ASSETS		
Cash	\$ 129,596,314	\$ 25,341
VAT receivable	166,601	165,629
Advance to supplier	-	65,214,994
Short term loan receivables	-	55,660,132
Other receivables	94,396	49,747
	<u>129,857,311</u>	<u>121,115,843</u>
Total current assets	129,857,311	121,115,843
NON-CURRENT ASSETS		
Operating lease right-of-use assets, net	101,645	115,068
Fixed assets, net	788,774	3,875
	<u>890,419</u>	<u>118,943</u>
Total non-current assets	890,419	118,943
TOTAL ASSETS	<u>\$ 130,747,730</u>	<u>\$ 121,234,786</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 117,799	\$ 68,003
Contract liabilities	62,012	-
Taxes payable	4,310,779	4,276,597
Accrued interest on notes	69,103	69,103
Notes payable, net of unamortized OID of \$0 and \$31,250, respectively	4,705,696	4,705,696
Accrued liabilities and other payables	2,962,198	3,166,486
Operating lease liability	59,384	58,529
Payable for purchase of 10% equity interest of Zhonghong	413,411	410,998
Interest payable on entrusted loans	343,131	341,129
	<u>13,043,513</u>	<u>13,096,541</u>
Total current liabilities	13,043,513	13,096,541
NONCURRENT LIABILITIES		
Income tax payable	3,350,625	3,350,625
Operating Lease liability	57,365	56,539
Total noncurrent liabilities	<u>3,407,990</u>	<u>3,407,164</u>
Total liabilities	16,451,503	16,503,705
CONTINGENCIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value; 100,000,000 shares authorized, 24,491,069 and 7,391,996 shares issued and outstanding	24,491	9,161
Additional paid in capital	175,809,927	165,959,857
Statutory reserve	15,191,645	15,191,645
Accumulated other comprehensive loss	(13,788,993)	(14,373,199)
Accumulated deficit	(62,940,843)	(62,056,383)
Total stockholders' equity	<u>114,296,227</u>	<u>104,731,081</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 130,747,730</u>	<u>\$ 121,234,786</u>

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

SMART POWERR CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	THREE MONTHS ENDED MARCH 31,	
	2025	2024
Revenue	\$ 20,625	\$ -
Cost of revenues	(11,806)	-
Gross Profit	8,819	-
Operating expenses		
General and administrative	1,171,209	208,430
Total operating expenses	<u>1,171,209</u>	<u>208,430</u>
Loss from operations	(1,162,390)	(208,430)
Non-operating income (expenses)		
Loss on note conversion	-	(21,243)
Interest income	12,850	39,984
Interest expense	-	(104,080)
Other income, net	<u>298,999</u>	<u>28,152</u>
Total non-operating income (expenses), net	<u>311,849</u>	<u>(57,187)</u>
Loss before income tax	(850,541)	(265,617)
Income tax expense	<u>33,919</u>	<u>14,180</u>
Net loss	(884,460)	(279,797)
Other comprehensive items		
Foreign currency translation income (loss)	<u>584,206</u>	<u>(118,621)</u>
Comprehensive loss	<u>\$ (300,254)</u>	<u>\$ (398,418)</u>
Weighted average shares used for computing basic and diluted loss per share	<u>10,207,087</u>	<u>8,115,826</u>
Basic and diluted net loss per share	<u>\$ (0.09)</u>	<u>\$ (0.03)</u>

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

SMART POWERR CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
MARCH 31, 2025 (UNAUDITED) and DECEMBER 31, 2024

	<u>Common Stock</u>		<u>Paid in</u>	<u>Statutory</u>	<u>Other</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Reserves</u>	<u>Comprehensive</u>	<u>Deficit</u>	<u>stockholders'</u>
					<u>Loss</u>		<u>equity</u>
Balance as of December 31, 2023	7,963,444	\$ 7,963	\$164,870,025	\$15,191,645	\$ (10,326,595)	\$ (60,497,371)	\$ 109,245,667
Net loss for the year	-	-	-	-	-	(1,559,012)	(1,559,012)
Conversion of long-term notes into common shares	1,069,009	1,069	950,895	-	-	-	951,964
Stock compensation expense	128,765	129	138,937	-	-	-	139,066
Foreign currency translation loss	-	-	-	-	(4,046,604)	-	(4,046,604)
Balance as of December 31, 2024	9,161,218	9,161	165,959,857	15,191,645	(14,373,199)	(62,056,383)	104,731,081
Net loss for the period	-	-	-	-	-	(884,460)	(884,460)
Foreign currency translation gain	-	-	-	-	584,206	-	584,206
offering of the common stock	15,329,851	15,330	9,850,070	-	-	-	9,865,400
Balance as of March 31, 2025	<u>24,491,069</u>	<u>24,491</u>	<u>175,809,927</u>	<u>15,191,645</u>	<u>(13,788,993)</u>	<u>(62,940,843)</u>	<u>114,296,227</u>

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

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

	THREE MONTHS PERIOD ENDED MARCH 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (884,460)	\$ (279,797)
Adjustments to reconcile net loss to net cash used in operating activities:		
Operating lease expenses	15,104	15,432
Loss on note conversion	-	21,243
Interest expense	2,002	-
Advance to supplier	65,597,834	(1,824)
Other receivables	(44,649)	13,149
Contract liabilities	62,012	-
Taxes payable	33,994	14,224
Payment of lease liability	-	(30,864)
Accrued liabilities and other payables	(154,492)	64,918
	<u>64,627,345</u>	<u>(183,519)</u>
Net cash generated from (used in) operating activities	64,627,345	(183,519)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short term loan receivable repayment	55,986,881	-
Short term loan receivable collection	-	68,564,217
Intangible assets	(784,877)	-
	<u>55,202,004</u>	<u>68,564,217</u>
Net cash generated from (used in) investing activities	55,202,004	68,564,217
CASH FLOWS FROM FINANCING ACTIVITY:		
Issuance of common stock	9,865,400	-
Net cash provided by financing activity	9,865,400	-
	<u>9,865,400</u>	<u>-</u>
EFFECT OF EXCHANGE RATE CHANGE ON CASH	(123,776)	164,199
	<u>(123,776)</u>	<u>164,199</u>
NET INCREASE IN CASH	129,570,973	68,544,897
CASH, BEGINNING OF PERIOD	25,341	32,370
	<u>25,341</u>	<u>32,370</u>
CASH, END OF PERIOD	<u>\$ 129,596,314</u>	<u>\$ 68,577,267</u>
Supplemental disclosure of non-cash financing activities		
Right-of-use assets obtained in exchange for operating lease liabilities	-	183,250
Conversion of notes into common shares	-	\$ 300,000
	<u>-</u>	<u>\$ 300,000</u>

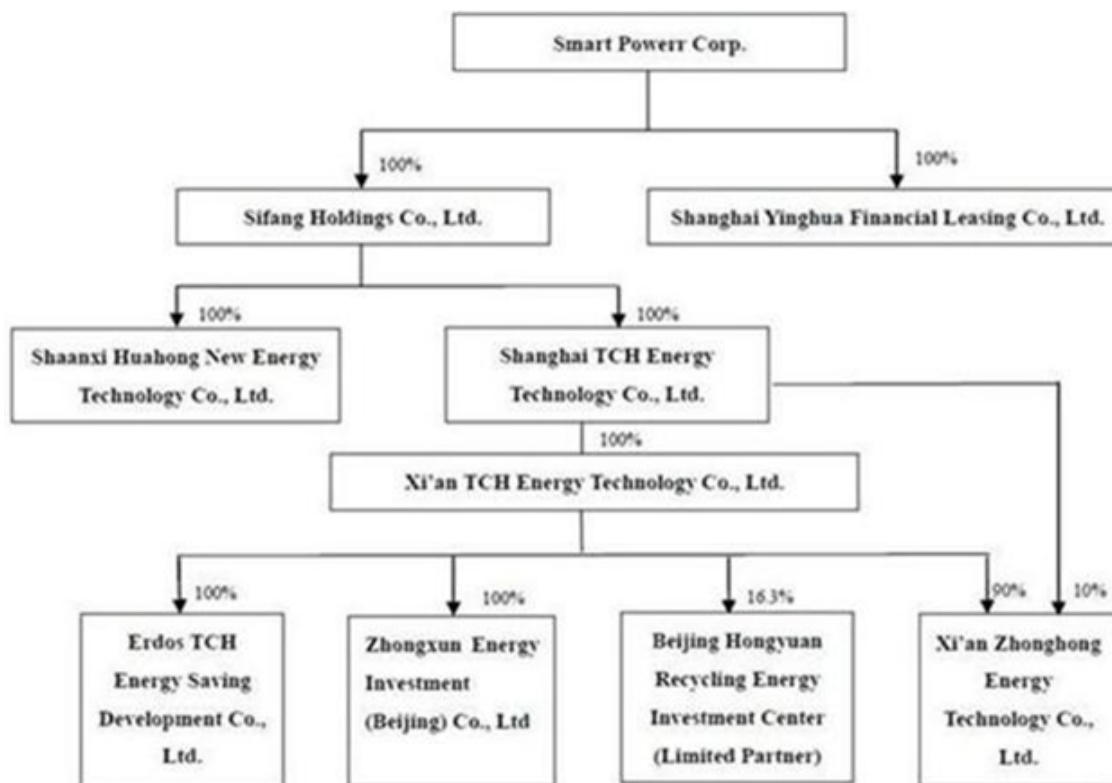
The accompanying notes are an integral part of these consolidated financial statements

SMART POWERR CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025 AND 2024

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

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

The Company’s organizational chart as of March 31, 2025 is as follows:



Erds TCH – Joint Venture

On April 14, 2009, the Company formed a joint venture (the “JV”) with Erds Metallurgy Co., Ltd. (“Erds”) to recycle waste heat from Erds’ metal refining plants to generate power and steam to be sold back to Erds. The name of the JV was Inner Mongolia Erds TCH Energy Saving Development Co., Ltd. (“Erds TCH”) with a term of 20 years. Erds contributed 7% of the total investment of the project, and Xi’an TCH Energy Technology Co., Ltd. (“Xi’an TCH”) contributed 93%. On June 15, 2013, Xi’an TCH and Erds entered into a share transfer agreement, pursuant to which Erds sold its 7% ownership interest in the JV to Xi’an TCH for \$1.29 million (RMB8 million), plus certain accumulated profits. Xi’an TCH paid the \$1.29 million in July 2013 and, as a result, became the sole stockholder of the JV. Erds TCH currently has two power generation systems in Phase I with a total 18 MW power capacity, and three power generation systems in Phase II with a total 27 MW power capacity. On April 28, 2016, Erds TCH and Erds entered into a supplemental agreement, effective May 1, 2016, whereby Erds TCH cancelled monthly minimum lease payments from Erds, and started to charge Erds based on actual electricity sold at RMB0.30 / KWH. The selling price of each KWH is determined annually based on prevailing market conditions. In May 2019, Erds TCH ceased operations due to renovations and furnace safety upgrades of Erds, and the Company initially expected the resumption of operations in July 2020, but the resumption of operations was further delayed due to the government’s mandate for Erds to significantly lower its energy consumption per unit of GDP by implementing a comprehensive technical upgrade of its ferrosilicon production line to meet the City’s energy-saving targets. Erds is currently researching the technical rectification scheme. Once the scheme is determined, Erds TCH will carry out technical transformation for its waste heat power station project. During this period, Erds will compensate Erds TCH RMB1 million (\$145,524) per month, until operations resume. The Company has not recognized any income due to the uncertainty of collection. In addition, Erds TCH has 30% ownership in DaTangShiDai (BinZhou) Energy Savings Technology Co., Ltd. (“BinZhou Energy Savings”), 30% ownership in DaTangShiDai DaTong Recycling Energy Technology Co., Ltd. (“DaTong Recycling Energy”), and 40% ownership in DaTang ShiDai TianYu XuZhou Recycling Energy Technology Co., Ltd. (“TianYu XuZhou Recycling Energy”). These companies were incorporated in 2012 but had no operations since then nor has any registered capital contribution been made.

Formation of Zhongxun

On March 24, 2014, Xi'an TCH incorporated a subsidiary, Zhongxun Energy Investment (Beijing) Co., Ltd. ("Zhongxun") with registered capital of \$5,695,502 (RMB35,000,000), which must be contributed before October 1, 2028. Zhongxun is 100% owned by Xi'an TCH and will be mainly engaged in project investment, investment management, economic information consulting, and technical services. Zhongxun has not commenced operations nor has any capital contribution been made as of the date of this Report.

Formation of Yinghua

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements ("CFS") are prepared in conformity with U.S. Generally Accepted Accounting Principles ("US GAAP"). The functional currency of the Company's operating entities is Chinese Renminbi ("RMB"). The accompanying consolidated financial statements are translated from RMB and presented in U.S. dollars ("USD").

Principle of Consolidation

The CFS include the accounts of SPC and its subsidiaries, Shanghai Yinghua Financial Leasing Co., Ltd. ("Yinghua") and Sifang Holdings; Sifang Holdings' wholly owned subsidiaries, Huahong New Energy Technology Co., Ltd. ("Huahong") and Shanghai TCH Energy Tech Co., Ltd. ("Shanghai TCH"); Shanghai TCH's wholly-owned subsidiary, Xi'an TCH Energy Tech Co., Ltd. ("Xi'an TCH"); and Xi'an TCH's subsidiaries, 1) Erdos TCH Energy Saving Development Co., Ltd ("Erdos TCH"), 100% owned by Xi'an TCH, 2) Zhonghong, 90% owned by Xi'an TCH and 10% owned by Shanghai TCH, and 3) Zhongxun, 100% owned by Xi'an TCH. Substantially all the Company's revenues are derived from the operations of Shanghai TCH and its subsidiaries, which represent substantially all the Company's consolidated assets and liabilities as of March 31, 2025. However, there was no revenue for the Company for the three months ended March 31, 2025 or 2024. All significant inter-company accounts and transactions were eliminated in consolidation.

Uses and Sources of Liquidity

For the three months ended March 31, 2025 and 2024, the Company had a net loss of \$884,460 and \$279,797, respectively. The Company had an accumulated deficit of \$62,940,843 as of March 31, 2025. The Company disposed all of its systems and currently holds five power generating systems through Erdos TCH, the five power generating systems are currently not producing any electricity. The Company is in the process of transforming and expanding into an energy storage integrated solution provider business. The Company plans to pursue disciplined and targeted expansion strategies for market areas the Company currently does not serve. The Company actively seeks and explores opportunities to apply energy storage technologies to new industries or segments with high growth potential, including industrial and commercial complexes, large scale photovoltaic (PV) and wind power stations, remote islands without electricity, and smart energy cities with multi-energy supplies. The Company's cash flow forecast indicates it will have sufficient cash to fund its operations for the next 12 months from the date of issuance of these CFS.

Use of Estimates

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

Revenue Recognition

A) Sales-type Leasing and Related Revenue Recognition

The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842. The Company's sales type lease contracts for revenue recognition fall under ASC 842. During the three months ended March 31, 2025 and 2024, the Company did not sell any new power generating projects.

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

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

B) Contingent Rental Income

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

C) Operation and Maintenance Income

The Company records income from perform operation and maintenance services to third parties in the period the income is earned, which is based on the service performance fulfilled over time.

Operating Leases

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

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

ROU assets are tested for impairment individually or as part of an asset group if the cash flows related to the ROU asset are not independent from the cash flows of other assets and liabilities. An asset group is the unit of accounting for long-lived assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The Company recognized no impairment of ROU assets as of March 31, 2025 and December 31, 2024.

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

Cash

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

Accounts Receivable

The Company's policy is to maintain an allowance for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of March 31, 2025 and December 31, 2024, the Company had no accounts receivable.

Advance to suppliers

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

Short term loan receivables

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

The Company monitors all loans receivable for delinquency and provides for estimated losses for specific receivables that are not likely to be collected. Management periodically assesses the collectability of these loans receivable. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. As of March 31, 2025 and December 31, 2024, the Company did not accrue allowance against short term loan receivables.

Concentration of Credit Risk

Cash includes cash on hand and demand deposits in accounts maintained within China. Balances at financial institutions and state-owned banks within the PRC are covered by insurance up to RMB500,000 (\$71,792) per bank. Any balance over RMB500,000 (\$71,792) per bank in PRC is not covered. The Company has not experienced any losses in such accounts.

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

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

Fixed assets, net

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

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

Impairment of Long-lived Assets

In accordance with FASB ASC Topic 360, “Property, Plant, and Equipment,” the Company reviews its long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If the total expected undiscounted future net cash flows are less than the carrying amount of the asset, a loss is recognized for the difference between the fair value (“FV”) and carrying amount of the asset. The Company did not record any impairment for the three months ended March 31, 2025 and 2024.

Accounts and other payables

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

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

Borrowings

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

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

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

Cost of Sales

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

Income Taxes

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

The Company follows FASB ASC Topic 740, which prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures.

Under FASB ASC Topic 740, when tax returns are filed, it is likely that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the CFS in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest associated with unrecognized tax benefits is classified as interest expense and penalties are classified in selling, general and administrative expenses in the statement of income. At March 31, 2025 and December 31, 2024, the Company did not take any uncertain positions that would necessitate recording a tax related liability.

Statement of Cash Flows

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

Fair Value of Financial Instruments

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

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

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

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

As of March 31, 2025 and December 31, 2024, the Company did not have any long-term debt; and the Company did not identify any assets or liabilities that are required to be presented on the balance sheet at FV.

Stock-Based Compensation

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

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

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

Basic and Diluted Earnings per Share

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

For the three months ended March 31, 2025 and 2024, the basic and diluted income (loss) per share were the same due to the anti-dilutive features of the warrants and options. For the years ended March 31, 2025 and 2024, 30,911 and 30,911 shares purchasable under warrants and options were excluded from the EPS calculation as these were not dilutive due to the exercise price was more than the stock market price.

Foreign Currency Translation and Comprehensive Income (Loss)

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

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

Segment Reporting

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

New Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which requires disclosure of incremental income tax information within the rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company's management does not believe the adoption of ASU 2023-09 will have a material impact on its financial statements and disclosures.

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

3. SHORT-TERM LOAN RECEIVABLE

As of December 31, 2024, the Company had \$55,945,372 (RMB405.8 million) short term loan to Xi'an Yingtai Energy Conservation Technology Co., Ltd ("Xi'an Yingtai"), an unrelated party of the Company. The short-term loan was for fifteen days with a capital utilization fee of \$10,960 (RMB80,000) per day for total of \$65,759. To ensure the safety of the funds, before money was transferred to Xi'an Yingtai, Xi'an Yingtai handed over the official seal, financial seal and bank account UK to the Company for custody and management until repayment of the loan. The company collected all the repayments before January 10, 2025, including RMB200 million on January 9, 2025 and RMB205.8 million and total interest income RMB1.2 million on January 10, 2025.

As of March 31, 2025, there is no outstanding short-term loan receivables.

4. ADVANCE TO SUPPLIERS

By 2025, Zhenran Limited had completed the contract and developed the smart cloud platform. A total of \$750,000 (RMB5,385,020) had been paid to Zhenran Company, with an additional \$50,000 (RMB358,460) still due. The combined amount of \$800,000 (RMB5,743,480) was transferred to fixed assets. Additionally, \$200,000 previously set aside for bad debt provision in 2024 was reversed.

On June 19, 2023, the Company entered a purchase agreement with Hubei Bangyu New Energy Technology Co., Ltd. ("Bangyu"). The total contract amount was \$82.3 million (RMB595.0 million) for purchasing the energy storage battery systems. As of December 31, 2023, the Company made a prepayment to Bangyu of \$67.2 million (RMB476.0 million). The Company is in the process of transforming and expanding into energy storage integrated solution provider business. The Company actively seeks and explores opportunities to apply energy storage technologies to new industries or segments with high growth potential, including industrial and commercial complexes, large scale photovoltaic (PV) and wind power stations, remote islands without electricity, and smart energy cities with multi-energy supplies. On March 11, 2025, a termination agreement was signed. As Bangyu failed to fulfill the contract terms, our company reclaimed the advance payment of RMB476.0 million in March 2025.

On August 23, 2021, the Company entered a Market Research and Project Development Service Agreement with a consulting company in Xi'an for a service period of 12 months. The consulting company will perform market research for new energy industry including photovoltaic and energy storage, develop potential new customers and due diligence check, assisting the Company for business cooperation negotiation and relevant agreements preparation. Total contract amount is \$1,150,000, and the Company paid \$650,000 at commencement of the service and recorded as R&D expense during the year ended December 31, 2022; the Company prepaid \$200,000 during the year of 2023. Based on the company's policy, the management accrued 100% bad debt provision for the prepayment.

5. ACCRUED LIABILITIES AND OTHER PAYABLES

Accrued liabilities and other payables consisted of the following as of March 31, 2025 and December 31, 2024:

	2025	2024
Education and union fund and social insurance payable	\$ 228,470	\$ 227,137
Accrued payroll and welfare	236,515	230,029
Accrued litigation	2,406,428	2,392,383
professional fee	28,404	253,307
Other	62,381	63,630
Total	<u>\$ 2,962,198</u>	<u>\$ 3,166,486</u>

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

6. TAXES PAYABLE

Taxes payable consisted of the following as of March 31, 2025 and December 31, 2024:

	2025	2024
Income tax	\$ 7,607,201	\$ 7,607,201
Other	54,203	20,021
Total	<u>7,661,404</u>	<u>7,627,222</u>
Current	<u>4,310,779</u>	<u>4,276,597</u>
Noncurrent	<u>\$ 3,350,625</u>	<u>\$ 3,350,625</u>

As of March 31, 2025, income tax payable included \$7.61 million from recording the estimated one-time transition tax on post-1986 foreign unremitted earnings under the Tax Cut and Jobs Act signed on December 22, 2017 (\$4.28 million included in current tax payable and \$3.35 million noncurrent). An election was available for the U.S. shareholders of a foreign company to pay the tax liability in installments over a period of eight years (until April, 2026) with 8% of net tax liability in each of the first five years, 15% in the sixth year, 20% in the seventh year, and 25% in the eighth year. The Company made such an election, but did not pay the tax and expected to apply for extra extension due to the losses in the following consecutive years.

7. DEFERRED TAX, NET

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

As of March 31, 2025 and December 31, 2024, deferred tax assets consisted of the following:

	2025	2024
Accrued expenses	\$ 13,212	\$ 48,616
Impairment of advance to supplier	42,000	42,000
US NOL	204,421	233,651
PRC NOL	300	444
Total deferred tax assets	<u>259,933</u>	<u>324,711</u>
Less: valuation allowance for deferred tax assets	<u>(259,933)</u>	<u>(324,711)</u>
Deferred tax assets, net	<u>\$ -</u>	<u>\$ -</u>

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

8. ENTRUSTED LOAN PAYABLE

Entrusted Loan Payable (HYREF Loan)

The HYREF Fund was established in July 2013 with a total fund of RMB460 million (\$77 million) invested in Xi'an Zhonghong for Zhonghong's three new CDQ WHPG projects. The HYREF Fund invested RMB3 million (\$0.5 million) as an equity investment and RMB457 million (\$74.5 million) as a debt investment in Xi'an Zhonghong; in return for such investments, the HYREF Fund was to receive interest from Zhonghong for the HYREF Fund's debt investment. The loan was collateralized by the accounts receivable and the fixed assets of Shenqiu Phase I and II power generation systems; the accounts receivable and fixed assets of Zhonghong's three CDQ WHPG systems; and a RMB27 million (\$4.39 million) capital contribution made by Xi'an TCH in Zhonghong. Repayment of the loan (principal and interest) was also jointly and severally guaranteed by Xi'an TCH and the Chairman and CEO of the Company. In the fourth quarter of 2015, three power stations of Erdos TCH were pledged to Industrial Bank as an additional guarantee for the loan to Zhonghong's three CDQ WHPG systems. In 2016, two additional power stations of Erdos TCH and Pucheng Phase I and II systems were pledged to Industrial Bank as an additional guarantee along with Xi'an TCH's equity in Zhonghong.

The term of this loan was for 60 months from July 31, 2013 to July 30, 2018, with interest of 12.5%. The Company paid RMB50 million (\$7.54 million) of the RMB280 million (\$42.22 million), and on August 5, 2016, the Company entered into a supplemental agreement with the lender to extend the due date of the remaining RMB230 million (\$34.68 million) of the original RMB280 million (\$45.54 million) to August 6, 2017. During the year ended December 31, 2017, the Company negotiated with the lender again to further extend the remaining loan balance of RMB230 million (\$34.68 million), RMB100 million (\$16.27 million), and RMB77 million (\$12.08 million). The lender had tentatively agreed to extend the remaining loan balance until August 2019 with interest of 9%, subject to the final approval from its headquarters. The headquarters did not approve the extension proposal with interest of 9%; however, on December 29, 2018, the Company and the lender agreed to an alternative repayment proposal as described below.

Repayment of HYREF loan

1. Transfer of Chengli project as partial repayment

On December 29, 2018, Xi'an Zhonghong, Xi'an TCH, HYREF, Guohua Ku, and Chonggong Bai entered into a CDQ WHPG Station Fixed Assets Transfer Agreement, pursuant to which Xi'an Zhonghong transferred Chengli CDQ WHPG station as the repayment for the loan of RMB188,639,400 (\$27.54 million) to HYREF, the transfer of which was completed on January 22, 2019.

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

2. Buy Back Agreement

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

Pursuant to the Buy Back Agreement, the Buyers jointly and severally agreed to buy back all outstanding capital equity of Xi'an Hanneng which was transferred to HYREF by Chonggong Bai (see 3 below), and a CDQ WHPG station in Boxing County which was transferred to HYREF by Xi'an Zhonghong. The buy-back price for the Xi'an Hanneng's equity was based on the higher of (i) the market price of the equity shares at the time of buy-back; or (ii) the original transfer price of the equity shares plus bank interest. The buy-back price for the Station was based on the higher of (i) the FV of the Station on the date transferred; or (ii) the loan balance at the date of the transfer plus interest accrued through that date. HYREF could request that the Buyers buy back the equity shares of Xi'an Hanneng and/or the CDQ WHPG station if one of the following conditions is met: (i) HYREF holds the equity shares of Xi'an Hanneng until December 31, 2021; (ii) Xi'an Huaxin New Energy Co., Ltd., is delisted from The National Equities Exchange And Quotations Co., Ltd., a Chinese over-the-counter trading system (the "NEEQ"); (iii) Xi'an Huaxin New Energy, or any of the Buyers or its affiliates has a credit problem, including not being able to issue an auditor report or standard auditor report or any control person or executive of the Buyers is involved in crimes and is under prosecution or has other material credit problems, to HYREF's reasonable belief; (iv) if Xi'an Zhonghong fails to timely make repayment on principal or interest of the loan agreement, its supplemental agreement or extension agreement; (v) the Buyers or any party to the Debt Repayment Agreement materially breaches the Debt Repayment Agreement or its related transaction documents, including but not limited to the Share Transfer Agreement, the Pledged Assets Transfer Agreement, the Entrusted Loan Agreement and their guarantee agreements and supplemental agreements. Due to halted trading of Huaxin stock by NEEQ for not filing its 2018 annual report, on December 19, 2019, Xi'an TCH, Xi'an Zhonghong, Guohua Ku and Chonggong Bai jointly and severally agreed to buy back all outstanding capital equity of Xi'an Hanneng which was transferred to HYREF by Chonggong Bai earlier. The total buy back price was RMB261,727,506 (\$37.52 million) including accrued interest of RMB14,661,506 (\$2.10 million), and was paid in full by Xi'an TCH on December 20, 2019.

On April 9, 2021, Xi'an TCH, Xi'an Zhonghong, Guohua Ku, Chonggong Bai and HYREF entered a Termination of Fulfillment Agreement (termination agreement). Under the termination agreement, the original buyback agreement entered on December 19, 2019 was terminated upon signing of the termination agreement. HYREF will not execute the buy-back option and will not ask for any additional payment from the buyers other than keeping the CDQ WHPG station from Chengli project. The Company recorded a gain of approximately \$3.1 million from transferring the CDP WHPG station to HYREF as partial repayment of the entrusted loan and accrued interest of RMB188,639,400 (\$27.54 million) to HYREF resulting from the termination of the buy-back agreement.

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

On January 4, 2019, Xi'an Zhonghong, Xi'an TCH, and Mr. Chonggong Bai entered into a Projects Transfer Agreement, pursuant to which Xi'an Zhonghong transferred a CDQ WHPG station (under construction) located in Xuzhou City for Xuzhou Huayu Coking Co., Ltd. ("Xuzhou Huayu Project") to Mr. Bai for RMB120,000,000 (\$17.52 million) and Xi'an TCH transferred two Biomass Power Generation Projects in Shenqiu ("Shenqiu Phase I and II Projects") to Mr. Bai for RMB127,066,000 (\$18.55 million). Mr. Bai agreed to transfer all the equity shares of his wholly owned company, Xi'an Hanneng, to HYREF as repayment for the RMB247,066,000 (\$36.07 million) loan made by Xi'an Zhonghong to HYREF as consideration for the transfer of the Xuzhou Huayu Project and Shenqiu Phase I and II Projects.

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

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

On December 19, 2019, Xi'an TCH, Xi'an Zhonghong, Guohua Ku and Chonggong Bai jointly and severally agreed to buy back all outstanding capital equity of Xi'an Hanneng which was transferred to HYREF by Chonggong Bai earlier. The total buy back price was RMB261,727,506 (\$37.52 million) including accrued interest of RMB14,661,506 (\$2.10 million), and was paid in full by Xi'an TCH on December 20, 2019. On December 20, 2019, Mr. Bai, Xi'an TCH and Xi'an Zhonghong agreed to have Mr. Bai repay the Company in cash for the transfer price of Xuzhou Huayu and Shenqiu in five installment payments. The 1st payment of RMB50 million (\$7.17 million) was due January 5, 2020, the 2nd payment of RMB50 million (\$7.17 million) was due February 5, 2020, the 3rd payment of RMB50 million (\$7.17 million) was due April 5, 2020, the 4th payment of RMB50 million (\$7.17 million) was due on June 30, 2020, and the final payment of RMB47,066,000 (\$6.75 million) was due September 30, 2020. As of December 31, 2020, the Company received the full payment of RMB247 million (\$36.28 million) from Mr. Bai.

4. The lender agreed to extend the repayment of RMB77.00 million (\$11.06 million) to July 8, 2023. However, per court's judgement on June 28, 2021, the Company should repay principal \$11.06 million and accrued interest of RMB2,418,229 (\$0.35 million) within 10 days from the judgment date to Beijiing Hongyuan Recycling Energy Investment Center (Limited Partnership). In the end of 2022, Beijing No.4 Intermediate People's Court of Beijing entered into the judgment enforcement procedure, which, in addition to the loan principal with interest amount, Xi'an Zhonghong Technology Co., Ltd. was to pay judgment enforcement fee, late fee and other fees of RMB80,288,184 (\$11.53 million) in total, the Company recorded these additional fees in 2022. The Company has not paid it yet as of this report date.

Xi'an TCH had investment RMB75.00 million (\$11.63 million) into the HYREF fund as a secondary limited partner, and the Company recorded an impairment loss of \$11.63 million for such investment during the year ended December 31, 2021 due to uncertainty of the collection of the investment. This was impaired as Hongyuan does not have the ability to pay back (see Note 15 – Litigation).

In November 2024, Xi'an TCH repaid a principal of RMB77 million (\$10.55 million), with interest still outstanding.

9. NOTE PAYABLE, NET

Promissory Notes in December 2020

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

During the year ended December 31, 2021, the Company entered into several Exchange Agreements with the lender, pursuant to the Agreements, the Company and Lender partitioned new Promissory Notes of \$3,850,000 from the original Promissory Note, including adjustment of \$818,914 to increase the principal of the notes during the second quarter of 2021 as a result of the Company’s failure to pay the redemption amount in cash to lender within three trading days from receipt of the redemption notice, the Company recorded \$818,914 principal adjustment as interest expense. The Company and Lender exchanged these Partitioned Notes for the delivery of 576,108 shares of the Company’s common stock. The Company recorded a loss on conversion of these notes in 2021. On January 10, 2022, the Company and Lender exchanged a Partitioned Notes of \$346,986 for the delivery of 58,258 shares of the Company’s common stock. The Company recorded a \$26,193 loss on conversion of this note in 2022, as a result, this Promissory Notes was paid in full on January 10, 2022. During the year ended December 31, 2022, the Company amortized OID of \$69,355 and recorded \$835 interest expense on this Note.

Promissory Notes in April 2021

On April 2, 2021, the Company entered into a Note Purchase Agreement with an institutional investor, pursuant to which the Company issued to the Purchaser a Promissory Note of \$5,250,000. The Purchaser purchased the Note with an OID of \$250,000, which was recognized as a debt discount is amortized using the interest method over the life of the note. The Note bears interest at 8% and has a term of 24 months. All outstanding principal and accrued interest on the Note was due and payable on April 1, 2023. However, as of this report date, the Company did not repay the loan, and no any further action from the lender. The Company’s obligations under the Note may be prepaid at any time, provided that in such circumstance the Company would pay 125% of any amounts outstanding under the Note and being prepaid. Beginning on the date that is six months from the issue date of the Note, Purchaser shall have the right to redeem any amount of this Note up to \$825,000 per calendar month by providing written notice to the Company. Upon receipt of the redemption notice from the lender, the Company shall pay the applicable redemption amount in cash to lender within three trading days of receipt of such redemption notice; if the Company fails to pay, then the outstanding balance will automatically be increased by 25%. On October 28, 2021, the lender made an adjustment of \$1,370,897 to increase the outstanding principal of the notes as a result of the Company’s failure to pay the redemption amount in cash to lender on time, the Company recorded \$1,370,897 principal adjustment as interest expense in 2021. The lender made an adjustment of \$229,015 to increase the outstanding principal of the notes based on a forbearance agreement entered on September 14, 2022 resulting from the Company’s default event of being delinquent on SEC filings, the Company recorded the \$229,015 principal adjustment as interest expense. During the year ended December 31, 2022, the Company amortized OID of \$125,000 and recorded \$456,655 interest expense on this Note; and the Company and Lender exchanged these Partitioned Notes of \$1,650,000 in total for the delivery of 289,330 shares of the Company’s common stock. The Company recorded \$108,910 loss on conversion of these notes in 2022. During the year ended December 31, 2023, the Company amortized OID of \$31,250 and recorded \$435,021 interest expense on this Note; and the Company and Lender exchanged these Partitioned Notes of \$1,200,000 in total for the delivery of 571,448 shares of the Company’s common stock which was issued in 2023, and 165,081 shares was issued in January 2024. As of December 31, 2023, the outstanding principal balance of this note was \$5,222,743 with accrued interest of \$2,290. The Note was classified as a current liability in accordance with ASC 470-10-45 Other Presentation Matters – General Due on Demand Loan Arrangements.

10. STOCKHOLDERS' EQUITY

Warrants

Following is a summary of the activities of warrants that were issued from equity financing for the year ended March 31, 2025:

	Number of Warrants	Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding at January 1, 2024	16,515	\$ 10	0.54
Exercisable at January 1, 2024	16,515	\$ 10	0.54
Granted	-	-	-
Exchanged	-	-	-
Forfeited	-	-	-
Expired			
Outstanding at December 31, 2024	16,515	10	-
Exercisable at December 31, 2024	16,515	10	-
Granted	2,340.00	10	-
Exchanged	-	-	-
Forfeited	-	-	-
Expired	-	-	-
Outstanding at March 31, 2025	18,855	10	-
Exercisable at March 31, 2025	18,855	10	-

11. STOCK-BASED COMPENSATION PLAN

Options to Employees and Directors

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

The following table summarizes option activity with respect to employees and independent directors for the year ended March 31, 2025:

	Number of Shares	Average Exercise Price per Share	Weighted Average Remaining Contractual Term in Years
Outstanding at January 1, 2025	500	\$ 16.1	3.32
Exercisable at January 1, 2025	500	\$ 16.1	3.32
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at March 31, 2025	500	\$ 16.1	2.32
Exercisable at March 31, 2025	500	\$ 16.1	2.32

12. INCOME TAX

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

The Company's subsidiaries generate all of their income from their PRC operations. All of the Company's Chinese subsidiaries' effective income tax rate for 2024 and 2023 was 25%. Yinghua, Shanghai TCH, Xi'an TCH, Huahong, Zhonghong and Erdos TCH file separate income tax returns.

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

The US parent company, SPC is taxed in the US and, as of March 31, 2025, had net operating loss ("NOL") carry forwards for income taxes of \$5.17 million; for federal income tax purposes, the NOL arising in tax years beginning after 2017 may only reduce 80% of a taxpayer's taxable income, and may be carried forward indefinitely. However, the coronavirus Aid, Relief and Economic Security Act ("the CARES Act") issued in March 2020, provides tax relief to both corporate and noncorporate taxpayers by adding a five-year carryback period and temporarily repealing the 80% limitation for NOLs arising in 2018, 2019 and 2020. Management believes the realization of benefits from these losses uncertain due to the US parent company's continuing operating losses. Accordingly, a 100% deferred tax asset valuation allowance was provided.

As of March 31, 2025, the Company's PRC subsidiaries had \$33.42 million NOL that can be carried forward to offset future taxable income for five years from the year the loss is incurred. The NOL was mostly from Erdos TCH and Zhonghong. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all the information available, management believes that significant uncertainty exists with respect to future realization of the deferred tax assets due to the recurring losses from operations of these entities, accordingly, the Company recorded a 100% deferred tax valuation allowance for the PRC NOL.

The following table reconciles the U.S. statutory rates to the Company's effective tax rate for the three months ended March 31, 2025 and 2024:

	2025	2024
U.S. statutory rates benefit	(21)%	(21.0)%
Tax rate difference – current provision	3.1%	0.2%
Permanent differences	2.7%	1.7%
Change in valuation allowance	15.20%	24.4%
Tax expense per financial statements	0%	5.3%

The provision for income tax expense (benefit) for the three months ended March 31, 2025 and 2024 consisted of the following:

	2025	2024
Income tax expense – current	\$ 33,919	\$ 14,180
Total income tax expense	\$ 33,919	\$ 14,180

13. STATUTORY RESERVES

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

Surplus Reserve Fund

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

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

The maximum statutory reserve amount has not been reached for any subsidiary. The table below discloses the statutory reserve amount in the currency type registered for each Chinese subsidiary as of March 31, 2025 and December 31, 2024:

Name of Chinese Subsidiaries	Registered Capital	Maximum Statutory Reserve Amount	Statutory reserve at March 31, 2025	Statutory reserve at December 31, 2024
Shanghai TCH	\$ 29,800,000	\$ 14,900,000	¥ 6,564,303 (\$1,003,859)	¥ 6,564,303 (\$1,003,859)
Xi'an TCH	¥ 202,000,000	¥ 101,000,000	¥ 73,947,603 (\$11,272,917)	¥ 73,947,603 (\$11,272,917)
Erdos TCH	¥ 120,000,000	¥ 60,000,000	¥ 19,035,814 (\$2,914,869)	¥ 19,035,814 (\$2,914,869)
Xi'an Zhonghong	¥ 30,000,000	¥ 15,000,000	Did not accrue yet due to accumulated deficit	Did not accrue yet due to accumulated deficit
Shaanxi Huahong	\$ 2,500,300	\$ 1,250,150	Did not accrue yet due to accumulated deficit	Did not accrue yet due to accumulated deficit
Zhongxun	¥ 35,000,000	¥ 17,500,000	Did not accrue yet due to accumulated deficit	Did not accrue yet due to accumulated deficit

Common Welfare Fund

The common welfare fund is a voluntary fund to which the Company can transfer 5% to 10% of its net income. This fund can only be utilized for capital items for the collective benefit of the Company's employees, such as construction of dormitories, cafeteria facilities, and other staff welfare facilities. This fund is non-distributable other than upon liquidation. The Company does not participate in this fund.

14. CONTINGENCIES

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

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

Litigation

1) In November 2019, Beijing Hongyuan Recycling Energy Investment Center (“BIPC”), or Hongyuan, filed a lawsuit with the Beijing Intermediate People’s Court against Xi’an TCH to compel Xi’an TCH to repurchase certain stock pursuant to a stock repurchase option agreement. On April 9, 2021, the court rendered a judgment in favor of Hongyuan. Xi’an TCH filed a motion for retrial to High People’s Court of Beijing on April 13, 2022, because Xi’an TCH paid RMB261 million (\$37.58 million) principal and interest to Hongyuan as an out-of-court settlement. On April 11, 2022, Xi’an Zhonghong New Energy Technology Co. Ltd., filed an application for retrial and provided relevant evidence to the Beijing High People’s Court on the Civil Judgment No. 264, awaiting trial. On August 10, 2022, Beijing No. 1 Intermediate People’s Court of Beijing issued a Certificate of Active Performance, proving that Xi’an Zhonghong New Energy Technology Co., Ltd. had fulfilled its buyback obligations as disclosed in Note 9 that, on April 9, 2021, Xi’an TCH, Xi’an Zhonghong, Guohua Ku, Chonggong Bai and HYREF entered a Termination of Fulfillment Agreement (termination agreement). Under the termination agreement, the original buyback agreement entered on December 19, 2019 was terminated upon signing of the termination agreement. HYREF will not execute the buy-back option and will not ask for any additional payment from the buyers other than keeping the CDQ WHPG station.

As of this report date, Xi’an Zhonghong is waiting for Court’s decision on retrial petition that was submitted in April 2022. During this waiting period, BIPC entered the execution procedure, and there is a balance of RMB14,204,317 (\$2.20 million) between the amount executed by the court and the liability recognized by Xi’an TCH, which was mainly the enforcement fee, legal and penalty fee for the original judgement, and was automatically generated by the toll collection system of the People’s court. The Company accrued \$2.10 million litigation expense as of December 31, 2024.

2) On June 28, 2021, Beijing No.4 Intermediate People’s Court of Beijing entered into a judgement that Xi’an Zhonghong Technology Co., Ltd. should pay the loan principal of RMB77 million (\$11.06 million) with loan interest of RMB2,418,449 (\$0.35 million) to Beijing Hongyuan Recycling Energy Investment Center (Limited Partnership). In the end of 2022, Beijing No.4 Intermediate People’s Court of Beijing entered into the judgment enforcement procedure, which, in addition to the loan principal with interest amount, Xi’an Zhonghong Technology Co., Ltd. was to pay judgment enforcement fee, late fee and other fees of RMB80,288,184 (\$11.53 million) in total, the Company recorded these additional fees in 2022.

In November 2024, 77 million yuan has been paid, but the interest has not been paid, and whether it will be paid has not yet been determined.

15. LEASE

On January 1, 2024, Xi'an TCH entered into a lease for its office from January 1, 2024 through December 31, 2026. The monthly rent was RMB36,536 (\$5,600) with half-year payment in advance. This lease expired in December 31, 2026.

The Company's operating ROU assets and lease liabilities were as follows:

	Year Ended March 31, 2025	Year Ended December 31, 2024
Right-of-use assets, net	\$ 101,645	\$ 115,068
Current operating lease liabilities	\$ 59,384	\$ 58,529
Non-current operating lease liabilities	57,365	56,539
Total lease liabilities	116,749	115,068

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

	Year Ended March 31, 2025	Year Ended December 31, 2024
Operating lease cost – amortization of ROU	\$ 60,418	\$ 60,066
Operating lease cost – interest expense on lease liability	\$ 4,088	\$ 5,063
Weighted Average Remaining Lease Term - Operating leases	2	2
Weighted Average Discount Rate - Operating leases	3.48%	3.48%

The following is a schedule, by years, of maturities of the office lease liabilities as of March 31, 2025:

For the year ended December 31, 2025,	\$ 60,418
For the year ended December 31, 2026	\$ 60,418
Total undiscounted cash flows	120,836
Less: imputed interest	(4,087)
Present value of lease liabilities	116,749

Employment Agreement

On May 6, 2024, the Company entered another employment agreement with Mr. Shi for 24 months with monthly salary of RMB18,000 (\$2,500). The Company will grant the CFO no less than 5,000 shares of the Company's common stock annually; however, as of this report date, the Board of Directors and Compensation Committee have not approved the number of shares to be given to the CFO, nor any stock reward agreement has been signed.

16. SUBSEQUENT EVENTS

On April 18, 2025, the Company filed a Registration Statement Form S-8 under Securities Act of 1933 with the Securities and Exchange Commission for Omnibus Equity Plan. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired stock, including shares repurchased by the Corporation as treasury shares. The maximum number of shares available for issuance under the Plan shall be 12,462,605 Shares of which 623,130 may be issued pursuant to Incentive Stock Options. The maximum aggregate cash amount payable under the Plan for any Awards intended to constitute performance-based compensation under Code §162(m) to any Participant in any single calendar year shall not exceed \$1,000,000. On April 18, 2025, the Compensation Committee, which administers the Plan, granted two employees an aggregate of 124,126 shares of Common Stock, which grants vested immediately.

On April 30, 2025, the Company filed a Registration Statement on Form S-1 under Securities Act of 1933 with the Securities and Exchange Commission with respect to the resale up to an aggregate of 8,029,851 shares of Common Stock held by certain selling stockholders which shares were issued in a private placement completed on February 19, 2025 pursuant to certain securities purchase agreements dated February 18, 2025, by and between the Company and the selling stockholders.

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

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

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

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

Overview

RESULTS OF OPERATIONS

Comparison of Operating Results for the years ended March 31, 2025 and 2024

The following table sets forth our operating results for the designated periods, expressed as a percentage of net sales.

	2025	% of Sales	2024	% of Sales
Sales	\$ 20,625	100%	\$ -	-%
Cost of sales	(11,806)	(57)%	-	-%
Gross profit	8,819	43%	-	-%
Total operating expenses	1,171,209	5,679%	208,430	-%
Loss from operations	(1,162,390)	(5,636)%	(208,430)	-%
Total non-operating income (expenses), net	311,849	1,512%	(57,187)	-%
Loss before income tax	(850,541)	(4,124)%	(265,617)	-%
Income tax expense	33,919	164%	14,180	-%
Net loss	(884,460)	(4,288)%	\$ (279,797)	-%

SALES.

Total sales for the three months ended March 31, 2025, amounted to \$20,625. The company signed an Operation and Maintenance Contract for 10 years with a third party, and recognized the revenue based on the time period.

COST OF SALES.

Cost of sales (“COS”) for the three months ended March 31, 2025, was \$11,806.

GROSS PROFIT.

For the three months ended March 31, 2025, the gross margin was 43%.

OPERATING EXPENSES.

Operating expenses consisted of general and administrative expenses (“G&A”) totaling \$1,171,209 for the three months ended March 31, 2025, compared to \$208,430 for the three months ended March 31, 2024. This represented an increase of \$962,779.00 or 462% year-over-year. The increase was mainly attributable to an increase in financing costs of \$948,648.

NET NON-OPERATING INCOME (EXPENSES).

Net non-operating expenses consisted of gain or loss from note conversion, interest income, interest expenses, and other miscellaneous expenses. For the three months ended March 31, 2025, net non-operating expenses were \$311,849 compared to non-operating income of \$57,187 for the three months ended March 31, 2024. The primary reason was the provision of financial support to other companies, which generated interest income of \$98,999, coupled with the reversal of a \$200,000 provision for impaired prepayments.

INCOME TAX EXPENSE.

Income tax expense was \$33,919 for the three months ended March 31, 2025, compared with income tax expense of \$14,180 for the three months ended March 31, 2023. The consolidated effective income tax rate for the three months ended March 31, 2025, and 2024 were 0% and 1.6%, respectively. In 2025, Management concluded that the realizability of related tax benefits from these losses was uncertain due to the continuing operating losses at the US parent company. Accordingly, a 100% valuation allowance was provided against the deferred tax asset.

NET LOSS. Net loss for the three months ended March 31, 2025, was \$884,460 compared to loss of \$279,797 for the three months ended March 31, 2024, representing an increase in net loss of \$604,663. The increase in net loss was mainly driven by rising operating expenses and the reversal of impairment provision, as previously discussed.

LIQUIDITY AND CAPITAL RESOURCES

Comparison of three months ended March 31, 2025, and 2024

As of March 31, 2025, the Company maintained cash and equivalents of \$129.60 million, other current assets (excluding cash and equivalents) of \$0.26 million, current liabilities of \$13.40 million, and working capital of \$116.81 million, with a current ratio of 9.96:1 and a debt-to-equity ratio of 0.13:1.

The following is a summary of cash flows provided by or used in each of the indicated types of activities, for the three- months periods ended March 31, 2025, and 2024:

	2025	2024
Cash provided by (used in):		
Operating Activities	\$ 64,627,345	\$ (183,519)
Investing activities	55,202,004	68,564,217
Financing activities	9,865,400	—

Net cash generated from operating activities was \$64.63 million for the three months ended March 31, 2025, compared to \$0.18 million for the three months ended March 31, 2024. The increase in net cash inflow for the three months ended March 31, 2025, was mainly driven by the recovery of \$65.6 million in advance payments to suppliers, which generated cash inflows.

Net cash provided by investing activities was \$55.20 million and \$68.56 million respectively for the three months ended March 31, 2025, and 2024. For the three months ended March 31, 2025, repayments of short-term loans decreased by \$13.36 million. As of March 31, 2025, the Company had recovered a short-term loan of \$55,660,131 (RMB406.3 million) from Xi'an Yingtai Energy Conservation Technology Co., Ltd ("Xi'an Yingtai"), an unrelated party of the Company.

Net cash provided by financing activities was \$9.87 million during the three months ended March 31, 2025, primarily attributable to proceeds from equity issuance.

We believe that inflation did not have or is not expected to have a significant adverse impact on our operating results in 2025.

Going Concern

The Company's financial statements are prepared assuming that the Company will continue as a going concern.

The Company incurred an operating loss of \$1.17 million, generated operating cash flows of \$64.63 million, and reported net loss of \$0.88 million for three months ended March 31, 2025. As the Company implements its future business plan, it may continue to incur operating losses and generate negative operating cash flows. At the end of March 31, 2025, the Company had accumulated deficit balance of \$62.94 million and cash balance of \$129.6 million. The Company has collected back RMB405.8 million in accounts receivable and recovered RMB476 million in supplier advances and raised capital through of common stock issuance during the first quarter of 2025.

The Company's ability to continue as a going concern is dependent upon the successful execution of its business strategy to eventually achieve profitable operations. The accompanying financial statements do not include any adjustments that would be necessary if the Company is unable to continue as a going concern.

Transfers of Cash to and from Our Subsidiaries

The PRC maintains currency controls and capital transfer regulations that require us to comply with certain requirements on capital movement of. The Company may transfer USD cash to its PRC subsidiaries through following channels: (i) an equity investment (by increasing the Company's registered capital in a PRC subsidiary), or (ii) a stockholder loan. The Company's PRC subsidiaries have not transferred any earnings or cash to the Company to date. The Company's business is primarily conducted through its subsidiaries. The Company functions as a holding entity and its material assets consist solely of the equity interests in its PRC-based subsidiaries. The Company relies on dividends distribution from its subsidiaries to meet its working capital and cash needs, including the funds necessary: (i) to pay dividends or cash distributions to its stockholders, (ii) to service any debt obligations and (iii) to pay operating expenses. Under applicable PRC laws and regulations (noted below), the Company's PRC subsidiaries are legally required to allocate 10% of annual after-tax income into general reserve fund, prior to payment of dividends. These requirements, combined with other regulatory constraints, materially limit the subsidiaries' ability to distribute a portion of net assets as dividends to the parent company.

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

With respect to dividends distribution, we note the following:

1. PRC regulations currently only permit the payment of dividends out of accumulated profits, as determined in accordance with accounting standards and PRC regulations (an in-depth description of the PRC regulations is set forth below);
2. Under Chinese Accounting Standards (CAS) and the PRC Company Law, our PRC subsidiaries are required to allocate, at least 10% of their annual after-tax net income, to statutory surplus reserves until the cumulative reserve balance reaches 50% of their registered capital;
3. Such reserves may not be distributed as cash dividends;
4. Our PRC subsidiaries may also allocate a portion of their after-tax profits to their staff welfare funds and bonus funds; except in the event of a liquidation, these funds can not be distributed to stockholders; the Company does not participate in a Joint Welfare Fund;
5. The incurrence of debt, particularly the instruments governing such debt, may restrict a subsidiary's ability to pay dividends to stockholders or make other cash distributions; and
6. The Company is subject to covenants and consent requirements.

If, due to the aforementioned reasons, our subsidiaries are unable to pay dividends and/or make other cash payments to the Company when needed, the Company's ability to conduct operations, make investments, engage in acquisitions, or undertake other working capital-dependent initiatives, may be materially and adversely affected. However, our operations and business, including investment and/or acquisitions by our subsidiaries in China, will not be affected as long as the capital flows remain within PRC.

PRC Regulations

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

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

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

Chart of the Company's Statutory Reserve

Pursuant to PRC corporate law, effective January 1, 2006, the Company is required to appropriate a statutory reserve from its after-tax profit before declaring or paying dividends. The statutory reserve is restricted retained earnings. Our restricted and unrestricted retained earnings under US GAAP are classified as below:

	As of	
	March 31, 2025	March 31, 2024
Unrestricted accumulated deficit	\$ (62,940,843)	\$ (60,777,199)
Restricted retained earnings (surplus reserve fund)	15,191,645	15,191,645
Total accumulated deficit	<u>\$ (47,749,198)</u>	<u>\$ (45,585,554)</u>

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as of March 31, 2025, are as follows:

Contractual Obligation	1 year or less	More than 1 year	See Note (for details)
Notes payable – Principle	\$ 4,705,696	\$ -	10
Interest payable of notes payable	69,103	-	10
Interest payable of Entrusted loan	\$ 343,131	\$ -	9
Total	<u>\$ 5,117,930</u>	<u>\$ -</u>	

The Company believes it has sufficient cash as of March 31, 2025, and a sufficient channel to obtain any loans that may be necessary to meet its working capital needs from commercial institutions. Historically, we have been able to obtain loans or otherwise achieve our financing objectives due to the Chinese government's support for energy-saving businesses with stable cash inflows, good credit ratings and history. In November 2024, we paid the Entrusted loan principal of \$10,548,957 (RMB77 million), with interest still outstanding.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Exchange Rate Risk

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our Chief Executive Officer and Chief Financial Officer (together, the "Certifying Officers"), to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Certifying Officers, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. The Company maintains disclosure controls and procedures which are designed to provide reasonable assurance that information required to be disclosed in the Company's periodic SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rules 13a - 15(e) and 15d - 15(e) of the Securities Exchange Act of 1934 ("Exchange Act") at the end of the period covered by this Report. Based upon that evaluation, our CEO and CFO concluded that, as of September 30, 2024, the Company's disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

With the participation of the Company's management, including its CEO and CFO, the Company also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the Company's fiscal quarter ended as of March 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on such evaluation, management concluded that, as of the end of the period covered by this Report, there have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this Report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

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

In November 2019, Beijing Hongyuan Recycling Energy Investment Center (“BIPC”), or Hongyuan, filed a lawsuit with the Beijing Intermediate People’s Court against Xi’an TCH to compel Xi’an TCH to repurchase certain stock pursuant to a stock repurchase option agreement. On April 9, 2021, the court rendered a judgment in favor of Hongyuan. Xi’an TCH filed a motion for retrial to High People’s Court of Beijing on April 13, 2022, because Xi’an TCH paid RMB261 million (\$37.58 million) principal and interest to Hongyuan as an out-of-court settlement. On April 11, 2022, Xi’an Zhonghong New Energy Technology Co. Ltd., filed an application for retrial and provided relevant evidence to the Beijing High People’s Court on the Civil Judgment No. 264, awaiting trial. On August 10, 2022, Beijing No. 1 Intermediate People’s Court of Beijing issued a Certificate of Active Performance, proving that Xi’an Zhonghong New Energy Technology Co., Ltd. had fulfilled its buyback obligations as disclosed in Note 9 that, on April 9, 2021, Xi’an TCH, Xi’an Zhonghong, Guohua Ku, Chonggong Bai and HYREF entered a Termination of Fulfillment Agreement (termination agreement). Under the termination agreement, the original buyback agreement entered on December 19, 2019 was terminated upon signing of the termination agreement. HYREF will not execute the buy-back option and will not ask for any additional payment from the buyers other than keeping the CDQ WHPG station.

As of the date of this Report, Xi’an Zhonghong is waiting for Court’s decision on retrial petition that was submitted in April 2022. During this waiting period, BIPC entered the execution procedure, and there is a balance of RMB14,204,317 (\$2.20 million) between the amount executed by the court and the liability recognized by Xi’an TCH, which was mainly the enforcement fee, legal and penalty fee for the original judgement, and was automatically generated by the toll collection system of the People’s court. The Company accrued \$2.10 million litigation expense as of December 31, 2024.

On June 28, 2021, Beijing No.4 Intermediate People’s Court of Beijing entered into a judgement that Xi’an Zhonghong Technology Co., Ltd. should pay the loan principal of RMB77 million (\$11.06 million) with loan interest of RMB2,418,449 (\$0.35 million) to Beijing Hongyuan Recycling Energy Investment Center (Limited Partnership). In the end of 2022, Beijing No.4 Intermediate People’s Court of Beijing entered into the judgment enforcement procedure, which, in addition to the loan principal with interest amount, Xi’an Zhonghong Technology Co., Ltd. was to pay judgment enforcement fee, late fee and other fees of RMB80,288,184 (\$11.53 million) in total, the Company recorded these additional fees in 2022. On November 29, 2024, The Company paid Hongyuan RMB77,000,000 (\$10.81 million) to Beijing Hongyuan Recycling Energy Investment Center (Limited Partnership).

On October 17, 2022, United States District Court for the District of Nevada (the “Court”) entered into a default judgment against us and our transfer agent, Securities Transfer Corporation that the plaintiff, Newbridge Securities Corporation (the “Plaintiff”) was entitled to payment in the amount of \$139,066.0. On May 15, 2024, Securities Transfer Corporation entered into a stipulation with the Plaintiff. Pursuant to this stipulation, the Court ordered the issuance of 128,765 shares of CREG to the Plaintiff and its assignees. The abovementioned shares were issued to the Plaintiff and its assignees as of August 14, 2024.

Item 1A. Risk Factors.

We are a smaller reporting company and accordingly we are not required to provide information required by this Item. Moreover, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Annual Report on Form 10-K as of and for the year ended December 31, 2024. An investment in our common stock involves various risks. When considering an investment in our company, you should consider carefully all of the risk factors described in our most recent Form 10-K and the registration statement as referenced above. If any of those risks, incorporated by reference in this Form 10-Q, occur, the market price of our shares of common stock could decline and investors could lose all or part of their investment. These risks and uncertainties are not the only ones facing us and there may be additional matters that we are unaware of or that we currently consider immaterial. All of these could adversely affect our business, financial condition, results of operations and cash flows and, thus, the value of an investment in our company.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed as part of, or incorporated by reference into, this Report:

Number	Description
3.1	<u>Articles of Incorporation (filed as Exhibit 3.05 to the Company's Form 10-KSB for the fiscal year ended December 31, 2001).</u>
3.2	<u>Fifth Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated March 9, 2022).</u>
3.3	<u>Certificate of Change (filed as Exhibit 3.6 to the Company's Current Report on Form 8-K dated May 24, 2016).</u>
3.4	<u>Certificate of Amendment (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 9, 2022).</u>
4.1	<u>Common Stock Specimen (filed as Exhibit 4.1 to the Company's Registration Statement on Form SB-2 dated November 12, 2004; 1934 Act File No. 333-120431).</u>
4.2	<u>Description of Securities of China Recycling Energy Corporation registered under Section 12 of the Securities Exchange Act of 1934, as amended (filed as Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed on May 14, 2020).</u>
4.3	<u>Form of Pre-Funded Warrants (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 31, 2024).</u>
10.1	<u>Supplementary Agreement by and between Inner Mongolia Erdos TCH Energy Saving Development Co., Ltd. and Inner Mongolia Erdos Metallurgy Co., Ltd., dated December 1, 2009 (filed as Exhibit 10.27 to the Company's Form 10-K for the year ended December 31, 2009).</u>
10.2	<u>Joint Operation Agreement by and between Xi'an TCH Energy Technology Co., Ltd., a wholly owned subsidiary of the Company, and Inner Mongolia Erdos Metallurgy Co., Ltd., dated January 20, 2009 (filed as Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended June 30, 2009).</u>
10.3	<u>Form of Independent Director Agreement. (filed as Exhibit 10.28 on the Company's Registration Statement on Form 10, filed on February 5, 2010).</u>
10.4	<u>English Translation of Employment Agreement between the Company and Guohua Ku, dated December 10, 2020 (filed as Exhibit 10.4 to the Company's Form 10-K for the year ended December 31, 2022).</u>
10.5	<u>English Translation of Employment Agreement between the Company and Yongjiang Shi, dated December 16, 2021 (filed as Exhibit 10.5 to the Company's Form 10-K for the year ended December 31, 2022).</u>

10.6	<u>Biomass Power Generation Asset Transfer Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 16, 2013).</u>
10.7	<u>Biomass Power Generation Project Lease Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated September 16, 2013).</u>
10.8	<u>Partnership Agreement of Beijing Hongyuan Recycling Energy Investment Center, LLP, dated July 18, 2013 (filed as Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended September 30, 2013).</u>
10.9	<u>EPC Contract for Boxing CDQ Waste Heat Power Generation Project, dated July 22, 2013, by and between Xi'an Zhonghong New Energy Technology Co., Ltd and Xi'an Huaxin New Energy Co., Ltd (filed as Exhibit 10.3 to the Company's Form 10-Q for the quarterly period ended September 30, 2013).</u>
10.10	<u>EPC Contract for CDQ Power Generation Project of Xuzhou Tianyu Group, dated July 22, 2013, by and between Xi'an Zhonghong New Energy Technology Co., Ltd and Xi'an Huaxin New Energy Co., Ltd. (filed as Exhibit 10.4 to the Company's Form 10-Q for the quarterly period ended September 30, 2013).</u>
10.11	<u>Cooperation Agreement, dated July 22, 2013, by and between Xi'an Zhonghong New Energy Technology Co., Ltd. and Jiangsu Tianyu Energy and Chemical Group Co., Ltd (filed as Exhibit 10.5 to the Company's Form 10-Q for the quarterly period ended September 30, 2013).</u>
10.12	<u>Waste Heat Power Generation Energy Management Cooperative Agreement with Zhongtai (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 6, 2013).</u>
10.13	<u>CDQ Power Generation Energy Management Cooperative Agreement with Rongfeng (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 17, 2013).</u>
10.14	<u>China Recycling Energy Corporation Omnibus Equity Plan (Incorporated by reference from Appendix A to the Company's Definitive Schedule 14A filed on April 30, 2015).</u>
10.15	<u>Transfer Agreement of CDQ & Waste Heat Power Generation, dated November 16, 2015, by and between Xi'an TCH Energy Technology Co., Ltd and Tangshan Rongfeng Iron & Steel Co., Ltd. and Xi'an Huaxin New Energy Co., Ltd. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 20, 2015).</u>
10.16	<u>Xuzhou Zhongtai CDQ and Waste Heat Power Generation System Transfer Agreement, dated March 14, 2016, by Xi'an TCH Energy Technology Co., Ltd, Xuzhou Zhongtai Energy Technology Co., Ltd. and Xi'an Huaxin New Energy Co., Ltd. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 18, 2016).</u>
10.17	<u>Repurchase Agreement for Coking Coal Gas Power Generation Project, dated June 22, 2016, by and between Xi'an TCH Energy Technology Co., Ltd., and Qitaihe City Boli Yida Coal Selection Co., Ltd. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated August 15, 2016).</u>
10.18	<u>Securities Purchase Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P., dated July 11, 2018 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 17, 2018).</u>
10.19	<u>Convertible Promissory Note, issued by China Recycling Energy Corporation to Iliad Research and Trading, L.P., dated July 11, 2018 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated July 17, 2018).</u>
10.20	<u>Equity Purchase Agreement by and between Shanghai TCH Energy Technology Co., Ltd. and Jinhua Wang, dated September 30, 2018 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 30, 2018).</u>

10.21	<u>Agreement of Supplementary and Amendment by and between Shanghai TCH Energy Technology Co., Ltd. and Jinhua Wang, dated November 21, 2018 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 26, 2018).</u>
10.22	<u>CDQ WHPG Station Fixed Assets Transfer Agreement, dated December 29, 2018, by and among Xi'an Zhonghong, Xi'an TCH, the HYREF, Guohua Ku and Chonggong Bai (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on March 16, 2019).</u>
10.23	<u>Buy-Back Agreement, dated December 29, 2018, by and among HYREF, Xi'an Zhonghong, Xi'an TCH, Guohua Ku, Chonggong Bai and Xi'an Hanneng (filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on March 16, 2019).</u>
10.24	<u>Equity Transfer Agreement, dated December 29, 2018, by and between Xi'an TCH and Hongyuan Huifu. (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on March 16, 2019)†</u>
10.25	<u>Equity Transfer Agreement, dated December 29, 2018, by and between Shanghai TCH and HYREF. (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on April 16, 2019)</u>
10.26	<u>Supplementary Agreement of Equity Transfer Agreement, dated December 29, 2018, by and among Xi'an TCH, Hongyuan Huifu, and the Fund Management Company. (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on April 16, 2019).</u>
10.27	<u>Projects Transfer Agreement by and among Xi'an Zhonghong, Xi'an TCH, and Mr. Chonggong Bai, dated January 4, 2019 (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 2018 filed on April 16, 2019).</u>
10.28	<u>Securities Purchase Agreement by and between China Recycling Energy Corporation and Great Essential Investment, Ltd, dated February 13, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 19, 2019).</u>
10.29	<u>Termination of Equity Purchase Agreement and Supplementary Amendment Agreement by and between Shanghai TCH and Mr. Jihua Wang, dated March 29, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 29, 2019).</u>
10.30	<u>Forebearance Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated September 11, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 11, 2019).</u>
10.31	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. 2019 dated September 19, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 19, 2019).</u>
10.32	<u>Termination Agreement of Lease Agreement of Biomass Power Generation Project by and between Xi'an TCH Energy Technology Co., Ltd. and Pucheng Xin Heng Yuan Biomass Power Generation Co., Ltd. dated September 29, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 29, 2019).</u>

10.33	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated October 16, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 16, 2019).</u>
10.34	<u>Amendment to Forebearance Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated December 16, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 16, 2019).</u>
10.35	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated January 3, 2020 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 3, 2020).</u>
10.36	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated January 13, 2020 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 13, 2020).</u>
10.37	<u>Exchange Agreement by and between China Recycling Energy Corporation and Iliad Research and Trading, L.P. dated May 4, 2020 (filed as Exhibit 10.30 to the Company's Current Report on Form 8-K, dated May 4, 2020).</u>
10.38	<u>Employment Agreement by and between China Recycling Energy Corporation and Yongjiang (Jackie) Shi, dated May 8, 2020 (filed as Exhibit 10.38 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed on May 14, 2020).</u>
10.39	<u>Exchange Agreement dated as of May 15, 2020 by and between China Recycling Energy Corporation and Lliad Research and Trading, L.P. (filed as Exhibit 10.39 to the Company's Current Report on Form 8-K, dated May 21, 2020).</u>
10.40	<u>Forbearance Agreement dated as of May 15, 2020 by and between China Recycling Energy Corporation and Lliad Research and Trading, L.P. (filed as Exhibit 10.40 to the Company's Current Report on Form 8-K, dated May 21, 2020).</u>
10.41	<u>Exchange Agreement dated as of May 29, 2020 by and between China Recycling Energy Corporation and Lliad Research and Trading, L.P. (filed as Exhibit 10.41 to the Company's Current Report on Form 8-K, dated June 4, 2020).</u>
10.42	<u>Equity Acquisition Agreement dated as of December 22, 2020 by and between China Recycling Energy Corporation and Shanghai TCH Energy Technology Co., Ltd., Zheng Feng, Yinhua Zhang, Weidong Xu and Xi'an Taiying Energy Saving Technology Co., Ltd. (filed as Exhibit 10.43 to the Company's Current Report on Form 8-K, dated December 29, 2020).</u>
10.43	<u>Promissory Note dated as of December 4, 2020 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.43 to the Company's Form S-1/A dated October 6, 2021).</u>
10.44	<u>Exchange Agreements dated as of August 24, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.44 to the Company's Form S-1/A dated October 6, 2021).</u>
10.45	<u>Exchange Agreements dated as of August 31, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.45 to the Company's Form S-1/A dated October 6, 2021).</u>

10.46	<u>Exchange Agreements dated as of September 1, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q dated November 12, 2021).</u>
10.47	<u>Exchange Agreements dated as of October 8, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q dated November 12, 2021).</u>
10.48	<u>Exchange Agreements dated as of October 21, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.3 to the Company's quarterly report on Form 10-Q dated November 12, 2021).</u>
10.49	<u>Exchange Agreements dated as of October 25, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q dated November 12, 2021).</u>
10.50	<u>Exchange Agreements dated as of November 9, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.5 to the Company's quarterly report on Form 10-Q dated November 12, 2021).</u>
10.51	<u>Exchange Agreements dated as of November 30, 2021 by and between China Recycling Energy Corporation and Streeterville Capital, LLC. (filed as Exhibit 10.51 to the Company's Amendment to Registration Statement on Form S1/A dated December 3, 2021).</u>
10.52	<u>Exchange Agreements dated as of November 7, 2022 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.53 to the Company's annual report on Form 10-K dated May, 8, 2023).</u>
10.53	<u>Exchange Agreements dated as of January 6, 2023 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.54 to the Company's annual report on Form 10-K dated May, 8, 2023).</u>
10.54	<u>Exchange Agreements dated as of January 18, 2023 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.55 to the Company's annual report on Form 10-K dated May, 8, 2023).</u>
10.55	<u>Exchange Agreements dated as of February 13, 2023 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.56 to the Company's annual report on Form 10-K dated May, 8, 2023).</u>
10.56	<u>Exchange Agreements dated as of December 29, 2023 by and between China Recycling Energy Corporation and Bucktown Capital, LLC. (filed as Exhibit 10.57 to the Company's annual report on Form 10-K dated April 11, 2024).</u>
10.57	<u>Form of Securities Purchase Agreement between the Company and certain Purchasers, dated December 25, 2024 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 31, 2024).</u>
10.58	<u>Form of Securities Purchase Agreement between the Company and certain Purchasers, dated February 18, 2025 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 25, 2025).</u>
10.59	<u>Form of Exchange Agreement between the Company and certain Lender, dated March 6, 2025</u>
10.60	<u>China Recycling Energy Corporation Omnibus Equity Plan (filed as Exhibit 99.1 to the Company's Registration Statement on Form S-8 dated April 18, 2025).</u>

14.1	<u>Code of Ethics (filed as Exhibit 14.1 to the Company's Current Report on Form 8-K dated December 2, 2009).</u>
19.1	<u>Insider Trading Policy, dated November 25, 2009. (filed as Exhibit 19.1 to the Company's annual report on Form 10-K dated May, 8, 2023).</u>
21.1	<u>Subsidiaries (filed as Exhibit 21.1 to the Company's Annual Report on Form 10-K dated May 14, 2020).</u>
31.1*	<u>Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2*	<u>Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1**	<u>Certification of the Principal Executive Officer and the Principal Financial Officer pursuant to 18 U.S.C. 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 Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

SMART POWERR CORP.

Date: May 15, 2025

By: /s/ Guohua Ku

Name: Guohua Ku

Title: Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2025

By: /s/ Yongjiang Shi

Name: Yongjiang Shi

Title: Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER**PURSUANT TO****RULE 13a-14(a) AND RULE 15d-14(a)****UNDER THE****SECURITIES EXCHANGE ACT OF 1934,****AS ADOPTED****PURSUANT TO SECTION 302 OF THE****SARBANES-OXLEY ACT OF 2002**

I, Guohua Ku, certify that:

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

Dated: May 15, 2025

By: /s/ Guohua Ku
Name: Guohua Ku
Title: Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a)
UNDER THE
SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Yongjiang Shi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Smart Power Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2025

By: /s/ Yongjiang Shi
Name: Yongjiang Shi
Title: Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF THE
PRINCIPAL EXECUTIVE OFFICER AND THE
PRINCIPAL FINANCIAL OFFICER 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 on Form 10-Q of Smart Powerr Corp. (the “Company”) for the quarter ended March 31, 2025, as filed with the Securities and Exchange Commission (the “Report”), we, Guohua Ku, Chairman of the Board and Chief Executive Officer of the Company, and Yongjiang Shi, Chief Financial Officer of the Company, each certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

Dated: May 15, 2025

By: /s/ Guohua Ku
Name: Guohua Ku
Title: Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Dated: May 15, 2025

By: /s/ Yongjiang Shi
Name: Yongjiang Shi
Title: Chief Financial Officer
(Principal Financial Officer)