

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

FORM 10-Q

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

For the quarterly period ended September 30, 2023

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

For the transition period from _____ to _____

Commission File number 001-38605

GREENLAND TECHNOLOGIES HOLDING CORPORATION

(Exact name of registrant as specified in charter)

| | |
|---|---|
| British Virgin Islands (State or other jurisdiction of incorporation or organization) | 001-38605 (I.R.S. Employer Identification No.) |
| 50 Millstone Road, Building 400 Suite 130 East Windsor, NJ United States (Address of principal executive offices) | 08512 (Zip Code) |

1 (888) 827-4832

(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|-------------------------------|-------------------|--|
| Ordinary shares, no par value | GTEC | The NASDAQ Stock Market LLC |

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

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

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

As of November 20, 2023, there were 13,594,530 ordinary shares of the registrant outstanding.

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FORWARD LOOKING STATEMENTS

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

Forward-looking statements generally can be identified by words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “will be,” “will continue,” “may,” “could,” “will likely result,” and similar expressions. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those reflected in the forward-looking statements. In addition, there is uncertainty about the future development of the COVID-19 pandemic and the impact it may have on the Company’s operations, the demand for the Company’s products or services, global supply chains and economic activity in general. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GREENLAND TECHNOLOGIES HOLDING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2023

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GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

(IN U.S. DOLLARS)

| | September 30, 2023 | December 31, 2022 |
|--|-------------------------------|------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 21,543,963 | \$ 16,295,695 |
| Restricted cash | 2,803,756 | 3,433,361 |
| Short Term Investment | 4,393,777 | 7,800,723 |
| Notes receivable | 32,403,217 | 28,748,879 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,093,826 and \$762,325, respectively | 20,826,354 | 14,337,760 |
| Inventories | 20,498,166 | 23,096,382 |
| Due from related parties-current | 34,684,542 | 36,669,907 |
| Advance to suppliers | 1,687,939 | 412,766 |
| Prepayments and other current assets | 90,732 | 1,568,687 |
| Total Current Assets | \$ 138,932,446 | \$ 132,364,160 |
| Non-current asset | | |
| Property, plant, equipment and construction in progress, net | 13,730,136 | 15,585,214 |
| Land use rights, net | 3,376,901 | 3,639,067 |
| Other intangible assets | 208,154 | 147,465 |
| Long term investment | 300,000 | 250,000 |
| Deferred tax assets | 279,085 | 219,207 |
| Operating lease right-of-use assets | 2,253,162 | 2,627,110 |
| Other non-current assets | 253,760 | 283,118 |
| Total non-current assets | \$ 20,401,198 | \$ 22,751,181 |
| TOTAL ASSETS | \$ 159,333,644 | \$ 155,115,341 |

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2023 AND DECEMBER 31, 2022 (Continued)

(IN U.S. DOLLARS)

| | September 30, 2023 | December 31, 2022 |
|---|-------------------------------|------------------------------|
| | <u> </u> | <u> </u> |
| Current Liabilities | | |
| Short-term bank loans | \$ 6,524,123 | \$ 8,986,255 |
| Notes payable-bank acceptance notes | 30,713,480 | 28,272,472 |
| Accounts payable | 25,731,835 | 24,817,165 |
| Taxes payables | 67,776 | 192,478 |
| Customer deposits | 303,122 | 227,432 |
| Due to related parties | 4,080,627 | 1,693,315 |
| Other current liabilities | 2,654,935 | 1,547,390 |
| Current portion of operating lease liabilities | 485,207 | 472,182 |
| Total current liabilities | \$ 70,561,105 | \$ 66,208,689 |
| Long-term liabilities | | |
| Long term operating lease liabilities | 1,807,408 | 2,176,130 |
| Other long-term liabilities | 1,577,010 | 1,812,759 |
| Total long-term liabilities | \$ 3,384,418 | \$ 3,988,889 |
| TOTAL LIABILITIES | \$ 73,945,523 | \$ 70,197,578 |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY | | |
| Ordinary shares, no par value, unlimited shares authorized; 13,594,530 and 12,978,504 shares issued and outstanding as of September 30, 2023 and December 31, 2022. | - | - |
| Additional paid-in capital | 32,955,927 | 32,955,927 |
| Statutory reserves | 3,842,331 | 3,842,331 |
| Retained earnings | 40,186,954 | 37,228,261 |
| Accumulated other comprehensive income (loss) | (3,552,846) | (2,831,419) |
| Total shareholders' equity | \$ 73,432,366 | \$ 71,195,100 |
| Non-controlling interest | 11,955,755 | 13,722,663 |
| TOTAL EQUITY | \$ 85,388,121 | \$ 84,917,763 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 159,333,644 | \$ 155,115,341 |

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(UNAUDITED, IN U.S. DOLLARS)

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|--|---------------------|---|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| REVENUES | \$21,836,761 | \$21,786,862 | \$67,555,570 | \$71,696,324 |
| COST OF GOODS SOLD | 15,568,224 | 16,974,566 | 48,835,766 | 55,676,893 |
| GROSS PROFIT | 6,268,537 | 4,812,296 | 18,719,804 | 16,019,431 |
| Selling expenses | 606,649 | 521,865 | 1,568,174 | 1,679,600 |
| General and administrative expenses | 1,610,100 | 1,192,210 | 4,771,568 | 3,716,590 |
| Research and development expenses | 1,245,646 | 1,023,443 | 3,790,931 | 2,968,572 |
| Total operating expenses | \$ 3,462,395 | \$ 2,737,518 | \$10,130,673 | \$ 8,364,762 |
| INCOME FROM OPERATIONS | \$ 2,806,142 | \$ 2,074,778 | \$ 8,589,131 | \$ 7,654,669 |
| Interest income | 4,242 | 12,790 | 79,318 | 35,239 |
| Interest expense | (72,952) | (125,981) | (218,949) | (322,641) |
| Loss on disposal of property and equipment | (204) | (301) | (443) | (695) |
| Other income(expense) | (1,663,423) | 655,838 | (1,374,809) | 1,418,580 |
| INCOME BEFORE INCOME TAX | \$ 1,073,805 | \$ 2,617,124 | \$ 7,074,248 | \$ 8,785,152 |
| INCOME TAX | 878,922 | 518,931 | 1,480,595 | 1,392,735 |
| NET INCOME | \$ 194,883 | \$ 2,098,193 | \$ 5,593,653 | \$ 7,392,417 |
| LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST | 1,082,303 | 820,229 | 2,634,960 | 2,840,137 |
| NET INCOME(LOSS) ATTRIBUTABLE TO GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES | \$ (887,420) | \$ 1,277,964 | \$ 2,958,693 | \$ 4,552,280 |
| OTHER COMPREHENSIVE INCOME (LOSS): | 3,756,643 | (4,441,025) | (517,156) | (8,142,567) |
| Unrealized foreign currency translation income (loss) attributable to Greenland Technologies Holding Corporation and subsidiaries | 2,251,583 | (2,974,517) | (721,427) | (5,446,475) |
| Unrealized foreign currency translation income (loss) attributable to Noncontrolling interest | 1,505,060 | (1,466,508) | 204,271 | (2,696,092) |
| Comprehensive income (loss) attributable to Greenland Technologies Holding Corporation and subsidiaries | 1,364,163 | (1,696,553) | 2,237,266 | (894,195) |
| Noncontrolling interest | 2,587,363 | (646,279) | 2,839,231 | 144,045 |
| WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING: | | | | |
| Basic and diluted | 13,594,530 | 12,222,387 | 13,307,954 | 11,628,243 |
| NET INCOME PER ORDINARY SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY: | | | | |
| Basic and diluted | (0.07) | 0.10 | 0.22 | 0.39 |

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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

| | Ordinary Shares | | Additional Paid-in Capital | Accumulated Other Comprehensiv e Income/(loss) | Statutor y Reserve | Retained Earnings | Non- controlling Interest | Total |
|---|-----------------|--------|----------------------------------|--|--------------------------|----------------------|---------------------------------|-------------|
| | No Par Value | | | | | | | |
| | Shares | Amount | | | | | | |
| Balance at December 31, 2021 | 11,329,530 | | 23,759,364 | 1,014,399 | 3,842,331 | 33,668,696 | 12,559,876 | 74,844,666 |
| Sale of shares and warrants | - | - | 77,069 | - | - | - | - | 77,069 |
| Net income | - | - | - | - | - | 1,787,052 | 1,127,746 | 2,914,798 |
| Foreign currency translation adjustment | - | - | - | 248,082 | - | - | 125,828 | 373,910 |
| Balance at March 31, 2022 | 11,329,530 | | 23,836,433 | 1,262,481 | 3,842,331 | 35,455,748 | 13,813,450 | 78,210,443 |
| Net income | - | - | - | - | - | 1,487,264 | 892,162 | 2,379,426 |
| Foreign currency translation adjustment | - | - | - | (2,720,040) | - | - | (1,355,412) | (4,075,452) |
| Balance at June 30, 2022 | 11,329,530 | | 23,836,433 | (1,457,559) | 3,842,331 | 36,943,012 | 13,350,200 | 76,514,417 |
| Sale of shares and warrants | 1,250,000 | | 9,119,494 | - | - | - | - | 9,119,494 |
| Net income | - | - | - | - | - | 1,277,964 | 820,229 | 2,098,193 |
| Foreign currency translation adjustment | - | - | - | (2,974,517) | - | - | (1,466,508) | (4,441,025) |
| Balance at September 30, 2022 | 12,579,530 | | 32,955,927 | (4,432,076) | 3,842,331 | 38,220,976 | 12,703,921 | 83,291,079 |
| Balance at December 31, 2022 | 12,978,504 | | 32,955,927 | (2,831,419) | 3,842,331 | 37,228,261 | 13,722,663 | 84,917,763 |

| | | | | | | | | |
|--|------------|------------|-------------|-----------|------------|-------------|-------------|-------------|
| Net income | - | - | - | - | - | 1,446,975 | 1,011,599 | 2,458,574 |
| Foreign currency translation adjustment | - | - | - | 212,352 | - | - | 104,980 | 317,332 |
| Balance at March 31, 2023 | 12,978,504 | 32,955,927 | (2,619,067) | 3,842,331 | 38,675,236 | 14,839,242 | 87,693,669 | |
| Net income | - | - | - | - | - | 2,399,138 | 541,058 | 2,940,196 |
| Dividend | - | - | - | - | - | - | (703,595) | (703,595) |
| Foreign currency translation adjustment | - | - | (3,185,362) | - | - | - | (1,405,769) | (4,591,131) |
| Balance at June 30, 2023 | 12,978,504 | 32,955,927 | (5,804,429) | 3,842,331 | 41,074,374 | 13,270,936 | 85,339,139 | |
| Cancellation of subsidiary | - | - | - | - | - | - | (3,902,544) | (3,902,544) |
| Cashless exercise of stock warrants | 616,026 | - | - | - | - | (1,178,776) | - | - |
| Net income | - | - | - | - | - | 6) | 966,600 | (212,176) |
| Foreign currency translation adjustment | - | - | - | 2,262,032 | - | - | 1,509,211 | 3,771,243 |
| Balance at September 30, 2023 | 13,594,530 | 32,955,927 | (3,542,397) | 3,842,331 | 39,895,598 | 11,844,203 | 84,995,662 | |

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(UNAUDITED, IN U.S. DOLLARS)

| | For the nine months ended September 30, | |
|---|--|-----------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 5,593,653 | \$ 7,392,417 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,632,430 | 1,849,467 |
| Amortization of deferred subsidy | (141,748) | (884,806) |
| Loss on disposal of property and equipment | 443 | 695 |
| Increase in allowance for doubtful accounts | 387,053 | 4,967 |
| Increase(Decrease) in provision for inventory | 108,723 | (22,846) |
| Deferred tax assets | (74,533) | - |
| Non-cash lease expenses | 463,483 | 198,586 |
| Loss on disposal of short term investment | 25,325 | - |
| Accrued interest income derived from loan to RP | (5,332) | - |
| Accrued expense | 818,840 | - |
| Changes in operating assets and liabilities: | | |
| Decrease (Increase) In: | | |
| Accounts receivable | (7,929,905) | (4,385,421) |
| Notes receivable | (5,420,169) | 2,179,528 |
| Inventories | 1,335,565 | 1,342,340 |
| Advance to suppliers | (1,298,963) | (307,852) |
| Other current and noncurrent assets | 2,682,550 | (11,438,398) |
| Increase (Decrease) In: | | |
| Accounts payable | 2,339,606 | (2,231,682) |
| Customer deposits | 91,344 | (162,262) |
| Other current liabilities | 396,751 | 776,504 |
| Income tax payable | (118,429) | (103,755) |
| Due to related parties | - | 21,435 |
| Long-term payables-Unamortized deferred financing costs | - | (190,033) |
| Lease liabilities | (445,232) | (160,119) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | \$ 441,455 | \$ (6,121,235) |

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (Continued)

(UNAUDITED, IN U.S. DOLLARS)

| | For the nine months ended September 30 | |
|---|---|-----------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of long term assets | \$ (592,412) | \$ (363,543) |
| Loan lend to third parties | (426,482) | - |
| Repayment of loans lend to third parties | 1,848,087 | - |
| Proceeds from government grants for construction | - | 719,628 |
| Proceeds from sale of short term investment | 444,155 | - |
| Investment in a joint venture | (50,000) | - |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | \$ 1,223,348 | \$ 356,085 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from short-term bank loans | \$ 6,766,842 | \$10,848,438 |
| Repayments of short-term bank loans | (8,811,111) | (9,918,787) |
| Notes payable | 4,134,691 | (4,279,261) |
| Proceeds from related parties | - | 210,942 |
| Repayment of loans from related parties | - | (1,908,456) |
| Dividend paid | (703,595) | - |
| Payment of principal on financing lease obligation | - | (188,341) |
| Proceeds from equity and debt financing | - | 9,196,563 |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | \$ 1,386,827 | \$ 3,961,098 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED | | |
| CASH | \$ 3,051,630 | \$ (1,804,052) |
| Effect of exchange rate changes on cash | 1,567,033 | (969,309) |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING | | |
| OF YEAR | 19,729,056 | 17,800,892 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF | | |
| PERIOD | \$24,347,719 | \$15,027,531 |
| Bank balances and cash | 21,543,963 | 11,306,600 |
| Bank balances and cash included in assets classified as restricted cash | 2,803,756 | 3,720,931 |
| Supplemental Disclosure of Cash Flow Information | | |
| Income taxes paid | 797,593 | 615,632 |
| Interest paid | 215,487 | 320,526 |

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND PRINCIPAL ACTIVITIES

Greenland Technologies Holding Corporation (the “Company” or “Greenland”) was incorporated on December 28, 2017 as a British Virgin Islands company with limited liability. The Company was incorporated as a blank check company for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, recapitalization, reorganization or similar business combination with one or more target businesses. Following the Business Combination (as described and defined below) in October 2019, the Company changed its name from Greenland Acquisition Corporation to Greenland Technologies Holding Corporation.

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

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

Through its PRC subsidiaries, Greenland offers transmission products, which are key components for forklift trucks used in manufacturing and logistic applications, such as factories, workshops, warehouses, fulfilment centers, shipyards, and seaports. Forklifts play an important role in the logistic systems of many companies across different industries in China and globally. Generally, industries with the largest demand for forklifts include the transportation, warehousing logistics, electrical machinery, and automobile industries. Greenland’s revenue decreased from approximately \$71.70 million for the nine months ended September 30, 2022 to \$67.56 million for the nine months ended September 30, 2023. The decrease in revenue was primarily due to logistical and supply chain challenges due to the initial wave of COVID-19 cases following the lifting of China’s zero COVID policies in the first quarter. Nevertheless, based on the revenues for the nine months ended September 30, 2023 and 2022, Greenland believes that it is one of the major developers and manufacturers of transmission products for small and medium-sized forklift trucks in China.

Greenland’s transmission products are used in 1-ton to 15-tons forklift trucks, some with mechanical shift and some with automatic shift. Greenland sells these transmission products directly to forklift-truck manufacturers. For the nine months ended September 30, 2023 and 2022, Greenland sold an aggregate of 112,414 and 102,144 sets of transmission products, respectively, to more than 100 forklift manufacturers in the PRC.

There is increasing demand for electric industrial vehicles powered by sustainable energy in order to reduce air pollution and lower carbon emissions. In December 2020, Greenland launched a new division to focus on the production and sale of electric industrial vehicles—a division that Greenland intends to develop to diversify its product offerings. Greenland’s electric industrial vehicle products currently include GEF-series electric forklifts, a series of lithium powered forklifts with three models ranging in size from 1.8 tons to 3.5 tons, GEL-1800, a 1.8 ton rated load lithium powered electric wheeled front loader, GEX-8000, an all-electric 8.0 ton rated load lithium powered wheeled excavator, and GEL-5000, an all-electric 5.0 ton rated load lithium wheeled front loader. These products are available for purchase in the United States (“U.S.”) market. In August 2022, Greenland launched a

54,000 square foot industrial electric vehicle assembly site in Baltimore, Maryland to support local services, assembly and distribution of its electric industrial heavy equipment products line.

The COVID-19 pandemic has significantly affected business and manufacturing activities within China, including travel restrictions, widespread mandatory quarantines, and suspension of business activities within China. For the nine months ended September 30, 2023 and 2022, we experienced rising material costs due to the pandemic. Chinese industries have gradually resumed businesses since December 2022 when the Chinese government lifted its COVID-19 protocols and measures. However, we remain cautious and prudent when assessing the future impact of COVID-19 on our business due to the current ongoing global pandemic.

The Company's Shareholders

As of September 30, 2023, Cenntro Holding Limited owned 47.86% of Greenland's outstanding ordinary shares. Cenntro Holding Limited is controlled and beneficially owned by Mr. Peter Zuguang Wang, the chairman of the board of directors of the Company.

The Company's Subsidiaries

Zhongchai Holding, the wholly-owned subsidiary of the Company, owned 71.576% of Zhejiang Zhongchai Machinery Co., Ltd. ("Zhejiang Zhongchai"), 100% of Hangzhou Greenland Energy Technologies Co., Ltd Co., Ltd ("Hangzhou Greenland"), 100% of HEVI (formerly known as Greenland Technologies Corp.) and 62.5% of Hengyu Capital, Ltd. ("Hengyu Capital").

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

Zhejiang Zhongchai

Zhejiang Zhongchai, a limited liability company registered on November 21, 2005, is the direct operating subsidiary of Zhongchai Holding in the PRC. On April 5, 2007, Usunco Automotive Limited (“Usunco”), a British Virgin Islands limited liability company, invested US\$8,000,000 for purchasing approximately 75.47% equity interest of Zhejiang Zhongchai. On December 16, 2009, Usunco agreed to transfer its 75.47% interest in Zhejiang Zhongchai to Zhongchai Holding. On April 26, 2010, Xinchang County Keyi Machinery Co., Ltd. transferred 24.528% equity interest it owned in Zhejiang Zhongchai to Zhongchai Holding in exchange for a consideration of US\$2.6 million. On November 1, 2017, Xinchang County Jiuxin Investment Management Partnership (LP) (“Jiuxin”), an entity controlled and beneficially owned by Mr. He Mengxing, president of Zhejiang Zhongchai, closed its investment of approximately RMB31,590,000 in Zhejiang Zhongchai for 10.53% of its interest. On December 29, 2021, Xinchang County Jiuhe Investment Management Partnership (LP) (“Jiuhe”), an entity controlled and beneficially owned by Mr. He Mengxing, president of Zhejiang Zhongchai, closed its investment of approximately RMB34,300,000 in Zhejiang Zhongchai for 20.00% of its interest. As of September 30, 2023, Zhongchai Holding owned approximately 71.576% of the equity interests, Jiuxin owned approximately 8.424% of the equity interests, and Jiuhe owned approximately 20.00% of the equity interests in Zhejiang Zhongchai.

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

Hangzhou Greenland

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

HEVI

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

Hengyu Capital

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

Details of the Company’s subsidiaries, which are included in these unaudited consolidated financial statements as of September 30, 2023, are as follows:

| Name | Domicile and Date of Incorporation | Paid-in Capital | Percentage of Effective Ownership | Principal Activities |
|--|---|------------------------|--|---|
| Zhongchai Holding (Hong Kong) Limited | Hong Kong April 23, 2009 | HKD 10,000 | 100% | Holding |
| Zhejiang Zhongchai Machinery Co., Ltd. | PRC November 21, 2005 | RMB 25,000,000 | 71.576% | Manufacture, sale of various transmission boxes |
| Hangzhou Greenland Energy Technologies Co., Ltd. | PRC August 8, 2020 | RMB 7,224,922 | 100% | Trading |
| HEVI Corp. | Delaware January 14, 2020 | USD 6,363,557 | 100% | U.S. operation and distribution of electric industrial vehicles for North American market |
| Hengyu Capital, Ltd | Hong Kong August 16, 2022 | HKD 10,000 | 62.5% | Investment management and consulting services |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant inter-company transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

Principles of Consolidation

The unaudited consolidated financial statements include the accounts of Greenland Technologies Holding Corporation and its subsidiaries and have been prepared in accordance with U.S. GAAP. Intercompany accounts and transactions have been eliminated upon consolidation. Certain reclassifications to previously reported financial information have been made to conform to the current period presentation.

The Business Combination was accounted for as a reverse recapitalization (the “Recapitalization Transaction”) in accordance with Accounting Standard Codification (“ASC”) 805, Business Combinations. For accounting and financial reporting purposes, Zhongchai Holding is considered the acquirer based on facts and circumstances, including the following:

- Zhongchai Holding’s operations comprise the ongoing operations of the combined entity;
- The officers of the newly combined company consist of Zhongchai Holding’s executives, including the Chief Executive Officer, Chief Financial Officer and General Counsel; and
- The former shareholders of Zhongchai Holding own a majority voting interest in the combined entity.

As a result of Zhongchai Holding being the accounting acquirer, the financial reports filed with the SEC by the Company subsequent to the Business Combination are prepared “as if” Zhongchai Holding is the predecessor and legal successor to the Company. The historical operations of Zhongchai Holding are deemed to be those of the Company. Thus, the financial statements included in this report reflect (i) the historical operating results of Zhongchai Holding prior to the Business Combination; (ii) the combined results of the Company and Zhongchai Holding following the Business Combination in October 24, 2019; (iii) the assets and liabilities of Zhongchai Holding at their historical cost, and (iv) Greenland’s equity structure for all periods presented. Zhongchai Holding received 7,500,000 shares of Greenland in exchange for all the share capital, which is reflected retroactively to December 31, 2017 and will be utilized for calculating earnings per share in all prior periods. No step-up basis of intangible assets or goodwill was recorded in the Business Combination transaction consistent with the treatment of the transaction as a reverse capitalization of Zhongchai Holding.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made. Actual results could differ from those estimates. Significant estimates in the nine months ended September 30, 2023 and 2022 include allowance for doubtful accounts, reserve for

inventories, useful life of property, plant and equipment, assumptions used in assessing impairment of long-term assets and valuation of deferred tax assets and accruals for taxes due.

Non-controlling Interest

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency Translation

The accompanying consolidated financial statements are presented in United States dollars (“US\$” or “\$”). The functional currency of the Company is Renminbi (“RMB”). Transactions in foreign currencies are initially recorded at the functional currency rate then-in-effect at the date of the transaction. Any differences between the initially recorded amount and the settlement amount are recorded as a gain or loss on foreign currency transaction in the consolidated statements of operations.

| | As of | |
|--|---|----------------------|
| | September 30, 2023 | December 31, 2022 |
| Period end RMB: US\$ exchange rate | 7.2960 | 6.8972 |
| | For the nine months ended September 30, | |
| | 2023 | 2022 |
| Period average RMB: US\$ exchange rate | 7.0343 | 6.6369 |

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

Cash and Cash Equivalents

For financial reporting purposes, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its bank accounts in the U.S., the PRC and Hong Kong. Balances at financial institutions or state-owned banks within the PRC and Hong Kong are not covered by insurance.

Restricted Cash

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

Fair Value of Financial Instruments

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

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's financial instruments primarily consist of cash and cash equivalents, restricted cash, accounts receivable, notes receivable, accounts payable, other payables and accrued liabilities, short-term bank loans, and notes payable.

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and other current assets and liabilities approximate fair value because of the short-term nature of these items. The estimated fair values of short-term bank loans were not materially different from their carrying value as presented due to the short maturities and that the interest rates on the borrowing approximate those that would have been available for loans of similar remaining maturity and risk profile. As the carrying amounts are reasonable estimates of the fair value, these financial instruments are classified within Level 1 of the fair value hierarchy.

Accounts Receivable

Accounts receivable are carried at net realizable value. The Company reviews its accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, customer's historical payment history, its current creditworthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. The Company only grants credit terms to established customers who are deemed to be financially responsible. Credit periods to customers are within 60 days after customers received the purchased goods. If accounts receivable are to be provided for, or written off, they would be recognized in the consolidated statement of operations within operating expenses. Balance of allowance of doubtful accounts was \$1.09 million and \$0.76 million as of September 30, 2023 and December 31, 2022, respectively.

Inventories

Inventories are stated at the lower of cost or net realizable value, which is based on estimated selling prices less any further costs expected to be incurred for completion and disposal. Cost of raw materials is calculated using the weighted average method and is based on purchase cost. Work-in-progress and finished goods costs are determined using the weighted average method and comprise direct materials, direct labor and an appropriate proportion of overhead. The Company records inventory reserves for excess or obsolete inventories based upon assumptions about its current and future demand forecasts.

Advance to Suppliers

Advance to suppliers represents interest-free cash paid in advance to suppliers for purchases of parts and/or raw materials. The balance of advance to suppliers was \$1.69 million and \$0.41 million as of September 30, 2023 and December 31, 2022, respectively.

Property, Plant, and Equipment

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

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

| | |
|-----------------------------------|------------|
| Plant, buildings and improvements | 20 years |
| Machinery and equipment | 2~10 years |
| Motor vehicles | 4 years |
| Office equipment | 3~5 years |
| Fixtures and decorations | 5 years |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Land Use Rights

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

Impairment of Long-Lived Assets

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

In evaluating long-lived assets for recoverability, the Company uses its best estimate of future cash flows expected to result from the use of the asset and eventual disposition in accordance with FASB ASC 360-10-15. To the extent that estimated future, undiscounted cash inflows attributable to the asset, less estimated future, undiscounted cash outflows, are less than the carrying amount, an impairment loss is recognized in an amount equal to the difference between the carrying value of such asset and its fair value. Assets to be disposed of and for which there is a committed plan of disposal, whether through sale or abandonment, are reported at the lower of carrying value or fair value less costs to sell.

There was no impairment loss recognized for the nine months ended September 30, 2023 and 2022.

Lease

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

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

The Company has determined that the leaseback transaction that it entered in 2019 fails to qualify as a sale because control is not transferred to the buyer-lessor. Therefore, the Company has classified the lease portion of the transaction as a finance lease whereby the Company continues to depreciate the assets and recorded a financing obligation for the consideration received from the buyer-lessor, with an implicit interest rate of 5.0%.

The Company has leased premises for its offices under non-cancellable operating leases since May 2021 and its assembly site under non-cancellable operating leases since June 2022. Operating lease payments are expensed over

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

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

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

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

Contracts do not offer any price protection, but allow for the return of certain goods if there is a quality problem, which is standard warranty. The Company’s product returns and recorded reserve for sales returns were minimal for the nine months ended September 30, 2023 and 2022. The total sales return amount accounted for around 0.09% and 0.08% of the total revenue of Greenland for the nine months ended September 30, 2023 and 2022. The total warrants expenditures amount accounted for around 0.19% and 0.55% of the total revenue of Greenland for the nine months ended September 30, 2023 and 2022..

The following table sets forth disaggregation of revenue:

| Major Product | For the three months ended September 30, | | For the nine months ended September 30, | |
|--|---|---------------------|--|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Transmission boxes for Forklift | 21,005,937 | 19,928,629 | 64,531,896 | 63,632,555 |
| Transmission boxes for Non-Forklift (EV, etc.) and parts of transmission boxes | 830,824 | 1,858,233 | 3,023,674 | 8,063,769 |
| Total | \$21,836,761 | \$21,786,862 | \$67,555,570 | \$71,696,324 |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of Goods Sold

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

Selling Expenses

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

General and Administrative Expenses

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

Research and Development

Research and development costs are expensed as incurred and totaled approximately \$ 1,245,646 and \$1,023,443 for the three months ended September 30, 2023 and 2022, respectively. Research and development costs are expensed as incurred and totaled approximately \$3,790,931 and \$2,968,572 for the nine months ended September 30, 2023 and 2022, respectively. Research and development costs are incurred on a project specific basis.

Government Subsidies

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and all attaching conditions will be complied with. When the subsidy relates to an expense item, it is recognized as income over the periods necessary to match the subsidy on a systematic basis to the costs that it is intended to compensate. Where the subsidy relates to an asset, it is recognized as other long-term liabilities and is released to the statement of operations over the expected useful life in a consistent manner with the depreciation method for the relevant asset. Total government subsidies recorded in the other long-term liabilities were \$1.58 million and \$1.81 million as of September 30, 2023 and December 31, 2022, respectively.

Income Taxes

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company also follows FASB ASC 740, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of September 30, 2023 and December 31, 2022, the Company did not have a liability for unrecognized tax benefits. It is the Company's policy to include penalties and interest expense related to income taxes as a component of other expense and interest expense, respectively, as necessary. The Company's historical tax years will remain open for examination by the local authorities until the statute of limitations has passed.

Value-Added Tax

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

Statutory Reserve

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

Comprehensive Income (Loss)

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share

The Company calculates earnings per share in accordance with ASC Topic 260 “Earnings per Share.” Basic earnings per share is computed by dividing the net income by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional ordinary shares that would have been outstanding if the potential ordinary shares equivalents had been issued and if the additional ordinary shares were dilutive. On October 24, 2019, the Company completed its Business Combination whereby Zhongchai Holding received 7,500,000 shares in exchange for all the share capital of Zhongchai Holding, which is reflected retroactively to December 31, 2017 and will be utilized for calculating earnings per share in all prior periods. The per share amounts have been updated to show the effect of the exchange on earnings per share as if the exchange occurred at the beginning of both years for the annual financial statements of the Company. The impact of the stock exchange is also shown on the Company’s Statements of Shareholders’ Equity.

Segments and Related Information

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

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

Commitments and contingencies

In the normal course of business, the Company is subject to contingencies, including legal proceedings and environmental claims arising out of the normal course of businesses that relate to a wide range of matters, including among others, contracts breach liability. The Company records accruals for such contingencies based upon the assessment of the probability of occurrence and, where determinable, an estimate of the liability. Management may consider many factors in making these assessments including past history, scientific evidence and the specifics of each matter. The Company’s management has evaluated all such proceedings and claims that existed as of September 30, 2023 and December 31, 2022. Normal course of businesses that relate to a wide range of matters, including among others, contracts breach liability. The Company records accruals for such contingencies based upon the assessment of the probability of occurrence and, where determinable, an estimate of the liability. Management may consider many factors in making these assessments including past history, scientific evidence and the specifics of each matter. The Company’s management has evaluated all such proceedings and claims that existed as of September 30, 2023 and December 31, 2022.

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Party

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

Economic and Political Risks

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

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

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. The Company's cash is maintained with banks within the U.S., the PRC and Hong Kong, and none of these deposits are covered by insurance. The Company has not experienced any losses in such accounts. A portion of the Company's sales are credit sales which are primarily to customers whose abilities to pay are dependent upon the industry economics prevailing in these areas; however, concentrations of credit risk with respect to trade accounts receivables is limited due to generally short payment terms. The Company also performs ongoing credit evaluations of its customers to help further reduce credit risk.

Exchange Risk

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

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

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

In March 2020, the FASB issued ASU No 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”). ASU 2020-04 provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. ASU 2020-04 is effective beginning on March 12, 2020, and the Company elected to apply the amendments prospectively through December 31, 2022. The Company adopted ASU 2020-04, which did not have a material effect on the Company’s current financial position, results of operations or financial statement disclosures.

In August 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470- 20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. This ASU (1) simplifies the accounting for convertible debt instruments and convertible preferred stock by removing the existing guidance in ASC 470-20, Debt: Debt with Conversion and Other Options, that requires entities to account for beneficial conversion features and cash conversion features in equity, separately from the host convertible debt or preferred stock; (2) revises the scope exception from derivative accounting in ASC 815-40 for freestanding financial instruments and embedded features that are both indexed to the issuer’s own stock and classified in stockholders’ equity, by removing certain criteria required for equity classification; and (3) revises the guidance in ASC 260, Earnings Per Share, to require entities to calculate diluted earnings per share (EPS) for convertible instruments by using the if-converted method. In addition, entities must presume share settlement for purposes of calculating diluted EPS when an instrument may be settled in cash or shares. For SEC filers, excluding smaller reporting companies, ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. For all other entities, ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Entities should adopt the guidance as of the beginning of the fiscal year of adoption and cannot adopt the guidance in an interim reporting period. The Company is currently evaluating the impact that ASU 2020-06 may have on its unaudited condensed consolidated financial statements and related disclosures.

NOTE 3 – SHORT TERM INVESTMENT

As of September 30, 2023 and December 31, 2022, the Company’s short-term investment amounted to \$4,393,777 and \$7,800,723, respectively. On July 1, 2021, the Company entered into a financial management agreement with Zhejiang Jilin Electronic Technology Co., LTD, pursuant to which Zhejiang Jilin Electronic Technology Co., LTD agreed to make short-term investments with the amount contributed by the Company during the period from July 1, 2021 to June 30, 2023. The Company contributed a total amount of \$500,000 under this agreement. On March 27, 2023, the contract was terminated early, and the Company got back a total amount of \$493,943 (RMB3,400,005). For the nine months ended September 30, 2023, the Company purchased bank management products in a total amount of \$4,358,553 (RMB31,800,000). As of September 30, 2023, the fair value of the Company’s bank management products was \$4,393,777 (RMB32,057,000). The Company has recognized and measured these short-term investments as Level 2 assets based on the fair value hierarchy framework.

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – CONCENTRATION ON REVENUES AND COST OF GOODS SOLD

Concentration of major customers and suppliers:

| | For the nine months ended | | | |
|--|----------------------------------|---------------|---------------------|---------------|
| | September 30, | | | |
| | 2023 | | 2022 | |
| Major customers representing more than 10% of the Company's revenues | | | | |
| Company A | \$10,900,747 | 16.14% | \$13,521,896 | 18.86% |
| Company B | 7,692,337 | 11.38% | 9,581,396 | 13.36 |
| Total Revenues | \$18,593,084 | 27.52% | \$23,103,292 | 32.22% |

| | As of | | | |
|---|----------------------|---------------|---------------------|---------------|
| | September 30, | | December 31, | |
| | 2023 | | 2022 | |
| Major customers of the Company's accounts receivable, net | | | | |
| Company A | 2,322,581 | 11.15% | 2,266,095 | 15.81% |
| Company B | 2,242,511 | 10.77% | 2,140,591 | 14.93% |
| Company C | 1,532,978 | 7.36% | 1,430,298 | 9.98% |
| Total | \$ 6,098,070 | 29.28% | \$ 5,836,984 | 40.72% |

Accounts receivable from the Company's major customers accounted for 29.28% and 40.72% of total accounts receivable balances as of September 30, 2023 and December 31, 2022, respectively.

There were no suppliers representing more than 10% of the Company's total purchases for the nine months ended September 30, 2023 and 2022, respectively.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable is net of allowance for doubtful accounts.

| | As of | |
|---------------------------------------|---------------------------|--------------------------|
| | September 30, 2023 | December 31, 2022 |
| Accounts receivable | \$21,920,180 | \$ 15,100,085 |
| Less: allowance for doubtful accounts | (1,093,826) | (762,325) |
| Accounts receivable, net | \$20,826,354 | \$ 14,337,760 |

Changes in the allowance for doubtful accounts are as follows:

| As of | |
|------------------|---------------------|
| September | December 31, |

| | 30, 2023 | 2022 |
|---------------------------------|-----------------------------------|---------------------------------|
| Beginning balance | \$ 762,325 | \$ 859,319 |
| Provision for doubtful accounts | 387,053 | (32,316) |
| Effect of FX change | (55,552) | (64,678) |
| Ending balance | <u><u>\$ 1,093,826</u></u> | <u><u>\$ 762,325</u></u> |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – INVENTORIES

| | As of | |
|-------------------------------|--------------------------|----------------------|
| | September 30, 2023 | December 31, 2022 |
| Raw materials | \$ 7,923,025 | \$ 7,975,097 |
| Revolving material | 1,102,485 | 1,122,313 |
| Consigned processing material | 51,869 | 15,056 |
| Work-in-progress | 2,418,252 | 2,255,453 |
| Finished goods | 9,467,606 | 12,104,309 |
| Less: inventory impairment | (465,071) | (375,846) |
| Inventories, net | \$20,498,166 | \$ 23,096,382 |

Changes in the inventory reserves are as follows:

| | As of | |
|------------------------------------|--------------------------|----------------------|
| | September 30, 2023 | December 31, 2022 |
| Beginning balance | \$ 375,846 | \$ 23,793 |
| (Release of) inventory write-downs | 108,723 | 359,534 |
| Effect of FX change | (19,498) | (7,481) |
| Ending balance | \$ 465,071 | \$ 375,846 |

NOTE 7 – NOTES RECEIVABLE

| | As of | |
|-----------------------------|--------------------------|----------------------|
| | September 30, 2023 | December 31, 2022 |
| Bank notes receivable: | \$31,728,933 | \$ 26,713,919 |
| Commercial notes receivable | 674,284 | 2,034,960 |
| Total | \$32,403,217 | \$ 28,748,879 |

Bank notes and commercial notes are means of payment from customers for the purchase of the Company's products and are issued by financial institutions or business entities, respectively, that entitle the Company to receive the full nominal amount from the issuers at maturity, which bear no interest and generally range from three to six months from the date of issuance. As of September 30, 2023, the Company pledged notes receivable for an aggregate amount of \$21.62 million to Bank of Ningbo and Bank of Hangzhou as a means of security for issuance of bank acceptance notes for an aggregate amount of \$20.98 million. As of December 31, 2022, the Company pledged notes receivable for an aggregate amount of \$15.51 million to Bank of Hangzhou as a means of security for issuance of bank acceptance notes in an aggregate amount of \$13.27 million. The Company expects to collect notes receivable within 6 months.

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

(a) As of September 30, 2023 and December 31, 2022, property, plant and equipment consisted of the following:

| | As of | |
|---|-----------------------------------|------------------------------|
| | September 30, 2023 | December 31, 2022 |
| Buildings | \$ 11,303,276 | \$ 11,781,256 |
| Machinery | 20,142,720 | 21,010,613 |
| Motor vehicles | 322,288 | 315,708 |
| Electronic equipment | 237,043 | 223,806 |
| Fixed assets decoration | - | - |
| Total property plant and equipment, at cost | 32,005,327 | 33,331,383 |
| Less: accumulated depreciation | (18,291,335) | (17,763,247) |
| Property, plant and equipment, net | \$ 13,713,992 | \$ 15,568,136 |
| Construction in process | 16,144 | 17,078 |
| Total | \$ 13,730,136 | \$ 15,585,214 |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 8 – PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS
(CONTINUED)**

For the nine months ended September 30, 2023 and 2022, depreciation expense amounted to \$1.52 million and \$1.77 million, respectively, of which \$0.86 million and \$1.12 million, respectively, was included in cost of revenue and inventories, and the remainder was included in general and administrative expense and research and development expenses, respectively.

For the nine months ended September 30, 2023 and 2022, \$0 and \$0.30 of construction-in-progress was converted into fixed assets.

Restricted assets consist of the following:

| | As of | |
|----------------|-----------------------------------|------------------------------|
| | September 30, 2023 | December 31, 2022 |
| Buildings, net | \$ 8,753,950 | \$ 9,599,313 |
| Machinery, net | - | - |
| Total | 8,753,950 | 9,599,313 |

As of September 30, 2023, the Company pledged its ownership interests in certain buildings for book value of RMB63.89 million (\$8.75 million) as security with Agricultural Bank of PRC Co., Ltd. Xinchang County Sub-Branch (“ABC Xinchang”) and Rural Commercial Bank of Xinchang, for its loan facility with maximum exposure of RMB167.73 million.

NOTE 9 – LAND USE RIGHTS

Land use rights consisted of the following:

| | As of | |
|--------------------------------|-----------------------------------|------------------------------|
| | September 30, 2023 | December 31, 2022 |
| Land use rights, cost | \$ 4,216,914 | \$ 4,460,738 |
| Less: Accumulated amortization | (840,013) | (821,671) |
| Land use rights, net | \$ 3,376,901 | \$ 3,639,067 |

As of September 30, 2023, the Company had land use rights with net book value of \$3.38 million, which were pledged as collateral for the Company’s short-term bank loans. As of December 31, 2022, the Company had land use rights with net book value of \$3.64 million, which were pledged as collateral for the Company’s short-term bank loans.

Estimated future amortization expense is as follows as of September 30, 2023:

| Years ending September 30, | Amortization expense |
|-----------------------------------|---------------------------------|
| 2024 | \$ 87,476 |
| 2025 | 87,476 |
| 2026 | 87,476 |
| 2027 | 87,476 |
| 2028 | 87,476 |
| Thereafter | 2,939,521 |
| Total | \$ 3,376,901 |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – NOTES PAYABLE

| | As of | |
|-----------------------|--------------------------|----------------------|
| | September 30, 2023 | December 31, 2022 |
| Bank acceptance notes | \$30,713,480 | \$ 28,272,472 |
| Total | \$30,713,480 | \$ 28,272,472 |

The interest-free notes payable, ranging from six months to one year from the date of issuance, were secured by \$2.80 million and \$3.43 million restricted cash, \$21.62 million and \$15.51 million notes receivable, and \$3.38 million and \$3.64million land use rights, as of September 30, 2023 and December 31, 2022, respectively.

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

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable are summarized as follow:

| | As of | |
|---------------------------|--------------------------|----------------------|
| | September 30, 2023 | December 31, 2022 |
| Procurement of Materials | \$25,026,693 | \$ 24,541,774 |
| Infrastructure& Equipment | 596,763 | 207,587 |
| Freight fee | 108,379 | 67,804 |
| Total | \$25,731,835 | \$ 24,817,165 |

NOTE 12 – SHORT TERM BANK LOANS

Short-term loans are summarized as follow:

| | As of | |
|---------------------------|--------------------------|----------------------|
| | September 30, 2023 | December 31, 2022 |
| Collateralized bank loans | \$ 5,427,632 | \$ 7,536,392 |
| Unsecured bank loans | 1,096,491 | 1,449,863 |
| Total | \$ 6,524,123 | \$ 8,986,255 |

Short-term loans as of September 30, 2023 are as follow:

| Maturity Date | Type | Bank Name | Interest Rate per Annum (%) | September 30, 2023 |
|----------------------|-----------------|--|------------------------------------|---------------------------|
| July 22, 2024 | Operating Loans | Bank of Zheshang | 4.00 | \$ 1,315,790 |
| July 25, 2024 | Operating Loans | Bank of Hangzhou | 3.55 | 1,370,614 |
| June 28, 2024 | Operating Loans | Bank of Communications | 3.45 | \$ 1,370,614 |
| August 16, 2024 | Operating Loans | Rural Commercial Bank of Xinchang | 3.45 | \$ 1,370,614 |
| February 22, 2024 | Operating Loans | Industrial and Commercial Bank of Xinchang | 4.05 | \$ 1,096,491 |
| Total | | | | \$ 6,524,123 |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – SHORT TERM BANK LOANS (CONTINUED)

Short-term loans as of December 31, 2022 are as follow:

| Maturity Date | Type | Bank Name | Interest Rate per Annum (%) | December 31, 2022 |
|----------------------|-----------------|--|--|------------------------------|
| August 29, 2023 | Operating Loans | Agricultural Bank of PRC | 3.85 | \$ 2,609,755 |
| June 29, 2023 | Operating Loans | Bank of Communications | 3.85 | \$ 1,449,864 |
| January 30, 2023 | Operating Loans | Bank of Ningbo | 1.12 | \$ 1,012,005 |
| August 23, 2023 | Operating Loans | Rural Commercial Bank of Xinchang | 3.85 | \$ 2,464,768 |
| February 23, 2023 | Operating Loans | Industrial and Commercial Bank of Xinchang | 4.05 | \$ 1,449,863 |
| Total | | | | \$ 8,986,255 |

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

The average annual interest rate of the short-term bank loans was 3.683% and 4.248% for the nine months ended September 30, 2023 and 2022, respectively. The Company was in compliance with its loan financial covenants as of September 30, 2023 and December 31, 2022, respectively.

NOTE 13 – OTHER CURRENT LIABILITIES

Other current liabilities are summarized as follow:

| | As of | |
|--------------------|-----------------------------------|------------------------------|
| | September 30, 2023 | December 31, 2022 |
| Employee payables | 158,368 | 747,923 |
| Other tax payables | 1,087,535 | 141,772 |
| Other payable | 71,685 | 88,403 |
| Accrued expenses | 1,337,347 | 569,292 |
| Total | \$ 2,654,935 | \$ 1,547,390 |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – OTHER LONG-TERM LIABILITIES

Other long-term liabilities are summarized as follow:

| | As of | |
|--------------|-----------------------------------|------------------------------|
| | September 30, 2023 | December 31, 2022 |
| Subsidy | 1,577,010 | 1,812,759 |
| Total | \$ 1,577,010 | \$ 1,812,759 |

Subsidy mainly consists of an incentive granted by the Chinese government to encourage transformation of fixed assets in China and other miscellaneous subsidy from the Chinese government. As of September 30, 2023, grant income decreased by \$0.24 million, as compared to December 31, 2022. The change was mainly due to timing of incurring qualifying expenses.

NOTE 15 – LEASES

The Company leases its corporate offices and assembly site under operating leases, with initial terms of 3 years and 5.58 years, respectively. Usually within four months prior to the expiration date of a lease, the Company is required to notify the lessor and has a priority to continue renting the lease property if a lessor intends to lease property. The lease itself does not have restrictions or covenants. Any damage, if made by the lessee, to the property and equipment within the property has to be fixed or reimbursed by the lessee. Supplemental cash flow information related to leases for the nine months ended September 30, 2023 is as follows:

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

| | |
|---|------------|
| Operating cash flows paid for operating leases | \$ 443,676 |
| Right-of-use assets obtained in exchange for lease obligations: | |
| Operating leases | - |

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

Operating leases:

| | |
|--|---------------------|
| Operating lease right-of-use assets | \$ 2,253,162 |
| Current portion of operating lease liabilities | \$ 485,207 |
| Long-term operating lease liabilities | 1,807,408 |
| Total operating lease liabilities | \$ 2,292,615 |

The following table summarizes the maturity of lease liabilities under operating leases as of September 30, 2023:

| For the years ending September 30, | Operating Leases |
|---|-----------------------------|
| 2024 | \$ 590,350 |
| 2025 | 585,084 |

| | |
|----------------------|---------------------|
| 2026 | 602,020 |
| 2027 | 619,552 |
| Thereafter | 157,878 |
| Total lease payments | <u>\$ 2,554,884</u> |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 – SHAREHOLDER’S EQUITY

Preferred Shares — The Company is authorized to issue an unlimited number of no par value preferred shares, divided into five classes, Class A through Class E, each with such designation, rights and preferences as may be determined by a resolution of the Company’s board of directors to amend the Memorandum and Articles of Association to create such designations, rights and preferences. The Company has five classes of preferred shares to give the Company flexibility as to the terms on which each class is issued. All shares of a single class must be issued with the same rights and obligations. Accordingly, starting with five classes of preferred shares will allow the Company to issue shares at different times on different terms. As of September 30, 2023 and December 31, 2022, there were no preferred shares designated, issued or outstanding.

Ordinary Shares — The Company is authorized to issue an unlimited number of no par value ordinary shares. Holders of the Company’s ordinary shares are entitled to one vote for each share. As of September 30, 2023 and December 31, 2022, there were 13,594,530 and 12,978,504 ordinary shares issued and outstanding.

On July 27, 2018, the Company consummated its initial public offering of 4,400,000 units, including a partial exercise by the underwriters of their over-allotment option in the amount of 400,000 units. Each unit consists of one ordinary share, no par value, one warrant to purchase one-half of one ordinary share and one right to receive one-tenth of one ordinary share upon the consummation of its initial business combination.

Simultaneously with the consummation of its initial public offering, the Company completed a private placement of 282,000 units, issued to Greenland Asset Management Corporation (the “Sponsor”) and Chardan Capital Markets, LLC (“Chardan”).

In 2019, in connection with the Business Combination 3,875,458 shares were redeemed, 81,400 shares were converted into ordinary shares, and 1,906,542 ordinary shares were left outstanding upon consummation of the reverse recapitalization.

Pursuant to the Share Exchange Agreement dated as of July 12, 2019 by and among (i) Greenland, (ii) Zhongchai Holding, (iii) the Sponsor in the capacity as the purchaser representative, and (iv) Cenntro Holding Limited, the sole member of Zhongchai Holding (the “Share Exchange Agreement”), Greenland acquired from Cenntro Holding Limited all of the issued and outstanding equity interests of Zhongchai Holding in exchange for 7,500,000 newly issued ordinary shares, no par value of Greenland, to be issued to Cenntro Holding Limited (the “Exchange Shares”). As a result, Cenntro Holding Limited became the then controlling shareholder of Greenland, and Zhongchai Holding became a directly and wholly owned subsidiary of Greenland. The Business Combination was accounted for as a reverse merger effected by a share exchange, wherein Zhongchai Holding is considered the acquirer for accounting and financial reporting purposes. The recapitalization of the number of ordinary shares attributable to the purchase of Zhongchai Holding in connection with the Business Combination is reflected retroactively to December 31, 2017 and will be utilized for calculating earnings per share in all prior periods presented. The impact of the stock exchange is also shown on the Company’s Statements of Shareholders’ Equity.

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

In connection with the Business Combination, all the outstanding rights of the Company were converted into 468,200 ordinary shares on a one-tenth (1/10) ordinary share per right basis if holders of the rights elected to convert their rights into underlying ordinary shares.

On July 27, 2022, the Company closed a firm commitment offering of 1,250,000 ordinary shares and 398,974 pre-funded warrants at \$4.17 per share and \$4.169 per pre-funded warrant with gross proceeds of \$6,876,222 under its effective shelf registration statement.

Rights — Each holder of a right was entitled to receive one-tenth (1/10) of one ordinary share upon consummation of the Business Combination.

As of September 30, 2023, all of the existing Rights had been converted into 468,200 ordinary shares as a result of the Business Combination.

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 – SHAREHOLDER’S EQUITY (CONTINUED)

Warrants — Redeemable warrants sold as part of the units in the Company’s initial public offering, or the Public Warrants (together with the Private Warrants (as defined below), the “Warrants”) may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the Public Warrants. The Public Warrants have been exercisable since October 24, 2019. No Public Warrants will be exercisable for cash unless the Company has an effective and current registration statement covering the ordinary shares issuable upon exercise of the Public Warrants and a current prospectus relating to such ordinary shares. Notwithstanding the foregoing, if a registration statement covering the ordinary shares issuable upon the exercise of the Public Warrants is not effective within 90 days from the consummation of a Business Combination, the holders may, until such time as there is an effective registration statement and during any period when the Company shall have failed to maintain an effective registration statement, exercise the Public Warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act of 1933, as amended. If an exemption from registration is not available, holders will not be able to exercise their Public Warrants on a cashless basis. The Public Warrants will expire five years from the consummation of a Business Combination or earlier upon redemption or liquidation.

The Company may call the warrants for redemption (excluding the Private Warrants (as defined below)), in whole and not in part, at a price of \$0.01 per warrant:

- At any time while the Public Warrants are exercisable,
- Upon not less than 30 days’ prior written notice of redemption to each Public Warrant holder,
- If, and only if, the reported last sale price of the ordinary shares equals or exceeds \$16.50 per share, for any 20 trading days within a 30 trading day period ending on the third trading day prior to the notice of redemption to Public Warrant holders, and
- If, and only if, there is a current registration statement in effect with respect to the ordinary shares underlying such warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a “cashless basis,” as described in the warrant agreement. The exercise price and number of ordinary shares issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of ordinary shares at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the warrants. Accordingly, the warrants may expire worthless.

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

purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

As of September 30, 2023, there were a total of 4,705,312 Warrants outstanding, including 4,303,312 Public Warrants held by CEDE & CO, and 142,000 and 260,000 Private Warrants held by Chardan and the Sponsor, respectively.

Concurrent with the private placement of ordinary shares that closed on August 26, 2022, the Company issued to investors in a private placement warrants to purchase up to 616,026 shares of ordinary shares at an exercise price of \$4.17. The warrant became exercisable on January 27, 2023 and valid for sixty months. On May 8, 2023, the investors chose to cashless exercise all their warrants for a total of 616,026 ordinary shares

Unit Purchase Option

On July 27, 2018, the Company sold to Chardan (and its designees), for \$100, an option to purchase up to 240,000 units exercisable at \$11.50 per unit (or an aggregate exercise price of \$2,760,000), commencing on the consummation of the Business Combination. The unit purchase option may be exercised for cash or on a cashless basis, at the holder's option, and expires July 24, 2023. The units issuable upon exercise of the option are identical to those offered in the initial public offering. The Company accounted for the unit purchase option, inclusive of the receipt of \$100 cash payment, as an expense of the initial public offering resulting in a charge directly to shareholders' equity. The option and such units purchased pursuant to the option, as well as the ordinary shares underlying such units, the rights included in such units, the ordinary shares that are issuable for the rights included in such units, the warrants included in such units, and the shares underlying such warrants, have been deemed compensation by FINRA and are therefore subject to a 180-day lock-up pursuant to Rule 5110(g) (1) of FINRA's Nasdaq Conduct Rules. Additionally, the option may not be sold, transferred, assigned, pledged or hypothecated for a one-year period (including the foregoing 180-day period) following the date of initial public offering except to any underwriter and selected dealer participating in the initial public offering and their bona fide officers or partners. The option grants to holders demand and "piggy back" rights for periods of five and seven years, respectively, from the effective date of the registration statement with respect to the registration under the Securities Act of 1933, as amended, of the securities directly and indirectly issuable upon exercise of the option. The Company will bear all fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and number of units issuable upon exercise of the option may be adjusted in certain circumstances including in the event of a stock dividend, or the Company's recapitalization, reorganization, merger or consolidation. However, the option will not be adjusted for issuances of ordinary shares at a price below its exercise price. As of September 30, 2023, an option exercisable by Chardan for 120,000 units is outstanding.

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – EARNINGS PER SHARE

The Company reports earnings per share in accordance with the provisions of the FASB’s related accounting standard. This standard requires presentation of basic and diluted earnings per share in conjunction with the disclosure of the methodology used in computing such earnings per share. Basic earnings per share excludes dilution, but includes vested restricted stocks and is computed by dividing income available to shareholders by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised and converted into ordinary shares. On October 24, 2019, the Company completed a reverse merger with Zhongchai Holding. The recapitalization of the number of ordinary shares attributable to the purchase of Zhongchai Holding in connection with the Business Combination is reflected retroactively to December 31, 2017 and will be utilized for calculating earnings per share in all prior periods presented.

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

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|--|--|-------------------|--|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Net income(loss) attributable to the Greenland Technologies Holding Corporation and subsidiaries | \$ (887,420) | \$ 1,277,964 | \$ 2,958,693 |
| Weighted average basic and diluted computation shares outstanding: | | | | |
| Weighted average shares used in basic computation | 13,594,530 | 12,222,387 | 13,307,954 | 11,628,243 |
| Diluted effect of stock options and warrants | — | — | — | — |
| Weighted average shares used in diluted computation | 13,594,530 | 12,222,387 | 13,307,954 | 11,628,243 |
| Basic and diluted net income per share | \$ (0.07) | \$ 0.10 | 0.22 | 0.39 |

NOTE 18 – GEOGRAPHICAL SALES AND SEGMENTS

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

Information for the Company’s sales by geographical area for the three and nine months ended September 30, 2023 and 2022 are as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---------------------|---|---------------------|--|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Domestic Sales | \$21,707,665 | \$21,715,711 | \$66,982,355 |
| International Sales | 129,096 | 71,151 | 573,215 | 509,200 |
| Total | \$21,836,761 | \$21,786,862 | \$67,555,570 | \$71,696,324 |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 – INCOME TAXES

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

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

The effective tax rates on income before income taxes for the nine months ended September 30, 2022 was 15.85%. The effective tax rate for the nine months ended September 30, 2022 was lower than the PRC tax rate of 25.0% primarily due to the China Super R&D deduction.

The Company has recorded \$0 unrecognized benefit as of September 30, 2023 and December 31, 2022, respectively. On the information currently available, the Company does not anticipate a significant increase or decrease to its unrecognized benefit within the next 12 months.

NOTE 20 – COMMITMENTS AND CONTINGENCIES

Guarantees and pledged collateral for bank loans to other parties:

Pledged collateral for bank loans

On December 23, 2020, Zhejiang Zhongchai signed a Maximum Amount Pledge Contract with ABC Xinchang, pledging its land use rights and property ownership as security to ABC Xinchang, for a loan facility with a maximum principal amount of US\$9.62 million (RMB69.77 million) during the period from November 17, 2020 to November 16, 2023. As of September 30, 2023 and December 31, 2022, the outstanding amount of the short-term bank loan under this pledge contract was US\$0.00 million and US\$2.61 million (RMB18.00 million), respectively.

On September 21, 2020, Zhejiang Zhongchai signed a Maximum Amount Pledge Contract with Rural Commercial Bank of PRC Co., Ltd., pledging its land use rights and property ownership as security, for a loan facility with a maximum principal amount of US\$5.23 million (RMB37.95 million) during the period from September 21, 2020 to September 20, 2026. As of September 30, 2023 and December 31, 2022, the outstanding amount of the short-term bank loan under this pledge contract was US\$1.37 million (RMB10.00 million) and US\$2.46 million (RMB17.00 million), respectively.

On June 27, 2022, Zhejiang Zhongchai signed a Maximum Amount Pledge Contract with Bank of Communications Co. LTD., pledging its land use rights and property ownership as security, for a loan facility with a maximum principal amount of US\$8.28 million (RMB60.01 million) during the period from June 27, 2022 to June 26, 2027. As of September 30, 2023 and December 31, 2022, the outstanding amount of the short-term bank loan under this pledge contract was US\$1.37 million (RMB10.00 million) and US\$1.45 million (RMB10.00 million), respectively.

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Facility Leases

The Company has leased premises for its offices under non-cancellable operating leases since May 2021 and its assembly site under non-cancellable operating leases since June 2022. See further discussion in NOTE 15 – LEASES.

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

The following are the aggregate non-cancellable future minimum lease payments under operating and financing leases as of September 30, 2023:

| For the years ending September 30, | Operating Leases |
|---|-------------------------|
| 2024 | \$ 590,350 |
| 2025 | 585,084 |
| 2026 | 602,020 |
| 2027 | 619,552 |
| Thereafter | 157,878 |
| Total lease payments | <u>\$ 2,554,884</u> |

NOTE 21 – RELATED PARTY TRANSACTIONS

(a) Names and Relationship of Related Parties:

| | Existing Relationship with the Company |
|---|---|
| Sinomachinery Holding Limited | Under common control of Peter Zuguang Wang |
| Cenntro Holding Limited | Under common control of Peter Zuguang Wang |
| Zhejiang Kangchen Biotechnology Co., Ltd. | Under common control of Peter Zuguang Wang |
| Cenntro Smart Manufacturing Tech. Co., Ltd. | Under common control of Peter Zuguang Wang |
| Zhejiang Zhonggong Machinery Co., Ltd. | Under common control of Peter Zuguang Wang |
| Xinchang County Jiuxin Investment Management Partnership (LP) | Under control of Mr. Mengxing He, the General Manger and one of the directors of Zhejiang Zhongchai |
| Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership) | Under common control of Peter Zuguang Wang |
| Hangzhou Cenntro Autotech Co., Limited | Under common control of Peter Zuguang Wang |
| Peter Zuguang Wang | Chairman of the Company |
| Greenland Asset Management Corporation | Shareholder of the Company |
| Hangzhou Jiuru Economic Information Consulting Co. Ltd | One of the directors of Hengyu |
| Xinchang County Jiuhe Investment Management Partnership (LP) | Under control of Mr. Mengxing He, the General Manger and one of the directors of Zhejiang Zhongchai/NCI of Zhejiang Zhongchai |
| Cenntro Automotive Corporation | Under common control of Peter Zuguang Wang |

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Summary of Balances with Related Parties:

| | As of | |
|--|-----------------------------------|------------------------------|
| | September 30, 2023 | December 31, 2022 |
| Due to related parties: | | |
| Zhejiang Zhonggong Machinery Co., Ltd. ¹ | \$ 61,034 | \$ 64,563 |
| Cenntro Smart Manufacturing Tech. Co., Ltd. ² | 2,536 | 2,683 |
| Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership) ³ | 94,442 | 94,442 |
| Cenntro Holding Limited ⁴ | 1,339,654 | 1,341,627 |
| Hangzhou Jiuru Economic Information Consulting Co. Ltd ⁴ | 190,000 | 190,000 |
| Peter Zuguang Wang ⁴ | 2,392,961 | - |
| Total | \$ 4,080,627 | \$ 1,693,315 |

The balance of due to related parties as of September 30, 2023 and December 31, 2022 consisted of:

- 1 Unpaid balances for purchasing of materials and equipment and temporary borrowing from Zhejiang Zhonggong Machinery Co., Ltd.;
- 2 Prepayment from Cenntro Smart Manufacturing Tech. Co., Ltd.
- 3 Temporary borrowings from Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership); and
- 4 Borrowings from related parties.

| | As of | |
|---|-----------------------------------|------------------------------|
| | September 30, 2023 | December 31, 2022 |
| Due from related parties-current: | | |
| Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership) | 221,550 | 214,245 |
| Cenntro Holding Limited | \$34,462,992 | \$ 36,455,662 |
| Total | \$34,684,542 | \$ 36,669,907 |

The balance of due from related parties as of September 30, 2023 and December 31, 2022 consisted of:

Other receivable from Cenntro Holding Limited in the amount of \$34.46 million and \$36.46 million as of September 30, 2023 and December 31, 2022, respectively.

GREENLAND TECHNOLOGIES HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Summary of Related Party Funds Lending:

A summary of funds lending with related parties for the nine months ended September 30, 2023 and 2022 are listed below:

| | For the nine months ended September 30, | |
|---|---|------------|
| | 2023 | 2022 |
| Withdraw funds from related parties: | | |
| Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership) | - | 210,942 |
| | | |
| | For the nine months ended September 30, | |
| | 2023 | 2022 |
| Deposit funds with related parties: | | |
| Zhejiang Zhonggong Machinery Co., Ltd. | \$ - | \$ 401,728 |
| Xinchang County Jiuxin Investment Management Partnership (LP) | - | 1,506,728 |

(d) Summary of Related Party dividend payment:

A summary of dividend payment declared by Zhejiang Zhongchai to related parties for the nine months ended September 30, 2023 and 2022 are listed below:

| | For the nine months ended September 30, | |
|---|---|------|
| | 2023 | 2022 |
| Dividend payment to related parties: | | |
| Xinchang County Jiuxin Investment Management Partnership (LP) | 208,524 | - |
| Xinchang County Jiuhe Investment Management Partnership (LP) | 495,071 | |

NOTE 22 – FINANCIAL STATEMENT RECLASSIFICATION

Certain balances in the prior period consolidated financial statements have been reclassified for comparison purposes to conform to the presentation in the current period consolidated financial statements. These reclassifications had no effect on the reported results of operations or financial position.

NOTE 23 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which is [November 20], 2023. All subsequent events requiring recognition as of September 30, 2023 have been incorporated into these financial statements and there are no other subsequent events that require disclosure in accordance with FASB ASC Topic 855.

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

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

Overview

The Company was incorporated on December 28, 2017 as a British Virgin Islands Company with limited liability. The Company was incorporated as a blank check company for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, recapitalization, reorganization or similar business combination with one or more target businesses. Following the Business Combination (as described below) in October 2019, the Company changed its name from Greenland Acquisition Corporation to Greenland Technologies Holding Corporation.

On July 27, 2018, we consummated our initial public offering of 4,400,000 units, including a partial exercise by the underwriters of their over-allotment option in the amount of 400,000 units. Each unit consists of one ordinary share, no par value, one warrant to purchase one-half of one ordinary share, and one right to receive one-tenth of one ordinary share upon the consummation of our initial business combination, pursuant to a registration statement on Form S-1. Warrants must be exercised in multiples of two warrants, and each two warrants are exercisable for one ordinary share at an exercise price of \$11.50 per share. The units were sold in our initial public offering at an offering price of \$10.00 per unit, generated \$44,000,000 (before underwriting discounts and offering expenses) in gross proceeds.

Simultaneously with the consummation of our initial public offering, we completed a private placement of 282,000 units, issued to the Greenland Asset Management Corporation (the "Sponsor") and Chardan Capital Markets, LLC ("Chardan"), which generated \$2,820,000 in gross proceeds. We also sold to Chardan (and its designees), for \$100, an option to purchase up to 240,000 units exercisable at \$11.50 per unit (or an aggregate exercise price of \$2,760,000) commencing on consummation of the Business Combination. The unit purchase option may be exercised for cash or on a cashless basis, at the holder's option, and expires on July 24, 2023. On February 18, 2021, Chardan exercised its option to purchase 120,000 units. As of the date of this report, an option exercisable by Chardan for 120,000 units is outstanding.

On October 24, 2019, we consummated our business combination (the "Business Combination") with Zhongchai Holding (Hong Kong) Limited, a holding company formed under the laws of Hong Kong on April 23, 2009 ("Zhongchai Holding") following a special meeting, where the shareholders of Greenland considered and approved, among other matters, a proposal to adopt and entered into the Share Exchange Agreement that allowed Greenland to acquire from Cenntro Holding Limited all of the issued and outstanding equity interests of Zhongchai Holding in exchange for 7,500,000 newly issued ordinary shares, no par value of Greenland, issued to Cenntro Holding Limited. As a result, Cenntro Holding Limited became the then controlling shareholder of Greenland, and Zhongchai Holding became a directly and wholly owned subsidiary of Greenland. The Business Combination was accounted for as a reverse merger effected by a share exchange, wherein Zhongchai Holding is considered the acquirer for accounting and financial reporting purposes.

In connection with the Business Combination, all the outstanding rights of the Company were converted into 468,200 ordinary shares on a one-tenth (1/10) ordinary share per right basis if holders of the rights elected to convert their rights into the underlying ordinary shares.

On December 17, 2019, the Company's warrants, which were trading under the ticker symbol "GTECW," were delisted from the Nasdaq Capital Market by the Nasdaq Listing Qualifications Staff.

On January 14, 2020, HEVI Corp. ("HEVI"), formerly known as Greenland Technologies Corp., was incorporated under the laws of the State of Delaware. HEVI is the 100% owned subsidiary of Greenland. HEVI focuses on the production and sale of electric equipment, including electric industrial vehicles, for the North American market.

Greenland serves as the parent company to Zhongchai Holding. Through Zhongchai Holding and its subsidiaries, Greenland develops and manufactures traditional transmission products for material handling machineries and electric industrial vehicles.

Through its PRC subsidiaries, Greenland offers transmission products, which are key components for forklift trucks used in manufacturing and logistic applications, such as factories, workshops, warehouses, fulfillment centers, shipyards, and seaports. Forklifts play an important role in the logistic systems of many companies across different industries in China and globally. Generally, industries with the largest demand for forklifts include the transportation, warehousing logistics, electrical machinery, and automobile industries. Greenland's revenue decreased from approximately \$71.70 million for the nine months ended September 30, 2022 to \$67.56 million for the nine months ended September 30, 2023. The decrease in revenue was primarily due to logistical and supply chain challenges due to the initial wave of COVID cases following the lifting of China's zero COVID policies in the first quarter. Nevertheless, based on the revenues for the nine months ended September 30, 2023 and 2022, Greenland believes that it is one of the major developers and manufacturers of transmission products for small and medium-sized forklift trucks in China.

Greenland's transmission products are used in 1-ton to 15-tons forklift trucks, some with mechanical shift and some with automatic shift. Greenland sells these transmission products directly to forklift-truck manufacturers. For the nine months ended September 30, 2023 and 2022, Greenland sold an aggregate of 112,414 and 102,144 sets of transmission products, respectively, to more than 100 forklift manufacturers in the PRC.

There is increasing demand for electric industrial heavy equipment powered by sustainable energy in order to reduce air pollution and lower carbon emissions. Utilizing Greenland's expertise in manufacturing and R&D, it established HEVI in January 2020 to create clean and sustainable products and services in the heavy industrial equipment industry that help organizations pursue a carbon neutral operation. HEVI designs, develops, and manufactures electric heavy industrial equipment and accessories and sells them directly to the end consumers in various markets in the United States. HEVI's product line available for purchase includes the GEL-5000 all-electric lithium 5.0-ton rated load wheeled front loader, GEL-1800 all-electric lithium 1.8-ton rated load wheeled front loader, the GEX-8000 all-electric lithium 8.0-ton rated load excavator, and the GEF-series of electric lithium forklifts. In August 2022, HEVI launched a 54,000 square foot industrial electric vehicle assembly site in Baltimore, Maryland to support local assembly, services and distribution of its product line.

As of September 30, 2023, Cenntro Holding Limited owned 47.86% of our outstanding ordinary shares. Cenntro Holding Limited is controlled and beneficially owned by Mr. Peter Zuguang Wang, the chairman of the board of directors of the Company.

Impact of COVID-19 Pandemic on Our Operations and Financial Performance

The COVID-19 pandemic has severely affected global economy. In an effort to contain the spread of the COVID-19 pandemic, in the fiscal years ended December 31, 2021 and 2022, China and many other countries took precautionary measures, such as imposing travel restrictions, quarantining individuals infected with or suspected of being infected with COVID-19, encouraging or requiring people to work remotely, and canceling public activities, among others.

In 2021 and 2022, a few waves of COVID-19 infections emerged in various regions of China, and in response, the Chinese government implemented certain anti-COVID measures and protocols. However, these scattered outbreaks were brought under control in a relatively short period of time, and the COVID-19 had limited impact on our financial condition and results of operations in the fiscal years ended December 31, 2022 and 2021. For the nine months ended September 30, 2023, we experienced rising raw material costs, which we believe to be short term as China lifted its COVID-19 protocols and measures in December 2022.

The extent to which the COVID-19 pandemic may continue to affect our operations and financial performance in the future will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Results of Operations

For the three months ended September 30, 2023 and 2022

Overview

| | For the three months ended September 30 | | | |
|--|--|------------------|--------------------|-----------------|
| | 2023 | 2022 | Change | Variance |
| Revenues | \$21,836,761 | \$21,786,862 | \$ 49,899 | 0.2% |
| Cost of Goods Sold | 15,568,224 | 16,974,566 | (1,406,342) | (8.3)% |
| Gross Profit | 6,268,537 | 4,812,296 | 1,456,241 | 30.3% |
| Selling expenses | 606,649 | 521,865 | 84,784 | 16.2% |
| General and administrative expenses | 1,610,100 | 1,192,210 | 417,890 | 35.1% |
| Research and development expenses | 1,245,646 | 1,023,443 | 222,203 | 21.7% |
| Total Operating Expenses | 3,462,395 | 2,737,518 | 724,877 | 26.5% |
| Income from operations | 2,806,142 | 2,074,778 | 731,364 | 35.3% |
| Interest income | 4,242 | 12,790 | (8,548) | (66.8)% |
| Interest expenses | (72,952) | (125,981) | 53,029 | (42.1)% |
| Loss on disposal of property and equipment | (204) | (301) | 97 | (32.2)% |
| Other income(loss) | (1,663,423) | 655,838 | (2,319,261) | (353.6)% |
| Income before income tax | 1,073,805 | 2,617,124 | (1,543,319) | (59.0)% |
| Income tax | 878,922 | 518,931 | 359,991 | 69.4% |
| Net income | 194,883 | 2,098,193 | (1,903,310) | (90.7)% |

Components of Results of Operations

| Component of Results of Operations | For the three months ended | |
|---|-----------------------------------|------------------|
| | September 30 | |
| | 2023 | 2022 |
| Revenues | \$21,836,761 | \$21,786,862 |
| Cost of Goods Sold | 15,568,224 | 16,974,566 |
| Gross Profit | 6,268,537 | 4,812,296 |
| Operating Expenses | 3,462,395 | 2,737,518 |
| Net Income | 194,883 | 2,098,193 |

Revenue

Greenland's revenue was approximately \$21.84 million for the three months ended September 30, 2023, representing an increase of approximately \$0.05 million, or 0.2%, as compared to that of approximately \$21.79 million for the three months ended September 30, 2022. The increase in revenue was primarily an increase in the Company's sales volume, driven by increasing market demand for the three months ended September 30, 2023. On an RMB basis, our revenue for the three months ended September 30, 2023 increased by approximately 4.6% as compared to that for the three months ended September 30, 2022.

Cost of Goods Sold

Greenland's cost of goods sold consists primarily of material costs, freight charges, purchasing and receiving costs, inspection costs, internal transfer costs, wages, employee compensation, amortization, depreciation and related costs, which are directly attributable to the Company's manufacturing activities. The write down of inventory using the net realizable value impairment test is also recorded in cost of goods sold. The total cost of goods sold was approximately \$15.57 million for the three months ended September 30, 2023, representing a decrease by approximately \$1.40 million, or 8.3%, as compared to that of approximately \$16.97 million for the three months ended September 30, 2022. Cost of goods sold decreased due to the decrease in production cost.

Gross Profit

Greenland's gross profit was approximately \$6.27 million for the three months ended September 30, 2023, representing an increase by approximately \$1.46 million, or 30.3%, as compared to that of approximately \$4.81 million for the three months ended September 30, 2022. For the three months ended September 30, 2023 and 2022, Greenland's gross margins were approximately 28.7% and 22.1% respectively. The increase in gross margin in the three months ended September 30, 2023 compared to the three months ended September 30, 2022 was primarily due to a shift in Greenland's product mix towards higher value and more sophisticated products, such as hydraulic transmission products.

Operating Expense

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

Selling Expense

Selling expenses mainly comprise of operating expenses such as sales staff payroll, traveling expenses, and transportation expenses. Our selling expenses were approximately \$0.61 million for the three months ended September 30, 2023, representing an increase of approximately \$0.09 million, or 16.2%, as compared to approximately \$0.52 million for the three months ended September 30, 2022. The increase was mainly due to an increase in the shipping fees for the three months ended September 30, 2023.

General and Administrative Expenses

General and administrative expenses comprise of management and staff salaries, employee benefits, depreciation for office facility and office furniture and equipment, travel and entertainment expenses, legal and accounting fees, financial consulting fees, and other office expenses. General and administrative expenses were approximately \$1.61 million for the three months ended September 30, 2023, representing an increase by approximately \$0.42 million, or 35.1%, as compared to that of approximately \$1.19 million for the three months ended September 30, 2022. The fundamental reasons for the rise in the general and administrative expenses were the following: (i) increased allowance for doubtful accounts and inventory for the three months ended September 30, 2023, compared to the three months ended September 30, 2022; and (ii) increase in staff salary; and (iii) increase in lease cost.

Research and Development (R&D) Expenses

R&D expenses consist of R&D personnel compensation, costs of materials used in R&D projects, and depreciation costs for research-related equipment. R&D expenses were approximately \$1.25 million for the three months ended September 30, 2023, representing an increase by approximately \$0.23 million, or 21.7%, as compared to that of approximately \$1.02 million for the three months ended September 30, 2022. Such increase was primarily attributable to an increase in the Company's R&D investment in higher value and more sophisticated products and the electrification of machinery products during the three months ended September 30, 2023.

Income from Operations

Income from operations for the three months ended September 30, 2023 was approximately \$2.81 million, representing an increase of approximately \$0.74 million, as compared to that of approximately \$2.07 million for the three months ended September 30, 2022.

Interest Income and Interest Expenses

Greenland's interest income was approximately \$0.00 million for the three months ended September 30, 2023, representing a decrease of approximately \$0.01 million, or 66.8%, as compared to that of approximately \$0.01 million for the three months ended September 30, 2022. The decrease in interest income was because less cash was deposited in banks during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

Greenland's interest expenses were approximately \$0.07 million for the three months ended September 30, 2023, representing a decrease of approximately \$0.06 million, or 42.1%, as compared to that of approximately \$0.13 million for the three months ended September 30, 2022. The decrease was primarily due to a decrease of our short-term loans for the three months ended September 30, 2023, compared to those for the three months ended September 30, 2022.

Other Income (loss)

Greenland's other loss was approximately \$1.67 million for the three months ended September 30, 2023, a decrease of approximately \$2.32 million, or 353.6%, as compared to approximately \$0.66 million in other income for the three months ended September 30, 2022. The decrease was primarily due to an increase in investment loss for the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

Income Taxes

Greenland's income tax was approximately \$0.88 million for the three months ended September 30, 2023, as compared to that of approximately \$0.52 million for the three months ended September 30, 2022.

Zhejiang Zhongchai obtained a "high-tech enterprise" status near the end of the fiscal year of 2022. Such status allows Zhejiang Zhongchai to enjoy a reduced statutory income tax rate of 15%, rather than the standard PRC corporate income tax rate of 25%. The "high-tech enterprise" status is reevaluated by relevant Chinese government agencies every three years. Zhejiang Zhongchai's current "high-tech enterprise" will be reevaluated near the end of 2025.

The other PRC subsidiary of Greenland is subject to a different income tax rate. Hangzhou Greenland Energy Technologies Co., Ltd Co., Ltd ("Hangzhou Greenland"), a wholly owned subsidiary of Zhongchai Holding, is subject to the 25% standard income tax rate.

Greenland is a holding company registered in the British Virgin Islands and is not subject to tax on income or capital gains under the current British Virgin Islands law. In addition, upon payment of dividends to its shareholders, the Company will not be subject to any British Virgin Islands withholding tax.

On January 14, 2020, Greenland established HEVI, its wholly owned subsidiary in the state of Delaware. HEVI promotes sales of sustainable alternative products for the heavy industrial equipment industry, including electric industrial vehicles, in the North American market. On December 22, 2017, the U.S. federal government enacted the 2017 Tax Act. The 2017 Tax Act includes a number of changes in existing tax law impacting businesses, including the transition tax, a one-time deemed repatriation of cumulative undistributed foreign earnings and a permanent reduction in the U.S. federal statutory rate from 35% to 21%, effective on January 1, 2018. ASC 740 requires companies to recognize the effect of tax law changes in the period of enactment, and accordingly, the effects must be recognized on companies' calendar year-end financial statements, even though the effective date for most provisions is January 1, 2018. Since HEVI was established in 2020, the one-time transition tax did not have any impact on the Company's tax provision and there was no undistributed accumulated earnings and profits as of September 30, 2023.

Net Income

Our net income was approximately \$0.19 million for the three months ended September 30, 2023, representing a decrease of approximately \$1.91 million, as compared to that of approximately \$2.10 million for the three months ended September 30, 2022.

For the nine months ended September 30, 2023 and 2022

Overview

| | For the nine months ended September 30 | | | |
|-------------------------------------|---|-------------------|------------------|-----------------|
| | 2023 | 2022 | Change | Variance |
| Revenues | \$67,555,570 | \$71,696,324 | \$(4,140,754) | (5.8)% |
| Cost of Goods Sold | 48,835,766 | 55,676,893 | (6,841,127) | (12.3)% |
| Gross Profit | 18,719,804 | 16,019,431 | 2,700,373 | 16.9% |
| Selling expenses | 1,568,174 | 1,679,600 | (111,426) | (6.6)% |
| General and administrative expenses | 4,771,568 | 3,716,590 | 1,054,978 | 28.4% |
| Research and development expenses | 3,790,931 | 2,968,572 | 822,359 | 27.7% |
| Total Operating Expenses | 10,130,673 | 8,364,762 | 1,765,911 | 21.1% |

| | | | | |
|--|------------------|------------------|--------------------|----------|
| Income from operations | 8,589,131 | 7,654,669 | 934,462 | 12.2% |
| Interest income | 79,318 | 35,239 | 44,079 | 125.1% |
| Interest expenses | (218,949) | (322,641) | 103,692 | (32.1)% |
| Loss on disposal of property and equipment | (443) | (695) | 252 | (36.3)% |
| Other income(loss) | (1,374,809) | 1,418,580 | (2,793,389) | (196.9)% |
| Income before income tax | 7,074,248 | 8,785,152 | (1,710,904) | (19.5)% |
| Income tax | 1,480,595 | 1,392,735 | 87,860 | 6.3% |
| Net income | 5,593,653 | 7,392,417 | (1,798,764) | (24.3)% |

Components of Results of Operations

| Component of Results of Operations | For the nine months ended September 30 | |
|---|---|-------------------|
| | 2023 | 2022 |
| Revenues | \$67,555,570 | \$71,696,324 |
| Cost of Goods Sold | 48,835,766 | 55,676,893 |
| Gross Profit | 18,719,804 | 16,019,431 |
| Operating Expenses | 10,130,673 | 8,364,762 |
| Net Income | 5,593,653 | 7,392,417 |

Revenue

Greenland's revenue was approximately \$67.56 million for the nine months ended September 30, 2023, representing a decrease of approximately \$4.14 million, or 5.8%, as compared to that of approximately \$71.70 million for the nine months ended September 30, 2022. The decrease in revenue was primarily due to logistical and supply chain challenges due to the initial wave of COVID cases following the end of China's zero COVID policies in the first quarter. On an RMB basis, our revenue for the nine months ended September 30, 2023 decreased by approximately 0.1% as compared to that for the nine months ended September 30, 2022.

Cost of Goods Sold

Greenland's cost of goods sold consists primarily of material costs, freight charges, purchasing and receiving costs, inspection costs, internal transfer costs, wages, employee compensation, amortization, depreciation and related costs, which are directly attributable to the Company's manufacturing activities. The write down of inventory using the net realizable value impairment test is also recorded in cost of goods sold. The total cost of goods sold was approximately \$48.84 million for the nine months ended September 30, 2023, representing a decrease by approximately \$6.84 million, or 12.3%, as compared to that of approximately \$55.68 million for the nine months ended September 30, 2022. Cost of goods sold decreased due to the decrease in our sales volume.

Gross Profit

Greenland's gross profit was approximately \$18.72 million for the nine months ended September 30, 2023, representing an increase by approximately \$2.70 million, or 16.9%, as compared to that of approximately \$16.02 million for the nine months ended September 30, 2022. For the nine months ended September 30, 2023 and 2022, Greenland's gross margins were approximately 27.7% and 22.3%, respectively. The increase in gross margin in the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 was primarily due to a shift in Greenland's product mix towards higher value and more sophisticated products, such as hydraulic transmission products.

Operating Expense

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

Selling Expense

Selling expenses mainly comprise of operating expenses such as sales staff payroll, traveling expenses, and transportation expenses. Our selling expenses were approximately \$1.57 million for the nine months ended September 30, 2023, representing a decrease of approximately \$0.11 million, or 6.6%, as compared to approximately \$1.68 million for the nine months ended September 30, 2022. The decrease was mainly due to a decrease in the after-sales service fees for the nine months ended September 30, 2023.

General and Administrative Expenses

General and administrative expenses comprise of management and staff salaries, employee benefits, depreciation for office facility and office furniture and equipment, travel and entertainment expenses, legal and accounting fees, financial consulting fees, and other office expenses. General and administrative expenses were approximately \$4.77 million for the nine months ended September 30, 2023, representing an increase by approximately \$1.05 million, or 28.4%, as compared to that of approximately \$3.72 million for the nine months ended September 30, 2022. The fundamental reasons for the rise in the general and administrative expenses were the following: (i) increased allowance for doubtful accounts and inventory for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022; (ii) increase in staff salary; and (iii) increase in lease cost.

Research and Development (R&D) Expenses

R&D expenses consist of R&D personnel compensation, costs of materials used in R&D projects, and depreciation costs for research-related equipment. R&D expenses were approximately \$3.79 million for the nine months ended September 30, 2023, representing an increase by approximately \$0.82 million, or 27.7%, as compared to that of approximately \$2.97 million for the nine months ended September 30, 2022. Such increase was primarily attributable to an increase in the Company's R&D investment in higher value and more sophisticated products and the electrification of machinery products during the nine months ended September 30, 2023.

Income from Operations

Income from operations for the nine months ended September 30, 2023 was approximately \$8.59 million, representing an increase of approximately \$0.94 million, as compared to that of approximately \$7.65 million for the nine months ended September 30, 2022.

Interest Income and Interest Expenses

Greenland's interest income was approximately \$0.08 million for the nine months ended September 30, 2023, representing an increase of approximately \$0.04 million, or 125.1%, as compared to that of approximately \$0.04 million for the nine months ended September 30, 2022. The increase in interest income was because more cash was deposited in banks during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Greenland's interest expenses were approximately \$0.22 million for the nine months ended September 30, 2023, representing a decrease of approximately \$0.10 million, or 32.1%, as compared to that of approximately \$0.32 million for the nine months ended September 30, 2022. The decrease was primarily due to a decrease of our short-term loans for the nine months ended September 30, 2023, compared to those for the nine months ended September 30, 2022.

Other Income (loss)

Greenland's other loss was approximately \$1.37 million for the nine months ended September 30, 2023, a decrease of approximately \$2.79 million, or 196.9%, as compared to approximately \$1.42 million in other income for the nine months ended September 30, 2022. The decrease was primarily due to an increase in investment loss for the nine months ended September 30, 2023, compared to those for the nine months ended September 30, 2022.

Income Taxes

Greenland's income tax was approximately \$1.48 million for the nine months ended September 30, 2023, as compared to that of approximately \$1.39 million for the nine months ended September 30, 2022.

Net Income

Our net income was approximately \$5.59 million for the nine months ended September 30, 2023, representing a decrease of approximately \$1.80 million, as compared to that of approximately \$7.39 million for the nine months ended September 30, 2022.

Liquidity and Capital Resources

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

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

For the nine months ended September 30, 2023, our PRC subsidiary, Zhejiang Zhongchai, paid off approximately \$8.81 million in bank loan, and approximately \$0.43 million in third parties loan, and maintained \$15.46 million cash on hand. We plan to maintain the current debt structure and rely on governmentally supported loans with lower costs, if necessary.

Government subsidies mainly consist of an incentive granted by the Chinese government to encourage transformation of fixed assets in China and other miscellaneous subsidies from the Chinese government. Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and all conditions be completed. Total government subsidies recorded under long-term liabilities were \$1.58 million and \$1.81 million on September 30, 2023 and December 31, 2022, respectively.

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

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

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

Historically, we have expended considerable resources on building a new factory and paid off a considerable amount of debt, resulting in less available cash. However, we anticipate that our cash flow will continue to improve for the remainder of fiscal year 2023. More specifically, Zhejiang Zhongchai has completed the construction of a new factory, and our PRC subsidiaries have received COVID-19 related government subsidies. Furthermore, Zhejiang Zhongchai pledged the deed of its new factory as a collateral to banks in order to obtain additional loans, refinance expiring loans, restructure short-term loans, and fund other working capital needs upon acceptable terms to Greenland.

Cash and Cash Equivalents

Cash equivalents refers to all highly liquid investments purchased with original maturity of three months or less. As of September 30, 2023, Greenland had approximately \$21.54 million of cash and cash equivalents, representing an increase of approximately \$5.25 million, or 32.21%, as compared to that of approximately \$16.30 million as of December 31, 2022. The increase of cash was mainly attributable to the decrease of short-term investment, as compared to that as of December 31, 2022.

Restricted Cash

Restricted cash represents the amount held by a bank as security for bank acceptance notes and therefore is not available for use until the bank acceptance notes are fulfilled or expired, which typically takes less than twelve months. As of September 30, 2023, Greenland had approximately \$2.80 million of restricted cash, representing a decrease of approximately \$0.63 million, or 18.34%, as compared to that of approximately \$3.43 million as of December 31, 2022. The decrease of restricted cash was due to a decrease of mortgaged assets.

Accounts Receivable

As of September 30, 2023, Greenland had approximately \$20.83 million of accounts receivables, representing an increase of approximately \$6.49 million, or 45.26%, as compared to approximately \$14.34 million as of December 31, 2022. The increase in accounts receivable was due to our slowed-down efforts in receivables collections due to the poor market conditions.

Greenland recorded approximately \$1.09 million and \$0.76 million of provision for doubtful accounts as of September 30, 2023 and December 31, 2022. Greenland conducted an aging analysis of each customer's delinquent payments to determine whether allowance for doubtful accounts is adequate. In establishing the allowance for doubtful accounts, Greenland considers historical experience, economic environment, and expected collectability of past due receivables. An estimate of doubtful accounts is recorded when collection of the full amount is no longer probable. When bad debts are identified, such debts are written off against the allowance for doubtful accounts. Greenland will continuously assess its potential losses based on the credit history of and relationships with its customers on a regular basis to determine whether its bad debt allowance on its accounts receivables is adequate. Greenland believes that its collection policies are generally in line with the transmissions industry's standard in PRC.

Due from Related Party

Due from related party was \$34.68 million and \$36.67 million as of September 30, 2023 and December 31, 2022, respectively. The balance of due from related parties as of September 30, 2023 and December 31, 2022 consisted primarily of other receivables from Cenntro Holding Limited in the amount of \$34.46 million and \$36.46 million as of September 30, 2023 and December 31, 2022, respectively.

Notes Receivable

As of September 30, 2023, Greenland had approximately \$32.40 million of notes receivables, which Greenland expects to collect within the next six months. The increase of Greenland's notes receivables was approximately \$3.65 million, or 12.71%, from that of approximately \$28.75 million as of December 31, 2022.

Working Capital

Greenland's working capital was approximately \$68.37 million as of September 30, 2023, as compared to that of \$66.16 million as of December 31, 2022, representing an increase of \$2.22 million during the nine months ended September 30, 2023.

Cash Flow

| | For the nine months ended September 30, | |
|--|--|-----------------------|
| | 2023 | 2022 |
| Net cash used in (used in) operating activities | \$ 441,455 | \$ (6,121,235) |
| Net cash provided by (used in) investing activities | \$ 1,223,348 | \$ 356,085 |
| Net cash provided by financing activities | \$ 1,386,827 | \$ 3,961,098 |
| Net increase in cash and cash equivalents and restricted cash | \$ 3,051,630 | \$ (1,804,052) |
| Effect of exchange rate changes on cash and cash equivalents | \$ 1,567,033 | \$ (969,309) |
| Cash and cash equivalents and restricted cash at beginning of year | \$19,729,056 | \$17,800,892 |
| Cash and cash equivalents and restricted cash at end of year | \$24,347,719 | \$15,027,531 |

Operating Activities

Greenland's net cash provided by (used in) operating activities were approximately \$0.44 million and \$(6.12) million for the nine months ended September 30, 2023 and 2022, respectively.

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

For the nine months ended September 30, 2022, the main sources of cash inflow from operating activities were net income, change in notes receivable, and depreciation and amortization, with each amounted to approximately \$7.39 million, \$2.18 million and \$1.85 million, respectively. The main causes of cash outflow were changes in other current and noncurrent assets and accounts receivables, representing decreases of approximately \$11.40 million and \$4.39 million, respectively.

Investing Activities

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

Net cash provided by investing activities resulted in a cash inflow of approximately \$0.36 million for the nine months ended September 30, 2022. Cash provided by investing activities for the nine months ended September 30, 2022 was mainly due to \$0.72 million in proceeds from government grants for construction, offset by approximately \$0.36 million used for purchases of long-term assets.

Financing Activities

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

Net cash provided by financing activities resulted a cash inflow of approximately \$3.96 million for the nine months ended September 30, 2022, which was mainly attributable to approximately \$10.85 million in proceeds from short-term bank loans and approximately \$9.20 million in proceeds from equity and debt financing. Such amounts were further offset by repayment of short-term bank loans of approximately \$9.92 million and repayment of notes payable of approximately \$4.28 million.

Credit Risk

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

Liquidity Risk

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

Inflation Risk

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

Critical Accounting Policies and Estimates

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

Revenue Recognition

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

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

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

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

Business Combination

On October 24, 2019, we consummated the Business Combination with Zhongchai Holding following a special meeting of the shareholders where the shareholders of Greenland considered and approved, among other matters, a proposal to adopt an share exchange agreement (the "Share Exchange Agreement"), dated as of July 12, 2019 by and among (i) Greenland, (ii) Zhongchai Holding, (iii) the Sponsor in the capacity as the purchaser representative, and (iv) Cenntro Holding Limited, the sole member of Zhongchai Holding.

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

Pursuant to that certain finder agreement with Hanyi Zhou dated May 29, 2019, 50,000 newly issued ordinary shares were issued to Hanyi Zhou as a finder's fee for the Business Combination.

Inventories

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

using the weighted average method and comprise direct materials, direct labor and an appropriate proportion of overhead.

Income Taxes

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

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

Emerging Growth Company

Pursuant to the Jumpstart Our Business Startups Act (the “JOBS Act”), an emerging growth company is provided the option to adopt new or revised accounting standards that may be issued by FASB or the SEC either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies. We intend to continue to take advantage of the exemption for complying with new or revised accounting standards within the same time periods as private companies. Accordingly, the information contained herein may be different than the information you receive from other public companies. We also intend to continue to take advantage of some of the reduced regulatory and reporting requirements of emerging growth companies pursuant to the JOBS Act so long as we qualify as an emerging growth company, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation, and exemptions from the requirements of holding non-binding advisory votes on executive compensation and golden parachute payments.

Off Balance Sheet Arrangements

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended 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 Securities Exchange Act of 1934, as amended is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

As of September 30, 2023, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based upon such evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were ineffective. Such conclusion is based on the presence of the following material weakness in internal control over financial reporting as of September 30, 2023:

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

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

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

Inherent limitation on the effectiveness of internal control

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

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

Changes in Internal Control Over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS.

Summary of Risk Factors

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

Risks Related to Our Business and Industry

For more detailed discussions of the following risks, see “Risk Factors—Risks Related to our Business and Industry” on pages [21] through [27].

- Our subsidiaries’ business operations are cash intensive, and our subsidiaries’ business could be adversely affected if we fail to maintain sufficient levels of liquidity and working capital;
- We grant relatively long payment terms for accounts receivable which can adversely affect our cash flow;
- Our subsidiaries face short lead-times for delivery of products to customers. Failure to meet delivery deadlines could result in the loss of customers and damage to our reputation and goodwill;
- Our subsidiaries face intense competition, and if we are unable to compete effectively, we may not be able to maintain profitability;
- Our revenues are highly dependent on a limited number of customers and the loss of any one of our subsidiaries’ major customers could materially and adversely affect our growth and revenues;
- As our subsidiaries expand their operations, they may need to establish a more diverse supplier network for raw materials. The failure to secure a more diverse supplier network could have an adverse effect on our financial condition;
- To remain competitive, our subsidiaries are introducing new lines of business, including the production and sale of electric industrial heavy equipment. If these efforts are not successful, our results of operations may be materially and adversely affected;
- New lines of business, including the production and sale of electric industrial heavy equipment, may subject us and our subsidiaries to additional risks;
- Volatile steel prices can cause significant fluctuations in our operating results. Our revenues and operating income could decrease if steel prices increase or if our subsidiaries are unable to pass price increases on to their customers; and

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

Risks Related to Doing Business in China

For more detailed discussions of the following risks, see “Risk Factors—Risks Related to Doing Business in China” on pages [27] through [37].

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

- Our subsidiaries may be liable for improper use or appropriation of personal information provided by their customers and any failure to comply with PRC laws and regulations over data security could result in materially adverse impact on our business, results of operations, and our continued listing on Nasdaq;
- You may have difficulty enforcing judgments against us;
- Under the PRC Enterprise Income Tax Law, we may be classified as a “Resident Enterprise” of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC shareholders;
- PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from using proceeds from our future financing activities to make loans or additional capital contributions to our PRC subsidiaries;
- We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct business;
- Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment;
- U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China; and
- Our securities may be delisted and prohibited from being traded under the HFCA Act if the PCAOB is unable to inspect our auditor in the future. Any future delisting and cessation of trading of our securities, or the threat of their being delisted and prohibited from being traded, may materially and adversely affect the value of your investment. Additionally, any inability of the PCAOB to conduct inspections of our auditor in the future would deprive our investors of the benefits of such inspections. See “Risk Factors—Risks Related to Doing Business in China—A recent joint statement by the SEC and the PCAOB, proposed rule changes submitted by Nasdaq, and the HFCA Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB.”

Risks Related to Our Ordinary Shares

For more detailed discussions of the following risks, see “Risk Factors—Risks Related to Our Ordinary Shares” on pages [38] through [39].

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

Risks Related to our Business and Industry

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

As of September 30, 2023, we had approximately \$21.54 million of cash and cash equivalents. Historically, we have spent a significant amount of cash on our operational activities, principally to procure raw materials for our subsidiaries' products. Our short-term loans are from Chinese banks and are generally secured by a portion of our fixed assets, land use rights and/or guarantees by related parties. Certain of these loans are secured against a portion of the shares of our PRC subsidiaries. The term of a majority of such loans is one year. Historically, we rolled over such loans on an annual basis. However, we may not have sufficient funds available to pay all of our borrowings upon maturity in the future. Failure to roll over our short-term borrowings at maturity or to service our debt could result in a transfer of the ownership of a portion of the shares of our PRC subsidiaries to secured lenders, the imposition of penalties, including increases in interest rates, legal actions against us by our creditors, and even insolvency.

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

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

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

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

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

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

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

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

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

During the nine months ended September 30, 2023 and 2022, our five largest customers contributed 47.73% and 50.78% of our revenues, respectively. For the nine months ended September 30, 2023 and 2022, Greenland's single largest customer, Hangcha Group, accounted for 16.14% and 18.86%, respectively, of Greenland's total revenue, and Greenland's second largest customer, Longgong Forklift Truck, accounted for 11.39% and 13.36%, respectively, of Greenland's total revenue. As a result of our subsidiaries' reliance on a limited number of customers, our subsidiaries may face pricing and other competitive pressures, which may have a material adverse effect on our profits and our revenues. The volume of products sold for specific customers varies from year to year, especially since our subsidiaries are not the exclusive provider for any customers. In addition, there are a number of factors that could cause the loss of a customer or a substantial reduction in the products that our subsidiaries provide to any customer that may not be predictable. For example, our subsidiaries' customers may decide to reduce spending on our subsidiaries' products or a customer may no longer need our subsidiaries' products following the completion of a project. The loss of any one of our subsidiaries' major customers, a decrease in the volume of sales to our subsidiaries' customers or a decrease in the price at which our subsidiaries sell their products to customers could materially adversely affect our profits and revenues.

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

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

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

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

Prior to December 2020, through Zhongchai Holding and its PRC subsidiaries, our products mainly included transmission systems and integrated powertrains for material handling machineries, particularly for electric forklift trucks. In December 2020, through HEVI, we launched a new division to focus on the production and sale of electric industrial heavy equipment—a division that Greenland intends to develop to diversify its product offerings. HEVI's electric industrial heavy equipment products currently include GEF-series electric forklifts, a series of lithium powered forklifts with three models ranging in size from 1.8 tons to 3.5 tons, GEL-1800, a 1.8 ton rated load lithium powered electric wheeled front loader, GEX-8000, an all-electric 8.0 ton rated load lithium powered wheeled excavator, and GEL-5000, an all-electric 5.0 ton rated load lithium wheeled front loader. These products are available for purchase in the U.S. market. In August 2022, HEVI launched a 54,000 square foot industrial electric vehicle assembly site in Baltimore, Maryland to support local services, assembly and distribution of its electric industrial heavy equipment product line.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HEVI, our subsidiary in the U.S., maintains commercial general liability insurance for its business operations. However, our PRC subsidiaries have limited insurance coverage for their operations in China, and our PRC subsidiaries are therefore exposed to risks associated with product liability claims against our PRC subsidiaries or otherwise against their operations in the PRC in the event that the use of our PRC subsidiaries' products results in property damage or personal injury. Since our subsidiaries' transmission products are ultimately incorporated into forklifts, it is possible that users of forklifts or people installing these products could be injured or killed, whether as

a result of defects, improper installation or other causes. We are unable to predict whether product liability claims will be brought against our PRC subsidiaries in the future or to predict the impact of any resulting adverse publicity on our PRC subsidiaries' business. The successful assertion of product liability claims against our PRC subsidiaries could result in potentially significant monetary damages and require us to make significant payments. Our subsidiaries do not carry product liability insurance and may not have adequate resources to satisfy a judgment in the event of a successful claim against us. In addition, our subsidiaries do not currently, and may not in the future, maintain business interruption insurance coverage. As such, our subsidiaries may suffer losses that result from interruptions in their operations as a result of inability to operate or failures of equipment and infrastructure at our subsidiaries' facilities. Our subsidiaries also do not currently maintain catastrophe insurance. As such, any natural disaster or man-made disaster could result in substantial losses and diversion of our subsidiaries' resources to address the effects of such an occurrence, which could materially and adversely affect our subsidiaries' business and our financial condition and results of operations.

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

Our PRC subsidiaries are required under PRC laws to participate in various government sponsored employee benefit plans, including social security insurance, housing funds and other welfare-oriented payments, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where our PRC subsidiaries operate their businesses. Our PRC subsidiaries have not made adequate employee benefit payments to the social security insurance and the housing fund. As a result, they may be required to make up the contributions for these plans within a stipulated period of time. In addition, our PRC subsidiaries may be required to pay late fees equal to 0.05% of the shortage of the contributions to the social security fund for each day our PRC subsidiaries fail to make up the contributions and may be imposed fines up to three times of such shortage if our PRC subsidiaries fail to make up the difference within the time frame prescribed by relevant government authorities. The maximum amount of such penalties that we anticipate could be imposed on our PRC subsidiaries with respect such employee benefits payments is approximately US\$200,000. If our PRC subsidiaries are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected. As of the date of this Report, our PRC subsidiaries have not been ordered to pay outstanding contributions or related penalties.

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

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

We are subject to risks related to a substantial balance due from a related party.

As of September 30, 2023, we were owed \$34.46 million from Cenntro Holding Limited, an entity controlled by Mr. Peter Wang, the chairman of our board of directors, and such amount is recorded as "due from related parties" on our balance sheet. We expect the amount due from Cenntro Holding Limited to be paid back based on certain payment schedules, with the last payment to be made by June 30, 2024, as the Company and Cenntro Holding Limited mutually agreed to an extension of the repayment deadline from April 27, 2022. However, there is no guarantee that such amount will be repaid in whole or in part before the end of June 2024, or at all. Such failure to be paid back by Cenntro Holding Limited could have a material negative impact on our balance sheet.

The ongoing COVID-19 pandemic could adversely affect our business, results of operations and financial condition.

The ongoing COVID-19 pandemic has continued to spread across the world and has created unique global and industry-wide challenges. COVID-19 has resulted in quarantines, travel restrictions, and the temporary closure of offices and facilities in China and many other countries. New COVID-19 variants have also emerged, potentially extending the period during which COVID-19 will negatively impact the global economy.

Since 2021, a few waves of COVID-19 infections emerged in various regions of China, and in response, the Chinese government implemented certain anti-COVID measures and protocols. Chinese industries have gradually resumed businesses as the Chinese government lifted its COVID-19 protocols and measures since December 2022. For the

nine months ended September 30, 2023 and 2022, we experienced rising raw material costs which we believe to be short term. We believe that the impact is short-term and is expected to stabilize in early 2024.

However, the potential downturn brought by, and the duration of, the COVID-19 pandemic may be difficult to assess or predict, and any associated negative impact on us will depend on many factors beyond our control. The extent to which the COVID-19 pandemic impacts our future results remains uncertain, and we are closely monitoring its impact on us. Our subsidiaries' business and our results of operations, financial conditions and prospects could be adversely affected directly, as well as indirectly, to the extent that the ongoing COVID-19 pandemic harms the Chinese and global economy in general.

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

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

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

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

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

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

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

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

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

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

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

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and Russia’s launch of a full-scale military invasion of Ukraine in February 2022. Although the length and impact of the ongoing military conflict is highly unpredictable, the war in Ukraine has led to market disruptions, including significant volatility in commodity prices, credit, and capital markets. In addition, as a result of the ongoing conflict between Russia and Ukraine, we may experience other risks, difficulties and challenges in the way we conduct our business and operations generally. For example, the conflict could adversely affect supply chains and impact our ability to control raw material costs. A protracted conflict between Ukraine and Russia, any escalation of that conflict, and the wider global economy and market conditions could, in turn, have a material adverse impact on our business, financial condition, cash flows and results of operations and could cause the market value of our ordinary shares to decline.

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

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

Risks Related to Doing Business in China

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, the PRC government authorities may strengthen future oversight over offerings that are conducted overseas. For instance, on July 6, 2021, the relevant PRC governmental authorities promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities, which emphasized the need to strengthen the PRC government's supervision over overseas listings by PRC companies. Pursuant to the Opinions, effective measures, such as promoting the construction of relevant regulatory systems, are to be taken to deal with the risks of China-based overseas-listed companies, cybersecurity and data privacy protection requirements and similar matters. The

Cybersecurity Review Measures (Decree No. 8 of the Cybersecurity Administration of the PRC), or the revised Cybersecurity Review Measures, enacted on December 28, 2021 and came into effect on February 15, 2022, also require online platform operators holding over one million users' personal information to apply for a cybersecurity review before any public offering on a foreign stock exchange. These statements and regulations are recently issued, and there remain substantial uncertainties about their interpretation and implementation. See also “—*Our PRC subsidiaries may be liable for improper use or appropriation of personal information provided by their customers and any failure to comply with PRC laws and regulations over data security could result in materially adverse impact on our business, results of operations, and our continued listing on Nasdaq.*”

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

On February 17, 2023, the CSRC published the Regulations of Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Measures") and its accompanying guidelines and instructions, which came into effect on March 31, 2023, and will apply if a domestic enterprise issues shares, depositary receipts, corporate bonds convertible into shares, or other securities of an equity nature outside of the PRC, or lists its securities for trading outside of the PRC. According to such regulations, a domestic enterprise that issues and lists its securities outside of the PRC shall comply with the filing procedures and report the relevant information to the CSRC. A domestic enterprise shall not be listed on an overseas stock exchange if any of the following circumstances exists: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; (v) where there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. The Trial Measures changes the management of licensing to record management, strengthen the supervision in the aftermath, create a more transparent and predictable institutional environment, and support the standardized development of enterprises using the overseas capital market.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic conditions in China are sensitive to global economic conditions, changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. While the economy in China has grown significantly over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing in recent years. Although growth of China’s

economy remained relatively stable, there is a possibility that China's economic growth may materially decline in the near future. Any severe or prolonged slowdown in the global or PRC economy may materially and adversely affect our business, results of operations and financial condition.

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You may have difficulty enforcing judgments against us.

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

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

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

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

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

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

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

As a holding company, we conduct a substantial amount of our business through our subsidiaries in China. We may rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. In accordance with the Article 166, 168 of the Company Law of the PRC (Amended in 2018), each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory common reserve fund of a company may only be used to cover the losses of the company, expand the business and production of the company or be converted into additional capital. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict such subsidiary's ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

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

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

PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

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

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

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

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

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

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

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

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

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

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a significant portion of our revenues in Renminbi. Under our current corporate structure, our British Virgin Islands holding company may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE, by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our Company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. If such approval is withheld or the PRC government imposes other restrictions on the convertibility of Renminbi into foreign currencies, we may not be able to utilize our revenues effectively, and as a result, our business and results of operations may be materially adversely affected, and the value of our ordinary shares may decrease.

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

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

A recent joint statement by the SEC and the PCAOB, proposed rule changes submitted by Nasdaq, and the HFCA Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB.

On April 21, 2020, SEC Chairman Jay Clayton and PCAOB Chairman William D. Duhnke III, along with other senior SEC staff, released a joint statement highlighting the risks associated with investing in companies based in or having substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets.

On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply minimum offering size requirement for companies primarily operating in “Restrictive Market,” (ii) adopt a new requirement relating to the qualification of management or board of directors for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company’s auditors.

On May 20, 2020, the Senate passed the HFCA Act, requiring a foreign company to certify that it is not owned or manipulated by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company’s auditors for three consecutive years, the company’s securities are prohibited from trading on a national exchange.

On March 24, 2021, the SEC announced that it had adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the HFCA Act . The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report on Forms 10-K, 20-F, 40-F or N-CSR with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction. The SEC will implement a process for identifying such a registrant and any such identified registrant will be required to submit documentation to the SEC establishing that it is not owned or controlled by a governmental entity in that foreign jurisdiction, and will also require disclosure in the registrant’s annual report regarding the audit arrangements of, and governmental influence on, such a registrant. We will be required to comply with these rules if the SEC identifies us as having a “non-inspection” year under the related process that will be implemented by the SEC.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act and on December 29, 2022, the Consolidated Appropriations Act was signed into law by President Biden, which contained, among other things, an identical provision to Accelerating Holding Foreign Companies Accountable Act and amended the Holding Foreign Companies Accountable Act by requiring the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period before our securities may be prohibited from trading or delisted.

On September 22, 2021, the PCAOB adopted rules to create a framework for the PCAOB to use when determining, as contemplated under the HFCA Act, whether it is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction.

On December 2, 2021, the SEC adopted amendments to finalize rules implementing the submission and disclosure requirements in the HFCA Act. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB is unable to inspect or investigate completely because of a position taken by an authority in a foreign jurisdiction.

On December 16, 2021, the PCAOB issued a report on its determinations that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in China and in Hong Kong because of positions taken by PRC and Hong Kong authorities in those jurisdictions. The PCAOB has made such designations as mandated under the HFCA Act. Pursuant to each annual determination by the PCAOB, the SEC will, on an annual basis, identify issuers that have used non-inspected audit firms and thus are at risk of such suspensions in the future.

On August 26, 2022, the CSRC, the MOF, and the PCAOB signed the Protocol, governing inspections and investigations of audit firms based in China and Hong Kong. The Protocol remains unpublished and is subject to further explanation and implementation. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. On December 15, 2022, the PCAOB Board determined that the PCAOB was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous determinations to the contrary. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB’s access in the future, the PCAOB Board will consider the need to issue a new determination.

The PCAOB has been able to inspect our auditor, WWC P.C., an independent registered public accounting firm with its headquarters in San Mateo, California, with its last inspection conducted in November 2021. As such, it is not subject to the designations issued by the PCAOB on December 16, 2021. However, if the PCAOB is unable to inspect our accounting firm in a foreign jurisdiction during any period of three consecutive years or we become owned or controlled by a government in that foreign jurisdiction in the future, the HFCA Act may require our

ordinary shares to be delisted from the Nasdaq Stock Market or any exchange on which our securities are traded in the future.

The recent developments would add uncertainties to our offering and may result in prohibitions on the trading of our ordinary shares on the Nasdaq Stock Market, if our auditors fail to meet the PCAOB inspection requirement in time.

We plan to empower our audit committee to take the PCAOB's lack of inspection, as applicable, into account in connection with the oversight of our independent registered public accounting firm's audit procedures and establish relevant internal quality control procedures. However, we cannot assure you that our audit committee's oversight would be effective. In addition, the SEC may initiate proceedings against our independent registered public accounting firm, whether in connection with an audit of our Company or other China-based companies, which could result in the imposition of penalties against our independent registered public accounting firm, such as suspension of its ability to practice before the SEC. All of these could cause our shareholders and investors to lose confidence in our reported financial information and procedures and the quality of our financial statements, which may have a material effect on our business.

Risks Related to Our Ordinary Shares

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

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

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

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

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

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

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

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

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of British Virgin Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Under British Virgin Islands law, a British Virgin Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us

from our subsidiaries, our financial condition, contractual restrictions, and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ordinary shares will likely depend entirely upon any future price appreciation of our ordinary shares. There is no guarantee that our ordinary shares will appreciate in value or even maintain the price at which you purchased the ordinary shares. You may not realize a return on your investment in our ordinary shares and you may even lose your entire investment in our ordinary shares.

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

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

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

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

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

There were no unregistered sales of the Company's equity securities during the nine months ended September 30, 2023 that were not previously disclosed in reports filed with the SEC.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

No senior securities were issued and outstanding during the nine-month period ended September 30, 2023.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

(a) Exhibits

| Exhibit | Exhibit Description |
|---------------------|--|
| 3.1 ⁽²⁾ | Memorandum and Articles of Association. |
| 3.2 ⁽²⁾ | Amended and Restated Articles of Association. |
| 3.3 ⁽¹⁾ | Second Amended and Restated Articles of Association. |
| 3.4 ⁽³⁾ | Amended and Restated Memorandum and Articles of Association, effective on October 24, 2019. |
| 10.1 ⁽⁴⁾ | 2020 Equity Incentive Plan |
| 10.2 ⁽⁵⁾ | 2021 Equity Incentive Plan |
| 31.1* | Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

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

* Filed herewith.

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

SIGNATURES

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

Date: November 20, 2023

Greenland Technologies Holding Corp.

/s/ Raymond Z. Wang

Raymond Z. Wang

Chief Executive Officer and President